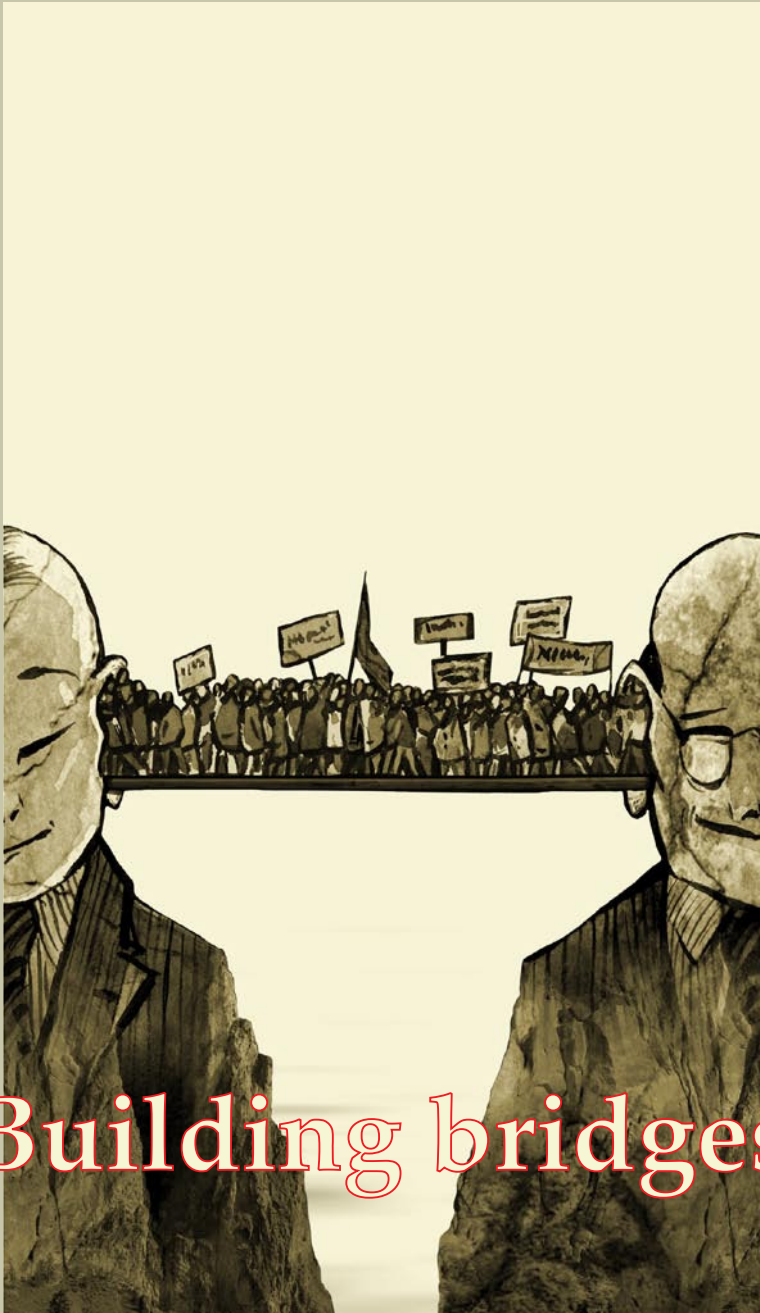


# CENTER FOR THE STUDY OF DEMOCRACY

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ANNUAL REPORT 2015



**Building bridges**



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**CENTER FOR THE STUDY OF DEMOCRACY  
2015 ANNUAL REPORT**

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Drawing: Anri Koulev

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5 Alexander Zhendov St., 1113 Sofia, Bulgaria

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# Center for the Study of Democracy

*Building Bridges between Scholars and Policy Makers*

Founded in late 1989, the Center for the Study of Democracy (CSD) is an interdisciplinary public policy institute dedicated to the values of democracy and market economy. CSD is a non-partisan, independent organization fostering the reform process in Bulgaria through impact on policy and civil society.

“Building bridges” is the old-fashioned way of bringing together social actors and cementing new alliances. Born as a think-tank, the Center for the Study of Democracy has evolved into policy development through dialogue and partnership.

Bringing cutting-edge solutions to transition problems is our way of keeping the middle ground between academia and social practice.

The CSD has pioneered in several areas traditionally perceived as the inviolable public property, such as anti-corruption institutional reform, and national security.

Our belief is that bringing a new culture of cooperation and trust in a milieu of inherited fragmentation and opacity is equally rewarding as the achievement of concrete social goals.

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# Introduction

“Bridges”, Nobel laureate Ivo Andrić wrote, “show the place where humankind encountered an obstacle and did not stop before it.” The Center for the Study of Democracy was created 25 years ago, at a time when a major international rupture started to be bridged. The 1990s, however, saw the great East-West divide that defined the post-war period fractured into a multitude of smaller gaps – each easier to straddle yet formidable because of their sheer number.

From the very beginning, CSD assumed a daunting task – to reconcile the process of adoption in Bulgaria of the best international standards of public governance with the inertia of the social and institutional environment in the country. This required the skill of bringing together foreign partners – individual governments, international organizations, donor agencies, think tanks – with local allies – reformist politicians, civil society organizations, the budding business community. Whether hosting the Council of Europe and the American Bar Association’s Central and East European Law Initiative, or working with the U.S. Agency for International Development and Norway’s development assistance mechanism, the Center helped international partners navigate the Bulgarian social and political landscape while assisting national institutions in their adaptation to new concepts and modes of operation. Building on that experience, CSD has also led a regional initiative in Southeast Europe which promotes good governance in the context of EU integration.

Reforms require the dislocation of entrenched – and often corrupt – interests. Recognizing that only an alliance could be up to this task, CSD sought to build public-private platforms in all its reform projects. When the Center advanced the idea of NGOs engaging government and business allies for transforming practices, laws or institutions in Bulgaria, it met with initial skepticism – the mistrust between civil society and government had been considerable. Through CSD’s leadership, however, it is now widely acknowledged that such partnerships are neither a form of collusion nor of confrontation but of ‘constructive engagement’. Thus, the Center has managed to get this public-private partnership model to deliver results in fields as diverse as fighting corruption and establishing the ombudsman institution.

A bridge that has been particularly difficult to build – but, consequently, rewarding when achieved – has been the one between contemplation and action. Being a ‘think’ as well as an ‘action’ tank, the Center has made some of its most momentous impacts by converting research findings into policy recommendations. Throughout the years, CSD generated specialized knowledge in a number of fields – law, economics, security, social inclusion – and translated that knowledge into policy options. By combining scholarly excellence with impact orientation, the Center has managed to introduce evidence-based policy making to Bulgaria, especially in fields such as good governance, security and energy.

Divides had to be bridged also within the knowledge community. Providing actionable analysis in areas that had fairly recently come into the policy focus –

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corruption measurement, organized crime, energy security – required devising of innovative methods and analytical tools. By blending, for example, criminological research with market analysis CSD contributed to a breakthrough in government policy on illegal cross-border trade.

The track record established by way of this constructive approach has made CSD a creditable partner in collaborative international work in the European Union and beyond.



Sofia, January 2016

Dr. Ognian Shentov  
Chairman

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# **Part One**

## **Program Reviews**



## Law Program

In 2015, the Law Program's efforts were focused on four main topics: public confidence in justice, judicial and regulatory reform, penitentiary reform, and fundamental rights.

- **Public confidence in justice.** The Law Program continued its efforts in studying and measuring public confidence in justice in the context of new forms of criminality, particularly of cybercrime. The main research findings in selected Member States (Italy, Finland, and Bulgaria) were presented in a comprehensive comparative report on public attitudes to cybercrime and in a policy brief.
- **Judicial and regulatory reform.** Expert assistance was provided to the Ministry of Justice and the Supreme Judicial Council, in optimising the structure of the judiciary, including reducing the number of courts, as well as in drafting legislative amendments facilitating judicial and regulatory reform. CSD reiterated the need for an overall reform of the system of official registers in Bulgaria and in particular for streamlining the registration of non-profit legal entities and reducing the administrative burden stemming from registration procedures.
- **Penitentiary reform.** CSD assisted Bulgarian authorities by suggesting and promoting research-based solutions to the existing problems in the penitentiary system. Furthering previous efforts in the field, the Law Program published a state-of-the-art *Prison Conditions Monitoring Index* (PCMI) and a handbook on vulnerable groups of prisoners. Further opportunities for improving the situation of drug users in prison were explored. The efforts in promoting innovative penitentiary approaches were welcomed by both the European Commission and the Bulgarian authorities.
- **Fundamental rights.** As a member of the FRANET network of the EU Fundamental Rights Agency, CSD collected data and information for the Agency's comparative studies. CSD also provided assistance and actively contributed to the ongoing initiatives within the FRA Platform. CSD's work included protection of fundamental rights of specific social groups through facilitating the interaction between vulnerable communities and the state, and exploring the situation of young Europeans planning to exercise their right to free movement.

### I. Public confidence in justice and new forms of crime

2015 saw the closing of the three-year research of the Law Program under the

FIDUCIA initiative ([www.fiduciaproject.eu](http://www.fiduciaproject.eu)). The main focus of this joint effort of lawyers, psychologists, sociologists, statisticians, criminologists, and policy analysts from thirteen European univer-

sities and research institutes was measuring public confidence in justice in light of new criminal behaviors, such as trafficking of human beings, trafficking of goods, illegal migration, and cybercrime. CSD was leading the work on **cyber-crime**, which examined the dynamics of that type of crime, studied national and international legal framework, policies, and strategies, identified best practices in self-regulations and ‘trust-based’ alternatives that might prove more effective. Recommendations were made for implementing these approaches and improving the traditional instruments.

In 2015 volume 3 of the series *FIDUCIA: New European crimes and trust-based policy* was published. The Law Program prepared the chapter *Report on self-regulation and other non-legislative practices against cybercrime*.

The first results of the national survey on trust and attitudes to justice, part of a joint effort of partners from 7 Member States, were presented by Dr. Todor Galey and Dr. Maria Yordanova and discussed at a meeting with partner organisations in Oxford in January 2015. The survey design included a separate set of questions on public attitudes towards and public awareness of cybercrime. The surveys in selected Member States (Italy, Finland, and Bulgaria) covered the attitudes of citizens towards cybercrime, public awareness of cybercrime, public tolerance of certain types of cybercrime,

and public attitudes towards policies on countering cybercrime. Among others, the survey results showed a **clear cross-national consensus about which cyber activities were perceived by the public to be immoral**.

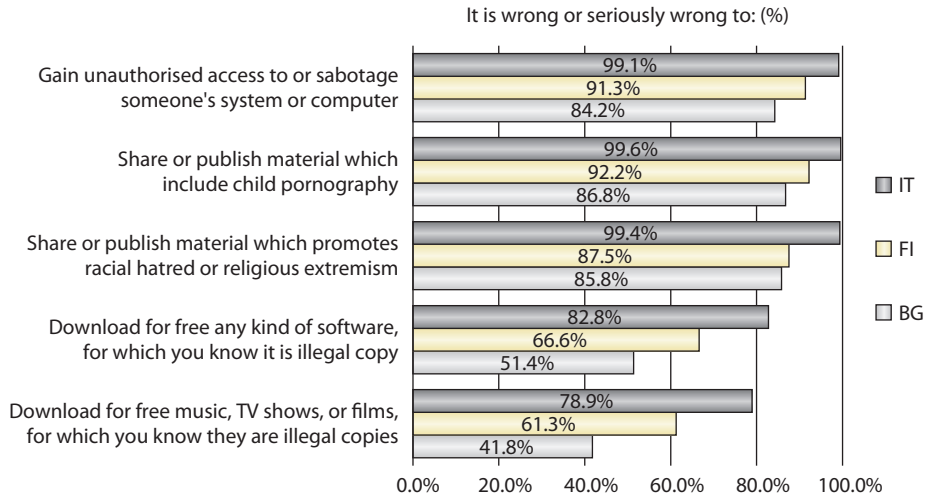
Based on survey data and its own research, as well as on contributions by partners from other EU Member States, in 2015 CSD produced its last comprehensive study under the FIDUCIA initiative – **Report on Public Attitudes to Cybercrime**. It reviews a selection of existing international and national studies and surveys on public attitudes towards cybercrime and the factors that generate different perceptions. The study examines awareness of cybercrime, tolerance of certain types of cybercrime, and attitudes of the European public towards policies for countering cybercrime, by presenting and analysing the results of the FIDUCIA survey on trust-based policies and public perceptions of cybercrime. The results of the study demonstrate that on the one hand, public confidence both in cyber-security and in the authorities’ ability to effectively control cyberspace remains low and, on the other, people express most moral condemnation of activities such as sharing child pornography; and least condemnation of illegal downloading (for instance, of music or films).

The research provided policy makers and law enforcement agencies on the national and the European level with

“The cross-border nature of cybercrime affecting both governments and private actors increasingly incentivises active-role business and non-governmental organisations to ensure a safe and secure cyber space and counter global threats through a variety of tools, rules, and innovations, as well as by developing and participating in diverse cooperation mechanisms at national and international levels including public-private partnerships.”

*Source: FIDUCIA: New European crimes and trust-based policy, Volume 3, 2015, edited by Stefano Maffei & Edith Stephany Carillo Calderon, p. 80.*

## Public attitudes to cybercrime



Source: FIDUCIA survey, 2014 – 2015.



Seminar Cybercrime on national and international policies and private sector, Salamanca University

## Recommendations

Development of **trust-based policies at the EU and Member State level in relation to emerging new criminality that provide for:**

- an appropriate balance **between reasonable restrictions** against abuses in cyberspace, and **overregulation** of cyber offences
- adequate legislation, non-legislative and awareness measures for prevention of and the fight against cybercrime
- increasing the awareness of internet users, including youth, regarding how to safeguard themselves and to cooperate better with the authorities in the identification of and sanctions against activities that violate shared moral and ethical values in society (in particular child pornography and the promotion of racial hatred and religious extremism).

*Source: FIDUCIA, Policy Brief: Cybercrime.*

evidence and recommendations that can be used in designing and implementing better policies and awareness measures.

Upon invitation of the Salamanca University – one of the FIDUCIA partners,

on 16 May 2015 the Law Program Director Dr Maria Yordanova delivered a lecture on cybercrime before students of criminology and criminal law and discussed with them the new challenges in the area.



*Justice Needs Trust: From Law & Order to Trust-Based Policies Conference, Brussels*



In May 2015 a **Policy Brief on Cyber-crime**, synthesising the most important results of the research and the main conclusions and recommendations, was published and distributed among FIDUCIA partners, EU institutions, and Member States' national authorities. Prior to publication major stakeholders in Bulgaria – representatives of the judiciary, civil servants, independent experts and private companies working in the field of cyber-security in Bulgaria – provided valuable comments and remarks.

The key findings and main recommendations were presented by the Law Program Director Dr. Maria Yordanova at the **Justice Needs Trust: From Law & Order to Trust-Based Policies** conference held on 26 May 2015 in Brussels.

## II. Judicial and Regulatory Reform

The reform of the judiciary continued to be a major component of CSD's activities. In 2015, the efforts were directed towards further support of the reforms of the courts' structure, based on an innovative method for using **open public data** for an analysis of the socio-economic factors affecting the **frequency and types of law suits, filed in the regional courts in Bulgaria**. The methodology was initially developed in 2014 by the CSD experts in cooperation with the Supreme Judicial Council (SJC) and the Ministry of Justice (MoJ). The main findings of the analysis identified the combination of socio-economic factors that affect the workload of the regional courts and helped the SJC to decide on the need to reduce the number of regional courts, aiming at optimizing the courts' structure. The need for such an optimisation, including reducing the number of courts, was confirmed by the reform-minded members of the judicial community and acknowledged as necessary in the World Bank's *Bulgaria:*

*Judicial Performance, Caseload and Expenditure Review (2008 – 2014)*, published in November 2015 ([http://www.justice.government.bg/Files/BulgariaJud\\_Performance\\_Caseload\\_\\_Expend\\_Review\\_final\\_635828421858500895.pdf](http://www.justice.government.bg/Files/BulgariaJud_Performance_Caseload__Expend_Review_final_635828421858500895.pdf)).

The Law Program team provided expert assistance to the Ministry of Justice in developing draft legislation and is taking active part in the ongoing debate on the constitutional and legislative amendments. The Law Program Director Dr. Maria Yordanova was a member of the working group of the Ministry of Justice that drafted amendments to the *Law on the Judiciary*.

CSD continued to advocate for an overall **reform of the system of official registers** in Bulgaria and in particular for **streamlining the registration of non-profit legal entities**. CSD experts participated in the working group of the Ministry of Justice, which was set up back in 2014 to draft the necessary legislative amendments for transforming the paper based registers of non-profit legal entities kept by the district courts into a central electronic register managed by the Registry Agency. The working group completed its work in May 2015 and after a series of consultations among the relevant stakeholders, the draft amendments were officially submitted to the National Assembly in October 2015. The draft aims to solve the most urgent problems in the registration of non-profit legal entities and to increase the transparency and accountability of the non-profit sector in the country. In 2015 CSD experts participated also in the working group of the Ministry of Justice, which drafted amendments to the *Law on Registered Pledges* – a law drafted in 1996 by CSD experts and adopted with its advocacy. The amendments provide for transferring the *Central Pledge Registry* at the Ministry of Justice to the Registry Agen-

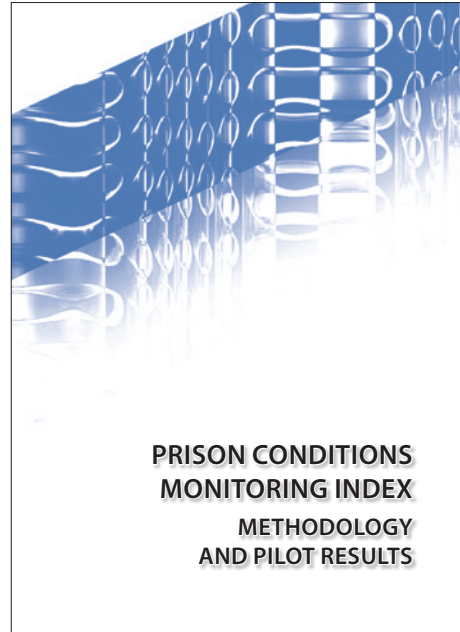
cy as an important step to the establishment of Electronic Registry Center.

Parallel to its involvement in the work of the Ministry of Justice, CSD started to review the other official registers, which collect information about non-profit legal entities. The objective of this initiative is to assess the overall system of official registers of non-profit legal persons and suggest reforms to make it more effective and less burdensome for the users. More than twenty different registers were identified that collect data about non-profit entities. The biggest of them are the registers of sport clubs and sport federations at the Ministry of Youth and Sport, the register of social service providers at the Social Assistance Agency, the register of community centers (the so-called 'chitalishte') at the Ministry of Culture, etc. All of the identified registers were examined in terms of their legal framework, registration procedures, fees, and access to the registered data; and the results were summarized in the report *Legal Framework of the Registration of NGOs in Bulgaria* published in November 2015. Based on the collected information CSD experts will assess the operation of these registers and develop policy recommendations for their improvement.

### III. Penitentiary reform

The execution of criminal sanctions in Bulgaria reveals serious problems that have been neglected by the government for a long time. Particularly worrisome is the situation in the prisons where problems such as overcrowding, poor living conditions, and lack of adequate social and medical services often lead to violation of prisoners' rights and prevent the effective social re-integration of offenders. These observations were officially confirmed by the European Court of Human Rights whose pilot judgment

of *Neshkov and Others v. Bulgaria* recommended a combination of effective remedies in respect of poor conditions of detention that have both preventive and compensatory effects.



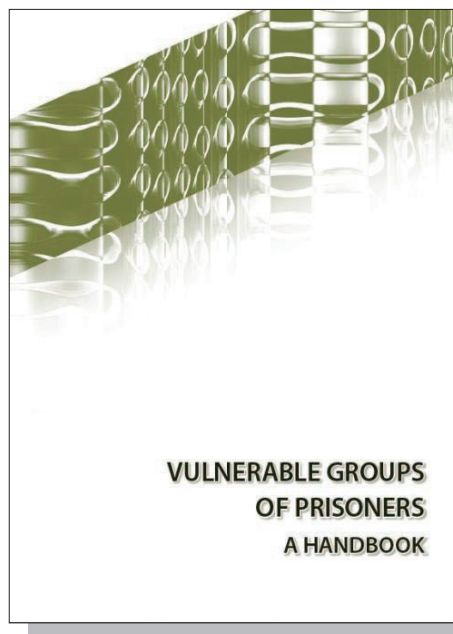
The Law Program's efforts were directed towards assisting Bulgarian authorities by suggesting and promoting research-based solutions to the existing problems. As a means for improving the situation in prisons and the re-socialization of offenders, CSD experts released two significant works within the initiative "Re-socialisation of offenders in the EU: enhancing the role of the civil society" – a handbook on the treatment of vulnerable groups of inmates and a state-of-the-art *Prison Conditions Monitoring Index* (PCMI). The two publications, together with the previously compiled *Ambulant Sanctions as an Alternative to Imprisonment in the European Union* were the focus of discussion at a high-profile event organized to promote their results and to aid relevant decision-makers in facing challenges as the ones outlined in

European Court of Human Rights' pilot judgment.

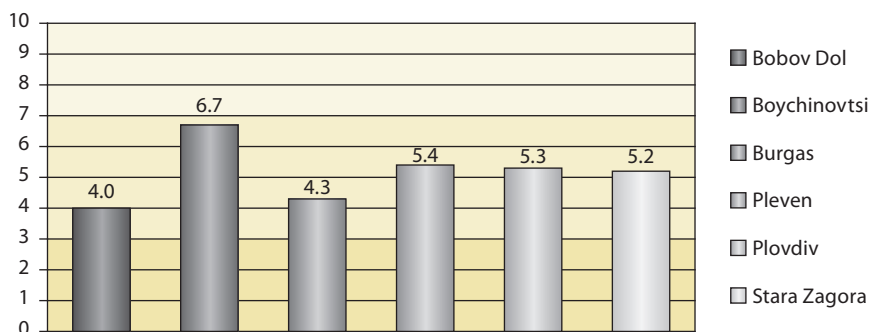
The publication of **Prison Conditions Monitoring Index: Methodology and Pilot Results** can contribute to enhancing the civic monitoring of prisons by offering a set of indicators for assessing the conditions in prisons. Using a comprehensive set of indicators in line with the standards of the European Prison Rules, the *Index* translates into comparable figures the situation in different prisons. The publication elaborated on the methodology underlying the PCMI and offered a summary of the results of its pilot implementation in nine prison facilities in four Member States. The *Index* comprises of five major components: living conditions, security and safety, employment, social work and free time, and healthcare. Under each of these components, as well as under the PCMI as a whole, each prison is evaluated with a score from 0 (lowest) to 10 (highest).

Comparable data on living conditions confirm the international organisations' observations that prison facilities in

Bulgaria rank in the 'problematic' sector – due to major factors such as small living space, the unresolved problem of overcrowding and the large number of cellmates. The two institutions that obtained a score within the 'acceptable'



### Prison Conditions Monitoring Index



Source: CSD research.

section of the scale enjoy low occupancy rates combined with relatively good material conditions which contribute to their positive assessment.

In prison, certain groups of inmates are subject to disadvantages due to specifics of their origin, gender, sexual orientation, age, etc. These groups usually need special measures which are not always applied, leading to unequal treatment and violation of their rights. This is the focus of **Vulnerable Groups of Prisoners: A Handbook**. This book is a practical guide for those working with vulnerable inmates. It examines the situation of such groups within the prison systems of Belgium, Bulgaria, Germany, Lithuania, and Spain. Starting from the classification of the *UN Handbook on Prisoners with special needs* and looking at the different national contexts, the authors identified twelve groups and researched measures to eliminate their vulnerability in different countries. In order to encompass as many groups as possible, some particularly marginalised groups, such as sex offenders, prisoners with

disabilities, etc., were also covered. On one hand, the handbook presents the efforts for compensation of vulnerabilities in every country available in the legislation or provided by prison authorities or other actors. On the other hand, it identifies the gaps in the measures and practices, which vary both from country to country and from group to group.

CSD research on penitentiary reform also looked at the general prison population as a vulnerable group. It outlined the procedures inmates are involved in within the framework of its initiative on NGO-institutional collaboration in the protection of vulnerable communities.

In order to popularise its efforts in promoting research-based solutions to the existing problems in the penitentiary system, on 19 January 2015 the Law Program organised an international conference on **Re-socialization of Offenders in the European Union: Enhancing the Role of Civil Society** with the participation of experts from Belgium, Germany, Spain, Lithuania, Italy, and legal profes-



*International conference on Re-socialization of Offenders in the European Union: Enhancing the Role of Civil Society, Sofia*

“The output of the project appears to be of high quality. The project also covered research topics on which not yet many data are available at EU level. Interesting aspects are the research on effects of custodial versus non-custodial sentences and the way these sentences are perceived by the offender. The Prison Conditions Monitoring Tool seems to be an innovative and valuable tool for all bodies involved in prison monitoring in the Member States and may be further developed by these bodies in the future.”

*Source: European Commission, Directorate General Justice and Consumers, Comments on the Implementation of the Action, Re-socialisation of offenders in the EU: enhancing the role of the civil society, 22 October 2015.*

sionals and representatives of state institutions and civil society in Bulgaria.

Mr. Konstantin Penchev, Ombudsman of the Republic of Bulgaria, stressed that the issue of re-socialization unavoidably raises the question to what extent people are de-socialized in the places of detention. He called for urgent measures in the area of juvenile justice and social rehabilitation of children leaving places of detention. As a possible solution, Ms. Lilyana Sabeva, Secretary of the Supervisory Commission, Sofia Municipal Council, proposed for the local supervisory commissions to be used as a resource for strengthening the role of civil society in the implementation of sanctions and for NGOs to be involved in the conduct of trainings in places of detention. Experts from Italy, Germany, and the UK further elaborated on the issue of socialisation of inmates by sharing innovative practices such as video visits, which work to sustain family links when travel is not possible; and representative democracy within the prison, which benefits prison administration and inmates by constructive dialogue between them.

The Law Program explored opportunities for handling deficits in the prison system with regards to a particularly vulnerable group of offenders and inmates – the drug users. Under various estimates, people using and dependent

on drugs account for some 10 – 15 % of the prison population. Placed in detention, and moreover, once released, drug users fall within a vacuum in regards to adequate treatment to prevent or reduce the chance of their return to prison. The CSD-led initiative **Punishment vs. Treatment: The Situation of Drug Users in Prison** has the aim to present to Bulgarian authorities effective and applicable measures implemented in Norway to be possibly transferred in Bulgaria. The comprehensive research initiative has the ambition to explore and justify which practices already proved their efficiency in Norway and can add on to treatment of drug users in prison, in terms of therapy programs or specialised social orientation activities to assist reintegration in society.

CSD's efforts to reform the prison system received recognition from the Bulgarian authorities. The *Action plan* developed by the Ministry of Justice in response to the series of judgments against Bulgaria by the European Court of Human Rights refers to the work of CSD as a good practice of cooperation between the government and the civil society in the area of prisons.

CSD consulted government and other stakeholders on issues related to imprisonment and execution of penalties. Law Program senior analyst Dimitar

“Since the beginning of 2013 the Centre for the Study of Democracy (a Bulgarian think-tank) launched an initiative called “Re-socialisation of offenders in the EU: enhancing the role of the civil society” with the financial support of the European Commission. The initiative aims at improving the situation in prisons and the re-socialisation of offenders by promoting the broader use of alternatives to imprisonment, examining the role of communities and NGOs in their enforcement and collecting best practices. By reviewing the application of alternative penalties across the legal systems of the participating Member States, the initiative will outline, inter alia, innovative sanctioning approaches that satisfy three basic criteria: re-socialisation effect, active involvement of the society and potential to unburden the prison system. A crucial objective of the project is designing an instrument for regular prison monitoring.”

*Source: Action Plan in response to Neshkov and Others v. Bulgaria (pilot judgment) and Kehayov group (20 judgments), Ministry of Justice, September 2015, p. 14.*

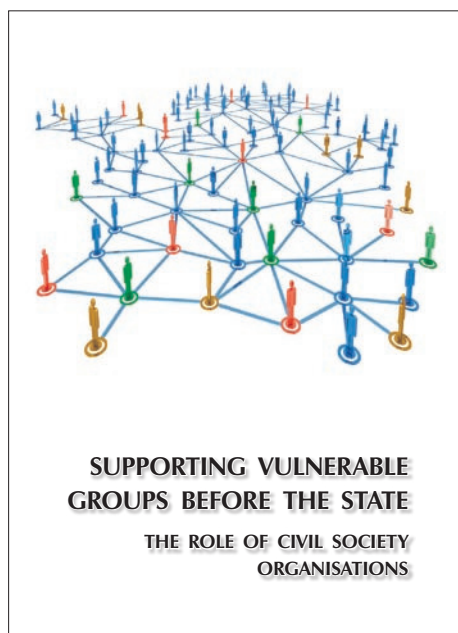
Markov took part in the working group of the Ministry of Justice responsible for drafting legislative amendments to implement the pilot judgment against Bulgaria of the European Court of Human Rights concerning prison conditions. The working group produced a set of draft amendments to the *Law on Execution of Penalties and Detention in Custody* aimed to reduce prison overcrowding and to improve the legal remedies available to prisoners suffering from the poor conditions in prison.

CSD also shared its expertise on prisons with its network of partners in other countries. Law Program experts consulted the development of a training package on alternatives to imprisonment developed in the framework of an international initiative bringing together organisations from seven EU Member States. Law Program senior analyst Dimitar Markov presented the CSD research on prisons and alternative sanctions at a number of international events including a round table on prison conditions organised by the Council of Europe and the Ministry of Justice in Sofia (9-10 July 2015) and a workshop on reducing prison population in Riga, Latvia (26-27 November 2015).

#### IV. Fundamental rights

In 2015, the Law Program, together with the Sociological Program, also implemented an initiative on **enhancing the role of the civic sector as a guarantee for equal rights of four vulnerable groups** – asylum seekers, prisoners, victims of trafficking and domestic violence. Active online presence of the research findings and practical measures proposed was ensured by the dedicated section of the CSD website and the initiative’s Facebook group.

Following a review of foreign best practices, outlining established models and their adaptability to Bulgarian realities, the initiative produced the report *Supporting Vulnerable Groups before the State: the Role of Civil Society Organisations*. In it, a special chapter on each of the vulnerable communities described the institutions and organisations involved in their protection, the problems they face in their interaction with institutions and the mechanisms of co-operation between authorities and NGOs in their support. Conclusions and recommendations pointed towards future steps to be undertaken as regards each of the groups.



Based on the report, a draft concept for more effective participation of NGOs in the **system of support of vulnerable groups** was produced. It deliberated on the intensity of co-operation among stakeholders, in regards to the communities under consideration, and the means to enhance co-ordination of institutions and organisations on different levels and NGO participation in law making and policy formulation. Mechanisms were recommended for collection of data under unified criteria, elaboration of co-ordination instruments and legislative steps to strengthen NGO

position in legislative working groups and various consultative bodies. Concrete reform proposals were put forward for the penitentiary system, the mechanisms for protection of domestic violence and human trafficking victims and the infrastructure dealing with foreigners in need of protection.

The draft concept was presented on 7 October 2015 at the roundtable 'Vulnerable Groups between the Civil Society and the State', in which representatives of institutions and NGOs, involved in supporting the four vulnerable groups, took part.

Opening remarks were delivered by Ms. Kamelia Dimitrova, acting secretary of the National Commission for Combating Human Trafficking, who described the experience of the Commission in co-operation with NGOs. In the first panel the authors of the report *Supporting Vulnerable Groups before the State: the Role of Civil Society Organisations* presented its findings with regard to each group and heard comments from stakeholders present. In the event's second part, Ms. Miriana Ilcheva presented the draft concept on more effective participation of NGOs in the system of support of vulnerable groups. In the discussion, Ms. Radostina Pavlova from the Animus Association Foundation, specially invited as commenter, outlined the four main roles of the civic sector in regards to vulnerable communities – experts, me-

Regarding non-governmental organisations' involvement in legislation and policy formulation, NGO participation in legislative working groups should be better regulated in law in order to reduce the discretion of the administration. Civil society could be particularly instrumental in the harmonisation of the national legal framework with relevant international treaties and in the more adequate transposition of EU law.

*Source: Supporting Vulnerable Groups before the State: the Role of Civil Society Organisations, CSD, 2015.*



*Roundtable Vulnerable Groups between the Civil Society and the State*

diators, defenders of rights and service providers – and discussed the dangers of undue influences between state and NGOs via financing and policy making. The argument that NGOs should not replace institutions in their functions established by law was also strongly put forward.

All research and conceptual outputs are consulted with relevant stakeholders and their active involvement in proposing concrete measures for NGO participation continues via dedicated meetings. They are to seek comments and opinions to draft a finalized concept on effective participation of civic organisations in supporting vulnerable groups, aimed for a wider audience of policy makers.

In line with its long-term fundamental rights research priority, in 2015 the Center for the Study of Democracy started exploring the **realities of free movement from the viewpoint of young Europeans** who exercise or plan to exercise this

right in an initiative involving partners from 15 Member States. The research focused on the trends of young Bulgarians to move across Europe and legislative analysis on the domestic transposition of relevant EU acts.

Law Program experts took an active part in two initiatives of the Center's Sociological Program, related to **forced return of third country nationals** and a national study on **domestic and gender based violence** and elaboration of the victim support model. Detailed overviews of relevant legal frameworks were provided, as well as support to the field work of the two expert teams. Law Program research fellow Ms. Miriana Ilcheva took part in the training of experts implementing monitoring of forced return procedures. She also presented the legal findings of the domestic violence study at an international seminar on 2-4 December 2015, where a number of Bulgarian stakeholders and Norwegian experts in the area were present.



As a member of the FRANET multidisciplinary network of the EU **Agency for Fundamental Rights** (FRA) CSD continued to research different aspects of fundamental rights in Bulgaria. In addition to the contribution to FRA's annual report on fundamental rights in the EU, in 2015 CSD produced studies on the right to interpretation and translation and the right to information in criminal proceedings, fundamental rights, concerns related to biometric data in large EU IT-systems in the areas of borders, visa and asylum, social inclusion and migrant participation in society, return and transfer of children at risk who are EU nationals, the right to independent living for persons with disabilities, practices concerning EU law on transfer of persons sentenced or awaiting trial, and the situation of persons in need of international protection.

As a member of the FRA Platform, the CSD provided assistance and actively contributed to the FRA initiatives with input also from national context. The Law Program Director Dr. Maria Yordanova participated in a consultation meeting with civil society on FRA's project 'Severe forms of labour exploitation in the European Union' (SELEX), held in Vienna on 5-6 May 2015. The aim of the meeting was to develop a communication strategy for the report *Severe labour exploitation: workers moving within or into the European Union. States' obligations and victims' rights* (SELEX), referring to all forms of labour exploitation that are criminal under the legislation of the EU Member States where the exploitation occurs. During the meeting the key messages to the relevant target audiences, possible tools, channels and activities for disseminating the report as widely as possible, as well as specific contributions of each participating organisation were discussed.

As a follow up of the meeting the Law Program provided its media contacts

with a press release and information on the report and its official launch on 2 June 2015. All relevant information regarding the launch of the report and its key findings was disseminated also on the CSD web site and Facebook profile, among other NGOs and media. The FRA Platform team was provided with an overview of media coverage in Bulgaria around the launch of the report.

CSD took part in the work of the second and third meeting in 2015 of the National Coordination Mechanism on Human Rights, established by the Council of Ministers and chaired by the Minister of Foreign Affairs. Apart from representing the Center at the event, Law Program research fellow Ms. Miriana Ilcheva also provided opinions on the periodic reports under international human rights treaties drafted under the co-ordination of the Foreign Ministry. She also served as Bulgarian national correspondent in the ethnic, LGBTI and religious minorities surveys under the World Bank's Equality of Opportunity in Global Prosperity Initiative.

\* \* \*

In 2015, the Law Program, together with the Security Program, participated in a study *Media as an instrument for state capture*. The CSD Law Program experts analysed the legal framework on the ownership and the existing forms of self-regulation and civil initiatives for transparency of media ownership. They prepared a *Policy Brief*, the main conclusions of which were presented by Law Program Director Dr. Maria Yordanova during the Conference "Media as an Instrument for State Capture", held on 11 March 2015 by the Center for the Study of Democracy, in partnership with the Media Program Southeast Europe of the Konrad Adenauer Foundation and the Open Society Foundations. The presentation outlined the unsatisfactory pro-

“The most substantial deficiencies of the Bulgarian media model are lack of transparency regarding ownership; concentration of ownership; monopoly position on the distribution market; poorly developed self-regulation mechanisms. These deficiencies impede counteracting trade in influence and other corrupt practices as well as concentration and hidden control over media. Even when established violations of statutory requirements have remained unpunished. At the same time, the Bulgarian legislation does not respond to the dynamic developments and new challenges such as online media and their potential or the risk of manipulation.”

*Source:* CSD Policy Brief No 49: *Media Ownership in Bulgaria: state of play and challenges*, 2015, <http://www.csd.bg/artShow.php?id=17518>

cedures for identification of media ownership and a number of mechanisms not addressed by legislative measures, through which ownership can be obscured. Other challenges, providing a fertile soil for corrupt practices, are the lack of legal regulation on social media and the inadequate self-regulation of the sector.

The Law Program contributed also to CSD’s work in the area of anti-corruption through:

- Drafting recommendations to the updated *Anticorruption Strategy*;
- Providing legal opinion on the *Draft Law on Anticorruption Measures*;
- Assisting in the process of preparation and discussion of the *Macedonian Government Program on prevention and combating corruption and prevention and reducing conflict of interests*. Experts of the Law Program provided consultations to local institutions and delivered lectures in the joint workshops and discussions in Macedonia;
- Providing expert opinion on designing the questionnaire on judicial reforms in Macedonia;
- Working on the legal aspects of the reports and the periodic updates within the framework of the Local Research Correspondents on Corruption (LRCC) Network.

CSD actively participated in the **Informal Drug Policy Dialogue in South Eastern Europe** – an international network of experts working in the field of preventing and reducing illegal drug use. In 2015, the network held a meeting in Belgrade, Serbia (1-3 October 2015) to discuss the upcoming Special Session of the United Nations General Assembly on the topic of drugs and its significance for the countries in Southeast Europe. In his presentation at the meeting, Mr. Dimitar Markov, Senior Analyst at the CSD Law Program, spoke about the need to improve international law enforcement cooperation against the distribution of and trafficking in drugs.

The Law program was part of the research team which prepared the *Radicalisation in Bulgaria: Threats and Trends*, a systematic overview of the main risks of violent extremism to which the Bulgarian society is exposed. Ms. Maria Doichinova and Ms. Lyubomira Derelieva, analysts at the Law program, elaborated the section on right-wing and left-wing radicalization trends with their main actors and ideas, the repertoire of actions and the groups at risk. Mr. Dimitar Markov and Ms. Miriana Ilcheva made an overview of the existing Bulgarian legislation and institutions preventing and countering radicalization.

## Economic Program

In 2015, the Economic Program focused its work on the following areas:

- **Energy security and sustainable development.** In 2015, CSD continued to analyze the deficits in the energy sector governance and in particular the corporate governance of state-owned enterprises (SOEs), the practices applied in public procurement and the implementation of large infrastructure projects. The Economic Program organized a policy forum in Brussels to discuss the main obstacles to the future of the European Energy Union and raised key questions about its sustainability. The event provided a platform for discussion of the future market integration opportunities in Southeast Europe, the challenges posed by mismanagement in the sector, and the creation of a Regional Energy Strategy.
- **Anticorruption and good governance.** The Economic Program supported the efforts of the civil society in the SEE region in evaluating the impact of the national anti-corruption measures. It elaborated and presented, in collaboration with CSO partners from eight other countries, the SELDI Regional Anti-Corruption Report (RAR): *Anti-Corruption Reloaded: Assessment of Southeast Europe*. CSD was also able to contribute to important debates on EU-level, such as the Union's enlargement policies, the EU's Cooperation and Verification Mechanism (CVM), and the second *EU Anti-Corruption Report*, forthcoming in 2016.
- **Hidden economy.** In cooperation with the Macedonian Centre for Research and Policy Making (CRPM), CSD applied its innovative *Hidden Economy Index* to track the dynamics of the hidden economy in Macedonia. The report *Monitoring the Hidden Economy in Macedonia: Trends and Policy Options* made possible for the Macedonian government and its European partners to follow the impact and assess the effectiveness of their policies.
- **Competitiveness and knowledge economy.** The Economic Program contributed to the development of the 2015 IMD World Competitiveness Yearbook, analyzing the barriers to the Bulgarian business and providing recommendations for improvement of the overall economic competitiveness. The annual publication *Innovation.bg* assessed the innovation potential and developments in Bulgaria, and provided key recommendations for improved national innovation policy.

### I. Energy security and sustainable development

In 2015 the Economic Program continued to analyze the deficits in the energy sec-

tor governance. The most serious threats to the energy security of the countries of Central and Eastern Europe and the Black Sea region include dependence on one source of energy, lack of adequate meas-

ures for diversification of supplies, and limited development of own production. On the demand side, these countries are characterized by high shares of energy poverty among the population, high energy demand, and low energy efficiency. The Policy Tracker: *EU and Russia's Energy Policy at the Backdrop of the South Stream Pipeline* presents in detail the obstacles to the common European energy policy. Among the challenges are the enormous need of investment resources to expand regional gas links and the establishment of a common gas purchasing mechanism that takes into consideration the different ability of EU member states to pay for their gas imports.

CSD organized a policy forum to discuss the main obstacles before the creation of the EU Energy Union and raised key questions about its sustainability on 24 February 2015 in Brussels. The event served as a platform for discussion of the future options for energy market integration in Southeast Europe, the challenges of local bad governance, and the barriers before a regional energy strategy. Mr. Vladimir Urutchev, MEP, Committee on Industry, Research and Energy, underlined that the two natural gas crises in 2006 and 2009 were a wake-up call for the EU to elaborate mechanisms for gas supply disruption mitigation. He suggested the expansion of investment in regional energy market integration infrastructure. According to him, the successful implementation of the Energy Union will be most beneficial to the countries in Southeast Europe where energy security risks could undermine their political cohesion and economic development. Dr. Edward Chow, Senior Fellow, Energy and National Security Program, Center for Strategic and International Studies, gave an overview of the global energy developments by discussing the prospects for the unconventional revolution in the US at the backdrop of lower oil prices. Dr. Chow dismissed the no-

tion that lower oil prices will drive shale producers out of the market. Dr. Jean-Arnold Vinois, Adviser on European Energy Policy, Notre Europe – Jacques Delors Institute, pointed to the inter-governmental agreements (IGAs) struck between Gazprom and the member-states participating in the South Stream projects for containing provisions that directly violate the Third Energy Liberalization Package. He maintained that by ensuring transparency of the member-states' deals with third parties, the Commission would enforce compliance with the internal energy market more easily. Mr. Reinis Ābolītiņš, Senior Policy Researcher, Centre for Public Policy PROVIDUS, expressed his conviction that in the long term, the shale gas revolution in the US would also lead to a reduction of regional gas prices in Europe.

In continuation of the discussion, the anti-corruption initiative SELDI, coordinated by the Center for the Study of Democracy held a workshop in Belgrade, Serbia dedicated to the link between corruption and energy governance on 28 April 2015. The event was co-hosted by the "Transparent Energy Governance in CEE" project, funded by the Alumni Engagement Innovation Fund of the U.S. State Department. The Economic Program noted that the report *Anti-Corruption Reloaded: Assessment of Southeast Europe* identifies the energy sector as one of the highest corruption risk areas in the region. State capture threats have raised concerns about the region's capacity to implement EU energy-sector regulations, and have also made the countries vulnerable to illegitimate and/or criminal inside and outside pressure. Representatives of the Serbian Anticorruption Agency, Center for Liberal-Democratic Studies, Romanian Academic Society (SAR), Partnership for Social Development (PSD), Croatia, Open Society Foundations (OSF), Hungary, Romania Energy Center (ROEC) and Center for



*The participants in the policy forum Good Governance Agenda for Southeast Europe: Risks and Challenges Towards an EU Energy Union, Brussels*

Investigative Reporting (CIN), Bosnia and Herzegovina took part in the event and discussed the problems of the energy sector, the corporate governance of state-owned enterprises (SOEs), the practices applied in public procurement, and the implementation of large infrastructure projects.

The Economic Program launched a public opinion survey on the main factors determining Bulgaria's energy security, the pattern of energy sector governance and the ultimate beneficiaries of the large energy infrastructure projects. The results showed that the public is generally aware of the main energy security risks to the country, and has identified nuclear energy as the best long-term solution to energy security vulnerabilities. The survey results confirmed that energy poverty remains the single most alarming energy security risk in Bulgaria. The majority believes there is a risk of state capture, saying that important decisions in the national energy policy are being taken under pressure from local private or foreign state interests. Simi-

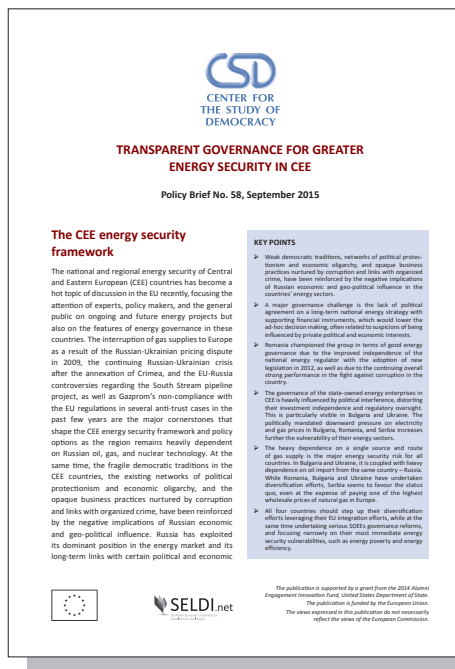
larly, close to 40 % of the people list the foreign influence over the government as one of the most important factors that prevent the Bulgarian state from actively trying to win the Belene arbitration case brought by Rosatom. About 65 % of the people agree that the South Stream gas pipeline project will benefit merely the Russian state and/or Gazprom, but not Bulgaria.

Four country fact-sheets entitled *National Energy Security Indicators and Policy Challenges* presented a critical review of the energy security governance in Bulgaria, Romania, Serbia, and Ukraine, and mapped the main policy challenges faced by these countries in facilitating more transparent and data-driven decision making.

CSD Policy Brief No 47: *EU and NATO's role in tackling energy security and state capture risks in Europe* analyses the Crimean crisis and the continuing instability in Eastern Ukraine that have turned into a rude wake up call for Europe's energy security vulnerabilities. According to the

authors, despite its efforts to increase its competencies on the energy security issues, NATO remains a military alliance. Yet, it could cooperate with the EU on solving some of the most critical energy security risks for its member-states. NATO can facilitate dialogue by implementing solidarity-building measures in times of energy crises. Apart from the four energy security dimensions (availability, reliability, affordability, and sustainability), the policy should take into consideration the horizontal aspect of good governance, and the detrimental effect of state capture. Despite the activism of international organizations, the countries in the region still pursue mostly a bilateral approach to energy security, which is insufficient for the development of a strategic regional energy system. The latter erodes efforts for a comprehensive, multilateral (pan-regional) approach to the region's energy challenges, and puts at stake Europe's opportunity to diversify its energy supply. The consequences for countries in Central and Eastern Europe are that they remain victims of political pressure from the largest energy suppliers, which leverage their quasi-monopoly status on European energy markets to promote specific political objectives. In that sense, there is a need for developing a common understanding for the constraints stemming from the current segmented approach to energy security issues in the region and the identification of the multilateral mechanisms that can be utilized to strengthen the overall energy security architecture.

In a consequent analysis, the *CSD Policy Brief No. 58: Transparent Governance for Greater Energy Security in CEE* made an overview of the challenges in four selected CEE countries, two energy poor – Bulgaria and Serbia, and two energy-resourced – Romania and Ukraine, and assessed the factual situation per se and the transparency and accountability of energy policy governance in the region.



The article (in *Südosteuropa Mitteilungen*) *Bulgaria and the South Stream Pipeline Project: At the Crossroad of Energy Security and State Capture Risks* highlights the development of the Gazprom-led project in Bulgaria by taking stock of the country's energy security situation and shedding light on state capture risks related to the pipeline. The experts from the Economic program stated that the governance deficits in the Bulgarian energy sector have ultimately limited Bulgaria's bargaining power on the project, worsening the country's overall energy security position and putting an additional strain on public finances. Bulgaria's commitment to South Stream has been in conflict with Bulgarian and EU energy priorities, as well as with European Commission competition and liberalisation principles. Bulgaria has started the project's implementation without independent planning and cost-benefit analysis. The focus on the project has diverted attention and resources from priority energy

The Economic Program recommended the enhancement of the energy sector governance in CEE including the functioning and management of the state-owned energy enterprises by:

- Reducing direct involvement of political leadership in the operational management of energy enterprises.
- Improving the long-term strategic planning, with supporting financial instruments to lower ad-hoc decision making in order to ensure non-selective and consistent implementation of energy sector reforms.
- Tackling state capture and improving transparency and accountability in the sector through provision of public data and widening information disclosure mechanisms.
- Increasing administrative and financial capacities of the controlling and regulatory state authorities, especially where monopolistic or oligopolistic national markets exist.
- Introducing compulsory corporate governance standards following the best international principles such as the OECD Guidelines on Corporate Governance of State-Owned Enterprises.
- Enlarging the existing and introducing new long-term programs for improving the energy efficiency in residential and public sectors, as well as the reduction of the energy intensity.
- Shift in national energy policies away from developing new generating capacities and towards the fulfillment of EU 2020 targets as a goal in itself towards ensuring the stability and security of energy supply, including through diversification of supply sources and routes.
- Introducing decision-making procedures for prioritization and selection of large investment projects.
- Increasing the institutional capacity of the national energy regulators and their independence from political and private economic interests.
- Speeding up the liberalization of national wholesale and retail energy markets in order to improve the long-term financial stability of state-owned energy enterprises, as well as implementing the EU Third liberalization package.
- Increase the regional coordination and cooperation in the design and implementation of energy policy in CEE through the expansion of the scope of the High Level Group on Gas Connectivity in Central and South East Europe to issues regarding electricity infrastructure and regional energy markets.
- Lowering administrative, regulatory and political burdens at national level to speed up those energy infrastructure projects, which may have regional and European effect, such as the gas interconnectors between Bulgaria, Romania and Greece as part of the Southern Gas Corridor.
- Establishment of a regional power exchange (e.g. the South East European Power Exchange).

*Source: CSD Policy Brief No. 58: Transparent Governance for Greater Energy Security in CEE, CSD, September 2015.*

security investments, such as gas interconnectors and storage facilities, gas

and power exchanges, energy poverty as well as energy efficiency.

The Economic Program released the media note *Energy Poverty – Risk to Bulgaria’s Energy Security*. According to a survey among 956 respondents, more than 43 % of the households were deprived of normal heating and use of electrical appliances after the last increase in the electricity price by 10 % in October 2014. This measure was taken in attempt to stabilize the financial state of the National Electricity Company after a period of artificially fixed prices. The effect proved to be particularly strong among the vulnerable groups (unemployed, pensioners, students).



In 2015, the CSD team continued to facilitate the participation of social science and humanities experts in the design and implementation of the national regulatory policy on nuclear waste management through supporting the networking activities among the non- and technological experts. The work is part of the PLATENSO project’s efforts to build a platform for enhanced societal research related to nuclear energy in eight countries from Central and Eastern Europe.

The analysis of existing options for participation of social science and humanities experts in the nuclear policy covered three possible scenarios – commercial use of nuclear power, phasing out nuclear power, and development and implementation of future (Generation IV) reactors.

Experts from the Economic Program presented the political risks stemming from the governance deficits and state capture mechanism channeling the Russian economic and political influence in the energy sector participated at the public hearing on the PAKS II project at the European Parliament. The event was hosted by the EP Greens/EFA group and organized by the Energiaklub, Hungary on 19 March 2015 in Brussels, Belgium. In addition, CSD continued to provide input to the International Monetary Fund and the World Bank during their annual mission to Bulgaria. The focus of the discussions was explicitly on energy governance issues.

In 2015, CSD continued its research on territorial governance scenarios for the future economic and social development of Europe until 2050. CSD conducted two case studies on viable policy-making initiatives to counter future energy security challenges and accelerate the development of the ICT infrastructure. The case studies involved around 30 stakeholders from leading business, academic and government organisations, who developed possible visions for the Bulgarian territorial governance. The outcome of the focus groups were two reports mapping the current challenges and identifying possible solutions.

## II. Regional and European cooperation in the fields of good governance and anti-corruption

In 2015, the **Southeast Europe Leadership for Development and Integrity (SELDI)** initiative entered its second





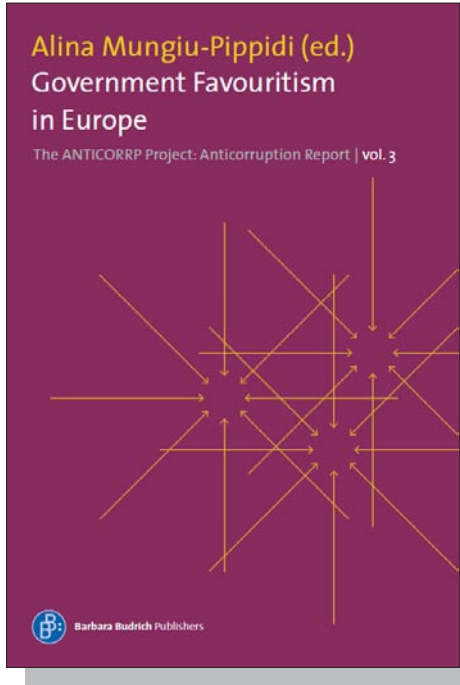
*Policy Forum Good Governance Agenda for Southeast Europe: the Role of Civil Society and the European Institutions, Brussels*

phase of implementation and was able to further its influence and impact the SEE region. On 24 and 25 February 2015 SELDI presented the key findings and policy recommendations from the first two years of the initiative in Brussels. The conclusions from the SELDI Regional Anti-Corruption Report (RAR): *Anti-Corruption Reloaded: Assessment of Southeast Europe* were discussed with representatives of the civil society and the European Commission. Given the major significance of the good governance and anti-corruption issue in Southeast Europe and the prospects of the countries from the region of joining the EU, the event aimed to contribute to promoting the civil society – state dialogue in identifying effective counter-measures and possibilities for future collaboration among all stakeholders. The forum charted the needed governance reforms to prepare the countries for accession once the enlargement freeze of the EU is lifted.

Mr. Ruslan Stefanov, Coordinator of SELDI, and Director of the Economic



Program, presented the main findings, conclusions, policy and practical recommendations of the RAR, underlining the importance of the collaboration between CSOs and governmental actors at the local level. Mr. Stefanov highlighted three main anti-corruption measures featured in the *SELDI Regional Anti-corruption Report*: delivery of effective prosecution of high-level corruption, adoption of an independent corruption and anti-corruption mechanism, and focus on critical sectors when applying anti-corruption measures. The key recommendations were further communicated to various stakeholders during a number of regional events. In addition to the *Regional Assessment Report*, a total of nine *National Corruption Assessment Reports* were published and presented by the SELDI members at the beginning of 2015.



In 2015 CSD continued to expand its research and policy analysis capacity at na-

tional, regional and European levels. As part of the ANTICORRP project, the biggest anti-corruption effort of the EU's FP7, CSD developed an analysis of the **Bulgarian public procurement market** and more specifically, the corruption risks associated with the construction sector. The analysis was incorporated into volume 3 "Government Favouritism in Europe" of the *ANTICORRP Anticorruption Report* in 2015. A forthcoming publication reviews to what degree the existent EU conditionalities and financial assistance have contributed to improved public governance and enhanced anti-corruption track record in Bulgaria. Additionally, as part of the network of local correspondents at DG Home of the European Commission, CSD continued working on the Bulgarian section of the upcoming in 2016 second *EU Anticorruption Report*.

The challenge of corruption stands high on the political agenda, both in Bulgaria and on EU level. Experience shows that successful action against corruption is



*Round table discussion Making Bulgaria's Anticorruption Policy Work: Sharing Experiences from European Success Stories, Sofia*



*SELDI Conference Enhancing CSOs Advocacy Efforts for Countering Corruption in Critical Sectors in SEE: Leveraging the EU Accession Process and State of the Art Research, Podgorica*

not preceded by improvement of economic conditions, on the contrary – designing and implementing effective anticorruption policies is the precondition for economic growth. The good news for Bulgaria is that it can be done relatively easily, and with notable success implementing a **number of instruments for analysis of corruption risks, which could contribute to improvement of governance**. These are some of the main conclusions from the 28 July 2015 round table discussion hosted by the Center for the Study of Democracy. Among others, participants included the Deputy Prime Minister Meglena Kuneva and leading academics and experts from Europe's largest research project on anticorruption – ANTICORRP.

On 29-30 October 2015 the SELDI and ANTICORRP initiatives organized a one

and a half day conference in Podgorica, Montenegro to discuss with local and regional stakeholders the **best methods for transforming the existing cutting-edge anti-corruption and good governance research into efficient policy and advocacy tools**. The participants focused on the role of the civil society in evaluating the impact of current anticorruption measures and stressed the need for stronger collaboration with the public institutions, the media, and the general public.

The Center for the Study of Democracy and the Turkish Economic and Social Studies Foundation (TESEV) held a workshop: *State Capture: Drivers, Outcomes and Measurement* in Istanbul, Turkey, on 3-4 December 2015 with the support of the Think Tank Fund of the Open Society Foundations. The work-



*The participants in the workshop State Capture: Drivers, Outcomes and Measurement in Istanbul, Turkey*

shop gathered leading European and US anti-corruption and good governance experts to refine the definition of state capture and identify potential ways to measure the phenomenon, including in particular sectors such as energy, banking, telecommunications, etc. The main focus of the discussion was on ways to provide practical metrics of the risks and impact of state capture in transition countries – new member states, candidate, and prospective EU candidate countries.

State capture refers to the situation when private interests use corruption to mold institutions in such a way as to preserve a monopoly on resources in key economic sectors. They often use the system of public funds allocation to sustain otherwise largely uncompetitive businesses in strategic economic sectors, where clientelistic networks

can exploit enormous rents from the corporate governance of SOEs, the management of large-scale projects, and the allocation of public procurement. Foreign governments or international companies can also use their dominant economic position to capture elites and, hence, to directly influence decision-making – sometimes at a catastrophic cost for the political stability and territorial integrity of a country.



A number of related anti-corruption and good governance initiatives further contributed to CSD's influence on the national and regional level. The "Law, Economy, Competition, and Adminis-

tration – Developing a Multidisciplinary Approach in the Fight against Public Procurement Criminality (LECA)” project is an attestation to this fact due to its underlying objective for increasing the institutional capacity and cooperation of Romanian and Bulgarian authorities to prevent and combat public procurement criminality. The LECA initiative addresses the need to combat public procurement criminality, with a focus on improving the understanding of corruption vulnerabilities such as economic loopholes, bureaucratic standstills, competition infringements, legal weaknesses, and poor inter-stakeholder cooperation and mutual understanding. In 2015, through collaboration between CSD and its Romanian partners from governmental and non-governmental organizations, a number of Bulgarian experts from prosecutors’ offices, the judiciary and the public administration participated in workshops and seminars dedicated to understanding and tackling the existing corruption challenges in the public procurement sector.

The Economic Program supported the implementation of the USAID Macedonia Anti-Corruption Program through exchange of experience and provision of corruption monitoring methodology to the Macedonian Center for International Cooperation. The Bulgarian and Macedonian partners met on 20 June 2015 to discuss the possible implementation in Macedonia of CSD’s *Judicial Anti-Corruption Program*, developed in 2003 with the support of eminent Bulgarian lawyers, magistrates, and experts from CSD. The partners also planned a representative survey among a wide sample of judges, prosecutors, and investigators.

Through its long-lasting experience and insights into the region, CSD was also able to contribute to important debates on the EU-level, such as the Union’s enlargement policies and the EU’s Co-

operation and Verification Mechanism (CVM). On 12 February 2015 the European Commission’s DG Neighbourhood and Enlargement Negotiations (DG NEAR), in collaboration with the European Institute, organised a policy forum addressing the role of the European Union in the Western Balkans. The event was part of the DG NEAR’s information campaign in the Balkans aimed at informing relevant stakeholders about the Instrument for Pre-Accession (IPA), the new financial framework (IPA II), and the successful implementation of some selected projects. Mr. Ruslan Stefanov, Director of the Economic Program, presented the main findings and impact of the SELDI anti-corruption initiative and discussed the work and benefits that IPA provides to the West Balkans.

The Committees on Budgetary Control at the European Parliament held a **Hearing on “Cooperation and Verification mechanism (CVM) with regard to Bulgaria and Romania”** on 14 April 2015. The objective was to allow a deep discussion at the European Parliament level to assess how Bulgaria and Romania are implementing the commitments to a judicial reform, fighting against corruption and organised crime. Mr. Ruslan Stefanov, Director of the Economic Program, reviewed the successes and failures of the CVM since its introduction upon Bulgaria’s accession to the EU in 2007. According to Mr. Stefanov, the results of the implementation of the CVM in Bulgaria have been mixed. The mechanism has helped the Bulgarian authorities to create a comprehensive set of institutions to improve transparency and accountability, and to tackle corruption and organized crime. But there has not yet been a breakthrough in any of the three sets of the so called “benchmarks” set by the European Commission in the CVM – on judicial reform, on corruption, and on organized crime. There are a number of improvements which

can be introduced to the CVM to help Bulgaria boost its performance in implementing its anti-corruption strategy, and in achieving tangible results:

- The CVM should be integrated into the wider EC efforts to help the convergence to higher rule of law standards in the EU;
- The CVM should offer tools for evaluating or measuring progress, as an integral part of the benchmarking instrument;
- The CVM should consider introducing more focused incentives and capacity building measures achieved through attaching a funding commitment to its implementation.

In August 2015, the Center for the Study of Democracy joined the project “Ask the Locals!”, lead by Inter Alia, Greece. The goal of the project is to collect stories of ordinary people about their experiences and attitudes towards corruption and misuse of EU funds, which will be filmed and included in a documentary to promote awareness. ALO! maintains that promoting civic engagement and empowerment locally has important conceptual and methodological advantages in the process of EU integration as it fosters immediateness and easier mobilization and contributes to building a culture of participation at other levels. At the same time, it involves citizens and stakeholders who rarely have

a chance to contribute in the process of building a European narrative. CSD representatives, as well as participants from Italy, Macedonia, Romania, and Serbia, attended a capacity building activity held on 10-15 November 2015 in Skoulikaria, Greece.

In 2015 CSD continued to transfer knowledge and deepen its research expertise for analysing the **nexus between corruption and organised crime**, particularly in Macedonia and the Western Balkans region. The Macedonian Center for International Cooperation (MCIC) in collaboration with CSD organized in Skopje a workshop dedicated to this issue on 16 February 2015. The discussions stressed the need of stronger civil oversight both with regard to the existing links between corruption and organized crime, as well as to the institutional efficiency for tackling the challenge. Due to the globalization process, corruption has evolved into a complex national security issue. Weakened policy enforcement in one EU Member State, for example, could thus impact other countries. Moreover, in the last several years increasing varieties of crimes were observed. In that context, the issue should be dealt with in a systematic approach. The **organized crime threat assessment** mechanism presents a suitable instrument, which can analyse the origin and manifestations of the problem and present an early warning system. A



*The participants in the capacity building visit to Skoulikaria, Greece*



*Workshop The links between corruption and organized crime, Skopje*

more complex system for sharing information between the national authorities is needed to track criminals across borders, prevent VAT fraud schemes, tax evasion, etc.

As a follow up, on 17 February 2015 MCIC and CSD organized in Skopje a training on the **tools and methods for monitoring and analyzing the links between corruption and organized crime**. The participants included a group of public administration representatives responsible for anti-corruption and organized crime legislation and measures. Mr. Todor Yalamov, Senior Analyst at the Economic Program presented the experience and lessons from the *Coalition 2000* initiative. He stressed on the importance of developing a culture of accountability and integrity, reducing costs for formal business, and strengthening enforcement of the policies and legislation. He underlined that corruption is not a sickness, it is a symptom of the inefficiency of the system. He underlined that the le-

galization of the informal businesses is important, but it should not be selective and benefitting only one monopoly. Mr. Yalamov underlined that public awareness campaigns could be very effective when targeting specific issues. He recommended the use of mirror statistics for civil control over the efficiency of the customs and warned about the possibility of emergence of quasi-NGOs after EU accession, based on the Bulgarian experience. He noted the role of CSD in limiting the influence of representatives of the public institutions over the civil sector.

Another successful CSD experience in the region was the project "Augmenting demand for anti-corruption and organised crime" (ADACTA). The Policy Forum within this initiative took place on 19 March 2015, in cooperation with Macedonian partners. Major findings of the survey and the *Corruption and Organized Crime Threat Monitoring Report* were presented at the event as a basis for discus-

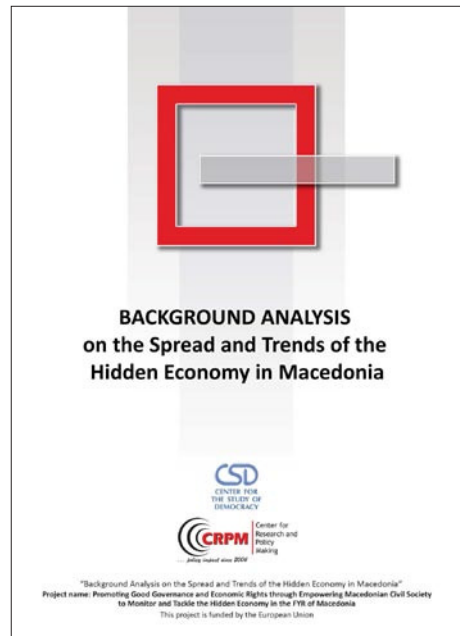


*Policy forum Augmenting Demand for Anti-corruption and Organised Crime, Skopje*

sion of plausible policy options to curb corruption and organized crime. The major goal of ADACTA was to transfer CSD's know-how in implementing Europol's model of OCTAs (organized crime threat assessments) and CSD's *Corruption Monitoring System*, applied to the business and the population.

### III. Monitoring and evaluation of hidden economy policies

In 2015 the CSD, in cooperation with the Center for Research and Policy Making (CRPM), Macedonia continued to research the **manifestations and causes of the hidden economy**. During the past few years, a renewed interest in the topic has led towards its more systematic treatment by institutions, but still largely based on approximations, lack of coordination between institutions, and under-evaluation of policy measures. This treatment of the problem opens the floor to many speculations



regarding the effectiveness of policies and their actual impact on reducing the size of hidden economy. In that regard,



the *Background Analysis on the Spread and Trends of the Hidden Economy in Macedonia* made a review of existing reports on the phenomena in Macedonia, as well as the current and planned future policy initiatives. The document aims to address some of the key issues through representing cross-sections of existing data and measures, summarizing the knowledge-base on the issue, and providing policy recommendations.

The two partners carried out a series of events, dedicated to the topic. During the workshop *Public Institutions' and CSOs' Role in Countering Tax Evasion and Fraud*, held on 18 February 2015, CSD presented its experience in monitoring the hidden economy at the national and regional level since 1998 to the audience of public authorities and representatives of the civil society in Macedonia. The experts from the Economic Pro-

gram underlined that **analysing the phenomena is crucial due to three reasons:** (a) it shows the overall level of efficiency of the state and the trust between society and the institutions; (b) the hidden economy affects the most vulnerable groups; and (c) not all of the hidden economy is negative and governments should not necessarily target the newly created businesses. The experts highlighted that the **hidden economy affects the most vulnerable groups such as the young unemployed, and the poor**. The tax evasion is evaluated at 1 trillion Euros in 2013 or 7.9 % of the EU-28 GDP. According to the survey, a third of the employed receive “envelope wages”, and more than half of the employed have “contracts with hidden clauses”. A total of 58.6 % of the business respondents recommend that more effective incentives for the business are applied in order to decrease the tax eva-



*The participants in the workshop *Public Institutions' and CSOs' Role in Countering Tax Evasion*, Skopje*

sion and 60 % of the companies consider the taxes higher than they should be; 55 % of the respondents declare that sometimes or frequently the companies hide their turnover and evade taxes.

CSD Economic Program and the Center for Research and Policy Making suggested that governmental institutions and civil society in Macedonia reach consensus on hidden economy issues and express their joint view in the framework of one single body. During the conference *Establishment of Hidden Economy Task Force in Republic of Macedonia*, held on 19 June 2015, the participants noted that the hidden economy will be a policy concern in the decade to come. In that context, the role of the hidden economy task force will be to consider and promote not only punitive measures, but also motivational policies and incentives that can encourage positive economic growth. The generated recommendations and measures will be

forwarded or presented to the Economic and Social Council at the Ministry of Labor and Social Policy. As a result of the discussion, as well as the two additional meetings held on 17 and 23 September 2015, twelve representatives of state institutions and the civil society signed a Memorandum of Understanding, establishing the Hidden Economy Task Force.

During a policy forum in Skopje on 13 October 2015, the Bulgarian and Macedonian partners presented the main findings of their analysis and the *Hidden Economy Index* – an innovative monitoring instrument which allows the tracking of the dynamics of the hidden economy and its main components in Macedonia and provides international comparison. The index, as well as the report *Monitoring the Hidden Economy in Macedonia: Trends and Policy Options* make possible for the



*The participants in the conference Establishment of Hidden Economy Task Force in Republic of Macedonia, Skopje*



and assess the effectiveness of their policies. According to the data, the employment income of about 40 % of the Macedonian employees is at least partially undeclared. Moreover, 7 % of all Macedonian employees work without a contract and are not being paid any social security contributions whatsoever. The interviewed business representatives confirmed wide scale violations of the *Labour Code*. Tax avoidance is widespread among the poorest members of the society, which makes the underprivileged especially vulnerable as they may find themselves being criminally prosecuted for unpaid taxes or charged with paying large penalties. VAT returns are provided back to companies with significant time lags and represent additional burden for companies which are part of the formal economy. The issuance of cash register receipts also remains an issue, as only less than a half of the respondents claimed that they always received receipts when buying groceries.

Macedonian government and its European partners to follow the impact



*Policy forum Tackling the Hidden Economy: Employing Best EU Policy Practices for Growth and Jobs, Skopje*



*The participants in the Annual Meeting of the National Revenue Office in Stara Zagora (photo to the left), and the Swiss Federal Tax Authority meeting with the Executive Director of the National Revenue Agency on 16 October 2015 in Sofia*

On 15 and 16 October 2015 CSD organised a visit of the **Swiss Federal Tax Authority** (FTA) experts in Bulgaria. The tax experts took part in the Annual Meeting of the National Revenue Office, giving a lecture on 15 October 2015 to an audience of 50 tax office directors, senior inspectors from the regional offices and the central office leadership, followed up by a working meeting with the directors of the risk assessment and policy analysis directorates. In addition, the FTA experts had a separate meeting on 16 October 2015 with the Executive Director of the National Revenue Agency (NRA) of Bulgaria for a follow up discussion on future cooperation. A separate discussion was held with the internal control directorate. CSD also held a data confrontation seminar on 16<sup>th</sup> of October with leading academic representatives and tax officials, including NRA, to discuss direct and indirect methodologies to measure and assess hidden economy in Bulgaria. The Swiss experts had the opportunity to meet some of the participants in the data confrontation seminar after the discussions at NRA.

As part of the research effort to develop **capabilities for tackling undeclared work in Bulgaria, Croatia and FYR of Macedonia**, CSD experts contrib-

uted to the development of a series of reports. The working paper *Designing Focus Groups and Experiments to Evaluate Policy Approaches and Measures for Tackling Undeclared Work* issued in February 2015, presents the methodology, advantages, and limitations of conducting focus groups as research instrument. The working paper *Designing Survey Methods to Evaluate the Undeclared Economy: a Review of the Options*, October 2015, analyses the key variations in the design of surveys of undeclared work, while a third analysis in October 2015 puts the focus on evaluating policy measures to tackle undeclared work and the role of stakeholder collaboration in building trust and improving policy-making. Key findings were presented at the Bulgarian National Information Day about Marie Curie actions on 27 January 2015. The Marie Curie IAPP Summer School for Multiple Moralities and Shadow Economies in Post-socialism held on 30-31 August 2015 in Zagreb was attended by 25 young researchers. They shared experience on monitoring the phenomena, and discussed the spread of undeclared work, the role of informal institutions in the business start-ups, the Ethics of Tax Evasion, etc. During the International Workshop *Tackling Undeclared Work – Asymmetry between Formal and Informal Institutions* held on 1 Sep-

tember 2015 in Zagreb, the participants discussed various policy measures for countering the problem in terms of feasibility of transferring them to Bulgaria, Croatia, and Macedonia. Prof. Friederich Schneider, a key speaker at the event, highlighted the morals of (not) paying taxes and receiving benefits, as well as the related economic, institutional, and psychological factors illustrated in the cases of Austria, Belgium, Spain, and Switzerland.

In 2015 the Center for the Study of Democracy provided support to its Albanian partner, the Albanian Center for Economic Research, in analyzing the hidden economy and in the formation of a business coalition for improving the entrepreneurship environment in the country.

#### IV. Competitiveness and the knowledge economy

In 2015, CSD continued its work on the study of the competitiveness of the Bulgarian economy and on strengthening and encouraging the development of the potential of the Bulgarian national innovation system. CSD is an institutional member of the Consultative Council at the National Revenue Agency.

Experts from the Economic Program contributed actively in the development of the annual publication *Innovation BG*. The key recommendations for the national policy in the field of innovations can be summarized as follows:

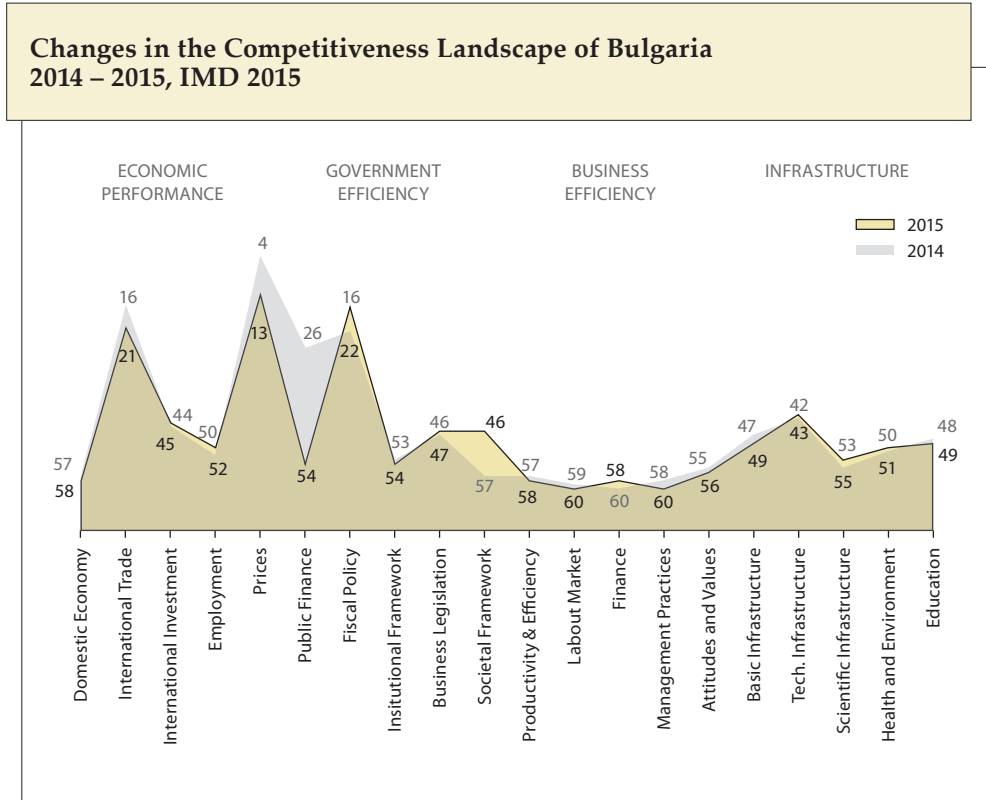
- improving the accountability of the R&D system, to avoid for example underestimation of the Bulgarian enterprises' investments in R&D expenditures and personnel;
- establishing common registers at the ministries and institutions (including the Patent Office of the Republic

of Bulgaria and the National Statistical institute);

- creating a single center (ministry, agency) for management and coordination of science, technology and innovation;
- creating a strong mediating infrastructure;
- building online platforms for the transfer of new or improved technology products;
- introduction of an accreditation system for the business clusters in Bulgaria.



The Economic Program continued analyzing the **barriers to the Bulgarian business** and provided **recommendations for improvement of the overall competitiveness landscape**. CSD is the official partner for Bulgaria of the World Competitiveness Center at IMD (International Institute for Management Development), Switzerland, which publishes the *World Competitiveness Yearbook*. The Yearbook has had a direct impact on the Bulgarian compet-



itiveness policy-making. International investors monitor very closely the IMD competitiveness ranking. The *IMD World Competitiveness Yearbook 2015* assessed Bulgaria's competitiveness in comparison to 61 leading national and regional economies.

CSD presented the results of the *IMD World Competitiveness Yearbook 2015* during a press conference on 28 May 2015. **In 2015 Bulgaria remained among the most uncompetitive countries** (ranking 55<sup>th</sup> out of 61 economies), with only Croatia and Ukraine having lower scores in Europe. The country remains far from its best achievement (38<sup>th</sup> place in 2009) – a sign that the Bulgarian government and business leaders still fail to define and implement coherent policies tailored to the

national interests, needs, and competitive factors. The main advantages of the Bulgarian economy remain associated with the low prices, which makes the country vulnerable to changes in the international environment. The major challenges facing the country in 2015 include optimizing the performance of the public administration, tackling energy poverty, and enhancing the fight against corruption. It should be noted that among the factors that improve the overall competitiveness of Bulgaria is the growth of business spending on science and innovation.

CSD published a Policy Brief presenting the conclusions of the *2015 IMD World Competitiveness Yearbook*. As expected, the bank crisis of 2014 and high government expenditures had a negative im-



compact and weakened the competitive position of the country. At the same time, the unemployment rate remains high, despite a slight decrease. Long-term competitiveness factors – environmen-

tal protection, education, infrastructure and overall healthcare, as well as the business efficiency indicators (such as level of performance and quality management practices) are among the ones evaluated as lowest by the *IMD Yearbook*, and continue to stand as a challenge. The Bulgarian competitiveness is in decline. In practice, during the first eight years of its EU membership, the country has failed to close the gap with the other Eastern European countries. In its policy brief CSD highlights several key recommendations for increasing the competitiveness of the Bulgarian economy:

- tackle high level corruption and state capture;
- modernize public administration and strengthen independent regulators;
- adopt education for innovation-based growth;
- tackle energy poverty, energy intensity and supply dependency;
- improve the country's branding.

## Security program

In 2015, the activities of the Security Program were focused in the following areas:

- **Assessing the threats of organised and conventional crime.** In 2015, the Security Program published the *Financing of organised crime* report providing analysis on the sources, mechanisms and approaches to the financing of organised crime. The data gathered and analysed allows for a better and more effective investigation of organised crime and money laundering. The Security Program also started work on two new research areas – countering extortion and racketeering in the EU and exploring the links between corruption and trafficking of women. The work will contribute to the better understanding of these phenomena and for increasing the response capacities of law-enforcement bodies. The results of the traditional *National Crime Survey* (NCS), along with the respective policy recommendations were discussed with the Ministry of Interior and presented to the public.
- **Countering radicalisation and terrorist threats.** The Security Program, together with the Sociological Program and the Law Program, elaborated a report investigating to what extent internationally observed radicalisation processes are manifested in Bulgaria, including trends and risks posed by Islamist radicalisation, right-wing and left-wing radicalisation, as well as football hooliganism. It offered policy recommendations for adequate institutional responses to this phenomenon.
- **State capture and the media.** The Security Program has contributed to researching the phenomenon of “state capture” by investigating the current status of the media sector, focusing on the risks created by the lack of transparency of the media ownership and the lack of media pluralism.
- **Innovative instruments for assessing the policies in the fight against corruption.** The Security Program applied its innovative tool for monitoring anti-corruption efforts to several state institutions and municipalities (among them Border Police, Traffic Police, Ministry of Defence, and Bourgas municipality). The tool allows policy makers to assess the effectiveness of anti-corruption measures at the institutional level. In addition, it can also be used for conducting national and international comparative analyses among state institutions.



## I. Assessing the threats of organised and conventional crime

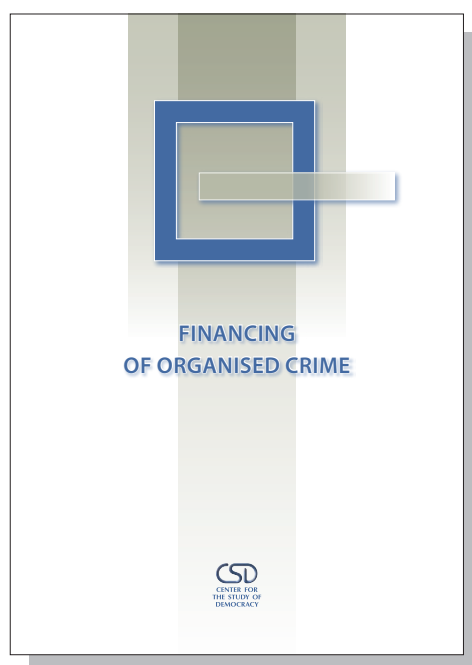
Financing of organised crime is characteristic for all criminal markets, but because of some inadequacies of the *Code of Penal Procedures* in most of the EU Member States, it rarely attracts the attention of the relevant institutions. Traditionally, the operative and intelligence activities are directed at identifying the members of criminal groups and their illegal activity.

In investigating financial transactions, the most common focus is upon money laundering and income received, not on the investments facilitating criminal activities. All the intelligence regarding the financial aspects of organised crime is usually deemed as irrelevant and there is a lack of well-planned and purposeful effort for gathering and analysing similar data.

The available information on the financial aspects of the activities of organised crime groups is fragmented and incomplete because it is underestimated in the elaboration of risk assessment and the analysis of organised crime, as well as due to the lack of knowledge and experience among most police officers working at a local level.

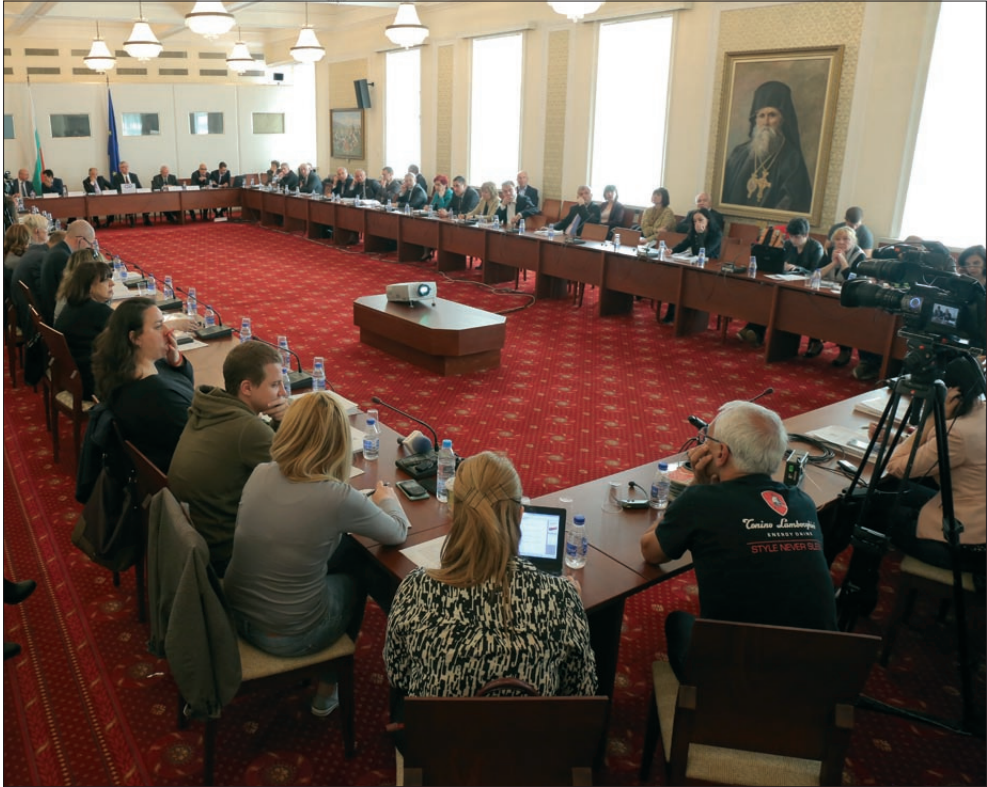
To fill this gap, CSD initiated a study on the financing of organised crime, in partnership with the University of Trento (Italy) and Teesside University (UK) and in close collaboration with the State Agency for National Security in Bulgaria, the State Police in Latvia and the French National Institute for Advanced Studies in Security and Justice. The analysis explored the **sources and mechanisms for financing organised crime, settlement of payments, access to financing in critical moments, costs of business, and the management of profits**. Drawing on the results of the analysis, the report also

suggested possible new approaches to tackling organised crime. Its aims were achieved by gathering and analysing empirical data to enable more efficient investigation of organised crime and money laundering. Because of timely constraints and the inability to encompass all aspects and fields of organised crime activities, the report is focused on the analysis of three manifestations of criminal activity: illegal market of banned goods (cocaine); illegal market of legal goods (tobacco); and tax frauds.



The research encompassed the financing and other finance-related aspects of organised crime in all EU Member States. Also taken into consideration were forms of financing in states outside of the EU, in the context of the trans-border access to networks of organized crime. Specific markets in 10 EU Member States have also been researched through detailed case studies.

The findings of the study were presented on 12<sup>th</sup> May 2015 at a round table



*Participants in the Round Table Discussion Institutional Measures to Counter the Financing of Organised Crime*

discussion **Institutional Measures to Counter the Financing of Organised Crime.** Debates centered around the current state of the criminal markets in Bulgaria, particularly the smuggling of illegal cigarettes, the drug market and VAT fraud, as well as the practices used to curb these markets applied rather inconsistently in recent years. The round table was opened by Mr. Atanas Atanasov, Chairman of the Internal Security and Public Order Parliamentary Committee, and by Dr. Ognian Shentov, Chairman of the Board of the Center for the Study of Democracy. In his opening speech, Mr. Atanasov stated that one of the most effective ways to combat organised crime is to stop the financial flows which support it. He em-

phasized the importance of the conclusions and recommendations advanced by CSD and expressed hope that they can serve as a foundation for legislative initiatives aimed at establishing reliable mechanisms for addressing the financing of organised crime. Mr. Atanasov noted that the conclusions and recommendations are a result of the continuing cooperation between the non-governmental sector and law-enforcement institutions in Bulgaria, an approach which is productive and should therefore be encouraged and developed further.

Dr. Ognian Shentov pointed that regardless of the decisions of the Council for Justice and Home Affairs to criminalize

the financing of organised crime, unfortunately due to a variety of reasons this has not happened neither in the European Union, nor in Bulgaria. **Dr. Shentov** highlighted an interesting parallel between legal and illegal markets identified by the study – illegal markets work with the same financial instruments that legal markets also use. Therefore, the same instruments should be used to counter the financing of organised crime, which raises the question whether the relevant law-enforcement institutions have sufficient capacity for this. In addition, public-private partnership in the formulation and implementation of institutional measures to counter organised crime financing should be used to its full potential.

Dr. Atanas Rusev, Senior Analyst at CSD, presented the main conclusions and the suggested proposals for possible measures for countering the financing of organised crime, whereas Mr. Tihomir Bezlov, Senior Analyst at CSD, discussed several specific cases, notably the cigarette market in the country. He also commented on cases of VAT fraud, giving as an example the sugar industry. Mr. Stoyan Temelakiev, Deputy Director of the General Directorate Combating Organised Crime, made an analysis on the impact of the crisis on the different criminal markets – cybercrime and frauds, the sex services market, and the heroin trafficking. Other participants in the debate included Dr. Phillip Gounev, Deputy Minister of Interior, General Vanyo Tanov, Director of the Customs Agency, Ms. Galia Dimitrova, Deputy Director for Operational Activities and Mr. Vasil Panov, Director for Control at the National Revenue Agency.

In 2015, CSD started work on two additional topics related to organised crime: **extortion and racketeering** and a **study of the links between corruption and trafficking of women**.

The aim of the first study is to assess the **risks and weaknesses of extortion racketeering** in certain industries and communities. The focus is on two specific business sectors in the EU – hospitality and agriculture, as well as on the migrant communities in Europe. The specific objectives of the study foresee developing a victim-focused methodology for assessing risks and vulnerabilities to extortion; analysing risks and vulnerabilities to extortion for business companies from the different contexts throughout seven EU countries; examining the involvement of public servants in extortion racketeering; examining the existing law enforcement and community approaches for tackling/resisting extortion racketeering; producing indices of risks and vulnerabilities to extortion racketeering for the hospitality industry, the agricultural sector, and migrant communities.

The study is expected to contribute to the better understanding of the phenomenon extortion/racketeering and define the best practices and experience in the field of countering extortion and racketeering, as well as provide knowledge and additional qualification to law enforcement officers and business representatives.

**The Study of the Links between Corruption and Trafficking of Women** focuses on the links between trafficking of women, prostitution, and corruption. Previous research has found out that corruption may be involved in all phases of the trafficking process (recruitment of victims, transportation to a specific destination, issuing different documents, sexual exploitation, realisation of profits). For the purposes of the study, corrupt practices among four segments of the public sector will be researched – local administration, law enforcement, judicial system and government officials. The study will fo-

cus on the impact of corruption among vulnerable groups, with an emphasis on the trafficking of women in five countries – Bulgaria, Croatia, Georgia, Italy, and Kosovo. The main aim is to research the links between corruption and trafficking of women and the forms of corruption's impact on the victims of human trafficking.

The Security Program published a *Study on paving the way for future policy initiatives in the field of fight against organised crime: the effectiveness of specific criminal law measures targeting organised crime*. Organised crime poses a threat to the security and freedom of European citizens and impacts the lives of people worldwide. Recognising the severity of the problem and the need for coordinated action, the EU has initiated a number of measures to encourage closer cooperation between Member States and the adoption of common legal, judicial, and investigative frameworks to address organised crime.

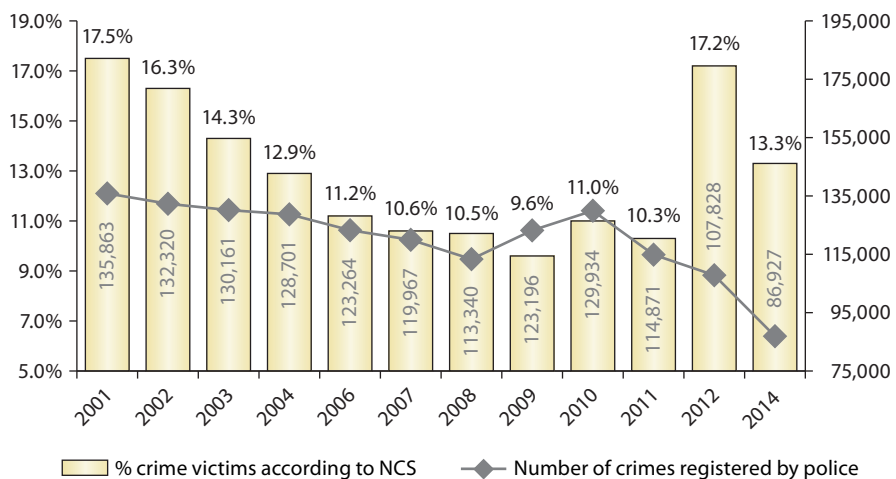
The study evaluates the practical application of legal and investigative tools stemming from *Framework Decision 2008/841/JHA on the fight against organised crime*, other EU and international regulations and national legislation. The study involved a review of the transposition of *Framework Decision 2008/841/JHA* in 28 Member States; examining how the identified legislation, relevant to the fight against organised crime, was used in practice in each Member State; a review of eight special legal and investigative tools and techniques used in the fight against organised crime and an overview of selected national specialist law enforcement and prosecution agencies involved in the fight against organised crime.

**The National Crime Survey (NCS)** is an instrument introduced by CSD in Bulgaria in 2002. It allows for an in-depth analysis of criminal trends and size of criminal markets. The NCS covers eight different types of crimes related to the group of crimes against private property (car theft, bicycle theft, burglaries, attempted burglaries, robbery, and thefts of personal property, attacks/threats). The NCS index does not include crimes against personality, generally dangerous crimes, other criminal activities (crimes against civil rights, crimes against marriage, family, etc.). The eight crimes included are the most widespread ones, which represent between 65 % and 70 % of the general number of crimes and which the society is particularly sensitive about.

In 2014, there has been a decline in the number of victims of crimes to 13.3 % compared to the record figures of 17.2 % in 2012. Despite this decline, the level of crimes remains high and it is comparable to the crimes registered for the period 2004 – 2006. At the same time, in 2014, the police statistics registered the lowest number of crimes since 1990. The comparison between the criminal statistics and the number of victims registered



### Crime level: NCS and MoI statistics (2001 – 2014)



Source: CSD surveys and MoI.



Participants in the public discussion *Dynamics of Conventional Crime in Bulgaria 2014 – 2015*

through NCS manifests that the decline in the crimes conducted is not so significant, as the data of the Ministry of Interior suggests. This outlines a trend of a mismatch between the genuine number of crimes and the number of the crimes registered by the police. The difference is explained by the existence of the so-called “police-filters”, or the practice not to register some crimes, as well as the “latent criminality”, in which citizens – for different reasons – do not report crimes they were subjected to. The NCS results show that only one out of three crimes is recorded in the official statistics.

These sensitive issues were discussed on 30<sup>th</sup> July 2015 during a public discussion **Dynamics of Conventional Crimes in Bulgaria 2014 – 2015**. Results of the 2015 *National Crime Survey* (NCS) were presented to Ms. Rumiana Bachvarova, Deputy Prime Minister and Minister of Interior, as well as with senior representatives from the national police.

## II. Countering radicalisation and terrorist threats

Responding to terrorist threats has become a particularly relevant policy issue over the past several years. The security environment has evolved quickly: the growing reach of the so-called Islamic State and the destructive dimensions of (violent) Islamist or right-wing radicalisation have become dramatically visible in Europe, posing serious challenges to European societies at large.

To discuss these challenges, on 8 January 2015, CSD organised a Round Table: *Countering Radicalisation and Terrorism Threats in Europe*, with the special participation of a keynote presenter – Mr. Gilles de Kerchove, EU Counter-Terrorism Coordinator.

Dr. Ognian Shentov, Chairman of CSD, opened the discussion and stressed that the latest attacks in France have



*Mr. Gilles de Kerchove, EU Counter-Terrorism Coordinator and Dr. Ognian Shentov, Chairman, CSD*



*Participants in the Round table Countering Radicalisation and Terrorism Threats in Europe*

confirmed that the terrorist threats in Europe, including the phenomenon of radicalisation, can only be addressed through common efforts by government, international organizations and civil society institutions.

Mr. De Kerchove laid emphasis on the alarming nature of the terrorist attack in France. He described recent international and regional developments shaping the terrorist landscape and expressed his concern about the growing threat posed by ISIS as the most resourceful terrorist organisation at the moment, not least due to the increasing number of foreign terrorist fighters (FTF) joining its ranks. He provided a comprehensive overview of the policy response at the EU level, and highlighted the importance the FTF issue has received in a recent legally-binding *Resolution 2178* adopted by the

UN Security Council. Mr. De Kerchove described the four main pillars of policy measures at the EU level towards countering radicalisation: prevention, detection of suspicious travel, pursuing FTF through criminal law, and external engagement with third countries.

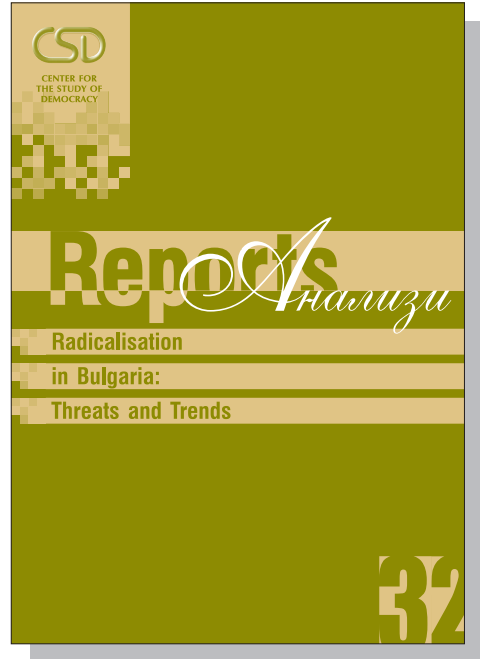
He pointed out that prevention is one of the most important pillars, yet there has been a delayed implementation of such measures in the EU due to the difficult and sensitive nature of potential approaches to understanding and responding to factors for radicalisation. There is a pressing need to develop local capabilities at the front-line to recognise early signs of radicalisation processes, in which engaging civil society and local communities plays a key role. In this context, the relationship between the intelligence communities and the local

social services is of paramount importance to countering radicalisation and dealing with foreign fighters. He added that the fact that these two have been brought closer is a major success.

Other participants in the discussion included Dr. Philip Gounev, Deputy Minister of Interior, Mr. Anyu Angelov, Defence Adviser to the Prime Minister of the Republic of Bulgaria, Dr. Emil Tsenkov, Senior Fellow, Security Program, who all shared the idea of the necessity to raise the capacities of the special organs, to strengthen the means for informational and intelligence exchange, and for a new approach in cooperating with local religious communities.

In conclusion, Mr. De Kerchove emphasised the importance of EU information sharing tools such as Europol, SIS and the enforcement of comprehensive approach to counter terrorism by coherent measures of prevention, detection, and pursuit of offenders. He also emphasised that despite the intensified efforts of the EU to confront the foreign fighters' issue, it needs to continue engaging with vulnerable countries from the Middle East and Africa, including countries of origin, transit or sponsor countries.

The Security Program, together with the Sociological and Law Programs, elaborated a study on *Radicalisation in Bulgaria: Threats and Trends*, addressing a knowledge gap with regard to how and to what extent internationally observed radicalisation processes are manifested in Bulgaria. The report provides policy makers and the expert community with a systematic overview of the main risks to which the Bulgarian society is exposed, as well as of the main actors and ideas, the repertoire of actions, and the groups at risk associated with radicalisation. The report outlines recommendations for improvement of the policy



and institutional response with regard to radicalisation by way of monitoring and prevention measures as well as multi agency collaboration and community engagement.

The key findings of the study, along with present challenges in recognising and countering radicalisation risks, were discussed during a round table on 8 December 2015 on *Radicalisation in Southeast and Central Europe: Monitoring and Responding to Key Trends and Risks*, organised together with the Sociological Program. The round table was attended by representatives of partner organisations from the Czech Republic and Greece, representatives of the Ministry of the Interior, the State Agency for National Security (SANS) and various embassies. The keynote presenters included Dr. Lindsay Clutterbuck, independent expert on counter-terrorism from the UK, and Ms. Ines von Behr, Senior Analyst at RAND Europe, who shared lessons learned





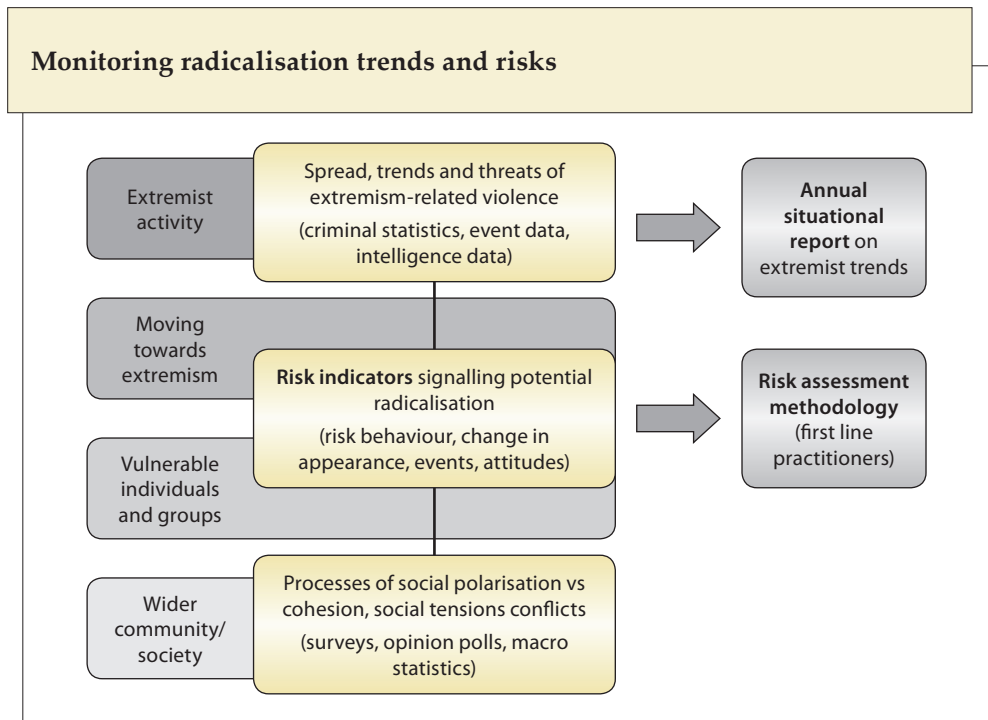
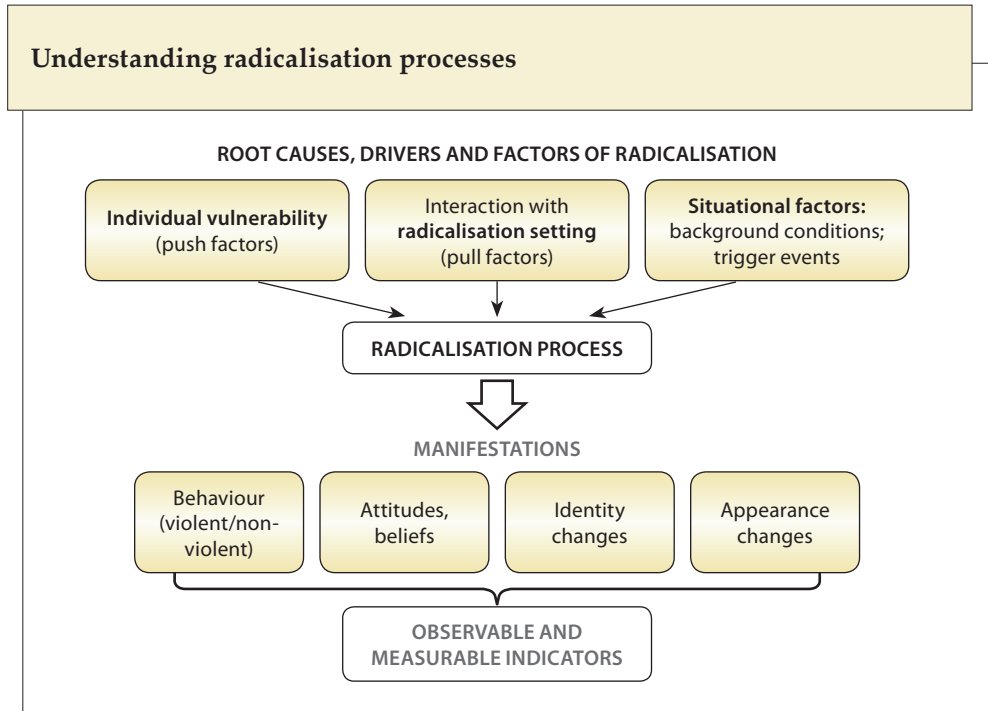
*Round table on Radicalisation  
in Southeast and Central Europe:  
Monitoring and Responding to Key Trends  
and Risks, Sofia*

from analysing the risk factors leading to violent radicalisation in the UK and the effectiveness of counter-radicalisation interventions applied across the EU. One of the core themes of the Round table was the need to develop working methods in identifying, monitoring, and evaluating context-specific radicalisation risks, as well as the need for better evidence to guide policy actions. More research is needed to better understand the root causes, factors, and risk signs of radicalisation and under what conditions it might lead to violence. Ms. Rositsa Dzhekova, Coordinator of the Security Program presented CSD's work on addressing these challenges through developing practical radicalisation monitoring tools for first-line officers.

In June 2015, a four-day study visit to Paris was organised to key French institutions involved in different aspects of **preventing and countering radicalisation and terrorism**. It allowed experts from CSD, the Ministry of Interior and the State Agency for National Security to get acquainted with the French approach to countering radicalisation and terrorist threats, including on issues such as foreign fighters, judicial, law enforcement, and intelligence measures undertaken since 2014, counter-radicalisation prison programs, among other issues. Expert meetings were held at the following institutions: Interministerial Committee on Crime Prevention; National Institute for Advanced Studies in Security and Justice; Coordination Unit for the Fight against Terrorism; Central Service of Territorial Intelligence; National Unit for the Fight against Hooliganism; Central Office for Combating Crime linked to Information and Communication Technologies; and Office for Intelligence in Prison.

Also in December 2015 the Security Program hosted a working meeting of Bulgarian law enforcement and intelligence officers with representatives of the French **Co-ordination Unit of the Fight against Terrorism** (Unité de coordination de la lutte anti-terroriste – UCLAT). The meeting provided practitioners from the two countries with the opportunity to discuss at an expert level recent challenges and approaches to the prevention of radicalisation and confronting more effectively the issue of transiting foreign fighters.

Ms. Rositsa Dzhekova, Coordinator of the Security Program participated in the inter-institutional working group at the Ministry of Interior for developing the draft *Strategy for Countering Radicalisation and Terrorism 2015 – 2020* and an accompanying *Action Plan* for its implementation, pending final approval.





*Participants in the working meeting with the French Co-ordination Unit of the Fight against Terrorism (UCLAT)*

Ms. Dzhekova proposed specific measures related to the prevention of radicalisation through developing methods for identification, monitoring and evaluation of radicalisation risks and through establishing effective mechanisms for multi-agency cooperation and engagement of civil society and communities at local level.

### **III. State Capture and the Media**

State capture is a process by which certain individuals, interest groups, or powerful private firms ‘capture’ the state legislative, executive, and judicial apparatus to shape laws, policies, and state regulations to their own advantage. State capture may also refer to the situation when state officials (politicians) mold institutional frameworks, policies, and laws in favour of vested interests (be it corporate, political, or criminal).

**‘Media capture’** refers to the situation in which the media – a key check-and-balance mechanism for the healthy functioning of democracy – does not have an autonomous position in society but is controlled either directly by governments or by vested interests networked with politics.

The problem in Bulgaria is that the real owners of media outlets remain largely hidden, as a consequence making it increasingly hard for the general public to make an informed decision about the trustworthiness and objectivity of media products. The concentration of ownership in the two sectors under scrutiny – private security and the media – is crucial because it indirectly influences the work of government and the official state administration, and as such has an impact on individual citizens.

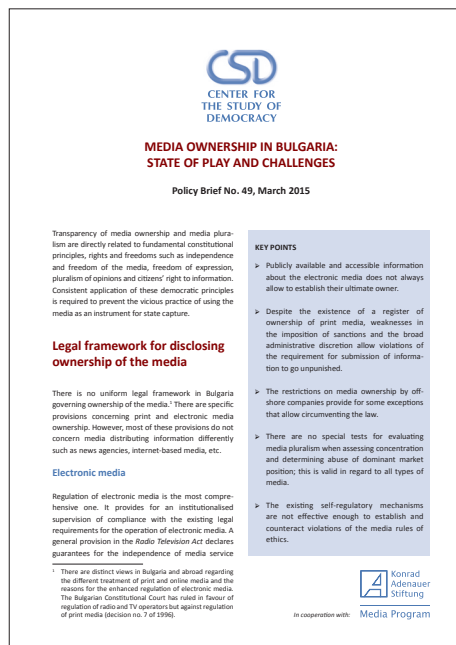
Over the past decade, media in Bulgaria has gradually lost independence; own-

ership has concentrated in the hands of a several private companies/individuals, who have increasingly used it as way to trade in influence. Media pluralism has been largely lost in mainstream media, while regulatory bodies have not reacted, and allowed for a continuous deterioration of media freedom, as all major international indexes have detected. This deterioration has not only undermined efforts to fight corruption, but have undermined the basic democratic processes such as the democratic elections. These processes have transformed **media as a tool for state capture**.

Transparency of media ownership and media pluralism are directly related to fundamental constitutional principles, rights and freedoms such as independence and freedom of the media, freedom of expression, pluralism of opinions, and citizens' right to information. Consistent application of these democratic principles is required to prevent the vicious practice of using the media as an instrument for state capture. The current publication makes a review of the legal framework for disclosing ownership of the media.

The legal regime for disclosing media ownership is detailed in the policy brief *Media Ownership in Bulgaria: state of play and challenges*, published in March 2015.

Within it, it is discussed that publicly available and accessible information about the electronic media does not always allow to establish their ultimate owner. Despite the existence of a register of ownership of print media, weaknesses in the imposition of sanctions and the broad administrative discretion allow violations of the requirement for submission of information to go unpunished. The restrictions on media ownership by offshore companies provide for some exceptions that allow circumvent-



ing the law. There are no special tests for evaluating media pluralism when assessing concentration and determining abuse of dominant market position; this is valid in regard to all types of media. The existing self-regulatory mechanisms are not effective enough to establish and counteract violations of the media ethics rules.

On March 11, 2015, CSD, in partnership with the Media Program Southeast Europe of the Konrad Adenauer Foundation and the Open Society Foundations, held a conference on *Media as an Instrument for State Capture*.

Dr. Ognian Shentov, Chairman of the Board of the Center for the Study of Democracy, opened the discussion by pointing out that media influences the policy making process in the country and any hidden dependencies constitute a serious case of political corruption. Different sectors in different countries are captured by private and oligarchic



*Participants in the conference Media as an Instrument for State Capture*

interest to a varying degree, which creates major risks to national security. State capture, especially in the security sector, also influences our relations with NATO and the EU.

Mr. Christian Spahr, Head of the Media Southeast Europe Program of the Konrad Adenauer Foundation, emphasized the continuing deterioration of media freedom in Bulgaria. According to recent studies, every second journalist in Bulgaria has experienced pressure from business and/or political circles. This pressure demotivates journalists in their pursuit of quality coverage.

The US Ambassador to Bulgaria, Marcie Ries, underscored the importance of free media for the functioning of democracy. "In a democracy, media have a critical role to play in informing citizens and voters and in playing host to or even provoking honest debate on public policy. I think we can acknowledge that

in Bulgaria, there is a problem in that in many cases, we don't know who owns the media and therefore, consumers can't have an informed opinion about the objectivity, or lack of it, of what they are reading" she said.

Dr. Maria Yordanova, Director of the Law Program of CSD, Prof. Nelly Ognyanova from Sofia University, Mr. Georgi Lozanov, Chairman of the Council for Electronic Media, Dr. Alina Dobрева from the Centre for Media Pluralism and Media Freedom in Florence, and others also took part in the debate. All participants agreed that nontransparent ownership of media is a systemic problem, related to other sectors and areas of public life, and that in Bulgaria there are serious, persistent, and multiple risks in that regard.


Another notable deficiency of the media environment in Bulgaria is the lack of adequate **local media**, a trend with



*At the conference Media as an Instrument for State Capture, from left to right: Ms. Marcie Ries, US Ambassador to Bulgaria, Dr. Ognian Shentov, Chairman of the Board, CSD, Prof. Nelly Ognyanova, Sofia University*

devastating implications for the regions of Bulgaria. It affects not only the local public institutions; regional economic activity is also hindered by the absence of independent media. At the same time, when discussing the state of media in Bulgaria, the problems of local media are often overlooked. The Policy Brief *Regional Media in Bulgaria: the Limits of Survival* presents the results of a survey of 179 local media with internet presence. The analysis focused on the mechanisms and factors that prevent journalists and the media from informing the public in an objective, competent, and comprehensive way.

Among the key conclusions are that public and private national media have sporadic presence in the regions. Lack of transparency in terms of ownership structures, undeclared/unregulated conditions for advertising and information services, pose questions about the actual sponsors and financing of regional media outlets.



**CSD**  
CENTER FOR  
THE STUDY OF  
DEMOCRACY

**REGIONAL MEDIA IN BULGARIA:  
THE LIMITS OF SURVIVAL**

Policy Brief No. 57, September 2015

The lack of adequate local media is a trend with devastating implications for the regions of Bulgaria. It affects not only the local public institutions; regional economic activity is also hindered by the absence of independent media. At the same time, when discussing the state of media in Bulgaria, the problems of local media are often overlooked.


**Methodology**

In 2015, the Center for the Study of Democracy conducted a survey of 179 local media with internet presence (excluding media in the city of Sofia and greater Sofia region). The selection excluded sites which provide purely commercial or entertainment content, local guides, corporate platforms, and narrowly specialized media, such as education, sports or fashion focused programming. Most of the media included in the survey generates content on a daily basis aimed at informing the public about events and processes covering various aspects of public life. Thus, the daily frequency is considered common practice for the media. Ten articles were selected from each media source, on the basis of visibility on their respective sites. Over 1 700 texts were reviewed and selected within the first ten days of September 2015. Systematic data was collected about the coverage of the media, staff, ownership, types of content


**KEY POINTS**

- Public and private national media have sporadic presence in the regions. In five of Bulgaria's regions (Lovech, Montana, Plovdiv, Sliven, and Varna), there is no local branch of any national media. Thus, regions are barred from taking an adequate role in the informational exchange. Public media should get targeted financing to cover all regions.
- A considerable part of the regional media does not publish information about their owners, their staff, or the advertising services they offer. Publication of these data should become the normal practice, and in the future an online registry of all media dedicated to informing the public should be established.
- Posting the terms for advertising and information services should be made a legal requirement, along with clear identification of all paid content.
- To improve their legitimacy and enable communication with their audience, media should publish data about their staff on their official sites.
- Industry associations and specialized nonprofit organizations should monitor the quality of media content and encourage media and journalists to create analytical and investigative publications through national rankings and professional awards.

An cooperation with



**OPEN SOCIETY  
FOUNDATIONS**



**Konrad  
Adenauer  
Stiftung**  
Media Program

Results of the study were presented and discussed at a seminar on 'Regional



*Participants in the seminar Regional Media in Bulgaria: the Limits of Survival*

**Media in Bulgaria: the Limits of Survival**, held on 6<sup>th</sup> October 2015, with the support of Open Society Foundations Budapest and the Media Program South East Europe of the Konrad-Adenauer-Stiftung.

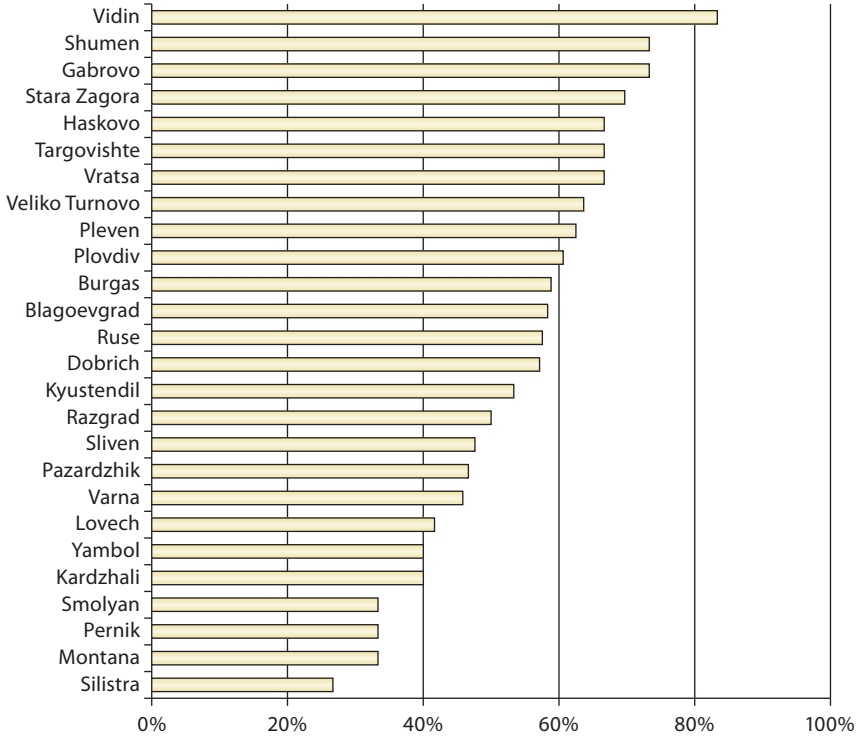
Dr. Lyubomir Kutin, a researcher at CSD, introduced the methodology of the survey itself. The current state of regional media was evaluated using the following indicators: density of media content, transparency, pluralism and debate, respect for copyright law, political and economic independence.

The seminar's main conclusion was that regional media outlets have strong political and advertising dependencies. In terms of content, regional news and topics dominate, but often they are presented in a banal and uncritical way. Purely descriptive texts prevail over analytical content. It turns out that internet media outlets are the most frequent violators

of copyright law, as they rarely mention the names of external authors. All this seriously damages the quality of media content.

Mr. Tihomir Bezlov, Senior Fellow at CSD, Mr. Spas Spasov, journalist at Morski Dnevnik, Mr. Mehti Melikov, CEO of the National Council for Journalistic Ethics, Prof. Georgi Kalaglarski, representative of the Bulgarian Journalists' Council, Mr. Dimitar Gabrov, SEM expert and journalist, Ms. Maria Chereshova, chair of the Association of European Journalists, and others also took part in the debate. They underscored the seriousness of the problem and suggested a number of measures for improving the regional media environment, such as the creation of networks of investigative and analytical journalists, working on a new model for media financing, developing NGO journalism, and so on.

### Transparency index (% of media with declared owner, advertising terms, and staff)



Source: CSD survey.

#### IV. Security sector reforms: the case of private security firms

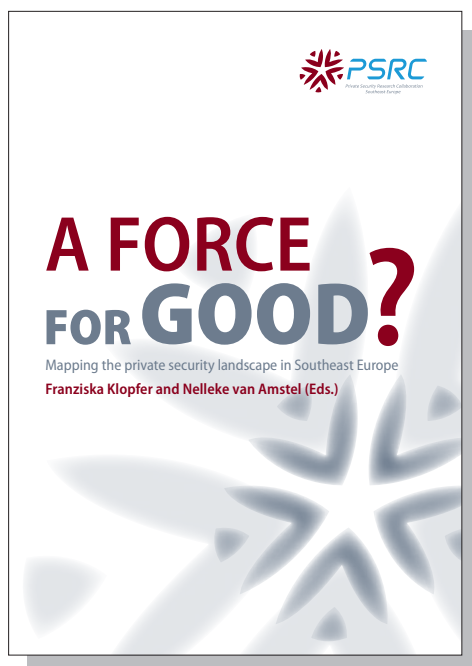
Around the world, security is provided by a wide range of public and private actors. An important part of the global security landscape is occupied by a burgeoning commercial security industry. However, while much attention has been given to the regulation of international private military and security companies operating in conflict and post-conflict settings, the **growth of the domestic private security industry** has received significantly less attention. As with any part

of the security sector, **democratic oversight** is essential to ensure that negative outcomes for the security of the state and its citizens do not continue unchecked.

At the national level, the size, roles, and impact of the private security sector can be directly linked to **key questions of democratic security sector governance**: Do national authorities have a clear picture of all those actors playing a security role on the national territory? How do private security providers affect individuals or communities on a day to day basis – is



this 'more' security or simply security for those that can pay? And is there a clear delineation of roles and responsibilities between public and private security actors? It is particularly important to understand these dynamics in contexts of democratic consolidation where the security sector may play a disproportionately influential role. The imperative to understand the realities of the private security industry and situate it within a wider framework of state and human security underpins the Private Security Research Collaboration Southeast Europe (PSRC). The PSRC follows this approach in the publication *A force for good: Mapping the private security landscape in Southeast Europe* elaborated by CSD and partner organisations from Switzerland, Albania, Kosovo, and Serbia.



The study focuses on important but under-researched questions closely linked to the private security sector: 1) what role does the state want to attribute to

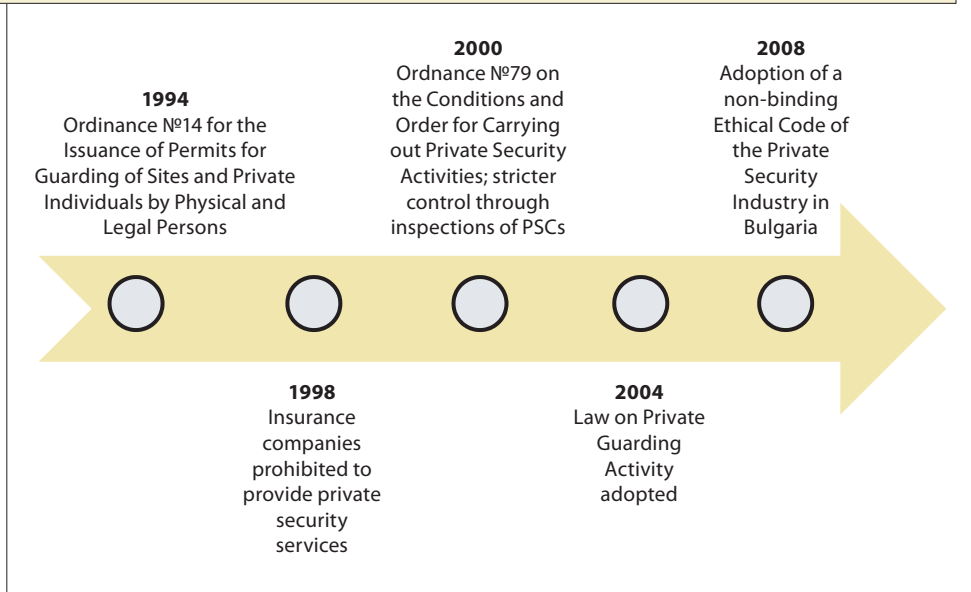
private security providers within the security sector; and 2) what framework is most effective to enable private security to deliver those services and fulfil to clearly defined standards. The **privatisation of the security sector**, as well as the **size and condition of the industry** in the researched countries, encompass the main focus of the publication, which complements the already existing knowledge of the issue in the United States and Western Europe. There is a comprehensive description of the emergence of the first private security companies, the role of their clients and the relevant legislature in the shape and shifts of their services, as well as companies which have survived since the establishment of the sector, and the factors which have led to that.

The part of the study focused on Bulgaria researches the legal, social, economic, and political factors and challenges in the private security sector. It analyses the legal framework and the processes in the sector since 1990 to the present day, as well as the problems which continue to be characteristic for Bulgaria – high levels of corruption, shadow economy and the poor control on the rules' implementation. The solution to these problems requires more effective coordination between the regulatory bodies and adequate control resources.

The challenges and opportunities related to the privatisation of the security sector in the transition countries were the topic of a panel discussion at the **5<sup>th</sup> Belgrade Security Forum** held between 30 September and 2 October 2015. Participating were representatives of the Geneva Centre for the

Democratic Control and Armed Forces (DCAF), the Center for the Study of Democracy, the Belgrade Centre for Security Policies (BCSP), the Institute for Democracy and Mediation (IDM) in Alba-

## Timeline of key regulatory developments concerning the private security sector in Bulgaria



Participants in the panel discussion at the 5<sup>th</sup> Belgrade Security Forum

nia, and the Kosovo Center for Security Studies (KCSS).

In the course of the forum, Ms. Rositsa Dzhekova, Coordinator of the Security Program of the Center for the Study of Democracy, presented key findings of the book *A Force for Good: Mapping the private security landscape in Southeast Europe*. The study is the first of several forthcoming outputs from the joint initiative Private Security Research Collaboration Southeast Europe (PSRC).

## V. Innovative instruments for monitoring anti-corruption policies

In 2015, CSD finalised its work on elaborating the *Monitoring Anti-Corruption Policies Implementation Tool* (MACPI). The tool is a set of practical steps and methods for monitoring the implementation of anti-corruption measures and policies at the institutional level and the dynamics of the spread of corruption.

The successful testing of the developed instruments for monitoring the imple-

mentation of the anti-corruption measures was realised in close cooperation with the institution that were tested.

On 3 February 2015 CSD, in co-operation with the Ministry of Interior, CSD organised a round table for discussing and implementing the MACPI tool in various directorates of the Ministry.

Dr. Alexander Stoyanov, CSD Director of Research, presented the methodology of the pilot testing of the MACPI tool in Traffic Police and Border Police. The tool was applied in four separate modules:

- Module 1 – Risk assessment of anti-corruption policies
- Module 2 – Assessment of feasibility of anti-corruption policies
- Module 3 – Level of implementation of anti-corruption policies
- Module 4 – Experience of servicemen with anti-corruption policies

MACPI assesses the size of corruption risks in the framework of the respective institution, and on the basis of the inventory of anti-corruption measures, defines how and to what extent the anti-



*Round table Anti-corruption Measures in Law-enforcement Institutions*



*Expert workshop Theory and Implementation of the MACPI Tool*

corruption policies have been implemented.

The participants in the discussion commented on the massive daily corruption in the Ministry of Interior, the underestimated role of prevention, the lack of sufficient capacity in the implementation of innovative methods in the fight against corruption, and the role of external independent assessment of activities not only within the system of the Ministry of Interior, but in the whole public administration in general.

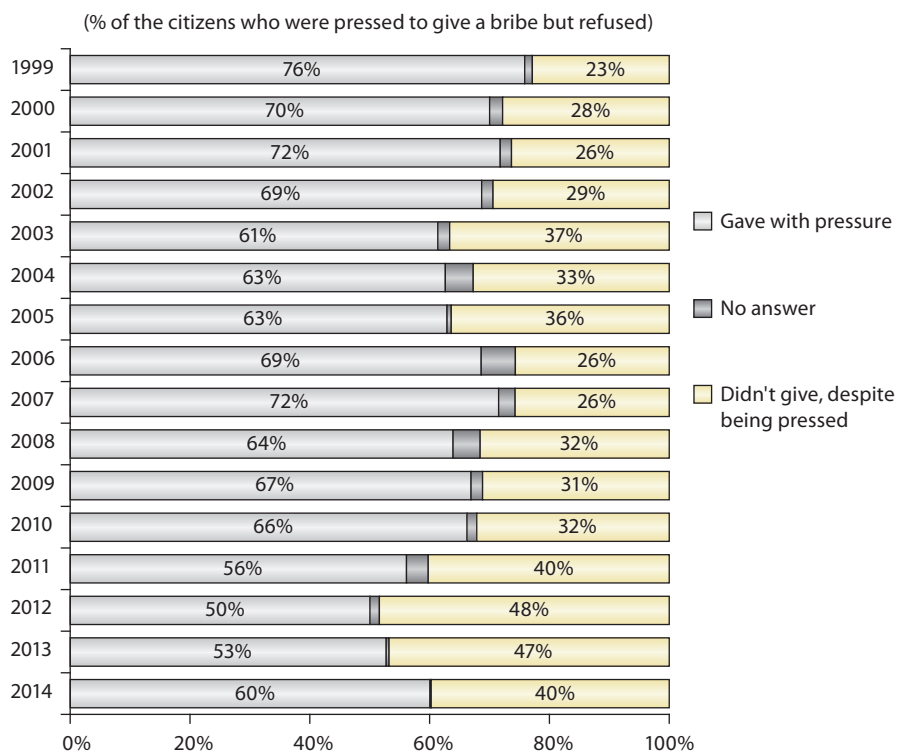
In an expert workshop, held on 31<sup>st</sup> March 2015, the final version and the results of the pilot implementation of the MACPI tool were presented.

Dr. Alexander Stoyanov, CSD Director of Research, elaborated on the methodology of the MACPI tool. The main assumption behind the tool is that corruption happens at the point of interaction between citizens/businesses and public institutions and this is where it should be addressed. The MACPI tool draws on

desk research, in-depth interviews with experts, and employee surveys and is designed to account for standard corrupt behaviors such as abuse of power, as well as for more complex corrupt relations like clientelism. The tool is implemented in two phases: mapping and evaluation. During the first phase, the organization's anti-corruption policies are identified with the help of internal experts and the principal activities carried out by the institution are established. During the second phase the established corruption risks zones are taken into account in the evaluation of actual policies.

The tool is designed to be applicable to different organizations and needs to be understandable for officials without anti-corruption expertise. When applying the MACPI tool in a given organization, it is important to emphasize that policy diagnostic aspect of the tool, as employees are much more likely to cooperate when they do not feel that their personal performance is being scrutinized.

## Corruption Pressure

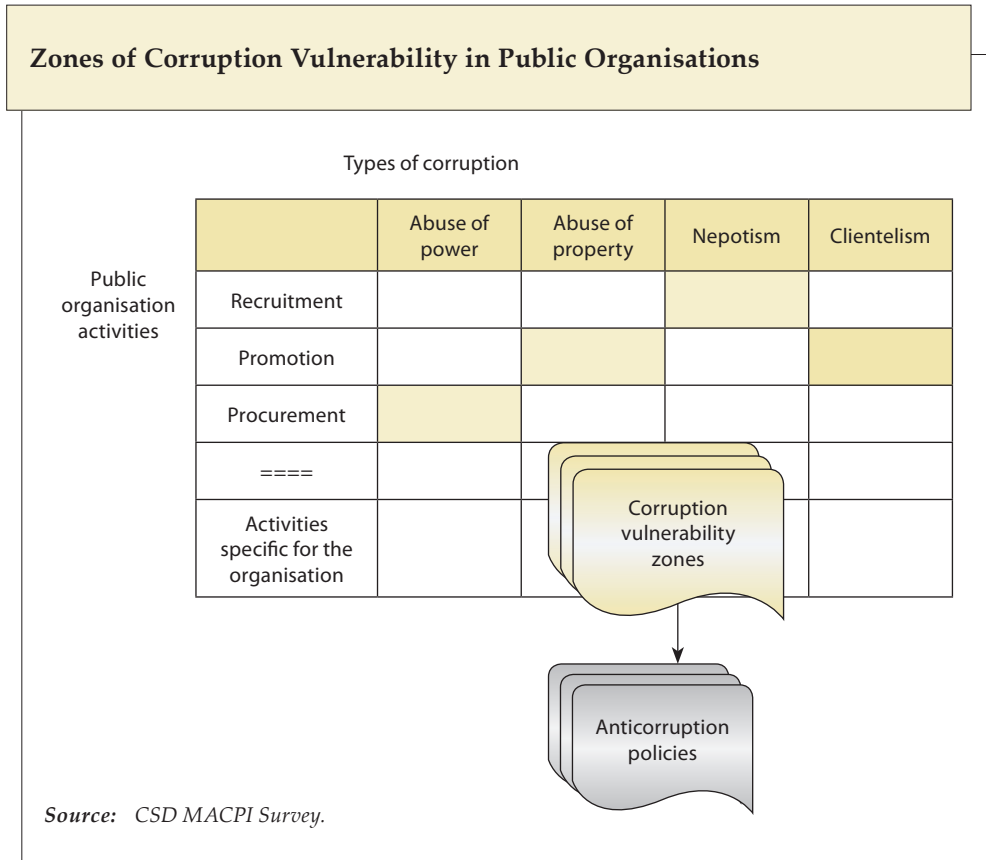


Source: CSD MACPI survey.

The participants in the debates to follow included Dr. Elena Hunta from the Basel Institute on Governance, Dr. Todor Galev, Senior Analyst at CSD's Economic program, Mr. Lorenzo Segato, co-founder and director of the Research Centre on Security and Crime (RiSSC), Mr. Roberto Vannucci from the University of Pisa and Mr. Sorin Ionita from the Expert Forum in Romania.

The results from the pilot testing of the MACPI tool at the Bulgarian Border Police were discussed at a Round Table at CSD on 2 June, 2015.

**Dr. Alexander Stoyanov**, CSD Director of Research, explained that the MACPI tool was designed to reveal deficiencies both in the implementation of anti-corruption measures and in the measures themselves. MACPI measures the following four indicators of effectiveness at the institutional level: adequacy of anti-corruption policies, implementability, implementation, and ultimately, impact on the corruption interest and corruption pressure. The tool takes into account the level of corruption involvement both at a national and institutional level. Results from 2015 showed that about 18 %



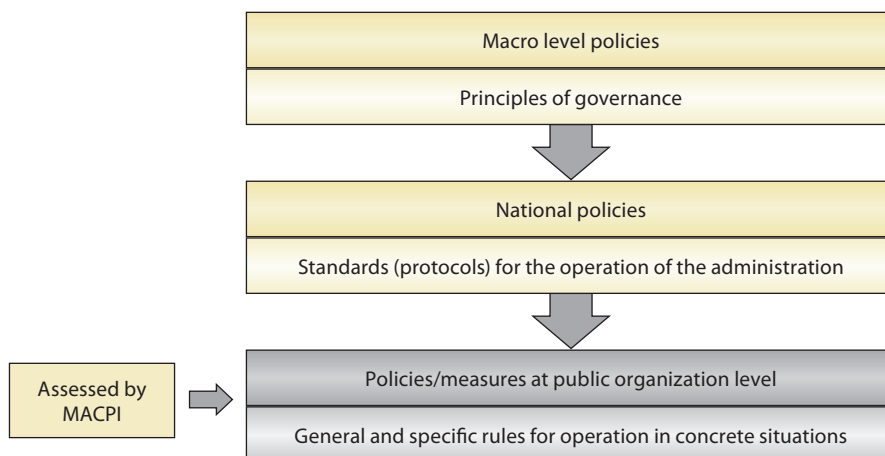
of the population have taken part in a corruption transaction, and about 27 % have experienced corruption pressure. Over the years, levels of corruption have fluctuated significantly, showing no lasting positive trend. Regarding the results on the effectiveness of anti-corruption measures, the majority of existing policies are formally applied and more systematic control of the implementation of the measures is required.

**Ms. Rumiana Bachvarova**, Deputy Prime Minister and Minister of Interior, pointed out that the MACPI tool can be extremely valuable to state institutions as it allows focusing on details and existing anti-corruption measures, as well as formulating new policies. Corrupt

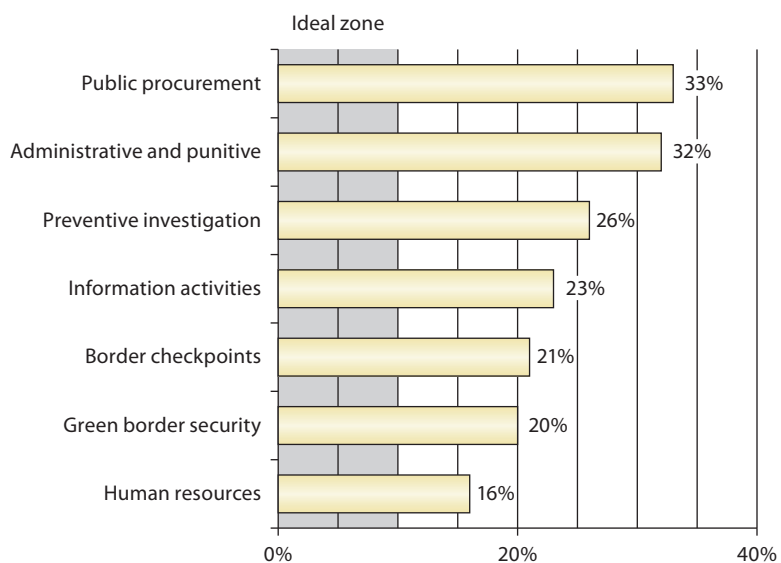
practices are always ahead of anti-corruption measures, and therefore in combatting corruption, it is crucial to follow the dynamics of the environment in which they develop. She emphasized that it is critical that tools like MACPI are applied systematically, because the establishment of a trend is more important than the absolute score of the assessment at a given time. With the development of the MACPI tool, the Center for the Study of Democracy has once again demonstrated its leadership in combatting corruption.

The philosophy of the MACPI tool has been synthesised in the Policy Brief *Refocusing Anticorruption: a New Policy Evaluation Tool*, published in June 2015.

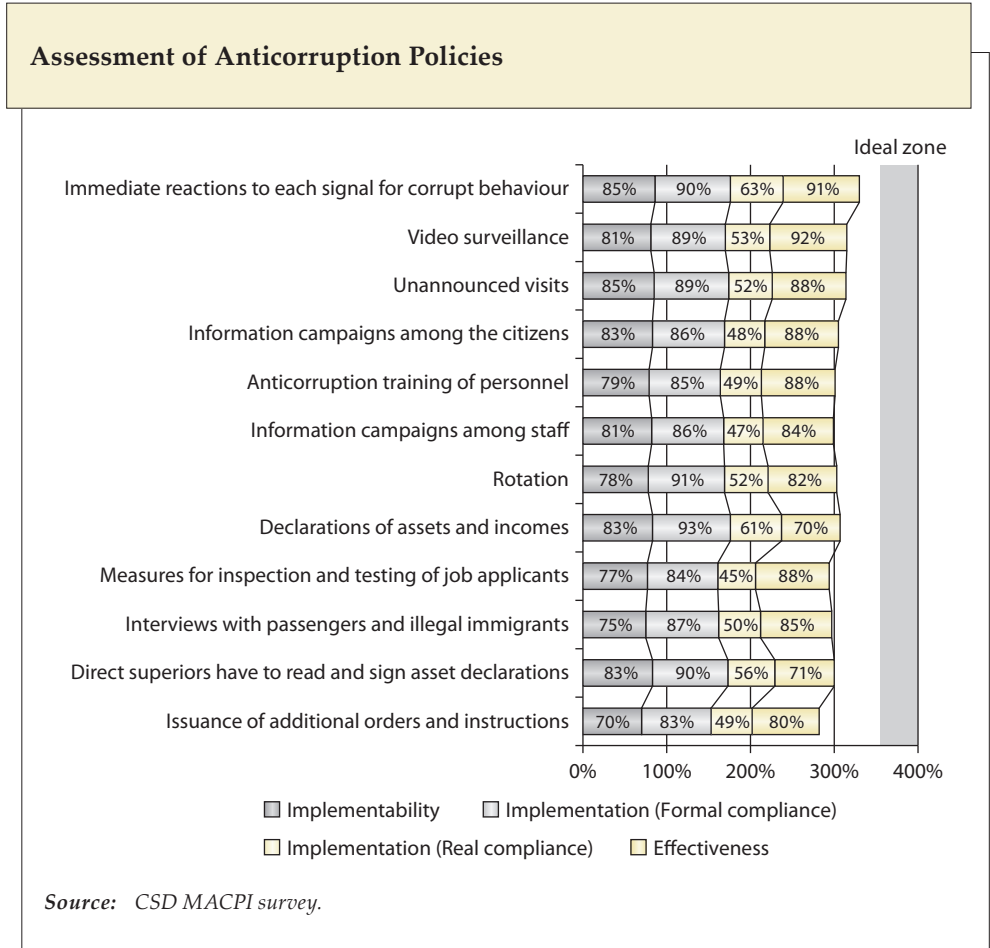
## Anti-corruption Framework and MACPI



## Average corruption pressure for the different activities



Source: CSD MACPI survey.



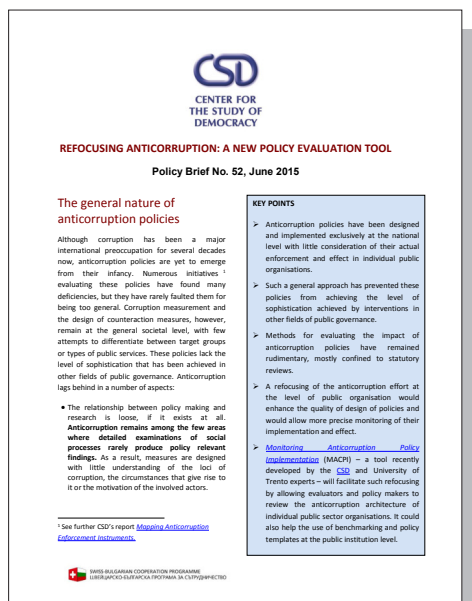
Anticorruption policies have been designed and implemented exclusively at the national level with little consideration of their actual enforcement and effect in individual public organisations. Such a general approach has prevented these policies from achieving the level of sophistication achieved by interventions in other fields of public governance.

**A refocusing of the anticorruption effort at the level of public organisation** would enhance the quality of design of policies and would allow more precise monitoring of their implementation and effect. MACPI – a tool recently de-

veloped by the CSD and University of Trento experts – will facilitate such refocusing by allowing evaluators and policy makers to review the anticorruption architecture of individual public sector organisations. It could also help the use of benchmarking and policy templates at the public institution level.

At an expert workshop held at CSD, Prof. Umberto Triulzi from the Sapienza University in Rome, Mr. Jean-Arnold Vinois from the Notre Europe-Jacques Delors Institute, Mr. Aare Kasemetz from the Estonian Academy of Security Sciences and Mr. Erik Csernovitz, Deputy Secre-





tary-General of the Central European Initiative, praised highly the instrument's capabilities and made suggestions for its improvement for use in other spheres like the specific energy market, as well as to explore opportunities for the tool's popularisation and implementation in states applying for EU membership.

On 12<sup>th</sup> June 2015, MACPI was presented in Brussels to an audience of senior civil servants from the European Commission and other EU institutions, representatives of NGOs and diplomatic missions, and academics. The event also served as an EU-wide platform to present the results of the pilot implementation of MACPI in Bulgaria and Italy.

“Innovative research is needed to support the work of the European Commission in the development of evidence-based anticorruption policy.” These were the opening lines of Ms. Anabela Gago, Head of the Organised Crime Unit at the Directorate-General for Migration and Home Affairs at the policy forum on anticorruption enforcement.



*Ms. Anabela Gago, Head of the Organised Crime Unit at the Directorate-General for Migration and Home Affairs, European Commission, at the presentation of MACPI results in Brussels*

Ms. Gago highlighted that the 2014 EU Anticorruption report evidenced that in most EU member states anti-corruption legislation is in place, but implementation is not as effective as required. In this regard, she recognized that the development of a practical tool for monitoring anti-corruption enforcement is welcomed as it can be adapted to the situations in various countries and institutions.

Dr. Alexander Stoyanov, CSD Director of Research, underlined that the MACPI tool's main advantage is that it allows evaluators and policy designers to gain an insight into the arguably key factor for the success or failure of anticorruption efforts: the processes and implementation procedures in public organisations. He also noted that a shift of focus from the national to the institutional level will benefit the EU anticorruption efforts as well.



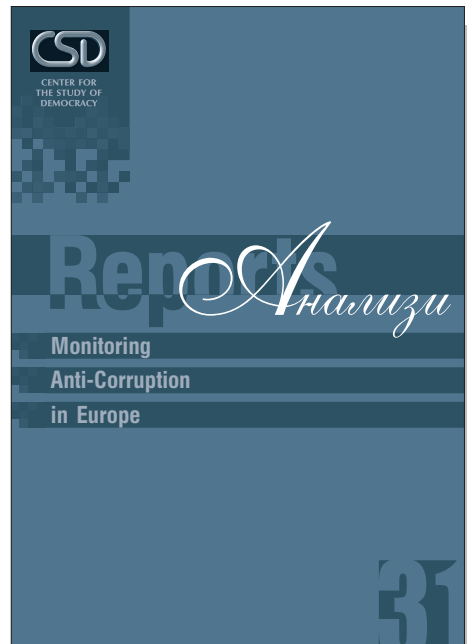
*Participants in the Policy Forum Monitoring Anti-corruption Enforcement, Brussels*

The significance of the public institution level in anticorruption has been recognised in the *EU Anticorruption Report*, which acknowledges that corruption can be reduced by preventive systems and practices involving the suppliers and recipients of public services.

The participants were also presented with the findings of the report *Monitoring Anti-Corruption in Europe. Bridging Policy Evaluation and Corruption Measurement*.

Corruption and measures to counteract it have been subject to so much research and political attention that it would seem that their every aspect must have been explored. Yet corruption proves bafflingly resilient, always finding new conduits for spreading; squeezed temporarily out of one public sector, it reappears in another. It could only benefit the anticorruption effort, therefore, if novel methods for analysis and prevention were found.

It is in response to this need that the current report seeks to **build bridges**



**between the evaluation of anticorruption policies and the measurement of corruption.** *Monitoring Anticorruption Policy Implementation (MACPI)* was born of the understanding that innovation in

anticorruption is as important as it is in other social and economic fields. MACPI provides the anticorruption community with a precision-guided tool, which gives exhaustive feedback on the enforcement of policies.

The discussion further focused on the possible follow-ups and the applicability of the tool in various environments. Its potential for benchmarking the same organisation over time and similar organisations within and across countries was a matter of further debate. Also discussed was the usefulness of MACPI in the context of other European Commission supported initiatives, such as the *Southeast Europe Leadership for Development and Integrity (SELDI)* which includes a substantial anticorruption effort.

\* \* \*

Over the years, CSD's experience has become increasingly popular among its in-

ternational partners. Particular interest has been manifested by organisations from China, where corruption continues to be one of the most serious issues.

In June 2015, CSD hosted a delegation from the **China Center for Contemporary World Studies (CCCWS)** for the third time.

Dr. Ognian Shentov opened the discussion by identifying various strategic fields of common interest, focusing on anti-corruption in particular. Stressing that corruption continues to be a major social and political issue both in China and Bulgaria, he drew the attention to the *Monitoring Anticorruption Policy Implementation (MACPI)* tool developed by CSD that evaluates the effectiveness of anti-corruption measures at public institutions. Dr. Shentov emphasized the positive reception that the innovative tool has received from the Bulgarian government and also from the European Commission.



*Working meeting between CSD and the China Center for Contemporary World Studies*

Dr. Hu Hao, Deputy Director General of the CCCWS, spoke on future connectivity and cooperation opportunities in the frame of China's "One Belt and One Road initiative". He pointed out that China is facing increasing challenges with regard to corruption and that the MACPI methodology potentially has a lot to offer to the strong anti-corruption campaign that is currently taking

place in China. Dr. Hao brought into focus the series of strict laws, regulations and measures introduced by the new Chinese leadership and their respective effects.

Dr. Hao and Dr. Shentov signed a *Memorandum of Understanding (MoU) on Cooperation* between CCCWS and CSD.

## Sociological program

The work of the Sociological Program in 2015 was focused on integration of migrants, social inclusion of vulnerable groups, trafficking in human beings, prevention of radicalisation leading to terrorism, rendering advice and expertise to key governmental stakeholders.

- **Integration of migrants and social inclusion of vulnerable groups.**

Impact assessments of the integration policies, practices and measures on vulnerable categories of migrants (women, children and victims of trafficking) were carried out in ten EU Member States. A detailed comparison of the national results was conducted identifying trends, good practices and gaps in the integration of vulnerable migrant groups and formulating relevant recommendations.

Growing negative attitudes and “othering” of Roma in Bulgaria were challenged by show-casing the possibilities, positive effects and benefits of social inclusion achieved at local level through transparent public funding. A study providing new data and insight on the social and economic effects of a wide range of public investments in Roma communities was conducted.

A study was launched on domestic and gender-based violence and development of victim support model, with specific focus on Roma women and girls.

- **Counter trafficking in human beings.**

Three new forms of child trafficking for the purpose of begging, pick-pocketing and sexual exploitation of boys have been studied. The focus was on the Roma communities and for this purpose methods for participatory research were applied in seven EU Member States. A community-based approach to combatting trafficking in human beings was elaborated. The use of Internet (including social networks) in the area of trafficking in human beings and smuggling of illegal migrants and persons seeking international protection was also studied.

- **Prevention of radicalisation leading to terrorism.**

A central research topic was the radicalisation leading to terrorism in Bulgaria, Greece and the Czech Republic. A methodology for background review of radicalisation trends and monitoring mechanisms at national level was developed. Three national reports were drafted on radicalisation trends (with regard to right and left wing radicalisation, Islamist radicalisation and football hooliganism).

- **Rendering advice and expertise to key governmental stakeholders.**

The Sociological Programme led the drafting of the *Annual Report on Migration and Asylum Policy* for the European Migration Network providing comprehensive account of annual policy and legal developments in Bulgaria for 2014.

A pilot mechanism for monitoring of forced return operations of rejected asylum seekers and irregular migrants was developed. A Handbook for independent monitors was elaborated including a review of the existing European and national legal framework, the role and responsibilities of independent observers and a practical guide to monitoring.

## I. Integration of migrants and social inclusion of vulnerable groups

### Assessing Integration Measures for Vulnerable Migrant Groups

In 2015, the Sociological program coordinated activities in ten EU MS – Austria, Belgium, Bulgaria, Greece, Malta, Hungary, Italy, Poland, Slovakia, and Spain. This initiative addresses key needs in the area of migrant integration across the EU:

- standardised methods for the monitoring of integration of vulnerable migrants, applicable across the EU;
- knowledge of the effectiveness of integration policy and programmes for vulnerable migrant groups (women, children and victims of trafficking (VOTs) in “old” and “new” Member States with large or ‘evolving’ immigration flows;
- recommendations for enhancement of the integration of vulnerable migrant groups (women, children and VOTs) across the EU, including identification of good practices;
- awareness among national stakeholders across the EU of the need to develop vulnerability-sensitive integration processes that address the particular circumstances of vulnerable migrants related to exclusion, exploitation and trafficking.

An assessment was conducted in the ten EU Member States of the **levels of integration of vulnerable migrant groups** such as migrant women, migrant children and victims of trafficking. Based on the ten national assessments, a detailed comparison of the national results was conducted identifying trends, achievements, and gaps in the integration of vulnerable migrant groups and formulating relevant recommendations. In addition, good practices in the field of integration of vulnerable migrants and monitoring of migrant integration were collected in ten EU member states and systematised in a *Compendium of Good Practices*. Finally, a review of European Union measures for the integration of vulnerable migrant groups was conducted to provide stakeholders at the national level, policy makers, researchers, and NGOs with an outline of the key European Union (EU) instruments and provisions regarding the integration of women, children, and trafficked persons.

A workshop held in February 2015 discussed the comparative assessment of the integration of vulnerable migrants, as well as the selected good practices in their monitoring and integration.

In April 2015 the Sociological Program hosted a national expert meeting “**Assessing the integration of vulnerable**



*Expert meeting on assessing the integration of vulnerable migrants. From left to right: Ms Magdalena Queipo de Llano López-Cózar and Ms Jennifer Zuppiroli, from ACCEM, Spain, Ms Dia Anagnostou from ELIAMEP, Greece, and Mr Andrew Vasalo from People for Change Foundation, Malta*

**migrant groups in Bulgaria”** aimed at generating a discussion on the levels of integration in Bulgaria of migrant women and migrant children in a comparative perspective. At the meeting the results of a study on the integration of vulnerable migrant groups in the country were presented alongside the experience of other EU Member States.

At the end of May 2015, the Sociological Program together with People for Change Foundation conducted a policy conference in Brussels aiming to present main **EU relevant findings and recommendations relating to the monitoring and integration of vulnerable migrant groups** to EU stakeholders. The conference was joined by Mr. Christian Pirvulescu, Member of the Permanent Study Group on Immigration and Integration, European Economic and Social Committee and by Ms. Valeria Setti, Policy Offic-

er at the Legal Migration and Integration Unit, DG Migration and Home Affairs, European Commission as well as other EU relevant stakeholders. The main topics raised in the discussion, moderated by Professor Heaven Crowley, Chair in International Migration Centre for Trust, Peace and Social Relations at Coventry University, regarded the role of politicians in convincing EU societies of the values of integration; the need to develop indicators for measuring third country nationals (TCN) integration that target not only TCN but also the host societies and their willingness and openness for welcoming and accommodating migrants; the need to assure sustainability of integration services by allocating a minimum of integration services as responsibility of the governments.

**National reports** on the integration of vulnerable migrant women, children,



*Expert meeting on assessment of integration measures for vulnerable migrant groups in Bulgaria*

and victims of trafficking were prepared for each of the ten countries participating in the initiative. The **report for Bulgaria** aims to trace the existing integration policies and how they meet the needs of the three vulnerable groups in a set of policy domains that are considered of key importance for integration. In addition, it provides assessment of the integration outcomes for each of the three vulnerable migrant groups by analysis of available statistical and administrative data along a set of indicators in the specified integration domains. The report offers a discussion as to whether and to what extent national integration policies pay attention to vulnerability in migration, and to what extent are there integration mechanisms and programmes that address the integration needs of immigrants who are more vulnerable than others. The report identifies some general factors and features that shape Bulgaria's integration policy towards vulnerable migrants. The main shaping factors include: the moderate share of immigrants (less

than 1%); the country's policy priority for Schengen entry which determines the strong border security aspect of Bulgaria's migration strategy; the increasing refugee inflows which put refugees in the centre of public and institutional attention with policies for integration of refugees overshadowing policies for integration of legally residing TCNs. The two main features regarding the policy approach towards the integration of migrants in Bulgaria include: the regularization of migrant integration through legal acts, strategies and action plans in sectoral policies in employment, education, social inclusion and anti-discrimination; the main determinant in the policy formulation in the area of integration of TCN in Bulgaria is status and not gender or vulnerability.

On the basis of the ten national reports, a *Comparative report* has been prepared which provided a review of the integration policies and outcomes of the integration of vulnerable migrant women, children, and victims of trafficking in



### Recommendations for the integration of TCN:

- A better coherence between migration and sectoral policy frameworks should be provided in order to improve policy for integration of TCN women;
- Development of concrete integration measures should be considered in the fields of information provision and dissemination, policy consultation with immigrant associations, language and professional training for migrant women;
- The Labour Bureaus, being the country's instrument for facilitation of labour market integration, should receive targeted state support and intercultural training to develop their staff's capacity to work with TCN;
- A consultative process should be initiated for development of common state monitoring system for the integration of TCN;
- In the area of education, TCN children should be included in programmes for improvement of Bulgarian language skills after school enrolment, now available only for EU citizens;
- TCN children, as well as Bulgarian children whose mother tongue is not Bulgarian, should receive educational support in school different from those provided to children native speakers;
- Practical training for foreign VoT identification should be conducted for police and service providers, working with sex workers;
- The system for VoT assistance should be developed further by opening in Sofia an interim crisis centre for VoT, including VoT TCN;
- Regular monitoring and assessment should be conducted of the assistance provided to victims of trafficking (Bulgarian nationals and TCN).

ten EU member states. The report describes the profiles of the three groups according to Eurostat and national data and assesses the related policies (based on desk research and in-depth interviews) and outcomes (based on statistical data from national data bases and Eurostat).

A report on EU measures for the integration of vulnerable migrant groups was drafted providing readers with a quick and concise overview of what legislative and policy measures exist on the European level regarding the integration of women, children, and trafficked persons.

A *Compendium of Good Practices* was prepared, identifying promising practices in the spheres of integration and integration monitoring of migrant women,

children, and victims of trafficking. It presents 10 promising practices, compiled from 10 Member States that represent the various historical and current migration patterns in the European Union. In doing so, the compendium contributes to the sharing of knowledge and experiences across the European Union. Experts of the Sociological Program drafted a Policy Brief *Assessing the Integration of Vulnerable Migrant Groups in ten EU Member States* and disseminated it among stakeholders at national and EU level. The Policy Brief summarized the most relevant findings and recommendations of the studies previously conducted in the spheres of integration monitoring and integration of vulnerable migrants. The Policy Brief was presented to EU level stakeholders at a Policy Conference held in Brussels on 28 May 2015.

The results and recommendations of this initiative fed into the publication “**Assessing the Integration of Vulnerable Migrant Groups in Ten EU Member States**”. More information is available at <http://www.assess-migrantintegration.eu/>.

### **Inclusion Revisited. Practical Solutions for Addressing “Othering” of Roma in Bulgaria**

In 2015, the Sociological Program extended its work on informing the policy debates on social inclusion and challenging negative attitudes and “othering” of Roma in Bulgaria. This was achieved through **analysing the effects of public investments in a Roma municipality**. Putting human development gains in the centre of the Roma inclusion debate, the partnership of CSD and a Roma NGO (World without Borders) seeks to build a consensual understanding by majority and minority alike.

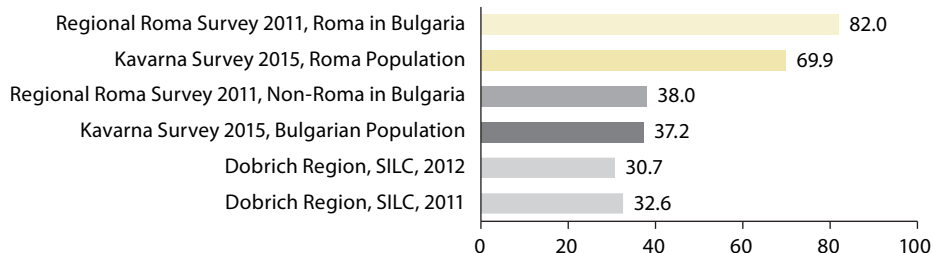
The conducted study provides new data and insight on the **social and economic effects of public investments in Roma communities**. It analyses effects of a wide range of public investments made by Kavarna municipality in the mostly-Roma neighbourhood of Hadji Dimitar between 2004 and 2014. The investment covered areas such as housing and infrastructure, healthcare, employment, income, poverty and social exclusion, justice and crime, and political participation. It reviews a range of indicators with the aim of establishing the effects of these investments on the social and economic development of the neighbourhood and its residents, both Roma and non-Roma. It also looks beyond the neighbourhood to provide a comparative perspective on a national level.

Data collection included a specialised household survey conducted among 300 Roma and non-Roma households

in the Hadji Dimitar quarter of Kavarna in 2015, as well as a series of semi-structured interviews conducted with relevant stakeholders from the municipality. The relevance and impact of these changes is analysed through comparison with the national averages for the whole population and the averages for Roma nationally obtained through data from the National Statistical Institute and a UNDP/ FRA 2011 Regional Survey – *The situation of Roma in 11 EU Member States*.

The analysis revealed that various investments have had different impact on the development of the neighbourhood and reducing the distances with the Bulgarian residents. The most clear and direct effects have been established with regard to **investments in infrastructure and housing improvements**. The construction of a water pipeline and sewerage system had an effect on the improved quality of housing. The pipeline provided access to indoor piped water in the town of Kavarna to 92 % households (in comparison, the share of Roma households nationally is 61 %). In the areas of reduction of poverty and material deprivation, there is also a considerable improvement in the situation in Kavarna, compared to the rest of Bulgaria. In terms of poverty, 39 % of Roma nationally live in households where someone went to bed hungry at least once in the month preceding the survey, due to the lack of money for food, this share among Roma households in the town is less than a quarter – 24 %. Material deprivation in 2015 among the Roma population in the town was double the average for the region (70 %). However, it is still lower than the percentage of Roma across the rest of the country (82 %). In the field of justice and crime, there is a serious reduction in the number of convictions in the municipality of Kavarna between 2004 and 2014 regarding all major types of crime. In the area of political partici-

## Share of Population Living in Material Deprivation



*Source:* NSI: *Social inclusion and living conditions / Poverty and social inclusion indicators by regions*, UNDP Regional Support Centre for Europe and CIS, Istanbul, 2014; *Roma Inclusion Working Papers: Roma Poverty from a Human Development Perspective*. ISBN (printed version): 978-92-95092-89-1 and *Quantitative survey in Hadji Dimitar quarter, Kavarna, 2015*.

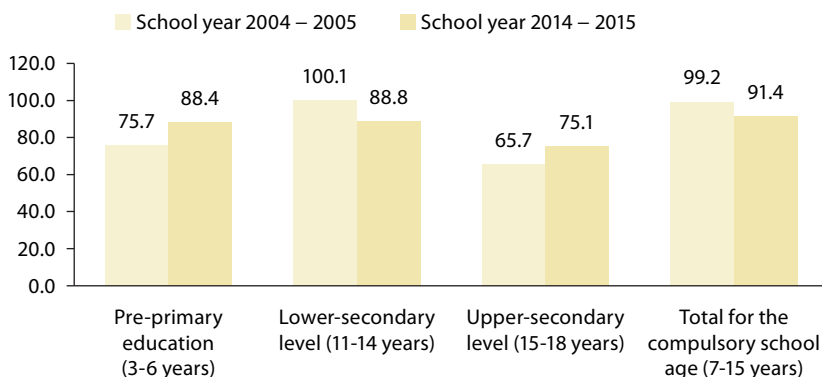
pation it is also extremely important to ensure the Roma have a voice and representation on a municipal level.

The effects in other areas such as **education, healthcare, employment, and income** have been more difficult to gauge and when there have been improvements noted, it is difficult to allocate those to specific investments made. In the area of healthcare, it was established that Kavarna residents, both Roma and non-Roma, had better access to health services. Some of the investments in education have resulted in higher enrolment rates in pre-school and primary school levels, however more measures are needed in the reduction of drop-out rates. In terms of attainment (i.e. the level of completed education) in 2015, 19 % of the Roma were without any formal education, 53 % had completed primary or lower, 26 % with lower-secondary and merely 2.5 % with upper-secondary education. Despite some improvement between 2001 and 2011 when employment among working age (15-64 years) Roma in Kavarna rose from 7 % to 12 %, this is still

lower than the average for the region – 18 % and even lower than the national average of 21 %. The income level for the population of Kavarna in general is also substantially lower than the country average and incomes of the Roma population in their turn are far behind those of the Bulgarian population. Only 24 % of Roma aged 16 and over have labour incomes, compared to 45 % of Bulgarians. Moreover, Roma are far more dependent on unstable and insecure jobs than their Bulgarian neighbours. Migration was seen as one of the most important factors of household income in Kavarna and it contributes to the incomes of 41 % of Roma households.

The results of the study are being presented to a range of stakeholders and include a roundtable for municipality officials and municipal councillors on the role of public investments and training for Roma NGOs on effective advocacy strategies for promoting investments on the local level and a public discussion with relevant national authorities, aiming to inform the policy develop-

### Group Net Enrolment Rates by Age Groups and Levels of Education in the Municipality of Kavarna (% of the Populations at the Respective Age)



Source: NSI data provided by request of CSD in August 2015.

ments in the area of Roma inclusion on a national level. There have also been a series of media publications in Bulgarian and international media aiming to inform the wider public of the findings of the study, as well as more broadly, the effects of inclusion on local level.

#### Study on Supporting Vulnerable Groups before the State

The Sociological program was also involved, together with the Law program, in the elaboration of a study “Supporting Vulnerable Groups before the State: the Role of Civil Society Organisations”. The study aims at providing a comprehensive overview of the role civil society organisations play in enhancing the interaction between institutions and four vulnerable groups: persons deprived of liberty; victims of trafficking; survivors of domestic violence; and persons seeking international protection or other vulnerable foreign nationals. The report is meant to serve as an analytical

foundation to assist the identification of practical steps for raising awareness and increasing the competent authorities’ and NGOs’ institutional capacity. It is further meant as a point of departure for elaborating specific opportunities and models for cooperation.

The Sociological Program was leading in the elaboration of the analysis concerning **victims of trafficking and persons seeking international protection or other vulnerable foreign nationals**. It includes a social and demographic analysis of the two vulnerable groups as well as a legal analysis and their relations with institutions. It outlines the profile of authorities and organisations, which are involved with each vulnerable group, and the problems identified in their interaction. With regard to **victims of trafficking**, special emphasis was put on child victims of trafficking and the development of relevant support mechanisms when the victims leave the reception centres and return to

their community or family. One of the major problems in pre-trial proceedings is that victims of trafficking often withdraw their witness testimonies. Reasons for that are either fear in cases where the victim is threatened by the traffickers, or financial considerations in cases where the victim expects to receive their payment from the traffickers. The need to introduce the status of protected witness with regard to victims of trafficking is discussed. Specialised support at this stage is key in preventing re-trafficking, which often occurs. Access to social services such as accommodation, education, and psychological support is provided by NGOs and often lacking.

**Persons seeking international protection or other vulnerable foreign nationals** are another vulnerable group, who despite their difference in legal status often share a common challenge with regard to dealing with institutions. Not knowing Bulgarian language appears to be a major problem that foreigners in Bulgaria experience in every aspect of their interaction with public institutions – from the residence permit procedure to access to education or health care. In general, public institutions in Bulgaria provide information only in Bulgarian. An exception to this rule is the State Agency for Refugees, which offers information regarding asylum procedures in different languages. Unaccompanied minors are a particularly vulnerable group. They encounter particular problems in relation to their legal status, education, and psychological support.

NGOs or newly set up volunteer organisations provide a large number of services to the group of persons seeking international protection and third-country

nationals. However, the provision of the majority of these services is part of the public institutions' statutory duties, and the role of civil society organisations is to monitor, not to perform these duties.

The legal regulations assign civil society only a minor role in the formulation of policies aimed at refugees and migrants. In the newly set up National Migration and Integration Council,<sup>1</sup> NGO representatives may be invited to attend particular meetings but they may not sit on the Council. Currently there are no mechanisms for consulting or taking into account the opinion of different migrant groups, their associations or NGOs in the formulation of integration policies.

#### **National Study on Domestic and Gender-Based Violence (DGBV) and Elaboration of Victims Support Model (VSM)**

The National Study on Domestic and Gender-Based Violence (DGBV) and Elaboration of Victims Support Model (VSM), aims to research and collect data regarding the prevalence and measures to prevent and combat DGBV. It is implemented by CSD in cooperation with Partners Bulgaria Foundation and the Human Rights Academy, Norway. The study was launched in July 2015 through press-release to the media and a press-conference at Bulgarian Telegraph Agency.

The study aims to contribute to the prevention of DGBV and to improve the situation of DGBV victims in Bulgaria, with specific focus on Roma women and girls. The specific objective is to develop knowledge and expertise regarding the situation of domestic and gender-based

<sup>1</sup> Decree of the Council of Ministers no. 21 of 5 February 2015 for setting up a National Migration and Integration Council, promulgated SG no. 12 of 13 February 2015, Sofia, Council of Ministers of the Republic of Bulgaria, 2015.



*Launching of National Study on Domestic and Gender-Based Violence, from left to right: Dr Daniela Kolarova, Director of Partners Bulgaria Foundation, Slavyanka Ivanova, Senior Analyst at CSD, Dr Andrey Nonchev, Director of CSD Sociological Program*

violence to ensure that all stakeholders including the Bulgarian government can access strong independent analysis in order to facilitate better-informed and evidence-based policy decisions. An additional objective is to develop and pilot a **Victims Support Model (VSM)**, which will involve local community in the assistance and protection of DGBV victims and engage the key local stakeholders (police departments, service providers, local authorities, Roma organizations).

The team of the Center for the Study of Democracy, including members of the Sociological and Law Programs, is responsible for the elaboration of the legal analysis and for the design and implementation of the main focus of a multidimensional study of **Domestic Violence (DV)** and **Gender-Based Violence**

(GBV). The legal, institutional, and policy analysis has been elaborated and presented to the Ministry of Interior. The analysis aims to put the subsequent activities on a sound legal and policy basis so that the data gathering is fully compliant with legislation, concerning DGBV, and most current policies. Tackling a complex phenomenon such as DGBV, the analysis covers a number of legislative and institutional frameworks, concerning: the response of the criminal justice system to those unlawful acts; the specific regulation of protection against domestic violence; the protection and assistance to victims of crimes; and the protection against discrimination. Finally, relevant norms, policies, and practices from Norway, Lichtenstein, and Iceland are enlisted and the avenues for their adaptation and ap-

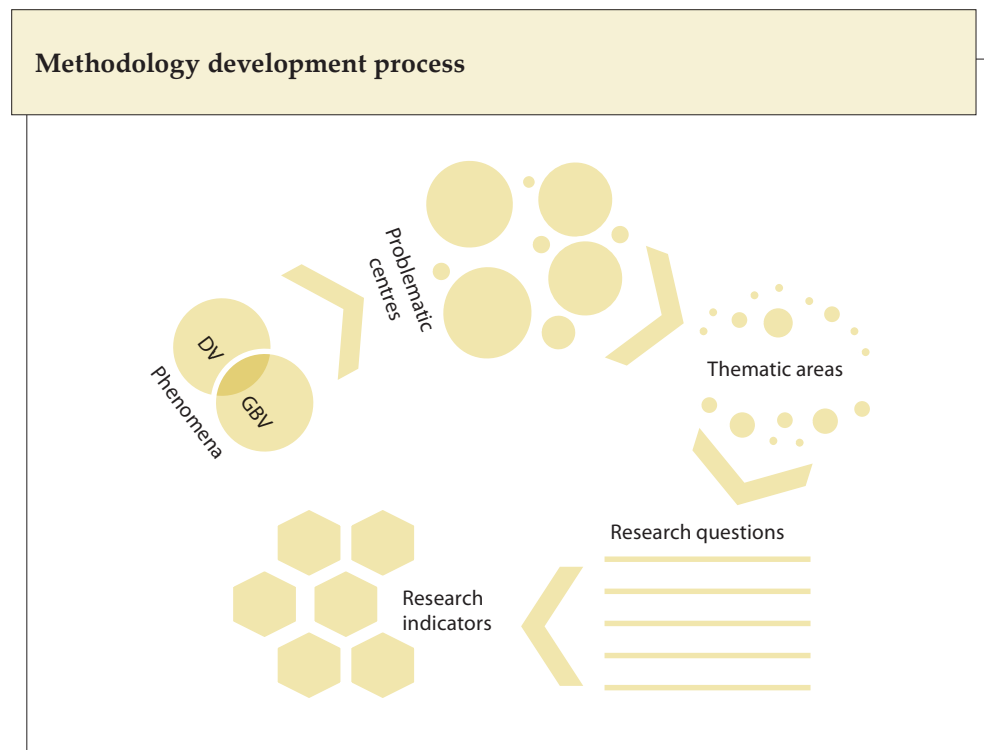
plication into Bulgarian setting are described.

The National study of DGBV envisages a total of eight surveys to be conducted with different methods and among different target groups, in order to gather reliable data about as many aspects of the problem as possible. The subject of the study is the DGBV phenomena in Bulgaria today, from the perspective of victims' protection: scales and incidence of cases of DV and GBV, profiles of victims and most vulnerable groups, unmet needs of victims and supporting authorities and professionals and potential gaps in the national legislation and institutional frameworks.

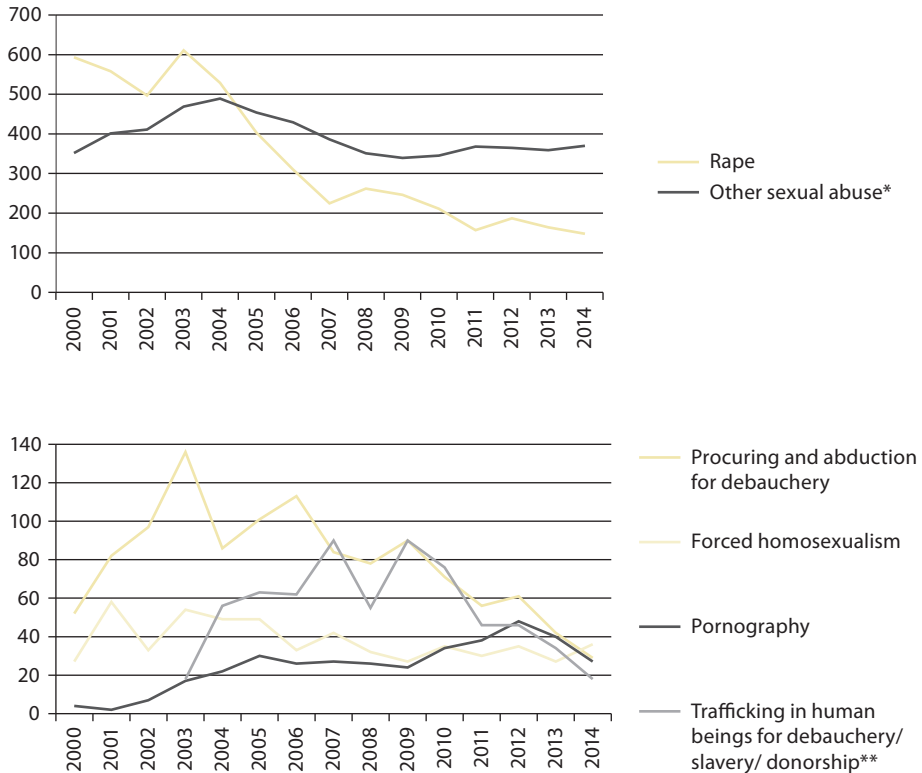
One of the most important results is that the statistical data for gender-related crimes in Bulgaria is in sharp contradiction with the existing survey data for

our country. For instance, the FRA Violence against Women Survey conducted in 2012 revealed that 3 % of Bulgarian women aged 18-74 (corresponding to 80-85 thousand people) became victims of sexual violence in the last 12 months, while the number of all registered sexual crimes in 2011, including against men and children, is less than 700. This means that less than 1 % of sexual crimes in Bulgaria reach the phase of police registration.

Due to this discrepancy between statistical and survey data, and because statistics reflect only a small part of DGBV phenomena, the reliable survey data is crucial for assessing the scales and prevalence of DGBV by different forms and vulnerable groups. Comparisons between statistical data and survey data, where feasible, could serve as an indicator for adequacy of the public and



### Number of Recorded Sex-Related Offences by Offence Category in Bulgaria, 2000 – 2014



\* Includes Art. 149, 150, 151, 153 and 154 of the Criminal Code

\*\* Includes Art. 159a, 159b and 159c of the Criminal Code. The purpose of trafficking could not be differentiated.

Source: Ministry of Interior/ Planning and Reporting/ Statistics/ Police Statistics [http://www.mvr.bg/planirane\\_otchetnost/statistika/default.htm](http://www.mvr.bg/planirane_otchetnost/statistika/default.htm) – Last accessed: 09-10-2015.

institutional response. The importance of the survey data is the reason for more detailed review of existing research

projects on DGBV issues with respect to methods used and results announced to the public.



## II. Trafficking in human beings

### Countering New Forms of Roma Children Trafficking

The study on countering new forms of children trafficking has a two-fold aim to:

- strengthen counter-trafficking efforts targeting Roma children by providing better understanding of new forms of trafficking through developing and testing new methods of participatory research to gain new insight and understanding of these phenomena;
- empower Roma communities to act as equal partner in counter-trafficking policies and measures.

The study focused on the Roma as it recognises the particular vulnerability of this community across Europe; due to the fact that a majority of the victims come from this community and it is most at-risk of child trafficking. The study is focused on three forms of trafficking: child begging, labour exploitation for pick-pocketing, and sexual exploitation of boys. They are considered new, not because they did not previously exist, but due to a renewed attention. Activities take place in seven EU Member States: four typical countries of origin for victims of trafficking (Bulgaria, Hungary, Romania and Slovakia) and three typical destination countries for Roma victims (Austria, Greece and Italy).

The methodology of the study introduces **participatory research methods**, involving the active participation of the Roma communities. This is achieved through working with partner community organizations and community activists, carrying out a range of activities, such as community mapping, ranking exercises, participation in focus groups,

collecting life stories. These forms of data collection bring about new knowledge of the community and on the three specific forms of trafficking, and help identify gaps and good practices in child victims' assistance and develop effective mechanisms for community involvement in prevention and assistance measures.

The research was summarised in seven national reports detailing the specific aspects of the three forms of trafficking in each country. In addition, a Synthesis report was elaborated on the basis of the main findings on a national level. The studies revealed that there are **no specific culturally ingrained practices that directly make Roma vulnerable to trafficking**. Rather, a complex of inter-dependant socio-economic factors makes the minority group especially vulnerable.

At the core of these complex interdependent factors lies the **deep and multi-dimensional poverty** in which the majority of Roma populations live, and **multiple deprivation in the fields of living standards, housing and (lack of) decent infrastructure** from which they suffer, as well as **education and structural unemployment**. The scales of this poverty are simultaneously a result from several other factors, also inter-dependent.

While **child trafficking for begging** is gaining significant international attention, statistical evidence and policy response to this form of exploitation is declining. Italy and Austria, both typical destination countries, register very few victims of trafficking for the past two recorded years of 2012 and 2013 (8 and 16 victims officially identified by law enforcement bodies in Italy respectively and three victims identified in Austria). Neither of the countries provides data particularly on begging as a form of ex-

### Main Factors of Vulnerability of Roma to Child Trafficking by Country

	Austria	Bulgaria	Greece	Hungary	Italy	Romania	Slovakia
Poverty/multiple deprivations							
Unemployment/lack of life prospective							
Criminalised environment/youth gangs							
Discrimination/segregation/closed communities							
Low education/illiteracy							
Lack of birth/civil registration/personal documents							
Family economic activity/survival strategy							
Usury/intra-community dependencies							
Mobility, early marriage, child labour, inter-dependency within extended family							
History of previous abuse/exploitation							
Growing up in state institutions							
Dysfunctional family background							
Disabilities							
Substance abuse							
Absence of child care support							

*Source: National Reports of the research partners available at [www.childrentrafficking.eu](http://www.childrentrafficking.eu)*

ploitation. Greece, a destination country of children and families travelling for begging, identified 34 child victims between 2011 and 2013, and four of the victims had been trafficked for begging.

Romanian children trafficked for begging are housed in very poor conditions: rented apartments for 15-20 persons, caravans, deserted houses and parks. According to research based on caseloads of assisted victims, children had to beg on the streets between eight and fourteen hours a day in crowded areas – shop entrances, supermarkets, schools, churches, railway stations, crowded markets, and touristic attractions. Exploiters closely monitored the begging activities and used physical force and threats to ensure compliance.

Similar to other forms of exploitation, the officially registered **child victims of pick-pocketing** in the seven countries studied provide little evidence on the profiles of victims. In Austria, Italy, Greece, Slovakia, and Hungary there are no officially registered victims in the year 2013. The lack of data collection in Greece is a direct result of non-recognition of exploitation for pick-pocketing as a form of trafficking explicitly in law. Greece does not explicitly recognise exploitation for participation in criminal activities as a form of trafficking.

Recruitment mechanisms for child victims of pick-pocketing include substance abuse (drug and alcohol), selling by parents to traffickers, kidnapping, drawn by peers, early marriage and dowry payments, as well as income earning family strategies.

Research in all countries studied show clear indications that specific groups of boys and transgender persons of Roma origin are especially vulnerable to **sex**

**trafficking**, and some have already been victims of sexual exploitation. The research found that identification efforts need to take place both in the communities of origin, where male and transgender prostitution is usually a visible, yet ostracized phenomenon, and in the countries of destination. Targeted efforts need to be directed towards combatting sexual exploitation in state institutions for child care.

The second objective was to empower Roma communities to act as equal partners in counter trafficking policies and measures. Throughout the research process Roma representatives participated at all stages of data collection, gained new knowledge on child trafficking, and built skills in participating and conducting community-based research. This enables them to more effectively take part in the policy debate, formulation and implementation in the field of counter-trafficking. The high degree of participation of Roma community members in the research and dissemination activity is a testimony to the positive effect that the project had on empowering Roma communities to counteract child trafficking.

An international conference on child trafficking took place in June 2015 in Sofia, hosted by CSD. Further, to the enhanced knowledge and awareness, it also promoted increased cooperation among law enforcement authorities, social service providers, and child protection services. The conference also contributed to the networking both among state authorities, but particularly among civil society organizations as between the Bulgarian, Austrian, and Greek grass-root organisations.

An EU stakeholder meeting was organised in June in Brussels with the aim of bringing the knowledge and findings of the report to relevant stakeholders from



*International Conference Child Trafficking among Vulnerable Roma Communities.  
From left to right: Ms Viktyria Sebhelyi, Center for Policy Studies, CEU,  
Ms Yva Alexandrova, Senior Analyst, CSD, Ms Kamelia Dimitrova, Secretary General,  
National Commission for Combating Trafficking in Human Beings, Ms Timea Stranska,  
People in Need*

the European Commission, the European Parliament, and NGOs working on these issues in Brussels. It presented an EU policy brief summarizing the main outcomes of the research relevant on the EU level.

In terms of continuity, it is important to mention that in Bulgaria, a positive impact demonstrating the empowerment of Roma community members to take part in counter-trafficking policy making and implementation, is the invitation of one of the Roma organizations taking part in the research, to take part in the **Permanent Expert Group of the National Commission to Combat Trafficking in Human Beings**. The Permanent Expert group is involved in the drafting of the *Annual Programme to Combat Trafficking in Human Beings and to Protect Victims of Trafficking*.

The community-based approach to combatting trafficking in human beings (including activities such as trainings for Roma NGOs and community based organisations) will be incorporated in the *Action Plan for implementation of the Bulgaria Roma Integration Strategy*, upon the proposal of the National Commission for Combatting Trafficking in Human beings. The community based approach to combatting child trafficking is also being popularised on an EU level by the Center for the Study of Democracy and People in Need amongst members of the EU civil society platform against trafficking in human beings.

CSD will continue to maintain the hosting of the web portal on child trafficking ([www.childrentrafficking.eu](http://www.childrentrafficking.eu)) as a reference site for topics related to child trafficking in Europe.

The high level of participation in the national and international events serves to testify the positive impact of the work done to sensitise service providers and child protection authorities to new forms of trafficking and improve coordination.

### III. Radicalisation leading to terrorism

#### Countering Radicalisation in Southeast and Central Europe through Development of Monitoring Tools

Together with the Security Program, the Sociological Program is involved in an initiative on countering radicalisation in Southeast and Central Europe. This initiative addresses key needs in the area of counter-radicalisation which include:

- to assess and transfer **de-radicalisation experience** from the Netherlands, UK and other EU MS in order to design, establish and promote radicalisation monitoring tools in Bulgaria, Czech Republic and Greece.
- to aid the informed **monitoring of radicalisation and recruitment** that might potentially lead to acts of extremism and terrorism.
- to aid the **capacity of law-enforcement, local level authorities and civil society**
- to aid the **prevention and tackling of radicalisation** that may lead to violence amongst risk groups in Bulgaria, Czech Republic and Greece.

A review of tools in monitoring radicalisation was conducted. The review provides intelligence and law enforcement officials in the region with a collection of counter-radicalisation tools developed in other EU countries and the USA.

A methodology for background review of radicalisation trends and monitoring

mechanisms at the national level was developed, and guided the conduct of three background studies of radicalisation trends and national monitoring mechanisms in Bulgaria, the Czech Republic, and Greece. Three national reports were drafted on radicalisation trends (with regard to right and left wing radicalisation, Islamist radicalisation, and football hooliganism) in Bulgaria, the Czech Republic, and Greece. The report for Bulgaria examines the legal, institutional, and policy frameworks and mechanisms for countering and preventing radicalisation that may lead to acts of violence.

*A Tool on Monitoring Radicalisation* was drafted which will serve to aid intelligence and law enforcement institutions in conducting risk assessments and front line officers monitoring with regard to radicalisation in the three target countries. The Tool is constructed based on monitoring experience accumulated in other EU member states and tested and adapted to the context of Central and Eastern Europe.

Experts from law enforcement and intelligence institutions from Bulgaria and Greece visited a range of institutions dealing with countering and preventing radicalisation in France. Expert briefings were held in seven institutions: Interministerial Committee on Crime Prevention; National Institute for Advanced Studies in Security and Justice; Coordination Unit for the Fight against Terrorism; Central Service of Territorial Intelligence; National Unit for the Fight against Hooliganism; Central Office for Combating Crime linked to Information and Communication Technologies; and Office for Intelligence in Prison.

Two workshops were held in June and December 2015, to present the results from background country studies on trends in radicalisation as well as ap-

proaches in counter-radicalisation and in monitoring radicalisation throughout the EU, as well as to discuss the Radicalisation Monitoring Tool and the design of the national studies.

#### IV. Rendering Advice and Expertise to Key Governmental Stakeholders

##### Development of the Annual Report for the EMN

2015 marks the third year the Sociological Program, in cooperation with the Security and the Law Programs, led the drafting of the *Annual Report on Migration and Asylum Policy in Bulgaria* for the European Migration Network. The report provides a comprehensive account of annual policy and legal developments in the fields of legal migration and mobility, citizenship and naturalisation, visa policy and Schengen governance, border monitoring, asylum, trafficking

in human beings, migration and development, integration, irregular migration and return.

#### Independent Monitoring Mechanism for Return of Rejected Asylum Seekers and Irregular Migrants

A pilot mechanism for monitoring forced return operations was developed by CSD for the Ministry of Interior. It included an analysis of the existing legal and institutional framework in the area of return of irregular migrants and rejected asylum seekers, and more specifically in the area of forced return. A *Handbook for Independent Monitors* was elaborated and tested in two return operations. It includes a review of the existing European and national legal framework, the role and responsibilities of independent observers, a practical guide to monitoring which covers all stages of the return process (pre-operation, pre-return, in-flight, in transit, arrival, de-briefing and a standardised reporting fiche).



*Training by CSD for independent observers conducted before their participation in return operations to Pakistan and Algiers*

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The *Handbook* was tested by independent observers who took part in two operations, one to Pakistan in May and one to Algiers in June. Both operations followed the returnees from the detention centre through to the final arrival to their destinations when they were handed to local receiving authorities. There had been no use or threat of use of violence, and no disrespectful or offensive treatment by the operation team leader and members. The lack of translators hinders the communication with

the returnee and does not allow the observers to gain full understanding of the situation.

As a result of the observations and interviews conducted with relevant stakeholders, a proposal for an independent monitoring consultative mechanism was put forward, which includes the Ombudsman, the Ministry of Interior, Migration Directorate, and relevant civil society organisations.





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## **Part Two**

# **Administration and Management**



## Institutional Development

CSD is registered as a public benefit organisation with the *Central Registry of NGOs* at the Bulgarian Ministry of Justice. Public benefit organisations are obliged by law to conform to a number of additional financial reporting rules and to submit annual activity reports.

In 2015, CSD continued its efforts to optimize its internal administrative and financial reporting systems. The new remuneration procedures, introduced in 2014, were further streamlined in line with the requirements from various financing institutions, and the need to comply with national labour regulations.

In 2015, CSD employed a staff of thirty-four; of whom twenty-nine in professional and management positions, including part-time consultants; and five employees in administrative positions.

**Accountability and transparency** are guiding principles in the operation of the Center for the Study of Democracy. They are intrinsic to CSD activity and are related to the critical analysis of social processes and trends in Bulgaria and in the EU. These principles are implemented by means of:

- regular updates about CSD's activities on its website;
  - press-releases about on-going projects and their results;
  - publication of a wide range of analyses and reports.
- The application of good management practices has been critical to the successful work of CSD. In 2015, the Center continued its efforts to diversify its sources of funding in addition to the traditional EU financial instruments: *Horizon 2020*, the European Social Fund, and the financial instruments in the area of justice and home affairs. Some of CSD's activities were funded through the operational programs administered by the Bulgarian government, as well as the World Bank and the Open Society Institute. Apart from the awarded grants, CSD took part in tenders through its consulting arms, Vitosha Research and Project One EOOD.
- In 2015, CSD proved its reputation as a reliable partner and coordinator of EU-wide projects encompassing research in the legal, security and social policy areas. In partnership with leading European think tanks and academic institutions, CSD took part in the European debate on the assessment and development of policies related to the fight against organised crime, the integration of victims of trafficking and other vulnerable groups, public confidence in justice, (de-)radicalization, and cybercrime.
- annual audit reports published since 1992;
  - audits of individual projects;
  - CSD *Annual Reports* published since 1994;

## Internship program

The Center for the Study of Democracy aims to provide internship opportunities for outstanding students from various universities. Following a several-year-old tradition, in 2015 the Center hosted 33 interns from 13 different countries. In addition to Bulgarian students and recent graduates who enrolled by an independent application via the CSD website, the Center accommodated interns from Australia, the Czech Republic, Cyprus, France, Georgia, Germany, Italy, Morocco, Russia, Spain, the UK, Ukraine, and the USA.

The Center has a robust, well-defined, standardized policy for welcoming and mentoring newly hired interns, which frequently leads to extending offers for permanent positions as researchers and experts at CSD or other institutions, to offers of admission to elite graduate schools, or to funding schemes for additional employment and/or education. Interns, who are variously employed for a period of up to six months, undergo a careful two-stage selection and are provided with complete information to facilitate their adaptation to the receiving country and the organization's specificities. In all cases, when interns are hired, CSD uses standardized templates and procedures for developing intern action plans as well as mentorship plans to guide the intern's supervisor(s), while clearly identifying the expected timeline(s) and performance indicators that would determine the successful completion of the internship. The action and mentorship plans provide an initial assessment of the strengths and opportunities of the internship for both the intern and the organization.

CSD always attempts to match interns' professional aspirations to their assignments. Having developed over the past two decades into a major think tank with expertise in a number of diverse fields, CSD is able to attract diverse talent. As a minimum, the Center guarantees interns the ability to produce policy briefs (with supervision and feedback where needed) or policy notes on a topic relevant to the intern's educational background and/or future professional goals.

During the year, CSD's internship program received high credit in a key 2015 publication in the US. The Results for Development Institute published a tome entitled *Improving Think Tank Management* where CSD's intern selection, management and work interaction system is described as a most relevant case study in the section on organizing staff development.

In 2015, all CSD programs actively engaged interns in their core activities such as desk research, data collection, literature reviews, and drafting of reports on policy events. This helped them gain practical skills and in-depth knowledge in areas such as:

- anti-corruption, good governance in the energy sector, hidden economy, competitiveness, and innovation;
- migration and integration, social inclusion of Roma, trafficking in human beings, and inclusion of other vulnerable groups;
- financing of organized crime activities, countering radicalisation, assessing the effectiveness of anti-corruption policies, countering ex-

tortion and racketeering in the EU, and mapping the private security sector in Bulgaria;

- countering cybercrime and cyberterrorism, domestic abuse in Europe, treatment and rehabilitation of drug users in prison, human rights, position of vulnerable groups in society and best practices in providing services to vulnerable groups.

In 2015, interns also assisted in preparing and conducting face to face interviews, transcribing and processing collected qualitative data. Notably, they were involved in the project preparation process, gaining valuable experience in developing grant and tender proposals

and assisting the process with technical tasks.

As in previous years, the diversity of the educational backgrounds of the interns provided the programs' teams with a variety of perspectives on their respective fields of research. The interns, on the other hand, had the opportunity to find out about policy and program evaluation, to learn from leading researchers, policy analysts, investigative journalists, and advocacy leaders, and, depending on their interests and background, to participate in events organized by the programs and to familiarize themselves with the ongoing research activities.

*"I had a great time interning at the Law Program during these three months. The topics I had to deal with were varied and interesting, ranging from counter-terrorism online, to domestic abuse in Europe, to the treatment and rehabilitation of drug users in prison. My tasks included research and sources-gathering, case studies of individual countries and editing a proposal. The work was exactly in line with my abilities and should fit anyone studying or looking to work in the field of international relations. I must also compliment the warm atmosphere of the place, and the great flexibility that was given to us interns. I can only recommend this experience."*

**Linh Tran Huy**, France, intern at CSD's Law Program,  
June – September 2015

*"I did a three-month internship at the Sociological Program and it was a very rewarding experience. I had the opportunity to work on subjects such as the monitoring of forced returns of irregular migrants, Roma community issues and domestic and gender based violence. My team was very understanding and always helpful. The work environment was pleasant, very welcoming and supportive, and I had the chance to meet other international interns like me. Thank you so much for giving me the chance to live this unforgettable experience, which will definitely turn out to be useful for my future projects, and to discover this beautiful country."*

**Nissrine Hamama**, Morocco, intern at CSD's Sociological Program,  
May 2015 – July 2015

*"I carried out a 2-month summer internship at the Sociological Program of CSD. As an intern, I not only provided different kind of assistance, but also gained valuable experience that dovetails in my academic background and personal interests.*

*It was my first experience of cooperation with a think-tank and it fully met my expectations. Being a part of the Sociological Program I was involved in projects dedicated to Roma capacity building, EU policy on Roma, domestic and gender-based violence, as well as migration in the Western Balkans. Among my job responsibilities it is worth mentioning the writing of literature reviews and summaries, editing reports, monitoring and gathering information, searching for potential project partners.*

*This internship helped to improve my analytical and writing skills, as well as to deepen my knowledge of the Western Balkans. It was interesting to work in a multicultural environment with interns from other countries and to become familiar with the functional peculiarities of working in Bulgarian think-tank. Thank you for this unique possibility."*

**Olga Gryb**, Ukraine, intern at CSD's Sociological Program,  
July 2015 – September 2015

*"I have been honored with the opportunity of carrying out an internship with the Security Program at CSD for the past three months. At the forefront of the reform agenda not only in Bulgaria, but in the entire Eastern European region – and even the whole of Europe, I was able to participate in and contribute to projects that I knew were making a difference in a meaningful and fulfilling way. This internship has granted me the ability not only to gain insight into the workings of a prominent think tank and policy institution, but also supported me in my own research interests and ideas. A few of my favorite projects have been on topics such as Anti-Corruption and the measurement of Anti-Corruption policies, the illicit trafficking of firearms in the Balkans, and more recent undertakings in Radicalisation and Terrorism. I was also given the opportunity to attend and participate in important meetings, roundtables, and conferences with prominent international organisations and actors.*

*Part of what has made my time at CSD so enjoyable and memorable are the people with whom I have been able to meet and work. I cannot say enough about how wonderful everyone at CSD has been – whether it was a smile to greet me, a word to encourage me, or a direction to help me, I really felt a part of the team.*

*I have learned so much over the past three months, about myself and about international security. My time at CSD has been an experience I will always remember and appreciate. I would highly recommend an internship with CSD to anyone interested. Thank you all for making this experience so truly incredible!"*

**Sarah Casey**, USA, intern at CSD's Security Program,  
October 2015 – December 2015

## Donation of books and other publications

In 2015, CSD donated books and educational materials to the following institutions: Bourgas Free University, Ministry of Interior Academy, Supreme Bar Council, Attorneys' School, University of National and World Economy, Sofia

University, University of Library Studies and Information Technologies, European Polytechnical University, International Business School, Hristo Smirnenki 1928 Community Center.

## Consulting arms of CSD: Vitoshka Research and Project One

Vitoshka Research EOOD and Project One EOOD are wholly owned by CSD and form the CSD Group. Vitoshka Research EOOD had started as one of the programs of CSD dealing with sociological issues and in 2000 was set up as a separate commercial company aiming to support the long term financial sustainability of CSD through involvement in marketing and social research. The General Manager of the company is the Director of Research of CSD.

Project One EOOD was founded after consultations with the auditing company KPMG in order to enable CSD's participation in tenders and consultancy projects on the territory of Bulgaria and the EU. Project One is also in charge of the management of CSD investment activities. The Manager of Project One EOOD is the Executive Director of CSD. The three organisations use interchangeably their facilities, human, and financial resources in order to better achieve their goals, while observing distinct separation of CSD Group's commercial and non-commercial activities.

In 2015, Vitoshka Research refocused its activities from data collection surveys to conducting consulting projects, building upon its expertise in quantitative analysis and social research.

Vitoshka Research and Project One EOOD are among the founding members of the Bulgarian Association for Policy Evaluation (BAPE). The mission of BAPE is to establish the evaluation of public policies as a tool for good governance in Bulgaria, to develop policy evaluation capacities, and to promote the best practices of monitoring of public policies at the local, regional, and national levels. In 2015, Vitoshka Research and Project One EOOD hosted a round table and three seminars of BAPE.

Project One EOOD continued its efforts to secure funding for an office building to be constructed at 3, Zhendov Str., a site adjacent to the building currently occupied by CSD. The office building is designed in full compliance with the standards of the Bulgarian Green Building Council.

## List of Staff

### Governing Board

Ognian Shentov, PhD, Chairman  
Vladimir Yordanov, Executive Director  
Alexander Stoyanov, Ph.D., Director of Research

### Program Board

Alexander Stoyanov, Ph.D., Director of Research  
Andrey Nonchev, PhD, Director, Sociological Program  
Maria Yordanova, PhD, Director, Law Program  
Mois Faion, PhD, Financial Director, Senior Fellow  
Ruslan Stefanov, Director, Economic Program  
Rositsa Dzhekova, Coordinator, Security Program

### Economic Program

Ruslan Stefanov, Director  
Todor Yalamov, PhD, Senior Analyst  
Todor Galev, PhD, Senior Analyst  
Daniela Mineva, Research Fellow  
Martin Vladimirov, Analyst  
Nadejda Gantcheva, Analyst  
Stefan Karaboev, Analyst

### Law Program

Maria Yordanova, PhD, Director  
Dimitar Markov, Senior Analyst and Project Director  
Miriana Ilcheva, Research Fellow  
Galina Sapundjieva, Program Assistant  
Maria Doichinova, Program Assistant  
Lyubomira Derelieva, Analyst

### Sociological Program

Andrey Nonchev, PhD, Director  
Mila Mancheva, PhD, Senior Analyst  
Slavyanka Ivanova, Senior Analyst  
Yva Alexandrova, Senior Analyst  
Gergana Karjilova, Program Assistant  
Liliya Dragoeva, Program Assistant

### Security Program

Rositsa Dzhekova, Coordinator  
Chavdar Chervenkov, Lieut. Gen. (ret.), Senior Fellow  
Emil Tsenkov, PhD, Senior Fellow  
Mois Faion, PhD, Senior Fellow  
Tihomir Bezlov, Senior Fellow  
Atanas Rusev, PhD, Senior Analyst



Maria Karayotova, Analyst  
Anton Kojouharov, Analyst  
Nadya Stoynova, Analyst

Administration

Mariana Yankova, Administrative Secretary  
Milena Yordanova, Executive Assistant  
Dimitar Stamenov, System Administrator

Financial Department

Ivan Pekov, Financial Manager  
Petar Lozanov, Financial Officer

Technical Support

Boyko Tassev



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## **Part Three**

# **Financial Review**





CENTER FOR  
THE STUDY OF  
DEMOCRACY

**Center for the Study of Democracy (The Group)**

**Consolidated Annual Financial Statements**

**31 December 2015**

## **Independent Auditor's Report**

To the General Assembly of  
The Center for Study of Democracy

Sofia, 1 November 2016

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Center for Study of Democracy and its subsidiaries Project 1 EOOD and Vitosha Research EOOD (the 'Group') which comprise the consolidated statement of financial position as of 31 December 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we comply with ethical requirements, plan, and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our audit opinion.

### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Stoyan Donev  
Registered Auditor

1 November 2016  
Sofia



Center for the Study of Democracy (The Group)  
Consolidated Statement of Financial Position, 31 December 2015

(all amounts in BGN thousand)	Note	31 December 2015	31 December 2014
<b>Assets</b>			
Property, plant and equipment	5	2,155	2,184
Intangible assets	6	536	461
Investment property	7	365	369
<b>Total non-current assets</b>		<u>3,056</u>	<u>3,014</u>
Trade and other receivables	8	581	617
Cash and cash equivalents	9	586	2,340
Deferred expenses		296	286
<b>Total current assets</b>		<u>1,463</u>	<u>3,243</u>
<b>Total assets</b>		<u>4,519</u>	<u>6,257</u>
Equity		2,704	2,695
Loans payable	11	200	200
Deferred tax liabilities		-	-
<b>Total Long-term liabilities</b>		<u>200</u>	<u>200</u>
Trade and other payables	10	370	1,521
Corporate income tax liabilities	16	-	-
Deferred financing	12	1,245	1,841
<b>Total Short-term liabilities</b>		<u>1,615</u>	<u>3,362</u>
<b>Total liabilities</b>		<u>1,815</u>	<u>3,562</u>
<b>Total equity and liabilities</b>		<u>4,519</u>	<u>6,257</u>

These financial statements set out on pages 4-29 were approved by the Governing Board on 27 July 2016. They are signed on behalf of the Governing Board by:

Vladimir Yordanov  
Executive Director  
27 July 2016




Initialed for identification purposes in reference to the audit report:

Stoyan Donev  
Registered Auditor  
1 November 2016






Center for the Study of Democracy (The Group)  
Consolidated Statement of Comprehensive Income, 31 December 2015

(all amounts in BGN thousand)	Note	For the year ending:	
		31 December 2015	31 December 2014
Revenues from grants financing	13	1,901	2,376
Cost of Sales	14	(1,891)	(2,273)
<b>Gross Profit</b>		<u>10</u>	<u>103</u>
Other operating income		805	-
Administrative expenses		(805)	0
Impairment losses		0	0
<b>Revenue from operating activities</b>		<u>10</u>	<u>103</u>
Financial income		42	30
Financial expenses		(31)	(50)
<b>Net financing costs</b>	15	<u>11</u>	<u>(20)</u>
<b>Profit before income tax</b>		21	83
Extraordinary expenses		0	0
Income tax expense	16	(10)	(11)
<b>Net profit for the period</b>		<u><u>11</u></u>	<u><u>72</u></u>
Other comprehensive income		0	0
<b>Total comprehensive income</b>		<u><u>11</u></u>	<u><u>72</u></u>

These financial statements set out on pages 4-29 were approved by the Governing Board on 27 July 2016. They are signed on behalf of the Governing Board by:

Vladimir Yordanov  
Executive Director  
27 July 2016




Initialed for identification purposes in reference to the audit report:

Stoyan Donev  
Registered Auditor  
1 November 2016




Center for the Study of Democracy (The Group)  
Consolidated Cash Flow Statement, 31 December 2015

(all amounts in BGN thousand)	Note	For the year ending:	
		31 December 2015	31 December 2014
<b>Cash generated from operations</b>			
Profit before income tax		11	87
<b>Adjustments for:</b>			
Depreciation		95	33
<b>Changes in working capital:</b>			
Trade and other receivables		(58)	(135)
Trade and other payables		(1,745)	1,269
<b>Net cash from operating activities</b>		<b>(1,697)</b>	<b>1,254</b>
Income tax paid			(11)
<b>Net cash generated from operating activities</b>		<b>(1,697)</b>	<b>1,234</b>
<b>Cash flows from investment activities</b>			
Payments for acquisition of property, plant and equipment		(25)	(32)
<b>Net cash used in investing activities</b>		<b>(25)</b>	<b>(32)</b>
<b>Cash flows from financial activities</b>			
Loans received			(42)
Interest and commissions paid		(32)	(9)
<b>Net cash used in financing activities</b>		<b>(32)</b>	<b>(51)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,754)</b>	<b>1,004</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,340</b>	<b>1,336</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>586</b>	<b>2,340</b>

These consolidated statements of changes in the cash flow statement set out on pages 4-29 were approved by the Governing Board on 27 July 2016. They are signed on behalf of the Governing Board by:

Vladimir Yordanov  
Executive Director  
27 July 2016




Initialed for identification purposes in reference  
to the audit report:

Stoyan Donev  
Registered Auditor  
1 November 2016



Center for the Study of Democracy (The Group)  
Consolidated Statement of Changes in Equity, 31 December 2015

(all amounts in BGN thousand)	Note	Retained earnings
<b>Balance as of 1 January 2014</b>		2,623
Net profit for the year		72
<b>Balance as of 31 December 2014</b>		<u>2,695</u>
<b>Balance as of 1 January 2015</b>		2,695
Net profit for the year		11
Other changes		(2)
<b>Balance as of 31 December 2015</b>		<u><u>2,704</u></u>

These consolidated statements of changes in equity set out on pages 4-29 were approved by the Governing Board on 27 July 2016. They are signed on behalf of the Governing Board by:



Vladimir Yordanov  
Executive Director  
27 July 2016



Initialed for identification purposes in reference to the audit report:

Stoyan Donev  
Registered Auditor  
01 November 2016



## **1. Group background and activities**

The Center for the Study of Democracy (CSD) is a non-profit organisation domiciled in Bulgaria. The consolidated financial statements of CSD for the year ended 31 December 2015 comprise CSD and its subsidiaries, Vitosha Research EOOD and Project 1 EOOD (together referred to as the "Group").

Founded in late 1989, the Center for the Study of Democracy (CSD) is an interdisciplinary public policy institute dedicated to the values of democracy and market economy. CSD is a non-partisan, independent organization fostering the reform process in Bulgaria through impact on policy and civil society.

CSD objectives are:

- to provide an enhanced institutional and policy capacity for a successful European integration process, especially in the area of justice and home affairs;
- to promote institutional reform and the practical implementation of democratic values in legal and economic practice;
- to monitor public policy implementation and serve as a watchdog of the institutional reform process.

The Center for the Study of Democracy owns 100 % of its subsidiaries Vitosha Research EOOD and Project 1 EOOD.

Vitosha Research EOOD, established in 2000, is specialised in consulting in the following fields: social and economic policy; social assessment and evaluation studies; economic and political behaviour; political attitudes and value systems; market, media and audience research; advertising studies, and others.

Project 1 EOOD was established in 2003. Its main activity is managing real estate investments of the Group and project management of the contract research and consulting of the Group.

As of 31 December 2015 the Group has 33 employees.

The financial statements were approved by the Governing Board on 27 July 2016.

## **2. Accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## **2.1. Basis of preparation**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial statements have been prepared under the historical cost convention.

The consolidated financial statements comprise the financial statements of the Center for the Study of Democracy and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent Group, using consistent accounting policies. For consolidation purposes, the financial information of the Group has been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### *Transactions with non-controlling interests*

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Disposals of non-controlling interests result in gains and losses for the Group that are recognised in the income statement. Acquisitions of non-controlling interests are accounted for whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions. The management relied on their own judgment when applying the accounting policy of the Group. The elements of the financial statements whose presentation includes higher degree of judgment or subjectivity and for which the assumptions and judgments have higher influence are separately disclosed in Note 4.

### *New and amended standards, adopted by the Group:*

There are no new and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2015.

## **2.2. Foreign currency translations**

### **2.2.1. Functional and presentation currency**

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency is 'Bulgarian lev' or 'BGN'.

### **2.2.2. Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## **2.3. Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation, less impairment losses, if any. Historical cost includes all expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation commence from the date the asset is available for use. Land is not depreciated as it is deemed to have an indefinite life. Assets under construction are not depreciated as not yet available for use.

The Group uses straight – line depreciation method. Depreciation rates are based on the useful life of the different types of property, plant and equipment as follows:

Buildings	100 years
Machinery and equipment	3.33 years
Vehicles	6.67 years
Fixtures and fittings	2 – 6.67 years

Property, plant and equipment is depreciated from the month, following the acquisition date and for internally generated assets – from the month, following the date of entering into use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### **2.4. Intangible assets**

Intangible assets acquired by the Group are presented at cost, less accumulated amortisation and impairment.

##### *Subsequent expenditures*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

#### **2.5. Financial assets**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

For the purposes of these financial statements short term means a period within 12 months. During the year, the Group did not hold any investments in this category. The Group does not possess such financial assets as at 31 December 2015.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest rate.

#### *Held-to-maturity*

Held-to-maturity investments are fixed-maturity investments that the Group's management has the positive intention and ability to hold to maturity. These securities are included as non-current assets except for securities, reaching maturity within 12 months from the balance sheet date and which are recognised as current during the reporting period. During the year, the Group did not hold any investments in this category.

#### *Available for sale financial assets*

Available-for-sale financial assets are non-derivatives that are investments acquired with the purpose to be owned for non-fixed period of time and which can be sold when the Group needs recourses or at change of interest rates. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or to use them as a source of working capital. In this case the investments are classified within current assets. During the year, the Group did not hold any investments in this category.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in Note 2.7.

## **2.6. Inventory**

Inventories are stated at the lower of cost and net realisable value. Inventories are expensed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## **2.7. Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost (using effective interest method) less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.



Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

## **2.8. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less as well as bank overdrafts. Bank overdrafts are shown within current borrowings in current liabilities on the balance sheet.

## **2.9. Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## **2.10. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense in the period in which they are incurred.

## **2.11. Deferred tax**

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## **2.12. Employee benefits on retirement**

In accordance with article 222, para. 3 of the Bulgarian Labour Code, in the event of termination of a labour contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to a compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Group for at least 10 years. As at 31 December the Group has not accounted for those potential obligations.

## **2.13. Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### *Sales of services*

Revenue from time and material contracts, typically from delivering certain services, is recognised under the percentage of completion method. Revenue is generally recognised at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered.

Revenue from fixed-price contracts for delivering certain services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result

in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

#### *Revenue from grants and contributions*

Grants from financing bodies are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

#### *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### **2.14. Dividend distribution**

The Group does not distribute dividends.

## **3. Financial risk management**

### **3.1. Global financial crisis**

#### **Impact of the ongoing global financial and economic crisis**

The global financial crisis has had a severe effect on the Bulgarian economy and the financial situation within the Bulgarian financial and corporate sectors has significantly deteriorated since mid-2008. In 2014 and 2015, the Bulgarian economy experienced a moderate recovery in economic growth.

The future economic direction of Bulgaria is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to predict all developments which could have an impact on the sector and wider economy, and consequently what effect, if any, they could have on the future financial position of the Group.

The Bulgarian economy is also vulnerable to market downturns and economic slowdowns elsewhere in the world. Management is unable to determine reliably the effects on the Group's

future financial position of any further changes in the economic environment in which the Group operates.

Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current circumstances.

### **Impact on liquidity**

The global financial crisis continues to have impact on the Group during 2015. The length of the crisis, along with the slowed recovery of the industry and bank sector, might lead to decreased operational cash flows, the ability to obtain new credits, increased operating expenses and slowdown or reduction of the planned capital expenditures.

### **Impact on customers/borrowers**

The debtors or borrowers of the Group may also be affected by the lower liquidity situation which could, in turn, impact their ability to repay the amounts owed. The operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

## **3.2. Financial risk factors**

The risk exposures of the Group could be determined as follows: market risk (including currency risk, price risk and risk of future cash flow changes as a result of changes in market interest rate), credit risk and liquidity risk. The Group's management focuses on the financial risk and seeks to minimise potential adverse effects on the Group's financial performance.

### **3.2.1. Market risk**

#### *Currency risk*

The Group is not exposed to foreign exchange risk as most of its activities are denominated in EUR. The exchange rate of the BGN is currently pegged to the EUR.

The Group's management does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

#### *Price risk*

The Group's management considers the price risk in the context of the future revenues that are expected to be generated in the operating activity of the Group.

### 3.2.2. Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group analyses its interest rate exposure on a dynamic basis and addresses the underlying risk.

### 3.2.3. Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

### 3.2.4. Liquidity risk

In the context of its underlying activities, the Group is able to maintain flexibility in funding and to use credit lines, overdrafts and other credit facilities, if necessary.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>As of 31 December</b>	<b>Up to 1 year</b>	<b>Between</b>	<b>Between</b>	<b>Over 5 years</b>
<b>2015</b>		<b>1 and 2 years</b>	<b>2 and 5 years</b>	
Trade and other payables	581	-	-	-
<b>As of 31 December</b>	<b>Up to 1 year</b>	<b>Between</b>	<b>Between</b>	<b>Over 5 years</b>
<b>2014</b>		<b>1 and 2 years</b>	<b>2 and 5 years</b>	
Trade and other payables	617	-	-	-

#### **4. Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The authenticity of accounting estimates and judgments is monitored regularly.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### *Useful life of property, plant and equipment*

The presentation and valuation of property, plant and equipment requires the Management to estimate their useful life and remaining value. The Management assesses at the end of each accounting period the determined useful life of the property, plant and equipment.

##### *Impairment of loans and receivables*

Impairment of receivables is determined based on Management's expectations for the collectability of the loans and receivables. As at the date of preparation of the financial statements, the Management reviews and assesses the existing receivables' balances for collectability.

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## 5. Property, plant and equipment

<b>Cost</b>	<b>As of 1 January 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>As of 31 December 2015</b>
Land	529	-	-	529
Buildings	606	-	-	606
Computers	269	24	30	263
Vehicles	242	1	-	243
Fixtures & Fittings	109	-	-	109
Other assets	12	-	-	12
Assets under construction	911	-	-	911
<b>Total</b>	<b>2,678</b>	<b>25</b>	<b>30</b>	<b>2,673</b>
<b>Depreciation</b>	<b>As of 1 January 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>As of 31 December 2015</b>
Land	-	-	-	-
Buildings	29	-	-	29
Computers	165	40	30	175
Vehicles	209	7	-	216
Fixtures & Fittings	90	2	-	92
Other assets	5	-	-	5
Assets under construction	-	-	-	-
<b>Total</b>	<b>498</b>	<b>49</b>	<b>30</b>	<b>517</b>
<b>Carrying amount</b>	<b>As of 1 January 2015</b>			<b>As of 31 December 2015</b>
Land	529	-	-	529
Buildings	577	-	-	577
Computers	104	-	16	88
Vehicles	33	-	6	27
Fixtures & Fittings	19	-	3	16
Other assets	7	-	-	7
Assets under construction	911	-	-	911
<b>Total</b>	<b>2,180</b>	<b>-</b>	<b>25</b>	<b>2,155</b>

## 6. Intangible assets

<b>Cost</b>	<b>As of 1 January 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>As of 31 December 2015</b>
Software	98	-	-	98
Others	463	220	-	683
<b>Total</b>	<b>561</b>	<b>220</b>	<b>-</b>	<b>781</b>

<b>Depreciation</b>	<b>As of 1 January 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>As of 31 December 2015</b>
Software	90	1	-	91
Others	10	144	-	154
<b>Total</b>	<b>100</b>	<b>145</b>	<b>-</b>	<b>245</b>

<b>Carrying amount</b>	<b>As of 1 January 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>As of 31 December 2015</b>
Software	8	(1)	-	7
Others	453	76	-	529
<b>Total</b>	<b>461</b>	<b>75</b>	<b>-</b>	<b>536</b>



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## 7. Investment property

	<b>2015</b>	<b>2014</b>
<b>As of 1 January</b>		
Carrying amount at the beginning of the period	369	373
Depreciation charge	4	4
<b>Carrying amount at the end of the period</b>	<u><u>373</u></u>	<u><u>377</u></u>
<b>As of 31 December</b>		
Cost	508	508
Accumulated depreciation	(143)	(139)
<b>Carrying amount</b>	<u><u>365</u></u>	<u><u>369</u></u>

Investment properties of the Group consist of land and buildings acquired in the period 2005 – 2006. Investment property is presented at cost less accumulated depreciation and impairment losses.

## 8. Trade and other receivables

	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
Short-term loan	100	68
Trade receivables	409	177
Less: Impairment provision of trade payables	-	-
Trade receivables, net	<u>509</u>	<u>245</u>
Prepaid corporate tax	23	19
VAT Refund	10	103
Other	39	250
	<u><u>581</u></u>	<u><u>617</u></u>

The carrying amount of trade and other receivables approximates their fair value.

## 9. Cash and cash equivalents

	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
Cash at hand	5	29
Cash in bank current accounts	581	2,311
	<u><u>586</u></u>	<u><u>2,340</u></u>

## 10. Trade and other payables

<b>Short-term liabilities</b>	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
Payables to related parties	226	150
Payables to partners and suppliers	9	275
Salaries and social securities payables	54	81
Other	81	1,015
	<u>370</u>	<u>1,521</u>

## 11. Loans liabilities

<b>Long-term liabilities</b>	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
Payables to related parties	-	-
Long-term loans	200	200
	<u>200</u>	<u>200</u>

Loans liabilities represent loan granted in 2009 by IR Communication EOOD to Project 1 EOOD. According to the loan contract the interest rate is 3.5 %.

## 12. Deferred financing

	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
EC – Civil Society for Good Governance and Anti-Corruption in Southeast Europe: Capacity Building for Monitoring, Advocacy and Awareness Raising	0	167
EC – Financing of Organized Crime	0	158
EC – Monitoring Anti-Corruption in Europe: Bridging Policy Evaluation and Corruption Measurement	157	140
EC – Enhancing Police Internal Affairs Departments in EU Member States	0	130
EC – Assessing Integration Measures for Vulnerable Migrants Groups	0	129
Swiss Government – Overcoming Institutional Capacity Gaps to Counter Corruption and Organized Crime in Bulgaria	0	89
Countering Extortion and Racketeering in EU	204	0
Inclusion Revisited. Practical Solutions for Addressing “Othering” of Roma in Bulgaria.	12	0
EC – Countering New Forms of Roma Children Trafficking: Participatory Approach	14	87
Open Society Institute (Budapest) – Enhancing Transparent Governance of Energy Security in Bulgaria	3	75
EC – Anticorruption Policies Revisited. Global Trends and European Responses to the Challenge of Corruption	28	71
EC – New European Crimes and Trust-Based Policy	0	65
EC – Re-use of Confiscated Assets for Social Purposes: Towards Common EU Standards	0	64
EC – Augmenting Demand for Anti-Corruption and Organised Crime	34	58
EC – Re-socialization of Offenders in the EU: Enhancing the Role of the Civil Society	0	39
EC – Civil Society Organizations as Guarantors for the Rights of Vulnerable Groups	11	34
EC – Promoting Good Governance and Economic Rights through Empowering Civil Society to Monitor and Tackle the Hidden Economy in the FYR of Macedonia	52	29

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	<b>As of 31 December</b>	
	<b>2015</b>	<b>2014</b>
EC – Building a Platform for Enhanced Societal Research Related to Nuclear Energy in Central and Eastern Europe	6	29
EC – Development of the Civil Society Involvement in Drafting, Implementing and Assessing Anti-Corruption Policies	0	28
EC – Improving Protection of Victim’s Rights: Access to Legal Aid	0	27
EC – Forward Looking Analysis of Grand Societal Challenges and Innovative Policies	0	25
EC – Threat Assessment of Bullying Behavior in Youngsters	0	18
EC – ON-THE-MOVE – The Reality of Free movement for Young European Citizens Migrating in Times of Crisis	5	0
Foundation Open Society Institute (FOSI) – Impact Metrix: Towards Designing a State Capture Index	1	0
U.S. Department of State – The Wind that Blows from the East: Understanding Russian Influence in Europe	104	0
EC – Re-Socialization of Offenders in the EU: Enhancing the Role of the Civil Society	4	0
EC – Spatial Meta Data Protection for the Underground Critical Infrastructures	0	18
EC – Civil Society for Good Governance and Anti-Corruption in Southeast Europe: Capacity Building for Monitoring, Advocacy and Awareness Raising (SELDI)	81	0
EC – Law, Economy, Competition and Administration – Developing an Interdisciplinary Approach in the Fight against Public Procurement Criminality	156	0
Other	71	355
<b>Total deferred financing related to projects</b>	<b>943</b>	<b>1,835</b>
Financing for acquisition of fixed assets	19	5
<b>Total deferred financing</b>	<b>962</b>	<b>1,840</b>

### 13. Revenues

Revenues from grants financing and other project for respective periods are as follows:

	2015	2014
EC – Civil Society for Good Governance and Anti-Corruption in Southeast Europe: Capacity Building for Monitoring, Advocacy and Awareness Raising	106	145
EC – Financing of Organized Crime	76	138
EC – Assessing Integration Measures for Vulnerable Migrants Groups	68	124
EC – Monitoring Anti-Corruption in Europe: Bridging Policy Evaluation and Corruption Measurement	210	115
EC – Anticorruption Policies Revisited. Global Trends and European Responses to the Challenge of Corruption	238	113
EC – New European Crimes and Trust-Based Policy	45	89
EC – Countering New forms of Roma Children Trafficking: Participatory Approach	104	89
Open Society Institute (Budapest) – Enhancing Transparent Governance of Energy Security in Bulgaria	36	77
Swiss Government – Overcoming Institutional Capacity Gaps to Counter Corruption and Organized Crime in Bulgaria	250	72
EC – Sharing Alternative Practices for the Utilization of Confiscated Criminal Assets	0	12
EC – Threat Assessment of Bullying Behavior in Youngsters	0	20
EC – Assisting and Reintegrating Children Victims of Trafficking	0	2
EC – Enhancing Police Internal Affairs Departments in EU Member States	0	67
EC – Augmenting Demand for Anti-Corruption and Organised Crime	0	62
DCAF – Private Security Companies in the Western Balkans	43	0
Inclusion Revisited. Practical Solutions for Addressing “Othering” of Roma in Bulgaria.	88	0
EC – Civil Society Organizations as Guarantors for the Rights of Vulnerable Groups	51	36

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	<b>2015</b>	<b>2014</b>
EC – Spatial Meta Data Protection for the Underground Critical Infrastructures	0	21
EC – Improving Protection of Victim’s Rights: Access to Legal Aid	0	23
EC – Promoting Good Governance and Economic Rights through Empowering Civil Society to Monitor and Tackle the Hidden Economy in the FYR of Macedonia	0	31
EC – Development of the Civil Society Involvement in Drafting, Implementing and Assessing Anti-Corruption Policies	0	33
EC – Re-use of Confiscated Assets for Social Purposes: towards Common EU Standards	0	32
EC – Countering Radicalisation in Southeast and Central Europe Through Development of (Counter-) Radicalisation Monitoring Tool	113	0
U.S. Department of State – The Media as an Instrument for State Capture	60	0
Countering Extortion and Racketeering in EU	65	0
EC – Building a Platform for Enhanced Societal Research Related to Nuclear Energy in Central and Eastern Europe	39	30
EC – Forward Looking Analysis of Grand Societal Challenges and Innovative Policies	21	28
EC – Law, Economy, Competition and Administration – Developing an Interdisciplinary Approach in the Fight against Public Procurement Criminality	41	0
EC – Civil Society for Good Governance and Anti-Corruption in Southeast Europe: Capacity Building for Monitoring, Advocacy and Awareness Raising (SELDI)	75	0
U.S. Department of State – Transparent Energy Governance	42	0
Foundation Open Society Institute – Impact Metrix: Towards Designing a State Capture Index	26	0
EC – Re-Socialization of Offenders in the EU: Enhancing the Role of the Civil Society	61	0
Ministry of Interior – Forced Return Monitoring	22	0
Other projects	21	74

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	2015	2014
<b>Revenue from projects</b>	<u>1,901</u>	<u>1,433</u>
Revenue from services	<u>805</u>	<u>943</u>
Income from financing for fixed assets	<u>          </u>	<u>          </u>
<b>Total Revenue</b>	<u><u>2,706</u></u>	<u><u>2,376</u></u>

#### 14. Cost of sales

Cost of sales for the Group includes:

	As of 31 December	
	2015	2014
Expenses for materials	22	14
Hired services	1,261	1,353
Depreciation and amortisation	95	33
Salaries and wages	949	495
Social securities	138	62
Other expenses	<u>301</u>	<u>316</u>
	<u><u>2,766</u></u>	<u><u>2,273</u></u>

#### 15. Finance costs, net

	As of 31 December	
	2015	2014
Interest income	4	10
Interest expense	<u>-</u>	<u>-</u>
<b>Interest, net</b>	<u>4</u>	<u>10</u>
Foreign exchange income	38	
Foreign exchange expense	<u>(25)</u>	<u>(22)</u>
<b>Foreign exchange, net</b>	<u>13</u>	<u>(22)</u>
Other financial expenses	<u>(7)</u>	<u>(8)</u>
<b>Other financial, net</b>	<u>(7)</u>	<u>(8)</u>
<b>Finance costs, net</b>	<u><u>10</u></u>	<u><u>(20)</u></u>

## 16. Income tax

The major components of income tax expense for the year ended 31 December 2015 and the period ended 31 December 2014 are:

	<b>2015</b>	<b>2014</b>
Current tax	10	11
Deferred tax	-	-
<b>Income expense</b>	<b><u>10</u></b>	<b><u>11</u></b>

The official rate stated in Corporate Tax Law adopted for 2015 was set to 10 % (2014:10%). Deferred taxes are calculated on all temporary differences under the balance method using this effective tax rate.

### *Movement in deferred tax*

	<b>Balance as of 1 January 2015</b>	<b>Movement</b>	<b>Balance as of 31 December 2015</b>
Property, plant and equipment	-	-	-
Trade payables	-	-	-
Net deferred tax asset/liability	<u>-</u>	<u>-</u>	<u>-</u>

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional taxes and penalties. The Groups' management is not aware of any circumstances which may give rise to a potential material liability in this respect.

There have been no tax checks performed in the last year.



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## 17. Related parties

The group is related party to the Applied Research and Communication Fund and its subsidiaries.

The following transactions occurred during the year:

Related party	Transactions during the year	January-December		31 December		31 December	
		2015	2014	2015	2014	2015	2014
		<i>Transactions</i>		<i>Receivables</i>		<i>Payables</i>	
ARC Consulting EOOD	Consulting services	76	10			226	150
Applied Research and Communication Fund	Rental contract	56	45				
IR Communications	Loan agreement					200	200
Bulgarian Association for Policy Evaluation	Loan agreement	120		120			
		<b>252</b>	<b>55</b>	<b>120</b>		<b>426</b>	<b>350</b>

### *Transactions with directors and other members of the management*

Total amount of the remunerations and social contributions included in the expenses for external services is as follows:

	2015	2014
Board of Trustees and Executive Director	335	199

## 18. Events after the balance sheet date

There were no events after balance date requiring corrections of the financial statements or disclosures.