

**CORRUPTION MONITORING BY  
*COALITION 2000***

*(Business Sector)*

**February 2004**



## I. METHODOLOGY

Sample: All of the surveys referred to in the present report were conducted among representatives of business organizations. Sample size:

	Fieldwork	Sample size <i>(number of business organizations)</i>
1.	January 2000	331
2.	October 2000	560
3.	December 2002	530
4.	March 2003	447
5.	June 2003	442
6.	November 2003	421
7.	February 2004	471

Method of registration: face-to-face interview.

Fieldwork: February 2 – 25, 2004.

## II. FINDINGS

### 1. IMPORTANCE OF CORRUPTION TO THE BUSINESS COMMUNITY

Over a period of one year (March 2003 – February 2004), the assessment by the business community of the problems faced by the country has remained unchanged. *Corruption* remains the gravest problem, followed by the *unfavorable conditions for private business*.

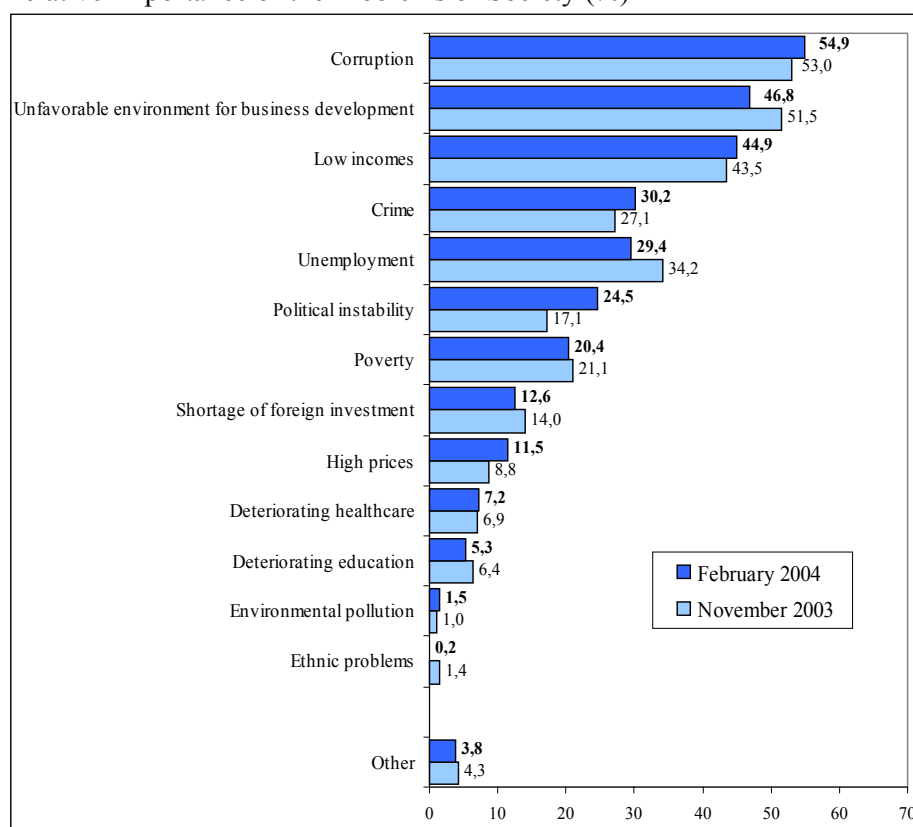
*Low incomes* and *poverty*, along with *crime*, are still cited among the important problems of the country (Figure 1).

The only indicator displaying a steady decline has been *unemployment* – its perceived importance as a problem fell by six points in one year.

Set against these persistent problems, there is a deepening sense of *political instability*. The assessments of the political situation remained relatively favorable throughout 2003, but in three months alone took a turn in a negative direction. This points to an exhaustion of trust in the government and increasing discontent about the failure to take action and bring about the expected, tangible change in the socio-economic situation in the country.

**Figure 1.**

Relative Importance of the Problems of Society (%)



Base: All respondents

One in three entrepreneurs defined *corruption* as one of the major problems faced by the country in general, as well as by business in particular. *Corruption*, particularly among *administrative officials*, is among the leading concerns, after *crime*, *unfair competition*, and the *size of taxes* (*Appendix 3, Table 1*). These are also the chief obstacles to business at present.

## 2. RATE O CORRUPTION

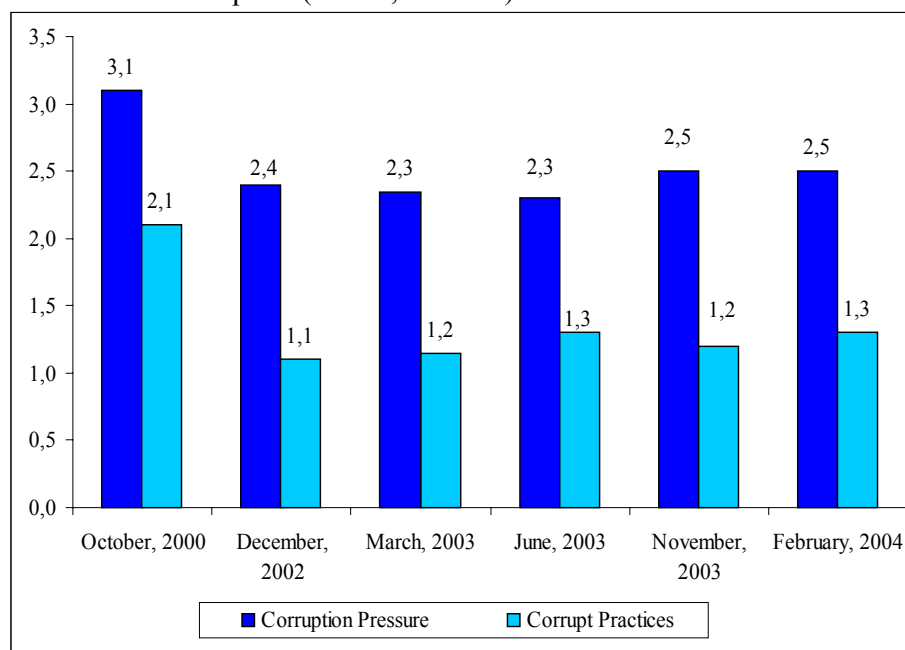
### REAL CORRUPTION

Real corruption is measured through the average monthly incidence of acts of corruption in which the representatives of business organizations were reportedly involved.

Since late 2002, there has begun a gradual and steady increase of the indicator measuring the corruption deals actually concluded in the country (*Figure 2*). Although the indicator values are still relatively low, the data point to a slight, but steady, increase in the incidence of corrupt practices in business.

**Figure 2.**

Rate of Real Corruption (min=0, max=10)



*Base: All respondents*

### PUBLIC SERVICES MOST TYPICALLY ASSOCIATED WITH INFORMAL PAYMENTS

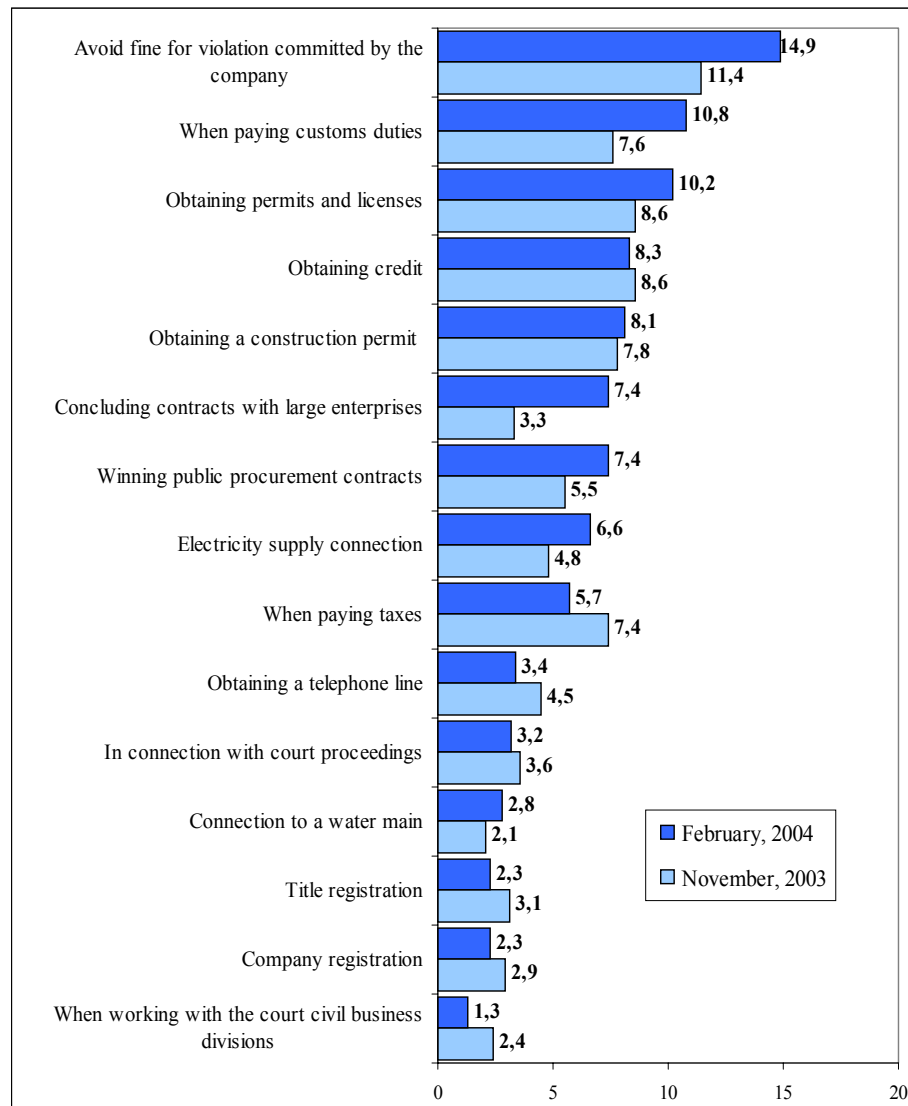
The increased share of the companies that had been involved in some kind of corruption “deal” registered in June 2003 persists as of the present time. What is more, even some of the corrupt practices found to be declining in November 2003, and namely, those related to *obtaining licenses and permits*, *wining public procurement contracts*, and *concluding contracts with big companies*, have reverted to their former higher levels (*Figure 3*).

The increased demand in certain sectors appears to heighten the corruption risk, for example as regards the *issuing of construction permits* and the *granting of credits*, which now prove more frequently associated with informal payments (*Figure 3*).

Informal payments are most common as a means of *avoiding fines for violations committed by the companies*. In this case, the increased proportion of this type of “service” not only indicates the higher incidence of corruption, but also of the violations committed by the companies. An examination of the underlying reasons for this would be worthwhile in two respects: on the one hand, it would help narrow down one of the channels most widely used by public officials for personal gain; and on the other, it would help improve tangibly the business environment.

**Figure 3.**

Relative share of the companies that have paid informally for the following services (%)



Base: All respondents

## AMOUNT OF THE INFORMAL PAYMENTS

It is not only the number of corruption deals, but also the size of the informal payments for the various types of business-related services that has been increasing. There appears to be a gradual shift towards higher values as regards some of the services. In connection mostly with *construction permits, other types of licenses and permits, and lawsuits*, the additional amount paid to the “right person” ranges between 250 and 500 Leva (*Table 1*).

With other types of services, the amounts paid informally largely remain relatively low – up to 250 Leva, but this is offset by their increased share compared to the preceding survey. These are: *dealings with the court business divisions; payment of taxes; connection to a water main; avoiding a fine for a violation committed by the company*.

For some of the services, informal payments are almost evenly distributed across the various price categories. The “rates” for *conclusion of contracts with large enterprises; title registration; services in connection with lawsuits, and with obtaining credit*, tend to vary broadly and largely depend on the size of the deal and the importance of the service granted.

An increase in the amount of the bribes is observable even as regards the most “high-priced” public services – some of them already exceed the amount of 5000 Leva. With six out of ten *public procurement contracts*, the informal payment or the value of the gift made in order to secure the contract exceeded 1000 Leva. This likewise applies to four out of ten companies that had made informal payments in connection with *lawsuits*, as well as to one third of those that had concluded *contracts with large enterprises* through “under-the-table payments”.

There is reason to conclude that certain types of services have become permanently associated with undue payments and gifts and what is more, their price has been increasing. More than one-fourth of the companies had had to pay in excess of 1,000 Leva in order to obtain *credit* or constructions permit (*Table 1*).

In other words, there occurs ever clearer differentiation between the minor and more trivial services, such as *connection to a water main, dealings with the court business divisions, avoidance of fines*, and those types of services that stand to give a company an important competitive edge over the competition in the respective market – *winning public procurement contracts and contracts with large enterprises, obtaining credit*, etc.

From a means of resolving day-to-day problems, corruption is gradually becoming part of successful business practice. It has its clear-cut rules and rates. All who want to run their business successfully have to be aware of them, regardless of whether they approve of corruption deals and whether they actually get involved in any, or not.

**Table 1.** Bribe Amount

	<i>Up to 250 Leva</i>		<i>251 – 500 Leva</i>		<i>501 – 1000 Leva</i>		<i>1001 – 5000 Leva</i>		<i>Over 5000 Leva</i>	
	<i>Nov 2003</i>	<i>Feb 2004</i>	<i>Nov 2003</i>	<i>Feb 2004</i>	<i>Nov 2003</i>	<i>Feb 2004</i>	<i>Nov 2003</i>	<i>Feb 2004</i>	<i>Nov 2003</i>	<i>Feb 2004</i>
Obtaining a construction permit	44,4	<b>26,7</b>	25,9	<b>30,0</b>	11,1	<b>16,7</b>	18,5	<b>13,3</b>	-	<b>13,3</b>
Obtaining permits and licenses	60,6	<b>37,5</b>	18,2	<b>50,0</b>	9,1	<b>7,5</b>	9,1	<b>2,5</b>	3,0	<b>2,5</b>
Electricity supply connection	60,0	<b>68,0</b>	26,7	<b>24,0</b>	-	-	6,7	<b>4,0</b>	6,7	<b>4,0</b>
Connection to a water main	28,6	<b>66,7</b>	28,6	<b>22,2</b>	28,6	-	14,3	<b>11,1</b>	-	-
Obtaining a telephone line	87,5	<b>71,4</b>	12,5	<b>28,6</b>	-	-	-	-	-	-
Company registration	77,8	<b>57,1</b>	-	<b>14,3</b>	-	<b>28,6</b>	22,2	-	-	-
Obtaining credit	32,3	<b>43,8</b>	38,7	<b>15,6</b>	16,1	<b>12,5</b>	12,9	<b>15,6</b>	-	<b>12,5</b>
In connection with lawsuits	23,1	<b>25,0</b>	23,1	<b>33,3</b>	15,4	-	38,5	<b>25,0</b>	-	<b>16,7</b>
When working with the court business divisions	71,4	<b>100,0</b>	28,6	-	-	-	-	-	-	-
Title registration	72,7	<b>33,3</b>	9,1	<b>33,3</b>	9,1	<b>33,3</b>	9,1	-	-	-
Winning public procurement contracts	17,6	<b>12,0</b>	17,6	-	11,8	<b>24,0</b>	41,2	<b>40,0</b>	11,8	<b>24,0</b>
When paying customs duties	46,7	<b>53,8</b>	16,7	<b>17,9</b>	20,0	<b>7,7</b>	16,7	<b>17,9</b>	-	<b>2,6</b>
When paying taxes	74,2	<b>94,1</b>	19,4	<b>5,9</b>	6,5	-	-	-	-	-
Concluding contracts with large enterprises	33,3	<b>20,0</b>	11,1	<b>24,0</b>	11,1	<b>24,0</b>	22,2	<b>24,0</b>	22,2	<b>8,0</b>
In order to avoid a fine for a violation committed by the company	62,8	<b>79,3</b>	23,3	<b>10,3</b>	14,0	<b>8,6</b>	-	<b>1,7</b>	-	-
Other service relevant in your case	33,3	<b>62,5</b>	-	12,5	33,3	<b>12,5</b>	33,3	<b>12,5</b>	-	-

## CORRUPT PRACTICES RELATED TO CONCLUSION OF CONTRACTS

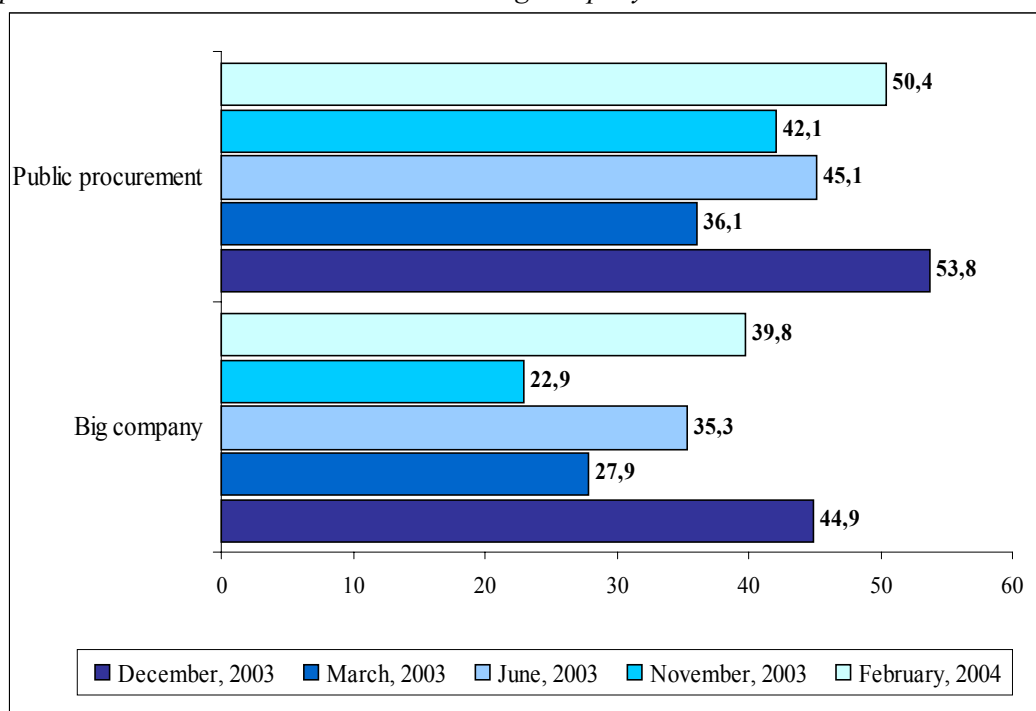
Following the significant decline observed throughout 2003, in early 2004 there once again appeared an increase in the incidence of business involvement in corruption deals in connection with winning *public procurement contracts* or *contracts with big companies*.

After having dropped by half over a period of one year, now the values have again come close to their high levels of December 2002. Every other businessperson who won a *public procurement contract* had had to pay informally for it. Regarding the *contracts with big companies*, this applied to four out of ten companies (*Figure 4*).

In view of the fact that, by estimates of the Bulgarian Industrial Association, the public procurement contracts awarded in 2003 amounted to a total of BGN 1.5 billion, the amounts exchanged informally are clearly quite significant and such corrupt practices are likely to have a serious impact on business activity in this country.

**Figure 4.**

Relative share of those who have paid informally in order to secure a *public procurement contract* or *contract with a big company*



*Base:*

*December 2002: N=147 (contract with big company); N=155 (public procurement);*

*March 2003: N=98 (contract with big company); N=91 (public procurement);*

*June 2003: N=136 (contract with big company); N=133 (public procurement)*

*November 2003: N=140 (contract with big company); N=121 (public procurement)*

*February 2004: N=123 (contract with big company); N=119 (public procurement)*

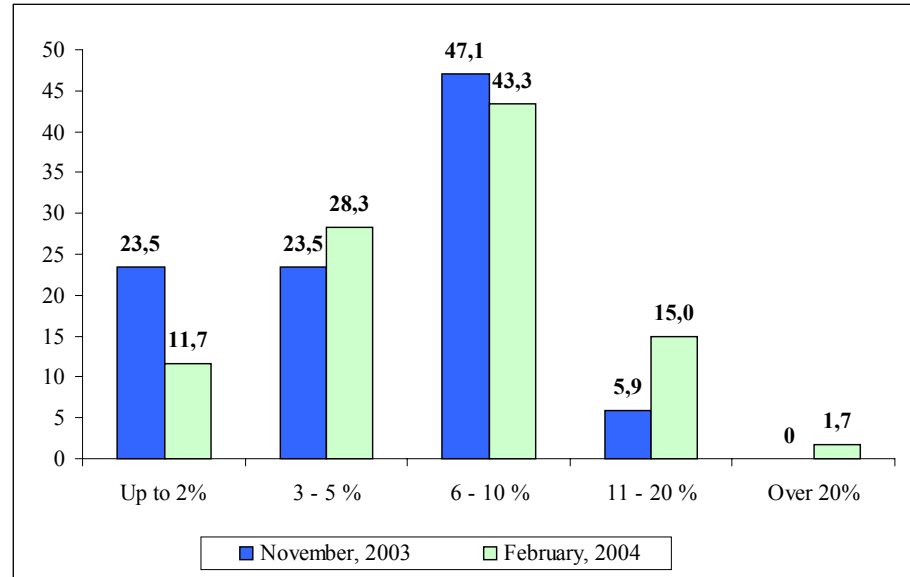
The amounts paid informally by business in order to secure *public procurement contracts* or *contracts with big companies* are still predominantly up to 10% of the contract amount (*Figures 5 and 6*).



Nevertheless, even here there appears a shift towards higher levels – as regards both *public procurement contracts* and *contracts with big companies*, the most commonly paid bribes range between 6 and 10% of the contract amount. The proportion of the bribes ranging between 11 and 20% of the contract amount has increased. The latest survey again registered bribes exceeding 20%, after nearly a year during which such amounts had not been cited at all. Although still short of the share registered in March 2003% (7%), the data suggest that the progress made was too fragile and short-lived (*Figures 5 and 6*).

**Figure 5.**

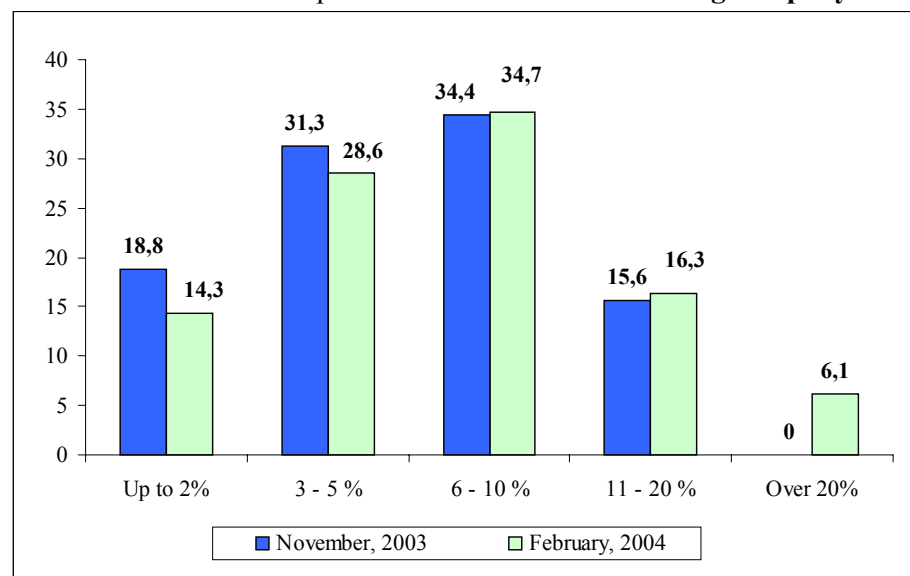
Share of contract amount paid to secure a **public procurement** contract



Base: The respondents who have paid to secure a public procurement contract (November 2003: N=51; February 2004: N=60)

**Figure 6.**

Share of contract amount paid to secure an order from a **big company**

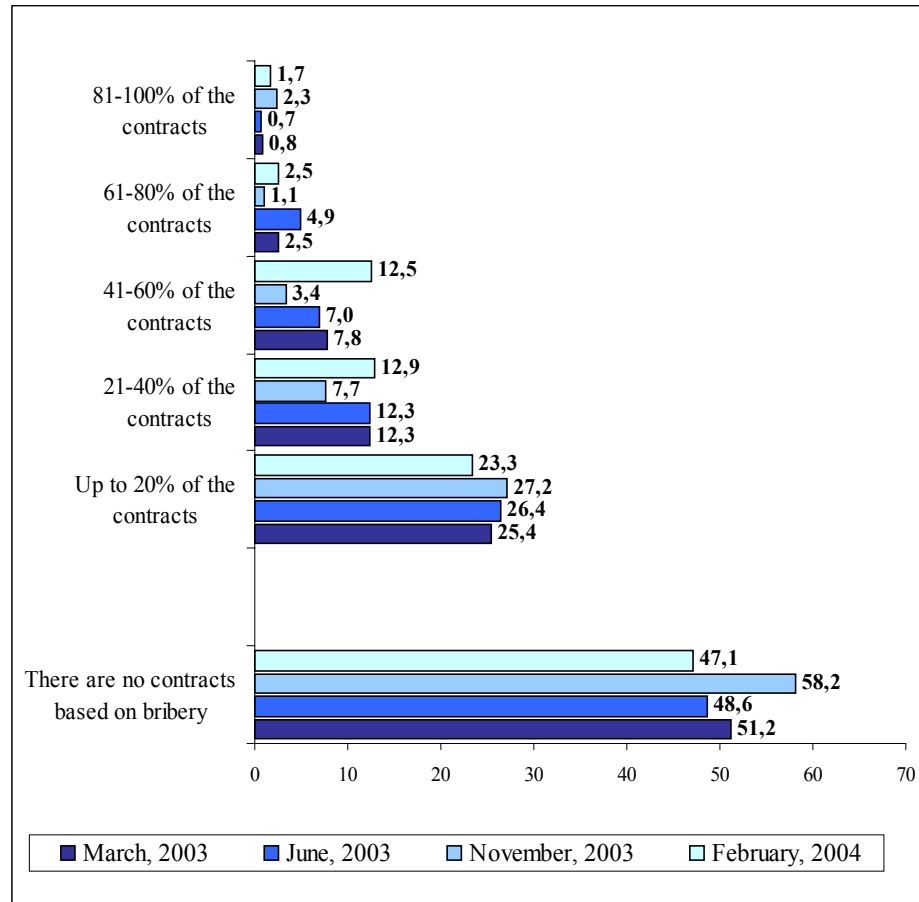


Base: The respondents who have paid to secure an order from a big company (November 2003: N=32; February 2004: N=49)

The positive tendency of mid-2003 has broken off even with respect to contractual relations within business itself. In three months alone, the share of those who believe deals among business partners in their own sector are not based on bribery dropped by more than 10 points (*Figure 7*).

The shares of those who think business deals involving bribery amount to more than 20% of all contracts concluded in their sector have also increased.

**Figure 7.**  
Share of contracts between business partners in the same sector based on bribery



Base: March 2003: N=244; June 2003: N=284; November 2003: N=261; February 2004: N=240

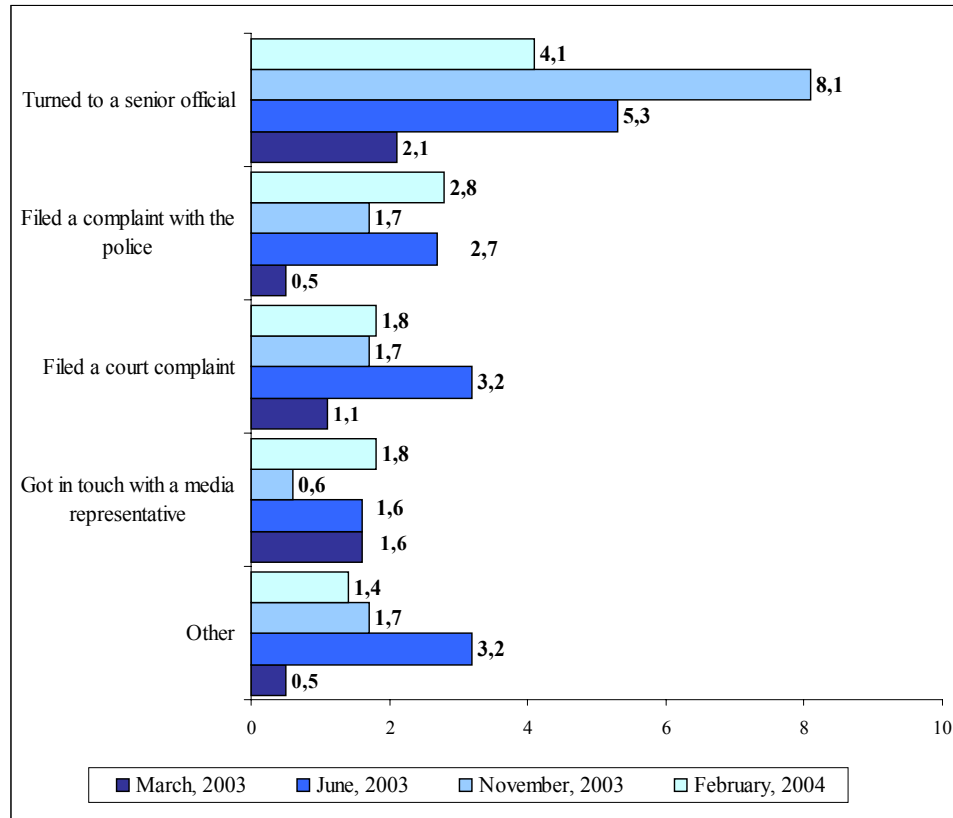
## THE BUSINESS REACTION TO CORRUPTION

Notwithstanding certain fluctuations, there still persists the overall tendency of 2003 for business people confronted with corruption to take some kind of action to prevent the corruption deal or expose the corrupt public official (*Appendix 3, Table 2*).

The typical reaction is to *complain to a superior* or to *the police*. The potential of the *courts* and the *media* in terms of protection against corrupt officials still remains largely unused (*Figure 8*).

**Figure 8.**

Relative share of the steps taken by businesspersons in cases of corruption



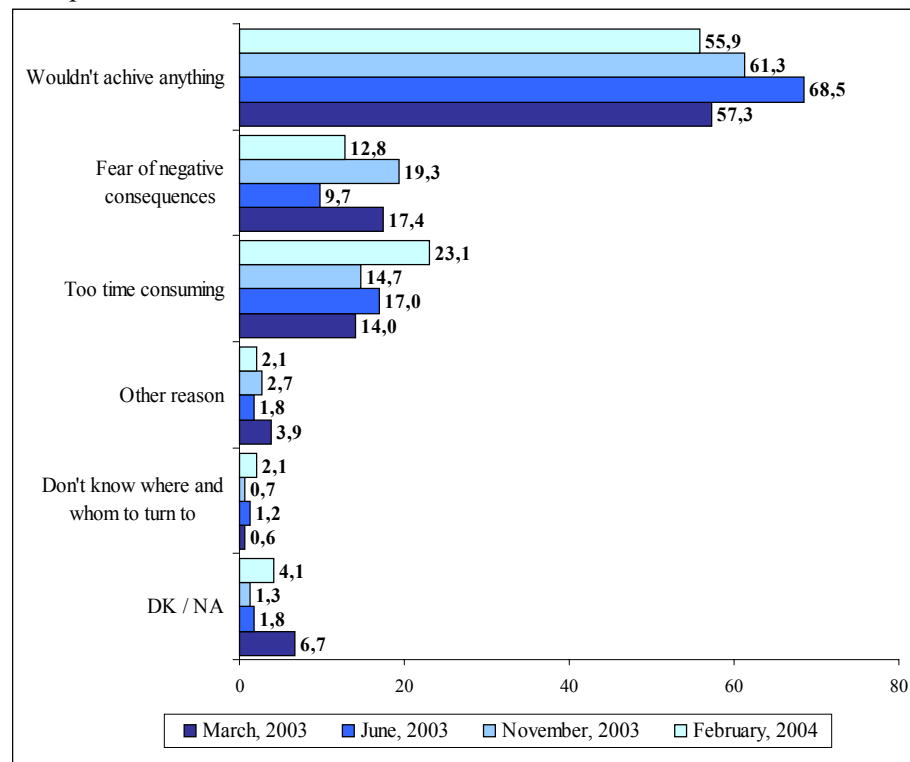
*Base: The businesspersons who have been confronted with corruption in the past year (March 2003: N=189; June 2003: N=187; November 2003: N=174; February 2004: N=217)*

The *fear of negative implications*, which is one of the main reasons why business people refrain from taking any steps against corruption, is gradually falling behind the *potential waste of time* (Figure 9).

Some reason for optimism is found in the falling share of those who believe that any steps they might take would be futile. In the presence of a more expedient way of filing complaints against corrupt officials, quite a few business people might take advantage of it in order to avoid the additional expenses they are forced to pay for a given service.

**Figure 9.**

Relative share of the reasons why no action was taken in cases of corruption



Base: The respondents who have been confronted with cases of corruption and have not taken any action (March 2003: N=178; June 2003: N=165; November 2003: N=150; February 2004: N=195)

## POTENTIAL CORRUPTION

Potential corruption refers to the sum of all instances when business representatives have found themselves under corruption pressure from public sector employees.

The amount of corruption pressure over business remained essentially unchanged throughout 2003 (Figure 2). Nevertheless, there is a barely perceptible upward tendency. Regardless of the attitudes of business people and their wish to counteract corruption, there is in fact no change in the environment. The attempts by public employees to involve business people in corruption deals continue along the tried and tested schemes.

## CORRUPTION PRESSURE BY OCCUPATIONAL GROUPS

With some exceptions, there have not been any major changes in the amount of corruption pressure exerted by the various occupational groups. *Customs* and *police officers* are in the lead, followed by *doctors*. The latter are associated with a tangible increase in the amount of corruption pressure – in a period of one year, the proportion of cases of such pressure by doctors over businesspersons has increased by 10 points (Appendix 3, Table 3).

Higher levels are also observable as regards all of the *representatives of the judicial system*, and most notably, *prosecutors*. The other two groups reported to exert higher pressure are *mayors and municipal councilors*, and *members of parliament*.

Among the exceptions are *politicians and political party leaders*, *ministry officials*, and *tax officials*. With these groups, the incidence of corruption pressure has actually fallen. However, the drop is most notable, with *university professors* and it remains to be seen whether it will prove lasting or there will be an escalation in the summer, during the university enrollment campaign and the exam session.

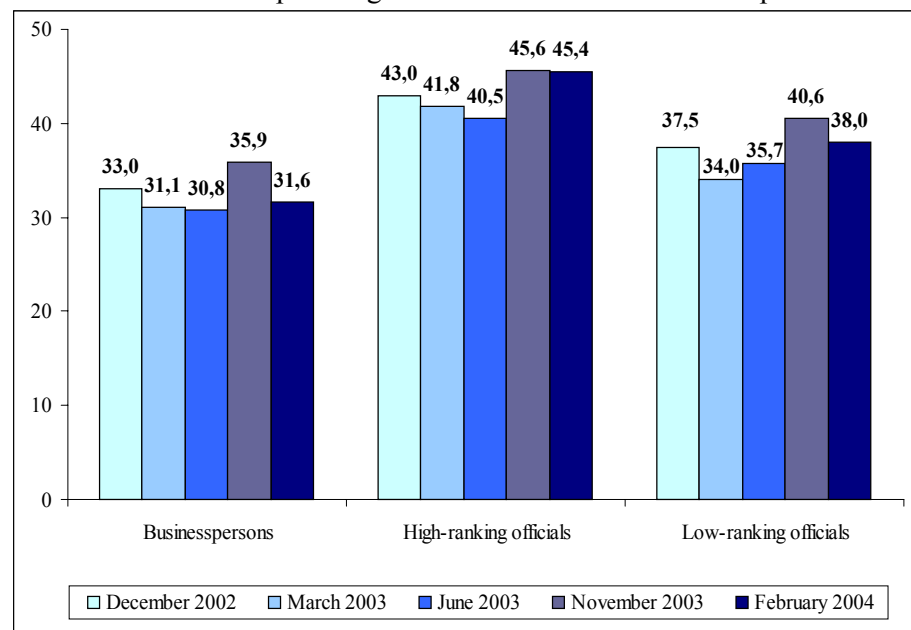
### IMPACT OF GOVERNMENT EFFORTS TO CURB CORRUPTION

Even if the government is making some efforts to limit corruption, these do not seem to have an effect on business operation and the business community is rather critical of government policy and actions in this respect.

The opinion that the government is not doing anything to restrict corruption is still widely held by entrepreneurs. Their assessments are more favorable only as regards corruption in *business*, but it is the sector least affected by government efforts (*Figure 10*).

**Figure 10.**

Assessments of the impact of government efforts to curb corruption \*



Base: All respondents

\* Relative share of those who answered, "The Government does nothing"

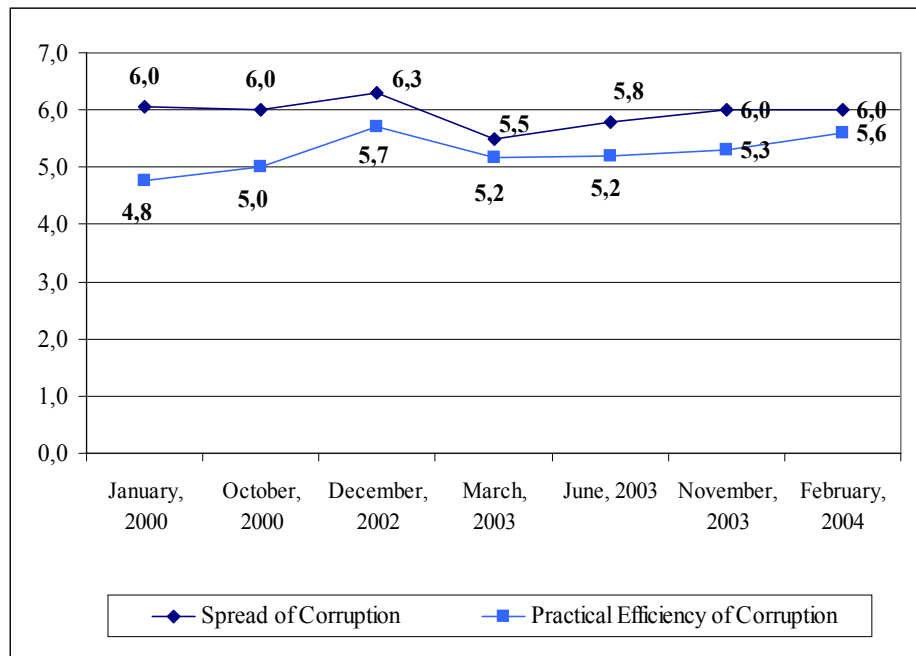
### 3. SPREAD OF CORRUPTION

#### ESTIMATED SPREAD OF CORRUPTION

The perceived spread of corruption appeared higher in November 2003 and the latest data come to confirm this was not a random occurrence. Set against the findings throughout the monitoring, it is rather the more optimistic estimates of early 2003 that prove to be the exception. As of the present time, the sense of prevalence of corruption has set in again (*Figure 11*).

The persistence of such negative attitudes among the general population and the business community alike are an indicator either of the absence of targeted anti-corruption efforts or of the ineffectiveness of the measures undertaken.

**Figure 11.**  
Spread of corruption (min=0 max=10)



*Base: All respondents*

#### PRACTICAL EFFICIENCY OF CORRUPTION

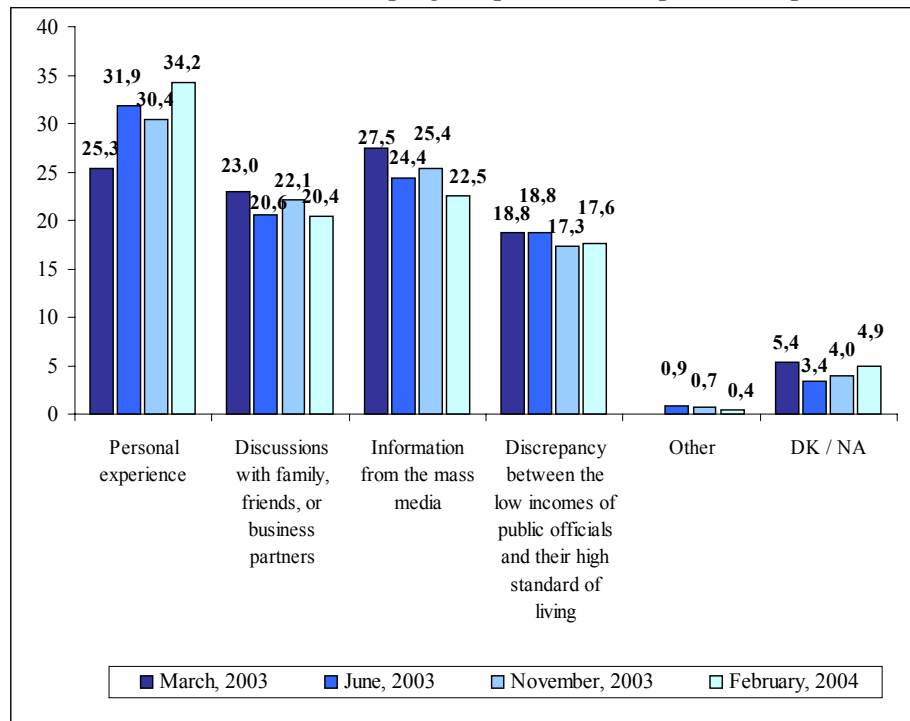
The perceived practical efficiency of corruption continues to increase, as well (*Figure 11*). It would seem that the unremitting presence of corruption in business facilitates its refinement over time. Not only has it come to be perceived as a “normal” - if illegal - “deal”, but its parameters are becoming ever clearer: both the ways of giving the bribes and the “rates” for the various types of “services” are well-known.

#### FACTORS SHAPING THE PERCEIVED SCOPE OF CORRUPTION

Even if indirectly, the growing rate of corruption can also be considered in terms of the factors shaping entrepreneurs' perceptions about the phenomenon. In one year alone, the leading factor – *personal experience* – has risen by nine points (*Figure 12*).

More than one-third of the businesspersons have personally been confronted with corruption and one-fifth make their assessment on the basis of *conversations with friends, family, and business partners*. This indicates the presence of immediate observations and reliable enough conclusions about the spread of corruption in business.

**Figure 12.**  
Relative share of the factors shaping the perceived scope of corruption



*Base: All respondents*

## SPREAD OF CORRUPTION BY OCCUPATIONAL GROUPS

As a rule, the perceptions about the spread of corruption among the various occupational groups only change in one direction or the other in the presence of a tangible change in the actual corruption pressure exerted by the respective group. That is why the related data should be considered over the longer-term in order to get a more accurate idea of the actual situation.

In a given period, there may not have occurred any rise or decline in actual pressure exerted by a given group, yet the perceived scope of corruption within it may increase. Such is the case with *police officers*, for example (*Table 2*). This can be due to various reasons, such as the more intense media coverage or the lack of any substantial anti-corruption measures, reinforcing popular assumptions that the group in question is prone to exert such pressure.

With other groups, for ex., *doctors, mayors and municipal councilors*, and the *representatives of the judicial system*, the actual increase in the amount of corruption pressure gradually comes to be reflected in business people's perceptions of the magnitude of the problem of corruption within the respective group.

The tendency may also take the opposite direction – the successful curbing of corruption in the *tax system* and among *university professors and employees* has influenced respondents' assessments.

Some of the most favorable assessments in three years have been registered with regard to *business people, ministry officials, and journalists*. The positive tendency towards declining corruption in these groups appears quite stable (*Table 2*).



**Table 2.**  
Spread of corruption by occupational group (%)

	“Nearly all and most are involved in corruption”					
	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>
Customs officers	80,0	80,3	73,6	74,9	80,3	82,4
Police officers	57,7	59,8	53,5	62,7	62,5	64,5
Politicians, political party leaders	64,5	59,6	55,3	57,5	62,7	64,3
MPs	60,2	60,8	53,9	54,3	58,7	58,2
Tax officials	58,8	62,7	50,3	58,0	62,9	58,0
Ministers	60,2	54,5	42,1	51,4	55,6	56,1
Doctors	38,2	53,1	46,8	45,4	53,4	54,8
Mayors and councilors	36,9	54,0	47,4	52,9	54,9	54,6
Judges	53,4	57,4	47,7	50,4	53,4	53,7
Prosecutors	49,3	56,5	49,0	50,2	52,0	52,0
Lawyers	52,0	53,0	47,0	50,3	49,4	52,0
Municipal officials	49,3	54,2	43,2	49,6	47,5	50,1
Ministry officials	60,0	57,8	43,2	49,1	46,8	50,1
Investigators	43,2	52,2	43,6	47,5	46,8	44,4
Bankers	43,1	46,4	37,4	39,6	40,6	39,9
Businesspersons	50,9	47,6	38,9	38,9	41,1	36,7
Administrative court officials	34,2	43,6	33,1	35,7	32,1	35,2
University officials and professors	29,6	30,0* 42,6**	25,1* 30,9**	23,1* 32,6**	24,5* 38,2**	23,6* 34,8**
NGO representatives	25,0	30,7	22,4	28,1	32,1	30,1
Journalists	21,6	24,3	14,1	15,4	17,3	14,9
Teachers	8,9	17,2	10,7	10,9	12,8	11,7

\* *University officials*

\*\* *University professors*

### SPREAD OF CORRUPTION BY INSTITUTIONS

Despite the occasional fluctuations, the business community appears to notice a decline in corruption in nearly all of the institutions. Over a period of one year, it is more tangible in the *permit and license-issuing agencies*, *customs*, and the *National Assembly* (Table 3).

In the remaining institutions, the perceived scope of corruption remains at its level of March 2003. A certain increase has been registered only as regards the *Interior Ministry* and the *education system*, but it is too unstable to speak of any lasting tendency.

Overall, the business community's assessment of the spread of corruption in the various sectors of public administration continues to be negative. Those saying that corruption has currently permeated *all institutions* in the state have doubled in number in one year (Table 3).

**Table 3.**  
Spread of corruption by institution \*

	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>
In customs, among customs officers	62,4	59,5	55,6	59,2
In the judicial system	36,7	36,4	32,1	34,8
Ministry of Internal Affairs and its agencies	20,4	24,9	27,8	23,1
In the National Assembly / among MPs	24,2	19,5	20,7	21,2
Government, ministers	20,1	19,2	18,5	18,9
In healthcare	18,3	17,9	16,6	18,9
In the agencies issuing various permits and certificates (Institute of Hygiene and Epidemiology, etc.)	22,1	20,6	16,2	18,0
In central public administration	12,8	13,3	13,3	10,2
In municipal administrations	17,4	17,0	12,4	15,3
In the tax system	12,1	17,0	10,7	13,6
In big business	13,0	8,4	9,3	7,0
In the education system	2,5	1,4	3,3	3,2
In the presidency	0,9	0,7	0,2	-
<i>Everywhere</i>	<i>6,3</i>	<i>8,6</i>	<i>14,3</i>	<i>14,2</i>
<i>Other</i>	<i>0,4</i>	<i>0,2</i>	<i>1,9</i>	<i>-</i>

*Base: All respondents*

\* *The percentages add up to more than 100 because respondents could give up to three answers.*

## **SPREAD OF VARIOUS CORRUPT PRACTICES IN BUSINESS**

The absence of any tangible change as regards corruption in business is particularly conspicuous when it comes to the various corrupt practices. They are all assessed as widespread throughout the period monitored – January 2000 – February 2004.

The only apparent improvement is associated with the holding of *privatization tenders* but it is rather due to their actually smaller number than to any effective anti-corruption measures implemented (*Appendix 3, Table 4*).

The absence of a consistent anti-corruption policy and real curbing of corruption is equally evidenced by the higher incidence of acceptance of money or gifts *by public officials for the performance of their official duties*. There do not seem to be any serious deterring factors limiting the attempts by public officials to use their public office for personal gain.

## **4. VALUE SYSTEM AND MORAL PRECONDITIONS FOR CORRUPTION**

### **ACCEPTABILITY IN PRINCIPLE**

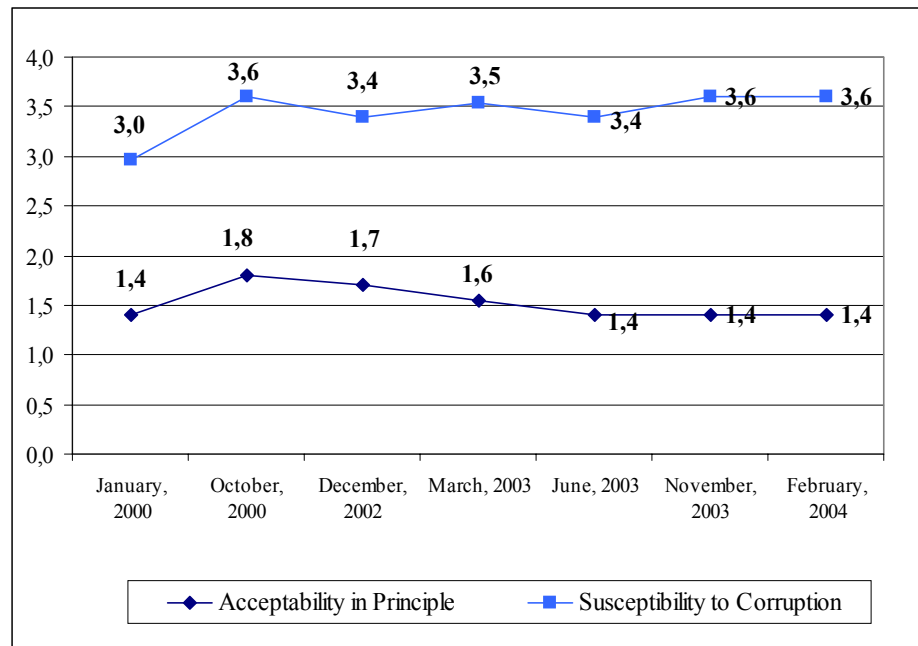
In contrast to their actual involvement in corrupt practices, in terms of their value system, business people are ever less inclined to accept or approve of the practice of private arrangements and bargaining with the public officials as a means of resolving problems (*Figure 13*).

Regardless of their position, however, the fact is that most are involved in corrupt practices in one way or another. This suggests that the environment in which they are operating not only exposes them to corruption pressure, but does not tolerate non-involvement in the well organized mechanism of corruption.

Four out of ten businesspersons say it is an established practice among the companies in their sector *to pay “extra”* in order to get things done and more than one-third claim that *it is usually known in advance how much they are expected to pay* (*Appendix 3, Table 5*).

**Figure 13.**

Preconditions for the presence of corruption (min=0, max=10)



*Base: All respondents*

## SUSCEPTIBILITY TO CORRUPTION

*Business susceptibility to corruption* is still vacillating but the general tendency is towards reversion to the high values of October 2000 (*Figure 13*). The absence of any working anti-corruption mechanisms in fact reinforces already established corrupt practices and puts great pressure on business. Non-involvement in corruption often dooms business to non-competitiveness and operational problems.

There is reason to claim that corruption has come to be inextricably associated with the business environment. Running a legal business without making any extra, informal payments for the various types of public services is rather the exception than the rule.

## 5. EXPECTATIONS REGARDING THE CURBING OF CORRUPTION

### ANTI-CORRUPTION MEASURES

The unchanging environment in which they are forced to run their business and the frequent confrontation with various corrupt practices reinforce businesspersons' misgivings about the possibility of actually limiting corruption. Although they have kept their ranking, the proposed anti-corruption measures appear ever less effective as a means of counteracting corruption (*Appendix 3, Table 6*).

Although the values are lower than those registered in the previous survey, four out of ten businesspersons still believe the establishment of a *neutral, non-governmental, anti-corruption organization* to deal with specific

cases of corruption is likely to contribute substantially towards reducing the pressure on them.

### EXPECTATIONS REGARDING THE CURBING OF CORRUPTION

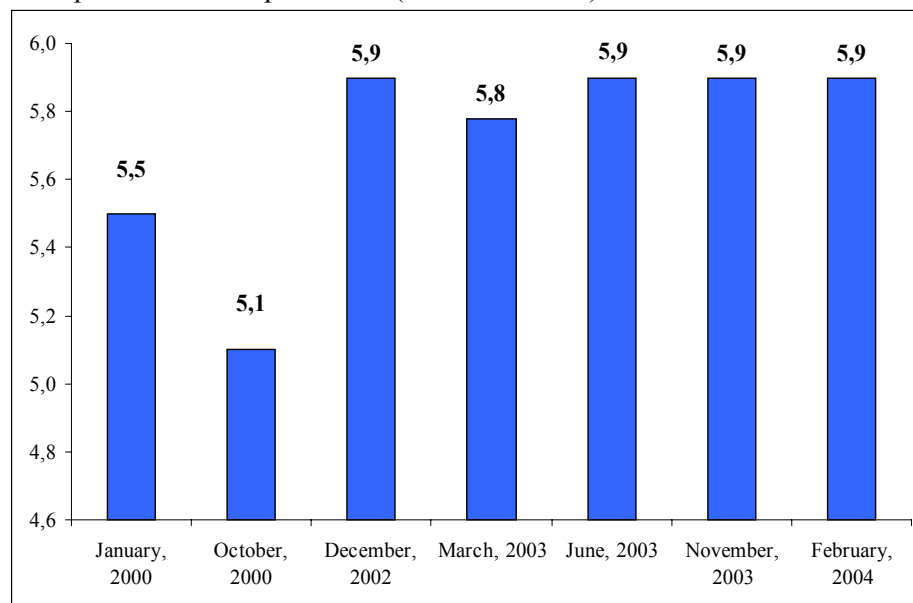
The establishment of a special authority dealing with investigations and exposure of corrupt public officials is only one of the possible anti-corruption measures likely to be useful in the opinion of the business community.

The lack of any tangible efforts on the part of the government and the empty declarations on the issue, in the presence of mounting corruption pressure on business, deepen the negative assessments of society's capacity to cope with the problem of corruption. Since December 2002, they have remained unchanged at their highest level since the beginning of the monitoring (*Figure 14*).

What emerges as the main conclusion from the data and an increasingly permanent attitude of businesspersons is that, regardless of their own moral position and personal views on corruption, they are practically unable to avoid their involvement in corruption of one form or another. The great pressure they are experiencing on themselves and on their business is twofold – coming on the one hand from the public officials, who are undisturbed by any restrictions or penalties, and on the other hand, from the deeply distorted business environment itself. An environment where, to be competitive, you not only have to pay if you are asked to, but you are also supposed to know whom and how much to pay “informally” in order to be able to keep and develop your business.

**Figure 14.**

Corruption-related expectations (min=0 max=10)



*Base: All respondents*

## APPENDIX 1

### **Corruption indexes – theoretical principles and methodology**

The Corruption Indexes summarize the basic indicators used by the Corruption Monitoring System (CMS) of *Coalition 2000*. Each index sums up several questions posed to the respondents and allows comparative analysis over time. The Corruption Indexes assume values from 0-10. The closer the value of the indexes is to 10, the more negative are the assessments of the current state of corruption in Bulgaria. Index numbers closer to 0 indicate approximation to the ideal of a “corruption-free” society. The Corruption Indexes are based on a system of indicators exploring corruption-related behavior and attitudes. The theoretical model of corruption underlying the CMS surveys distinguishes between the following aspects and elements of corruption:

#### 1. Acts of corruption.

The acts of corruption fall into two basic types: giving a bribe and accepting a bribe. These occur in two basic kinds of situations: 1.) When citizens offer a bribe to get something they are entitled to by law (“greasing the wheels”), and 2.) When citizens offer a bribe to get something they are not entitled to by law. The registered frequency of acts of corruption shows the level of corruption in this country. The phrasing of the questions is essential when measuring the values of this index. In this respect CMS builds on a number of principles meant to ensure neutrality, objectivity, and anonymity: 1.) Instead of using the term “bribe”, the questions refer to the “offer of money, gift, or favor”; 2) the questions focus on whether or not respondents did make such an “offer” and the latter are not asked to provide information concerning how much and whom they paid, etc., in order to have their problem addressed; 3) besides information about the “offer” of bribes, respondents are asked about the incidence of bribe solicitation, i.e., the amount of pressure exerted by public officials.

The Corruption Indexes formed on this basis are the following:

- Personal involvement. This index records the incidence of cases of “offer of money, gift, or favor” in order to have a problem solved as reported by the citizens themselves. Essentially this index registers the level of real corruption in this country over a given period of time.
- Corruption pressure. This index records the incidence of cases when citizens were reportedly asked for “money, gift, or favor” in order to have a problem solved. It measures the level of potential corruption in this country over a given period of time.

It should specifically be noted that the indicators concerning acts of corruption do not reflect evaluations, opinions, or perceptions, but the self-reported incidence of definite kinds of acts. This type of indicators underlies the methodology of the victimization surveys, which have a long history and are used to assess the real crime rate in a given country. The term “real” is essential since for a number of reasons not all crimes are registered by the police and only part of those reported to the police actually end up in court.

#### 2. Value system and moral preconditions.

Although they do not directly determine the level of corruption, the value system and moral principles have a significant influence on citizens’ behavior. Of the numerous indicators in this area, CMS monitors the following corruption-related attitudes: 1.) The level of toleration of various forms of corruption; 2.) The degree of awareness of the various types of corruption; 3.) Citizens’ inclination to resort to corrupt practices in order to address arising problems.

The Corruption Indexes produced on this basis are the following:

- Acceptability in principle. This index measures the toleration of a range of corrupt practices by MPs and ministry officials.
- Susceptibility to corruption. The index sums up a series of questions intended to assess citizens' inclination to resort to corruption in addressing their daily problems.

Both of the indexes from this group reflect assessments and opinions. Their positive dynamics are indicative of growing rejection of corruption and the reinforcement of moral norms proscribing involvement in acts of corruption.

### 3. Estimated spread of corruption.

Citizens' subjective assessments of the spread of corruption reflect the general social environment and prevailing outlook on corruption, as well as the related image of the institutions and basic occupational groups under the three branches of power. These assessments do not directly reflect the level of corruption since they are the outcome of perceptions and impressions produced by the ongoing public debate, media coverage of corruption, personal preconceptions, etc. In more general terms, they show the extent to which citizens feel that those in power protect public interests or take advantage of their official positions to serve private interests. This aspect of corruption is covered by two indexes:

- Estimated spread of corruption. This index sums up respondents' assessments of the extent to which corruption permeates society (as well as individual institutions and occupational groups).
- Practical efficiency. This index sums up respondents' assessments of the extent to which corruption is an efficient problem-solving instrument. Efficiency is another indicator of the spread of corruption: a high level of efficiency makes it worth resorting to corruption and implies that corruption is in fact a commonly used means of addressing problems.

### 4. Corruption-related expectations.

The corruption-related expectations reflect the degree of public confidence that the problem of corruption can be dealt with. In this sense, the expectations are the combined reflection of respondents' perception of the political will demonstrated by those in power and their assessment of the magnitude and gravity of the problem of corruption.

**APPENDIX 2**  
**Corruption Indexes**

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**Table 1. Acts of Corruption**

<i>Index value</i>	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>
<i>Personal involvement</i>	2,1	1,1	1,2	1,3	1,2	1,3
<i>Corruption pressure</i>	3,1	2,4	2,3	2,3	2,5	2,5

**Table 2. Value-System and Moral Preconditions**

<i>Index value</i>	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>
<i>Acceptability in principle</i>	1,8	1,7	1,6	1,4	1,4	1,4
<i>Susceptibility to corruption</i>	3,6	3,4	3,5	3,4	3,6	3,6

**Table 3. Perceived Spread of Corruption**

<i>Index value</i>	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>
<i>Perceived spread of corruption</i>	6,0	6,3	5,5	5,8	6,0	6,0
<i>Practical efficiency</i>	5,0	5,7	5,2	5,2	5,3	5,6

**Table 4. Corruption-Related Expectations**

<i>Index value</i>	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>
<i>Corruption-related expectations</i>	5,1	5,9	5,8	5,9	5,9	5,9



### APPENDIX 3

**Table 1.**  
Obstacles to business operation and development (%)

	<b>Major problem</b>
Crime	47,3
Unfair/illegal competition	46,7
The tax rates	45,4
Access to financing of business activities	43,7
Permit-issuing procedures	39,7
The macroeconomic situation in the country	35,7
<b><i>Corruption among administrative officials</i></b>	<b>34,6</b>
Rules and procedures for the acquisition of land	28,0
Inspections/checks by control authorities	24,4
The judicial system	20,6
<b><i>Corruption among business counterparts</i></b>	<b>20,2</b>
The current political situation	17,2
The operation of the local administration	16,8
The operation of the central administration	16,1
Rules and procedures for staff appointment and dismissal	13,6
Rules and procedures for starting a company	8,5

*Base: All respondents*

**Table 2.**

Relative share of the businesspersons who in the past year have taken some action in cases of corruption (%)\*

Action	March 2003	June 2003	November 2003	February 2004
Filed complaint with the police	0,5	2,7	1,7	2,8
Filed court complaint	1,1	3,2	1,7	1,8
Turned to a higher-ranking official	2,1	5,3	8,1	4,1
Contacted a media representative	1,6	1,6	0,6	1,8
Other	0,5	3,2	1,7	1,4
<b><i>Did not undertake any action</i></b>	<b>94,2</b>	<b>88,2</b>	<b>86,7</b>	<b>89,9</b>

*Base: The businesspersons who have been confronted with cases of corruption in the past year (March 2003: N=189; June 2003: N=187; November 2003: N=174; February 2004: N=217)*

*\* The percentages add up to more than 100 because respondents gave more than one answer.*

**Table 3.**  
Corruption Pressure by Occupational Group (%)

	<i>December 2002</i>		<i>March 2003</i>		<i>June 2003</i>		<i>November 2003</i>		<i>February 2004</i>	
	<b>Yes</b>	<b>Base</b>	<b>Yes</b>	<b>Base</b>	<b>Yes</b>	<b>Base</b>	<b>Yes</b>	<b>Base</b>	<b>Yes</b>	<b>Base</b>
Customs officers	<b>34,2</b>	249	<b>31,9</b>	182	<b>35,6</b>	163	<b>39,6</b>	144	<b>37,7</b>	212
Police officers	<b>32,9</b>	320	<b>26,7</b>	288	<b>27,3</b>	278	<b>30,9</b>	265	<b>31,6</b>	307
Doctors	<b>33,2</b>	363	<b>21,7</b>	345	<b>20,1</b>	319	<b>27,0</b>	319	<b>31,3</b>	358
Municipal officials	<b>29,6</b>	356	<b>22,5</b>	334	<b>20,9</b>	316	<b>21,9</b>	306	<b>24,8</b>	379
Politicians, political party leaders	<b>12,1</b>	-	<b>20,0</b>	115	<b>18,7</b>	107	<b>24,7</b>	73	<b>19,0</b>	116
Tax officials	<b>21,9</b>	356	<b>18,3</b>	361	<b>17,0</b>	348	<b>23,8</b>	344	<b>18,4</b>	396
Lawyers	<b>24,5</b>	-	<b>14,4</b>	187	<b>12,8</b>	196	<b>14,3</b>	168	<b>16,7</b>	198
Mayors, municipal councilors	<b>17,6</b>	225	<b>12,7</b>	212	<b>12,3</b>	212	<b>8,6</b>	186	<b>15,9</b>	245
MPs	<b>10,6</b>	139	<b>9,6</b>	83	<b>13,6</b>	88	<b>11,4</b>	44	<b>15,8</b>	76
Ministers, ministry officials	<b>4,8<sup>♦</sup></b> <b>25,4<sup>♦♦</sup></b>	184	<b>8,8<sup>♦</sup></b> <b>15,8<sup>♦♦</sup></b>	68 139	<b>8,7<sup>♦</sup></b> <b>26,2<sup>♦♦</sup></b>	69 141	<b>6,1<sup>♦</sup></b> <b>16,7<sup>♦♦</sup></b>	33 108	<b>8,6<sup>♦</sup></b> <b>14,8<sup>♦♦</sup></b>	58 176
University officials and professors	<b>10,5<sup>**</sup></b> <b>11,9<sup>***</sup></b>	189	<b>9,6<sup>**</sup></b> <b>11,0<sup>***</sup></b>	104 109	<b>11,4<sup>**</sup></b> <b>25,0<sup>***</sup></b>	70 76	<b>12,7<sup>**</sup></b> <b>22,4<sup>***</sup></b>	55 58	<b>10,5<sup>**</sup></b> <b>14,0<sup>***</sup></b>	95 93
Judges	<b>12,2</b>	181	<b>11,1</b>	126	<b>6,9</b>	131	<b>9,6</b>	114	<b>13,4</b>	112
Investigators	<b>10,3</b>	170	<b>7,9</b>	101	<b>7,9</b>	114	<b>9,7</b>	93	<b>12,1</b>	99
Prosecutors	<b>7,6</b>	156	<b>3,8</b>	106	<b>7,2</b>	111	<b>5,4</b>	93	<b>12,1</b>	99
Administrative court officials	<b>12,2</b>	211	<b>7,8</b>	180	<b>12,0</b>	175	<b>14,9</b>	161	<b>11,7</b>	196
Businesspersons	<b>13,4</b>	392	<b>12,9</b>	334	<b>12,0</b>	324	<b>11,7</b>	308	<b>11,6</b>	370
Bankers	<b>16,3</b>	281	<b>13,8</b>	275	<b>9,8</b>	265	<b>9,7</b>	207	<b>10,8</b>	287
Other	<b>41,0</b>	81	<b>12,1</b>	33	<b>11,1</b>	36	<b>12,9</b>	31	<b>7,7</b>	65
NGO representatives	<b>14,2</b>	-	<b>7,3</b>	109	<b>5,6</b>	90	<b>9,5</b>	63	<b>6,8</b>	103
Teachers	<b>12,9</b>	218	<b>4,1</b>	169	<b>8,8</b>	136	<b>7,9</b>	140	<b>6,6</b>	183
Journalists	<b>1,5</b>	-	<b>3,9</b>	129	<b>3,7</b>	107	<b>5,0</b>	80	<b>5,2</b>	116

\* *Relative share of those who have interacted with the respective group and have been solicited for money, gifts, or favors*

\*\* *University officials.*

\*\*\* *University professors.*

♦ *Ministers*

♦♦ *Ministry officials*

**Table 4.**  
Estimated Spread of Various Corrupt Practices in Business (%)

	December 2002		March 2003		June 2003		November 2003		February 2004	
	Low	High	Low	High	Low	High	Low	High	Low	High
The acceptance of bribes by officials and politicians to influence the granting of public procurement orders	5,1	82,3	8,1	77,2	3,6	80,3	4,3	81,2	5,7	80,9
The acceptance of bribes by officials and politicians in connection with privatization tenders	4,0	85,1	6,0	82,3	6,1	80,5	3,1	83,8	6,4	83,4
The acceptance of bribes by officials and politicians in connection with issuing of licenses and permits for legal activities	8,1	81,3	13,2	75,4	9,0	80,5	7,8	79,6	10,2	82,4
The acceptance of bribes by officials and politicians in connection with tax evasion or reduction	18,5	67,7	25,7	56,4	19,2	63,1	17,6	65,6	17,4	68,8
The acceptance of money or gifts in performing one's official duties	15,7	73,8	19,7	69,8	16,7	73,3	14,7	73,0	16,3	76,6
The acceptance of money or gifts to secure favorable outcome of criminal trials	5,1	82,3	9,8	60,2	7,5	64,7	8,6	60,4	7,4	65,4
Using connections to have family and friends appointed to high-ranking official positions	4,0	85,1	7,6	81,0	5,0	84,8	5,3	83,3	4,7	86,6
Financing of political parties and election campaigns in order to advance private interests	8,1	81,3	3,8	77,2	4,5	76,2	5,2	75,8	3,4	79,0

**Table 5.**  
Business-related Corrupt Practices (%)

	Agree
Once the company pays the amount requested, the service is usually performed as agreed	45,4
For the companies in my sector it is an established practice to pay extra in order to get things done	42,0
The companies in my sector usually know in advance how much they are supposed to pay extra	37,8
In the past year, the informal payments serving to bypass the laws have increased	37,6
Bribes are paid by those who don't have the right contacts to get things done	37,6
Even when the company pays extra, there is a risk of being asked for more, for ex., by another official	36,5

*Base: All respondents*

**Table 6.**  
Perceived Impact of Anti-Corruption Measures (%)

	<b>Small</b>	<b>Average</b>	<b>High</b>	<b>DK/NA</b>
Establishing an independent body to investigate corruption in the high ranks of power	43,7	18,3	31,8	6,2
Setting up commissions of ethics in state agencies	66,7	17,6	9,6	6,2
Adopting codes of ethics in state agencies	65,4	20,4	8,1	6,2
Adopting codes of ethics in business	61,4	16,8	14,2	7,6
Creating a neutral, non-governmental, anti-corruption organization to expose corrupt persons without publicly disclosing the names of those who have reported them	32,9	20,6	41,6	4,9

*Base: All respondents*

**Table 7.**

The Business Reaction to Cases of Corruption by Type of Companies Surveyed (%)

<b>A. Readiness to pay a given amount to an official in order to have a business problem solved</b>	<b>Number of employees</b>			
	<b>Up to 10</b>	<b>11 to 50</b>	<b>51 to 100</b>	<b>Over 100</b>
Would always pay	2,0	1,3	2,3	-
Would pay if the amount is reasonable	17,7	25,3	6,8	10,8
Wouldn't pay if I can solve the problem by some other means	57,6	52,0	59,1	62,2
Would never pay	14,8	10,0	6,8	20,3
<i>Don't know / No answer</i>	7,9	11,3	25,0	6,8
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<b>B. Instances, during the past year, when respondents failed to conclude a deal because a competitor had paid a bribe or "pulled strings".</b>	<b>Number of employees</b>			
	<b>Up to 10</b>	<b>11 to 50</b>	<b>51 to 100</b>	<b>Over 100</b>
Every time	2,5	1,3	-	-
Most times	7,4	10,0	13,6	5,4
Occasionally	28,6	32,0	20,5	21,6
Never	43,3	38,0	36,4	47,3
<i>Don't know / No answer</i>	18,2	18,7	29,5	25,7
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<b>C. Effect of refusal to pay bribe on respondent's business</b>	<b>Number of employees</b>			
	<b>Up to 10</b>	<b>11 to 50</b>	<b>51 to 100</b>	<b>Over 100</b>
Positive effect	1,0	1,3	-	-
Negative effect	15,8	22,0	18,2	9,5
It had no effect on my business	8,4	12,7	9,1	10,8
<i>I haven't been asked for a bribe</i>	50,2	37,3	40,9	51,4
I haven't refused to pay a bribe	8,9	7,3	6,8	6,8
<i>Don't know / No answer</i>	15,8	19,3	25,0	21,6
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<b>D. Reasons why respondents did not take any action to expose the corrupt person</b>	<b>Number of employees</b>			
	<b>Up to 10</b>	<b>11 to 50</b>	<b>51 to 100</b>	<b>Over 100</b>
I don't know where and whom to turn to	2,4	2,9	-	-
It would be too time-consuming	11,8	34,3	29,4	26,1
I wouldn't achieve anything with my actions	60,0	47,1	64,7	60,9
I'm afraid of negative consequences	21,2	8,6	-	4,3
Other reason	1,2	4,3	-	-
<i>Don't know / No answer</i>	3,5	2,9	5,9	8,7
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Base: All respondents