

# CENTER FOR THE STUDY OF DEMOCRACY

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ANNUAL REPORT 2008



Building bridges

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**CENTER FOR THE STUDY OF DEMOCRACY  
2008 ANNUAL REPORT**

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Drawing: Anri Koulev

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European Union



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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.

CSD objectives are:

- to provide an enhanced institutional and policy capacity for a successful European integration process;
- to promote institutional reform and the practical implementation of democratic values in legal and economic practice;
- to monitor public attitudes and serve as a watchdog of the institutional reform process in the country;
- to strengthen the institutional and management capacity of the NGOs in Bulgaria.

“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

For nearly two decades, the Center for the Study of Democracy has been at the forefront of civil society's efforts to strengthen democratic institutions and the rule of law in Bulgaria, not only offering analysis of various problematic areas of governance but also coming up with innovative proposals for successful wide-ranging reforms. The past year has unequivocally demonstrated the urgent need for similarly profound institutional changes to be implemented in the field of Justice and Home Affairs. Clearly – to observers both inside the country and abroad – Bulgaria's political system has been plagued by two structural deficits: namely, the deficit of political will and the lack of administrative capacity to undertake long-overdue anticorruption reforms. Nevertheless, as in previous years, CSD did not remain merely a passive observer of events.

CSD has indeed actively worked to encourage efforts to overcome these two structural deficits. The Center considers it its mission to both analyze current social practices and promote solutions to the most acute problems the country is facing; indeed, in some cases it has even actively been involved in the implementation of such solutions. Perhaps it is for this reason that during the international conference entitled "Democracy That Delivers: Realizing the Full Potential of the Transition", US Ambassador to Bulgaria John Byerle referred to the Center as a "think-tank with teeth". A case in point was the Center's widely publicised and successful contribution to putting an end to duty-free trade along Bulgaria's land borders: traditionally a breeding ground for organized criminal activity aided and abetted by institutionalized political corruption.

Throughout 2008, the Center focused on the following high-priority tasks:

- Enhancing the capacity of the legal system and law-enforcement authorities in counteracting corruption and crime;
- Monitoring racism and xenophobia in Bulgaria and the progress made in curbing them, as part of initiatives undertaken by the Center in its capacity as national coordinator for the European Union's Fundamental Rights Agency;
- Developing policies for curbing the hidden economy in Bulgaria; assessing corruption risks in public procurement and the management of state properties;
- Supporting crime prevention through the analysis of key crime generating factors by types of criminal activity and the social groups involved; encouraging dialogue among all relevant institutions;
- Cooperating with government and non-governmental institutions in Bulgaria and its partners from the EU, NATO, and Southeast Europe, with the aim of encouraging dialogue on the subjects of energy security and energy independence.



Public-private partnership remains the Center's preferred method of achieving social impact at both the national and international levels. It is indeed only by means of public-private partnership between leading members of civil society, reform-minded politicians, and the country's international partners that the above-mentioned structural deficits could possibly be overcome so that institutional reforms to modernize the country may continue.

Sofia, February 2009



Dr. Ognian Shentov  
Chairman

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# **Part One**

## **Program Reviews**



# Law Program

## 2008 Highlights

In 2008 the Law Program of the Center for the Study of Democracy continued focusing on current issues in the area of legal and institutional, as well as judicial reform in the country. The Law Program activity highlights included:

- Continuing research on the costs of crime with a view to improving penal policies and penalty execution systems in the European Union and the Member States, as well as reducing crime;
- Exploring the relevance and feasibility of adopting pan-European indicators of public confidence in the criminal justice system;
- Studying the legislation, policies, and measures adopted in EU Member States with regard to victims of crime;
- Providing expert assistance to build the capacity of the ombudsman institution at the national and local levels;
- Monitoring racism and xenophobia in the country, as well as the policies and measures for their prevention and counteraction;
- Building the capacity of civil society to implement monitoring in the field of justice and home affairs.

## I. Criminal Justice and Crime Prevention

### 1. Assessing the Costs of Reducing and Preventing Crime

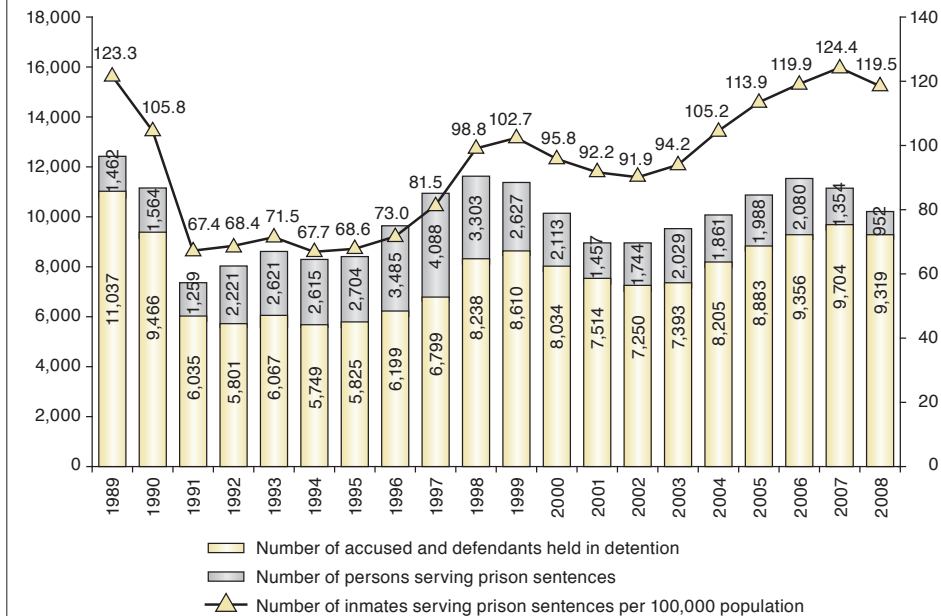
In 2008 the Law Program of the Center for the Study of Democracy **continued its work on the analysis and assessment of the costs of reducing and preventing crime.** This activity is part of an international initiative implemented in partnership with nine academic institutions and non-governmental organizations from Italy, Spain, Portugal, Germany, Latvia, Cyprus, Hungary, and Turkey. The main goal is to propose measures to reduce crime, based on an assessment of direct and indirect costs of crime, as well as

effective crime prevention and reduction strategies, including strategies against terrorism and drug-related crimes.

In the course of their work the experts of the Law Program conducted an in-depth analysis of the legal framework of penitentiary institutions in Bulgaria. The results of the study were summarized in the reports *The Penitentiary System in Bulgaria and Drug-Related Crimes and Drug Use in Prisons* presented at the first seminar on the topic held in November 2007 in Barcelona, Spain.

The study of the legal framework was followed up by an analysis of conditions in detention facilities in the context of international standards in this area.

**Figure 1. Persons Serving Prison Sentences or Held in Preliminary Detention in Bulgarian Prisons (1989 – 2008)**



The research findings and conclusions were outlined in a **report on the level of compliance of the Bulgarian penitentiary system with European and international standards** presented at the second project seminar held in late May 2008 in Ankara, Turkey. The report considered a number of issues, such as overcrowding in Bulgarian prisons, poor living conditions in detention facilities, problems related to the education, healthcare, and employment of inmates, etc. The analysis was based on current data provided by the Ministry of Justice and other state institutions engaged in the execution of prison sentences, while also taking into account the opinions and conclusions of various Bulgarian and international institutions and organizations conducting prison monitoring in this country.

The Law Program experts have also started preparing **an analysis of how**

**the state of the penitentiary system is perceived by those working within it.** This research involves a series of interviews and discussions with representatives of the prison administration and others working in this area (psychologists, doctors, teachers, etc.) and aims to explore the problems in Bulgarian prisons as perceived by the persons immediately involved in their operation. The initial draft of the questionnaire for the planned interviews and focus groups, together with the results of the pilot survey, were presented at the third seminar on the topic held in Bremen, Germany, in November 2008.

## 2. Indicators of Public Confidence in Justice

In March 2008 the Law Program started work on the project *Scientific Indicators of Confidence in Justice: Tools for Policy*



*Dr. Maria Yordanova, Law Program Director (right) and Prof. Mike Hough from King's College London at the working meeting in Leuven*

*Assessment* (JUSTIS). The aim of this project, carried out in partnership with universities and NGOs from Great Britain, Italy, France, Hungary, Lithuania, and Finland, is to **propose to the institutions of the EU and the Member States new indicators for the assessment of public confidence in justice** that can be used in policy development, implementation, and evaluation in the field of criminal justice.

In accordance with the workplan and in order to ensure the successful completion of project activities, a Steering Committee and a Management Board were established at the working meeting that took place in Leuven, Belgium, on March 17 and 18, 2008. An External Expert Group was set up to guarantee the quality of the results achieved.

The CSD Law Program **coordinates the activities related to the analysis of existing indicators of public confidence in justice**. The research has four tasks:

- Review of the importance of public confidence as a tool for policy assessment;
- Review of the key European and North American research on confidence in justice and fear of crime;
- Analysis of current indicators of public confidence – national efforts;
- Analysis of current indicators of public confidence – supra-national efforts

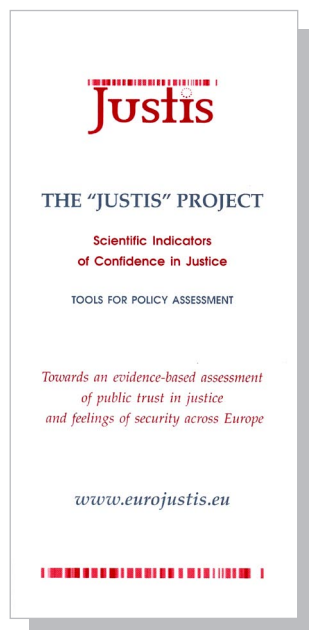
The Law Program developed a questionnaire to collect the information needed for the purposes of the analysis, with the help of which each of the project partners surveyed the situation in their own country. The purpose of the questionnaire was to gather information about the awareness, perceptions, and attitudes of key informants from the respective target groups (academics, criminal justice managers and officials from the government institutions concerned) in the partner countries

to the use, within the criminal justice system, of indicators of confidence in justice. Information was thus obtained about the perceived importance of public confidence as a policy assessment tool among the representatives of the institutions and organizations concerned, about the need for indicators to measure public confidence in criminal justice, and about the contribution of the existing indicators, where such are in use, to the development of national policies in the area of crime prevention and reduction.

The survey on Bulgaria was also conducted by Law Program experts, with the questionnaire sent out to representatives of the executive and the judiciary, academics, and experts with non-governmental organizations working in the area of judicial reform. Individual meetings were conducted with some of them in order to obtain as detailed and up-to-date information as possible. The survey results, along with the information obtained by the partner organizations, were summarized by the Law Program experts in several reports examining the importance of indicators of public confidence in justice, the existing indicators at the national and supra-national levels, opinions and views on the topic published in scholarly literature, etc.

Work on the project website ([www.eurojustis.eu](http://www.eurojustis.eu)) was completed in April and it now provides additional information about the project activities carried out and the results achieved.

With the help of the Law Program experts, the official project brochure was translated into the Bulgarian language. Copies were disseminated among the concerned institutions and organizations in the country.



### Why is the JUSTIS Project important?

Europe needs reliable and scientifically validated indicators of public trust in justice. There is a clear rationale for this. After a period of relative stability, EU Member States face rapid changes in their economies, population levels, migration and immigration. These changes are likely to have a clear impact, amongst other things, on European crime levels and social stability. Maintaining commitment to the rule of law will be a growing challenge in a changing and increasingly culturally diverse world. Member States have a growing need for social indicators to improve crime policy and its assessment. Common sense indicators based on readily available statistics – such as crime trends – have been used extensively. Much less attention has been paid to crucial but hard-to-measure indicators about public confidence in justice and about public levels of insecurity. Without such indicators, there is a risk

that crime policies may become over-focused on short-term objectives of crime control, at the expense of equally important longer-term objectives relating to trust in justice.

### **What are the goals of the JUSTIS Project?**

The JUSTIS project aims to develop and pilot new survey-based indicators of public confidence in justice – a term used here to embrace issues relating to fairness, trust and insecurity. It will assemble contextual data for interpreting the indicators – on the assumption that there are close relationships between public perceptions of justice and the substantive quality of justice as reflected in the workings of the justice process. It will develop tools for presenting and interpreting the indicators in ways that are intuitive and accessible. The JUSTIS project will also aim to build some consensus across Member States about the importance of assessing crime policy against objective criteria of public confidence and trust.

At the second project meeting held in Helsinki, Finland in October 2008, the partner organizations reviewed the work accomplished and the problems and difficulties encountered under the four main research tasks coordinated by the CSD Law Program, while plans were drawn up for the remaining tasks.

### **3. Protection of Victims of Crime**

Since June 2008 the CSD Law Program has started work on a study on EU Member States' legislation, national policies, practices and approaches concerning victims of crime. To this end, a team was formed composed of experts from the 27 EU Member States who were assigned the task of developing an analysis of the legislation and practices in the area of crime victim protection in their respective countries.

For the successful completion of the study, the Law Program's experts prepared detailed instructions in the form of a research questionnaire provided to the individual experts in the EU Member States. The questionnaire comprises 56 questions falling into 5 main groups:

- Fundamentals of domestic notions of victims of crime;
- Practical aspects of the legislation of the Member States concerning victims of crime;
- Information on financial programmes and mechanisms for victim assistance in the different Member States;
- State authorities responsible for the protection of victims' interests and their cooperation with non-governmental victim support organizations and relevant bodies from other Member States;
- Non-governmental organizations active in the field of victim support.

Meanwhile, the Law Program's team also developed and disseminated a questionnaire for state institutions and NGOs in the EU Member States concerned with assistance to crime victims.

The work done and the results achieved were presented at the experts' meeting on victims organized by the European Commission in Brussels on November 17, 2008.

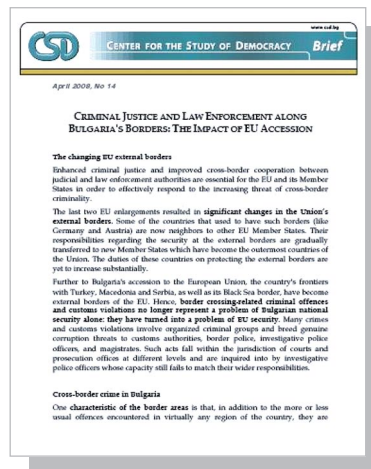


#### 4. Reinforcing Criminal Justice in Border Districts

Work on reinforcing criminal justice in border districts continued in 2008. After the publication in 2007 of the CSD report Reinforcing Criminal Justice in Border Districts the Law Program's experts continued to monitor the undertaking and implementation of measures fulfilling the recommendations set forth in the report.

Two main sets can be distinguished among the report's recommendations: first, legislative amendments proposed to the National Assembly and the institutions having legislative initiative; and second, organizational and technical measures referring to: the Supreme Judicial Council, the Supreme Prosecutor's Office of Cassation, the Ministry of Interior and the General Border Police Directorate, the Ministry of Finance and the Customs Agency, the National Institute of Justice, the Ministry of Justice, and the Council for Criminological Studies with the Ministry of Justice.

The recommendations were officially sent to all institutions concerned; these were subsequently asked for feedback on any steps taken or planned in connection with the implementation of the recommendations. The feedback received from the institutions (the Supreme Court of Cassation, the Customs Agency, the Ministry of Interior, the National Institute of Justice, the Committee on Legal Issues with the National Assembly, the Inspectorate with the Supreme Judicial Council, the Union of Judges in Bulgaria, the Supreme Prosecutor's Office of Cassation, judges, prosecutors, police and customs officers, as well as independent experts) indicated that there was agreement on the part of the authorities concerned on most of the recommendations, and that some initial steps towards their implementation had already been taken.



The results of the monitoring of the implementation of the proposals and recommendations were summarized and published in April 2008 in CSD Brief No 14, entitled "Criminal Justice and Law Enforcement along Bulgaria's Borders: the Impact of EU Accession". The publication contains an overview of the recommendations outlined in the report and of the response to those of the relevant state institutions, as well as extensive analysis of the specific measures undertaken in implementing each of the recommendations.

#### 5. Monitoring in the Area of Justice and Home Affairs

Since the beginning of 2008 the Center for the Study of Democracy has undertaken a series of initiatives aimed at building the capacity of Bulgarian civic organizations to conduct monitoring in the area of justice and home affairs.

As part of this series of initiatives, a large number of non-governmental organizations working in the area of justice and home affairs were identified and an electronic database was created with information about their activity. For this purpose, the experts of the Law

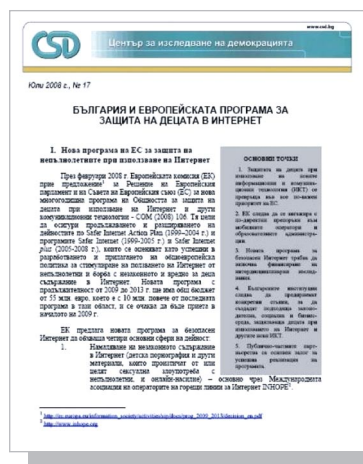


*The participants invited included MPs, representatives of state institutions, NGOs, and experts actively engaged in this particular area.*

Program developed a system of criteria for identifying the organizations working in this field, as well as an assessment form which was also used to identify them. The electronic database is dynamic in nature and is subject to regular updating and supplementing with new organizations. This has marked the beginning of the process of building up a network of civic organizations concerned with justice and home affairs issues.

On July 16, 2008, the Law Program conducted the **first of a series of workshops** with the participation of the organizations from the network. The event was organized jointly with the Public Consultations Council of the Bulgarian National Assembly's European Affairs Committee and was devoted to safer Internet use and the protection of children using the Internet.

The seminar participants were familiarized with the CSD's position on safer Internet use as published in CSD Brief No 17: Bulgaria and the Multiannual Community Programme on Protecting



Children Using the Internet. The publication outlines the achievements of the public-private partnerships in Bulgaria under the two previous EU programs on Internet safety, as well as the recommendations drawn up by experts from the CSD and the Applied Research and Communication Fund with regard to the position of the Republic of Bulgaria on the program proposed by the European Commission, and the

legislative and practical measures that the country could implement with a view to further reinforcing Internet safety and counteracting Internet crimes and violations.

Information on the efforts to build the capacity of civic organizations to conduct monitoring in the area of justice and home affairs was also posted on the special website dedicated to this topic and developed by the Law Program. The website entitled "Justice and Home Affairs" also features relevant news and documents related to European and national policies in the field of justice and home affairs, as well as educational materials and other information provided by the organizations from the network.



In November 2008 the Law Program also produced and disseminated the **first issue of the Justice and Home Affairs electronic newsletter series**. The newsletters are intended to keep network member organizations and state institutions up-to-date regarding the NGO activities in the field. They feature relevant news and documents related to European and national policies in the area of justice and home

affairs, as well as information about the current activities of the organizations participating in the network.

## II. Good Governance and Human Rights Protection

In continuation of the CSD's longstanding efforts to establish and reinforce the ombudsman institution on the national and local level in Bulgaria, in late 2008 the Law Program commenced work on the analysis of the legal framework of local public mediators' activities and on recommendations for its improvement. The objective of the analysis is to facilitate the interaction between local public mediators and the Ombudsman of the Republic of Bulgaria. In the course of their research, the Law Program's experts reviewed existing legislative and regulatory acts concerned with local public mediators, met with acting local mediators, and studied the various approaches to regulating the activity of these institutions adopted in the municipalities which have elected their own local mediators. The study results are to be presented in early 2009.

## III. Monitoring of Racism and Xenophobia and the Measures for their Prevention

In 2008, the Center for the Study of Democracy, as the National Focal Point for Bulgaria of the EU Fundamental Rights Agency, prepared and submitted to the Agency the **third consecutive national data collection report on racism and xenophobia** in the country and the measures for their prevention and counteraction, as well as three bulletins containing current information on various related issues.

The Law Program's experts studied the role of the non-governmental sector in

providing support to victims of racial and ethnic discrimination in Bulgaria. The study included an analysis of the measures taken by the government to empower NGOs providing assistance to victims of discrimination, as well as a detailed overview of the activity of these organizations.

The Law Program team also provided expert assistance to the Agency in developing the Bulgarian version of its questionnaire for the pilot victimization survey on the experience and attitudes of emigrants and other minorities regarding discrimination in the European Union.

#### IV. Cooperation with International and National Institutions and Organizations

In 2008 the Law Program continued expanding and intensifying its cooperation with international and national institutions and organizations. In

September 2008 **Dr. Maria Yordanova, Director of the Law Program**, was elected member of the Board of Advisors of one of the most influential international legal organizations – the **International Law Development Organization (IDLO)**. The Law Program continued its active participation on behalf of the Center for the Study of Democracy in the work of the Public Consultations Council with the European Affairs Committee of the National Assembly, the Public Council with the Minister of Justice, and the Civic Consultative Council with the Anticorruption Committee of the National Assembly. Since the autumn of 2008, Law Program representatives have also been sitting on the Civic Expert Council with the Professional Ethics and Prevention of Corruption Committee of the Supreme Judicial Council.

The Law Program's experts contributed towards **strengthening the existing cooperation and establishing partnerships** in the area of justice and home affairs with state institutions such as the



*From left to right: Dr. Maria Yordanova, Director of the CSD Law Program, Mr. Georgi Pirinski, Speaker of the National Assembly, Ambassador Robert Gelbard, Senior Advisor on Foreign Policy to Democratic Presidential Candidate Senator Barack Obama and former Presidential Envoy to the Balkans*

Ministry of Justice (opinion on a draft law on conflict of interest; participation in the work on the concept of a new law on regulatory acts, etc), the Inspectorate with the Supreme Judicial Council, The Supreme Prosecutor's Office of Cassation, the Supreme Administrative Court, etc.

As part of its longstanding successful cooperation with the Bulgarian Parliament, on October 15, 2008, CSD and the National Assembly organized an open discussion entitled "The

National Assembly – a Guarantee for a Responsible State".

Participants in the discussion included MPs, the Ombudsman of the Republic of Bulgaria, members of the Constitutional Court and the Supreme Judicial Council, academics, NGO representatives, and journalists. Among the topics under discussion were the role of civil society in a parliamentary republic, the role of parliament in maintaining the rule of law, etc.

# Economic Program

## 2008 Highlights

In 2008 the Economic Program at the Center for the Study of Democracy focused on three main areas: hidden economy, anticorruption, and competitiveness.

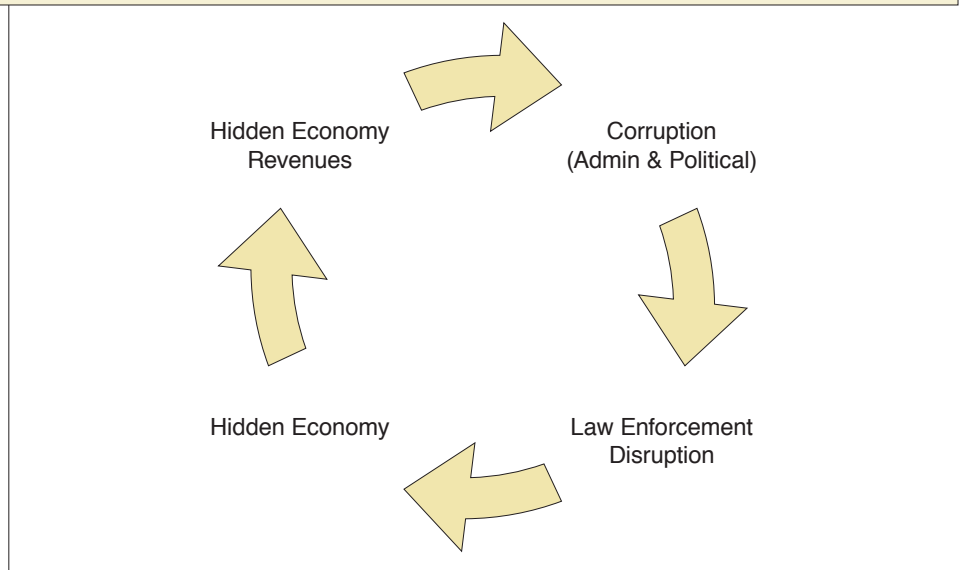
- Analysis of trends in hidden economic activity and its manifestations in Bulgaria. CSD updated its annual *Hidden Economy Index* with data for 2008. The organization also put forth a proposal for establishing a private-public platform for transparent governance and business ethics as a key instrument for reducing hidden economic activities in Bulgaria. In this respect, two main priority areas were identified – judicial and legislative reform and public funds management, including tighter control over public procurement, concessions, and land swaps.
- Preparation of a series of analyses and recommendations for the development and implementation of economic and anticorruption policies in Bulgaria, some of which were adopted by the Bulgarian Government and the European Commission: a) the closing of duty-free trade along the country's land borders as a tool for countering corruption and organized crime; b) supporting Bulgaria's preparation under the Lisbon Strategy of the European Union; and others.
- Contribution to Bulgaria's inclusion – for the third time – in the world's oldest and most comprehensive annual ranking of economic competitiveness: namely, the World Competitiveness Yearbook published by IMD (Institute for Management Development). The Bulgarian economy ranked 39<sup>th</sup> in 2008, moving up two places from the previous year.
- Provision – on the part of a CSD expert – of online training on anticorruption, innovation and entrepreneurship to serve the needs of the Development Institute at the Center for International Private Enterprise. The Institute's resources will be used to provide online training worldwide.

## I. Hidden Economy and Anticorruption

The hidden economy is one of the main obstacles to investment and growth in Bulgaria. By various estimates, its size ranges between 20 and 35 per cent of GDP, with the actual value of transactions reported in some sectors being less than 50%.

In 2008, the Center for the Study of Democracy produced and presented – for the sixth consecutive year – new data provided by the Hidden Economy Index. The index data as well as CSD surveys over the past ten years indicate the existence of a vicious cycle of corruption and hidden economic activities in Bulgaria. The latter have become a source of corruption payments

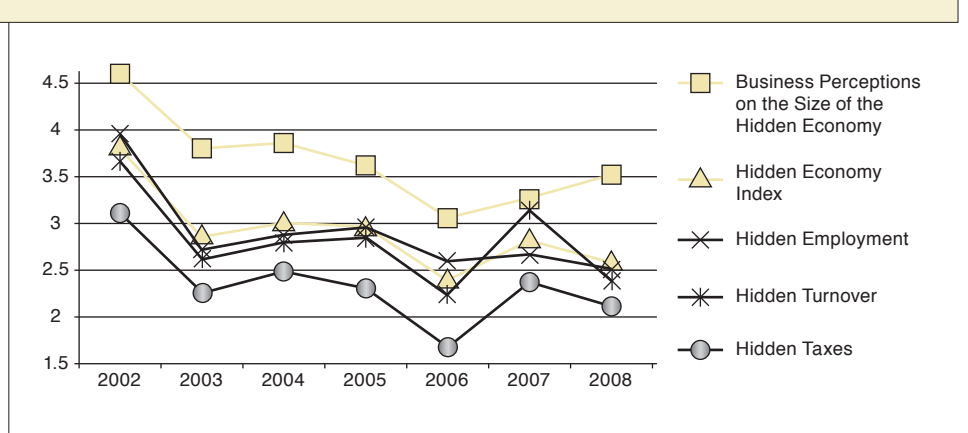
**Figure 2. The Vicious Cycle of Hidden Economy and Corruption in Bulgaria**



used for wide-ranging purposes – from evading fines or penalties to capturing the state. CSD has promoted the **Index** as an instrument for identifying both the efficiency of the measures adopted by the Bulgarian authorities in

countering hidden economic activities, and the problem areas in calling for further action in this respect on the part of the government and the business community.

**Figure 3. The 2008 Hidden Economy Index**



On December 3, 2008, the Center for the Study of Democracy and the Friedrich Ebert Foundation organized a round table discussion on the problems of the hidden economy and the impact of the world economic crisis on Bulgaria, during which CSD presented the annual Hidden Economy Index for 2008. **The Index has registered a moderate decline.** By way of comparison, when first estimated in 2002, the Index was 40% higher. The reverse tendency has been observed with regard to the **perceived size of the hidden economy among the business community, which has been on the increase since 2006.** This discrepancy between actual dynamics of the hidden economy as measured by the index and the business community's contrary perception that it has been on the increase in the country can be attributed to a combination of many factors, such as increasing distrust of institutions, growing foreign competition since the country's EU accession, and a sense of the deepening global economic crisis in 2008. Although as a whole the Index figures point towards improvements, there remain some **high-risk areas**, such as "envelope wages" employment

(i.e. remuneration over and above amounts declared in employment contracts) and **VAT fraud.**

Representatives of the Bulgarian government, finance and business leaders, non-governmental organizations, and the media discussed possible ways of averting the **danger for the level of hidden economy to rebound in line with the increasing risks for the country's economic growth** resulting from the economic recession in the advanced world economies, incl. the Eurozone.

The discussion participants noted several of Bulgaria's **starting point advantages** for confronting the impending economic crisis compared to the other new EU member countries, such as the country's budget surplus and low level of public debt, as well as its sound financial system with little exposure to toxic assets. Nevertheless, like most other peripheral economies, Bulgaria remains **highly exposed to external shocks**, particularly to the suspension of credit provision and the recession in the Eurozone, as observed toward the end of 2008. The main vulnerabilities of the Bulgarian economy are associated with



*From left to right: Boyko Borissov, Mayor of Sofia, Marc Meinardus, Director, Friedrich Ebert Foundation, Sofia, Ognian Shentov, Chairman, Center for the Study of Democracy, Petar Dimitrov, Minister of the Economy and Energy, Plamen Oresharski, Minister of Finance.*



**institutional uncertainty, high levels of the hidden economy, corruption and crime**, compounded by the large current account deficit, unsustainable credit boom, overpriced (real estate) assets, high levels of private external debt (over 90% of GDP), weak export competitiveness, and limited, albeit increasing, local demand. Against this backdrop, the ever more conspicuous **lack of domestic leadership** in alleviating the negative effects of the economic crisis reinforces perceptions of institutional instability.

In a deteriorating international economic environment, **pressures for the expansion of hidden economic activities in Bulgaria will intensify** in the three main zones of the hidden economy:

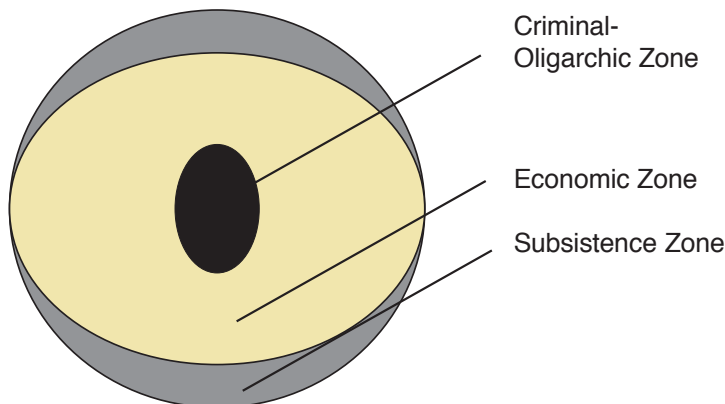
- **Subsistence** (a surge in subsistence farming, or the production of goods for personal consumption among the poorest and marginal communities);
- **Economic** (increasing strains on business and household incomes, combined with the weakening of state control mechanisms, including in relation to the

higher levels of administrative uncertainty due to the upcoming parliamentary elections and the expected decrease of budget revenues, will increase incentives for tax evasion); and

- **Criminal-and-oligarchic** (the economic recession will lead to a greater dependence of businesses on government decisions, e.g. in public procurement and concessions, which will encourage attempts at the redistribution of public resources by means of “pulling political strings”. At the same time, the probable increase in unemployment, depending on the duration and intensity of the crisis, will lead to an increase in the labor supply for criminal organizations).

In 2008 the Center for the Study of Democracy held a series of consultations with representatives of government institutions, business, and non-governmental organizations on the feasibility of a **public-private partnership platform** on the issues of good governance and fair competition on the example of developing policy responses to the grey economy.

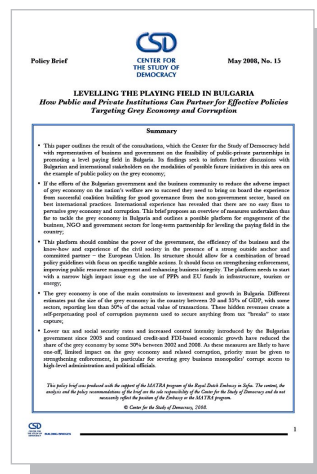
**Figure 4. Hidden Economy Zones**



As a result, CSD prepared a policy brief entitled “Levelling the Playing Field in Bulgaria. How Public and Private Institutions Can Partner for Effective Policies Targeting Grey Economy and Corruption”. The brief included an overview of the measures undertaken in Bulgaria to reduce the hidden economy, as well as the possibilities for enlisting the participation of the business community, NGOs, and government institutions in a long-term partnership arrangement targeting hidden economic activities. According to the analysis, the lower tax and social security rates and increased control intensity introduced by the Bulgarian government since 2003, and continued credit- and FDI-based economic growth have **reduced the share of the hidden economy by some 30% between 2002 and 2008**. As these measures are likely to have one-off, limited impact on the hidden economy and related corruption, government policy must give priority to **strengthening law enforcement**. In this relation it is particularly essential to sever the corrupt connections between shady business monopolies and high-ranking politicians and officials.

The proposal for the establishment of a public-private platform for good governance and business ethics as an essential tool for dealing with the problem of the hidden economy in Bulgaria was presented on the 27th of May, 2008, at the Sheraton Hotel in Sofia. On this date, the Center for the Study of Democracy, with the support of the Royal Netherlands Embassy, organized a round table discussion of the challenges to Bulgaria’s economic development and competitiveness posed by the hidden economy. During the event, two priority areas were identified with a view to reining in the hidden economy: judicial and legislative reform and the improvement of public resource management, including stricter control

over public procurement, concessions, and land swaps.



As a specific example of effective private-public partnership, the round table participants noted CSD’s role in the elaboration of anticorruption policies. At the beginning of 2008, CSD offered an analysis of the corruption-generating effect of duty-free trade along the country’s land borders and came up with a proposal to reduce that effect. Policy Brief No 13 *Effective Policies Targeting the Corruption – Organized Crime Nexus in Bulgaria: Closing Down Duty-Free Outlets* demonstrated that through the Law on Duty-Free Trade adopted at the very end of 2006, the Bulgarian Parliament ignored the Government’s public and international commitments to gradually close down duty-free outlets and gas stations along land borders. In fact, Bulgarian MPs granted outlet owners permanent licenses without tendering and gave them the right to offset the losses sustained as a result of the closure of duty-free shops at the now internal EU borders by opening new outlets along the external borders of the Union. The adoption of this piece of legislation was in fact one of the most blatant examples of state capture by economically powerful private interests.

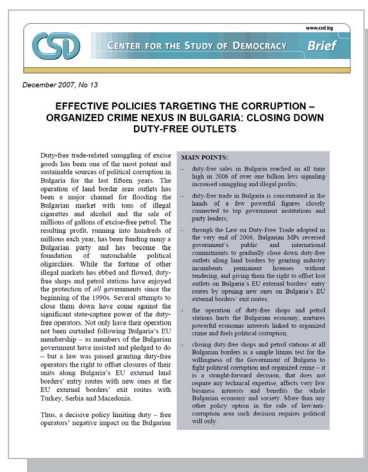


*From left to right: Stefan Szyszkowitz, Chairman of the Managing Board of EVN Bulgaria; Bozhidar Bozhinov, Chairman of the Bulgarian Chamber of Commerce and Industry; Plamen Oresharski, Minister of Finance; Mihail Mikov, Minister of Internal Affairs; Willem Van Ee, Ambassador of the Royal Netherlands to Bulgaria; Dr. Ognian Shentov, Chairman of the Center for the Study of Democracy; Boyko Borisov, Mayor of Sofia Municipality; Professor Valeri Dimitrov, Chairman of the Bulgarian National Audit Office*

**CSD put forth two possible approaches** to reducing the adverse effects of duty-free trading along Bulgaria's land borders:

- **Closing down duty-free outlets and gas stations.** The implications for the economy would be immediate and unquestionably positive (radical approach);
- **Banning the sale of cigarettes at duty-free outlets and introducing restrictions on the sale of petrol at gas stations:** 30 liters for cars and 200 liters for trucks. This would require tighter control and strict law enforcement (moderate approach).

After the European Commission identified duty-free trade along the country's land borders as a hotbed of corruption and organized crime in a February 2008 report, in June of 2008 Bulgaria finally opted for closing down duty-free outlets.



## II. Knowledge Economy

CSD continued its work on the topic of the knowledge economy in 2008. Its experts prepared the policy brief entitled "Bulgaria and the Lisbon Strategy: Challenges and Opportunities". The brief presents an overview of the European Commission's

assessment and recommendations in regard to the Lisbon Strategy and Bulgaria's National Reform Program. It recommends a number of specific policy measures for improving the country's competitiveness, most notably by means of:

- Creating a Coordinating Unit in charge of the country's National Reform Program; and
- Focusing the National Reform Program's priorities on competitiveness and innovations, improving the business environment, and reducing corruption and the hidden economy.

The policy brief was presented at a meeting of the Public Consultations Council of the National Assembly's European Affairs Committee on March 19, 2008. In a report, the Committee endorsed most of the recommendations made by the Center for the Study of Democracy.

Between October 17<sup>th</sup> and 19<sup>th</sup>, 2008, the Center for the Study of Democracy, in

collaboration with the University of Oslo organized a workshop entitled "Innovation, Intellectual Property Rights and their Multilateral and Regional Regulation. The Case of the SEE Transition Economies". The workshop was part of the activities of the GARNET EU Research Network.

Some of the main topics of discussion at the workshop were the relationship between global and regional institutions, and the processes of knowledge creation and dissemination: the internationalisation of education, research and innovation systems, as well as the governance of the access to and the dissemination of knowledge. The workshop explored the question of how the different regional and multilateral governance mechanisms of IPRs and innovation have affected the performance of knowledge economies in the areas of foreign trade and FDI, local company performance, human capital, ICT, etc.

For the purposes of the workshop the organizers issued a call for papers



*Workshop: Innovation, Intellectual Property Rights and Their Multilateral and Regional Regulation. The Case of the SEE Transition Economies, 17-19 October, 2008*

exploring how multilateral and regional regulatory agencies and institutions, such as the WTO's GATS and TRIPS, UNESCO, and the EU, affect innovation and the use of IPRs at the regional and national levels.

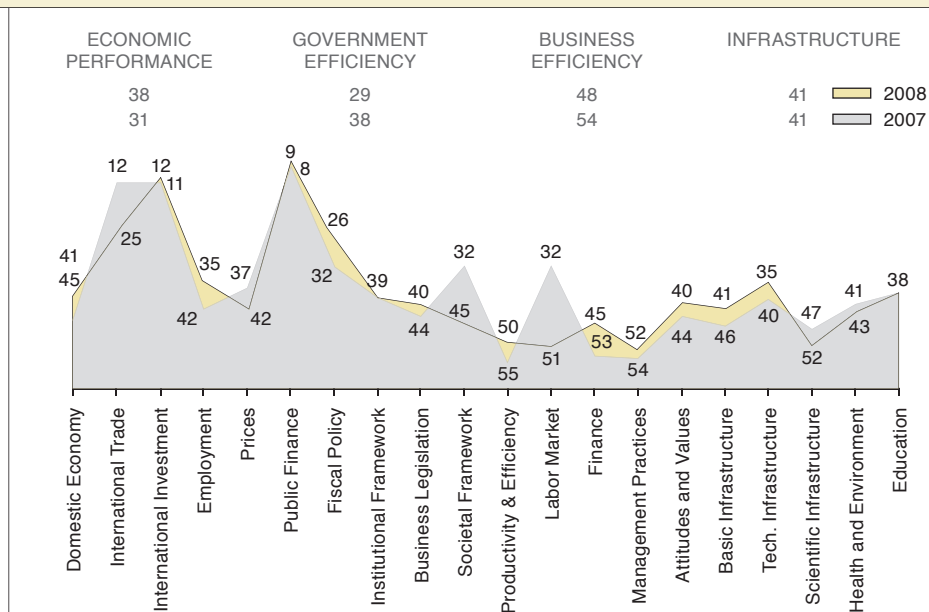
### III. Competitiveness

With CSD's help, in 2008 Bulgaria was included for the third time in the world's oldest and most comprehensive annual ranking of economic competitiveness: the World Competitiveness Yearbook of IMD (Institute for Management Development), published annually since 1989.

This year Bulgaria **ranked thirty-ninth out of a total of fifty-five economies,**

up two places from the previous year. The positive development was due to factors such as increasing foreign investments, stable public finances and steady currency exchange rate, falling unemployment, low corporate income tax rates, improving basic infrastructure, and cheaper and more accessible technologies. The most alarming tendencies were observed with regard to the labor market, political environment, and scientific infrastructure categories, in each of which Bulgaria's competitiveness ranking had dropped. Still regarded as serious problems were the current account deficit, the export of goods, the ageing of the population, the presence of corruption, and the lack of ethical practices among businesses.

**Figure 5. Competitiveness Landscape of Bulgaria**



*The indicator values show Bulgaria's position in each category among the 55 countries included in the ranking.*

*Source: World Competitiveness Yearbook, IMD, 2008 and 2007*

Bulgaria had the highest rank in **government efficiency** (twenty-ninth compared to thirty-eighth place in 2007), in contrast to last year when it ranked best in **economy efficiency** (thirty-first, then declining to thirty-eighth place in 2008). The country's good performance with respect to the government efficiency indicator was largely due to the substantial budget surplus. At the same time, the 2008 Competitiveness Yearbook indicators clearly indicated that there remain significant obstacles to economic competitiveness in terms of the poor management of public property and services, the hidden economy, and corruption. The most alarming development regarding the competitiveness of the economy in 2008 was the rising rate of inflation, which was in part due to the international business cycle, yet also to insufficient competition in the domestic market. **Business efficiency** was assessed higher in comparison to the previous year (at forty-eighth place compared to the next to last fifty-fourth place in 2007).

There was no change with regard to **infrastructure**, where Bulgaria ranked forty-first out of fifty-five participating economies – the same place as last year. The main obstacles to Bulgaria's improved performance under these last two groups of indicators were the unstable socio-political environment over the past eight months, the emerging massive deficits in the labor market, and the lagging-behind in scientific infrastructure.

#### IV. Distance Learning Center

In 2008 CSD's Distance Learning Center developed online training materials and presentations on the following topics for the needs of CIPE's Development Institute (<http://www.developmentinstitute.org/>):

- Entrepreneurship and innovation as engines of economic growth;
- Business approaches to counteracting corruption;



*Press Conference: Bulgarian Competitiveness in 2008, 14 May 2008*

- Challenges to reformist thinking.

The CIPE Development Institute is to provide training to universities

worldwide, which will considerably enhance the visibility of CSD's Distance Learning Center. The first courses will be conducted in 2009.

# Sociological program /Vitosha Research

## 2008 Highlights

- A large number of social, economic, marketing, and media surveys were conducted. Using qualitative and quantitative methods, 30,000 structured and semi-structured face-to-face and telephone-based interviews were conducted, as well as three focus groups. The results of these surveys were summarized in fourteen analytical reports;
- Marketing research was the prevailing thematic activity of Vitosha Research in 2008, with topics ranging from consumer attitudes to various product groups, brand surveys, correlations between brand/producer and price, supply and demand, competitiveness;
- Important surveys were conducted in the socio-economic sphere, for example on children deprived of parental care and the social impact of the Wetlands Restoration and Pollution Reduction Project;
- In 2008 Vitosha Research again carried out national representative surveys of the general population and the business community focused on corruption and grey economy in this country, as part of the annual monitoring conducted by the Center for the Study of Democracy;
- Vitosha Research conducted eighteen surveys under the Flash Eurobarometer Project among the general public and the business community. Flash Eurobarometer surveys are commissioned by the European Commission and constitute essential tools in the work of European politicians and decision-makers;
- Vitosha Research also took part in other projects of international organizations. The more notable project objectives included serving the training needs of judges in Kyrgyzstan, conducting a minority survey and a victimization survey commissioned by the European Commission, helping design banks' policy on money laundering, as well as carrying out a World Bank Global Survey.

## I. Economic Surveys

### Public Opinion on Banking Services

The main objectives of this survey were to **collect information about the current use of banking services by Bulgarian households** and their future plans to use such services, as well as to

explore the confidence in the Bulgarian banking sector and economy.

The survey was conducted among one thousand Bulgarian households by means of face-to-face interviews. The research focus was on the different types of financial instruments that the Bulgarian population is inclined to use,



fully accepts and uses, or is reluctant to use – deposits, debit/credit cards, consumer and mortgage loans, etc. As the main factors for approval or rejection of each of the cited bank products, the respondents noted the interest rate, the repayment scheme, the required application documents, the percentage of bank financing versus the customer's expectations, and the time it took for the bank to reach a positive decision and extend credit for the required amount. In view of the country's problems in the 1996-1997 period, the respondents were also asked to share their anticipations and attitudes to the banking sector and the national economy as a whole, and to give an indication of their confidence in the national currency.

### Biggest Cities Review

Vitoshka Research and Industry Watch continued their joint research project, launched in early 2006: *Biggest Cities Review*. It involves preparing *regular reports including quarterly topic-specific overviews*. The main goal of these analyses is to provide viable up-to-date information to serve as the basis for making investment decisions. The basic areas of research covered in the regular reports are:

- Differences in the cost of labor by residence areas;
- Average monthly wages and the labor supply;
- Differences in the cost of living by residence areas.

A **national representative survey** was conducted in the autumn of 2008 that was **dedicated to the looming global financial crisis**, the reasons people save, effective saving plans, the categorization of factors that in the judgment of respondents might affect the stability of the country's financial system, and the

extent to which respondents have been affected by the restrictive measures introduced by banks in Bulgaria.

### Expectations Regarding Labor Income

The project was conducted jointly with Sofia University's Academic Research Council. Its goal was to explore the population's general attitudes towards labor income and how those are formed.

For the purpose an omnibus survey was conducted among the population aged fifteen and over throughout the country by means of the face-to-face structured interviews. The size of the sample was N=1048.

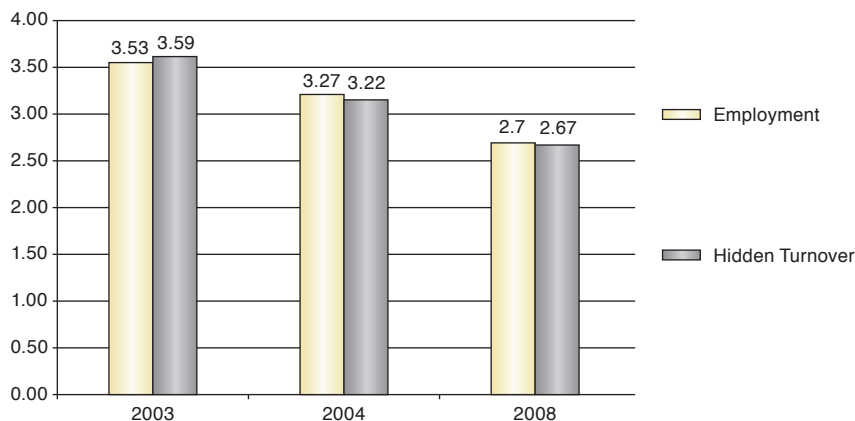
## II. Corruption, Grey Economy, and Crime

### Monitoring the Grey Economy among the General Population

The main objective of the survey was to **conduct a systematic monitoring of the size and dynamics of the hidden economy** in Bulgaria.

- More detailed information was collected on the following:
- Employment of the population by types of work activity;
- Existence of employment contracts with the employers;
- Proportion of those hired with contracts containing hidden clauses;
- Payment of social security and health insurance contributions;
- The issuing of fiscal receipts upon purchase of durable or non-durable goods;
- The issuing of fiscal receipts for various types of services used.

**Figure 6. Dynamics of Hidden Economy Sub-indexes of Employment and Hidden Turnover**



Source: Vitosha Research

### Monitoring the Grey Economy in the Business Sector

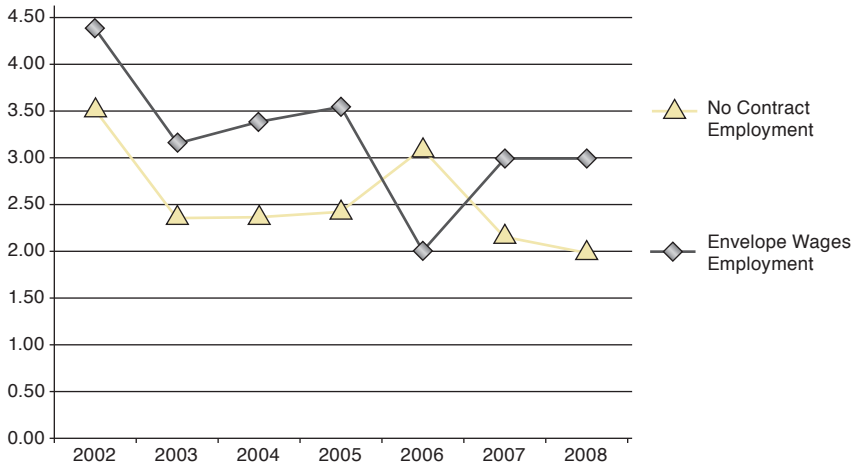
The project was commissioned by the Center for the Study of Democracy and carried out through a national representative survey which included companies from throughout the country. The main objective was to systematically monitor the size and dynamics of the hidden economy in Bulgaria.

The size of the hidden economy was measured by indexes grouped together in the following categories: scope hidden economic activities; specific manifestations of the hidden economy; labor relations; concealed turnover; redistribution.

Some of the more important topics of the survey were:

- Chief obstacles to business development;
- Proportion of those hired without employment contract in the sector in question;
- Proportion of those hired with employment contracts containing hidden clauses by sector;
- Non-issuing of fiscal receipts by sector;
- Practices of concealing turnover by sector;
- Practices of concealing profits by sector;
- Illegal import/export by sector;
- Fraudulent VAT claims by sector;
- Evasion of taxes, customs duties and excise fees by sector.
- General evaluation of the business climate by entrepreneurs, quality of legislation, and administrative requirements in Bulgaria;

**Figure 7. Dynamics of the Hidden Economy Sub-indexes of Employees Hired Without Contracts or with Employment Contracts Containing Hidden Clauses**



Source: Vitosha Research

### The Corruption Monitoring System

Corruption indexes summarize the most important findings of quantitative surveys regarding the rate of corrupt practices among different groups of the population and their attitudes to various aspects of corrupt behavior. Corruption indexes are grouped into several categories:

- Attitudes to corruption;
- Corrupt practices;
- Rates of corruption;
- Corruption-related expectations.

Survey results indicate the following:

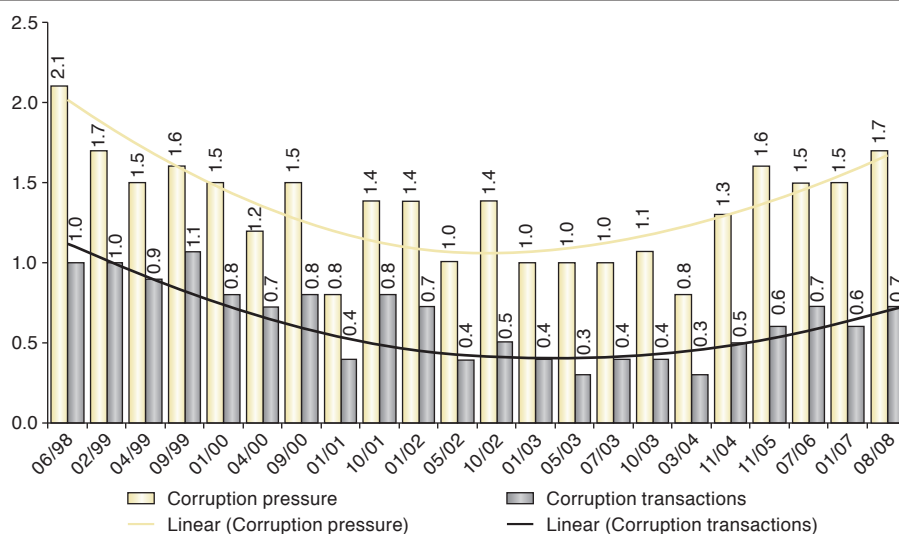
The 1998-2008 period was marked by an **initial downward trend** in administrative corruption among the Bulgarian population, followed by **another upsurge over the past four years** (Figure 8). After 2004 there appeared alarming indications of the rising incidence of corruption transactions. In

2008 there was a slight increase in the values of the Involvement in Corruption Transactions and Corruption Pressure indexes among the general population.

Whereas in 1998-1999 the average monthly number of self-reported cases of involvement in corruption transactions by adult Bulgarian citizens ranged from 180,000 to 200,000, in the July 2003-March 2004 period this number had dropped to about 80,000 to 90,000 (Figure 9). After 2004 the number of actually concluded corruption transactions reverted to the higher values characteristic of the earlier 2000-2001 period. In 2008, the average monthly number of corruption transactions in which Bulgarian citizens were involved increased to about 175,000.

The **reverse tendency** is observed, however, as regards **corruption levels in business**. The index of actual **corruption in business dropped tangibly** from 1.1 in November 2005 to 0.4 in August 2008, i.e.

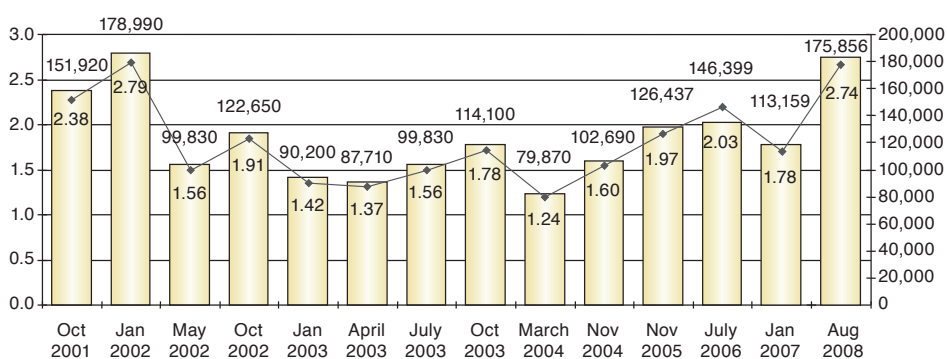
**Figure 8. Dynamics of Involvement in Corruption Transactions and Corruption Pressure Indexes – Population (min=0, max=10)\***



Source: Vitosha Research / CMS

(\*) The minimum value of the two indexes is zero, indicating complete absence of corruption transactions and corruption pressure, while the maximum value is 10, signifying that all instances of citizen interaction with the public administration involve some form of corruption.

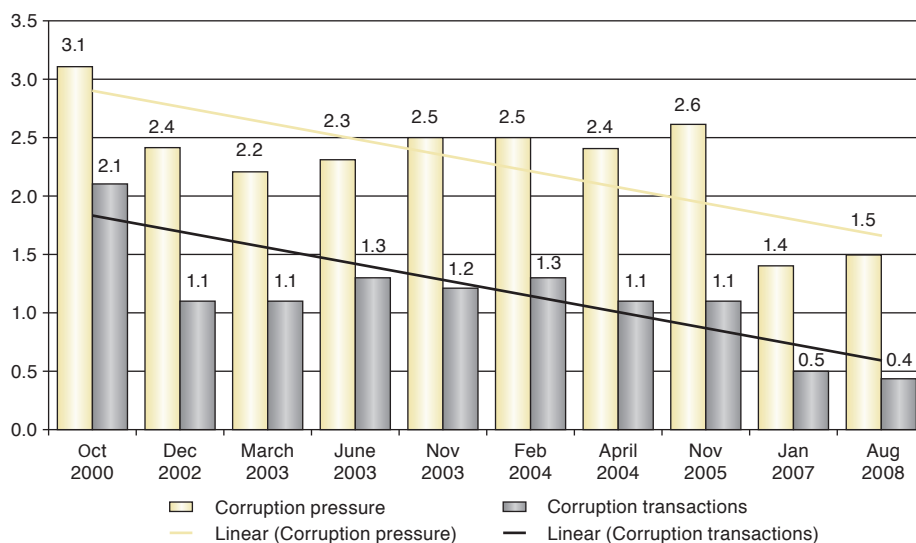
**Figure 9. Average Monthly Number of Corruption Transactions and Relative Share of the Population Involved<sup>1</sup>**



Source: Vitosha Research / CMS

<sup>1</sup> Note: Calculations of the number of corruption transactions are based on the March 2001 Census of the Population, according to which the population aged eighteen and over numbered 6,417,869, and accordingly 1% of the sample represents 64,180 persons.

**Figure 10. Dynamics of Involvement in Corruption Transactions and Corruption Pressure Indexes – Business (min=0, max=10)**



Source: Vitosha Research/CMS (Corruption Surveys of Bulgarian Business)

the level of corruption victimization fell almost threefold (Figure 10). Corruption pressure by public and administrative officials on businesses has also been on the decline. The value of the corruption pressure index dropped from 2.6 (November 2005) to 1.5 (August 2008). As the corruption pressure on companies decreases, ever fewer businesspersons say it is an established practice in their sector to make extra informal payments when conducting business transactions.

### National Crime Survey – 2008

In early 2008 Vitosha Research conducted a national representative survey commissioned by the Ministry of Internal Affairs and aimed at investigating various aspects of crime, crime rates, the gravity of the crimes committed, police performance evaluation, etc. Two main groups of crimes were covered: **property crimes** (thefts of and from motor vehicles,

thefts of bicycles and motorcycles, burglaries and attempted burglaries) and **crimes against the person** (robberies, thefts of personal property, sexual crimes and assaults). The employed research method was the face-to-face structured interview, and the survey covered 2,500 respondents over fifteen years of age.

A report was prepared on the basis of the collected information which is to facilitate the identification of measures to effectively counteract various types of crimes. The NCS 2008 data indicate a slight increase in car thefts while the number of bicycle thefts remains relatively steady with a tendency towards decline; the number of burglaries has been dropping over the past six years and in the course of the past year has stabilized at a relatively low level; however, the number of attempted burglary victims increased slightly. The number of sexual crime victims remained relatively steady over

**Table 1. Crime Victim Statistics for the Past Five Years (%)**

	NCS 2002	NCS 2004	NCS 2005	NCS 2007	NCS 2008
Theft of car – van – truck	2,3	3,0	2,3	1,2	1,9
Theft of an object or car part from a vehicle	12,7	10,5	10,4	7,3	7,6
Deliberate damage to car – van – truck	5,7	6,2	4,7	-	5,0
Theft of motorcycle	7,7	5,6	-	7,9	-
Theft of bicycle	12,0	14,3	12,4	10,7	10,3
Burglary	10,4	10,2	7,2	5,4	5,5
Attempted burglary	5,8	5,4	3,0	3,4	3,7
Robbery	1,5	2,8	1,2	1,5	1,1
Theft of personal property	14,5	10,7	7,3	7,4	7,6
Sexual crimes	0,9	1,0	0,3	0,6	0,5
Assault/threat	4,6	5,1	2,6	4,5	2,7

*Base: NCS 2002 Population N=1615; NCS 2004 Population N=1101; NCS 2005 Population N=1202; NCS 2007 Population N=2463; NCS 2007 Population N=2499*

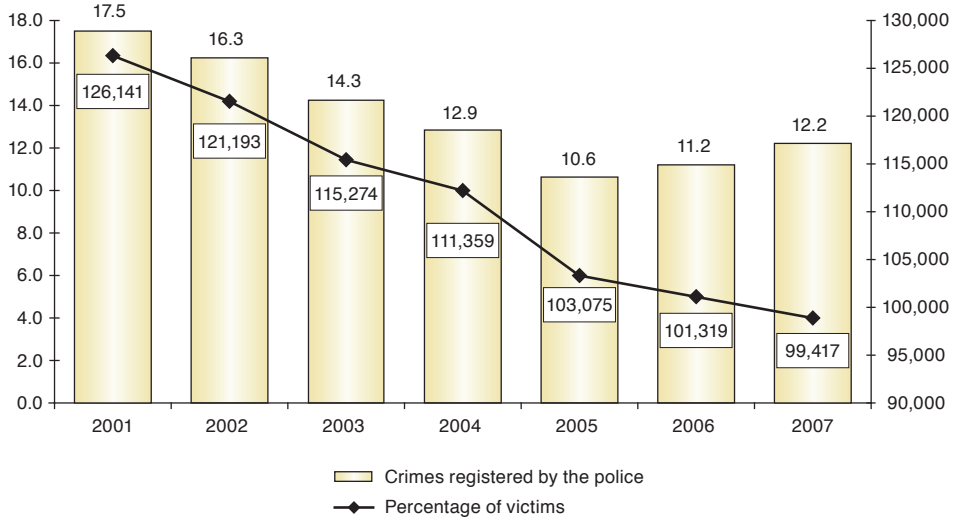
the past two years. There was a slight decline in the number of assault victims. The NCS research instruments register victimization levels for eleven types of crimes. One of the main indicators for assessing crime rates in this country is based on the question asked about each type of crime surveyed: "In the past five years, have you been victim of...?" NCS 2008 registered a tangible drop in victimization levels compared to 2002. Over the past year, however, the downward trend was interrupted and the levels of victimization remained unchanged. The crimes for which it was established that the share of victims in the past year had declined were: robberies, assaults/threats, and bicycle thefts. Unchanged were the shares of victims of thefts of objects or car parts

from a motor vehicle; burglaries and attempted burglaries; thefts of personal property; and sexual crimes. A slight increase was observed in the share of motor vehicle (cars/trucks) theft victims.

By and large, the trends in the levels of victimization (decline or absence of change) registered by NCS match the data from police statistics. A cause for alarm is the increased victimization of Bulgarian citizens in 2007 but as yet it remains within the statistical error range which rather indicates the absence of further change in existing levels of victimization.

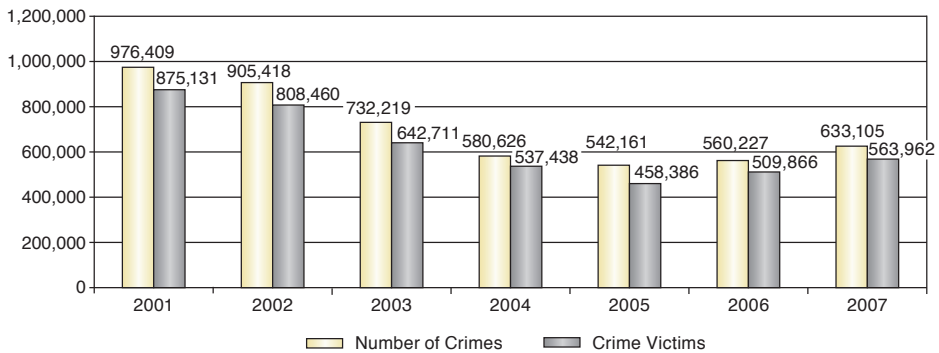
The number of crime victims is smaller than the number of crimes since some

**Figure 11. Crime Victims According to NCS and Crimes Registered by Police**



Base: NCS 2002 Population N=1615; NCS 2004 Population N=1101; NCS 2005 Population N=1202; NCS 2007 Population N=2463; NCS 2007 Population N=2499

**Figure 12. Number of Crime Victims and Number of Crimes According to NCS**



Base: NCS 2002 N=1615; NCS 2004 N=1101; NCS 2005 N=1202; NCS 2007 N=2463; NCS 2007 N=2499

citizens fall victim to more than one crime (Figure 12). Over the period under review, the number of crime victims fell on average by 73,000 per year up to 2005, with a subsequent slight upward trend in both the number of crimes and the number of victims.

Two main factors account for the disparities between official police statistics and actual crime rates in this country. One is the latency rate, reflecting the share of victims who do not report crimes to the police. Citizens consider the **insufficient efforts of law-enforcement authorities and their inadequate efficiency to be the most important reasons for victims' reluctance to report crimes**. Such considerations also account for the slightly smaller share of those who reported crimes to the police over the course of the past year. A tangible increase in the crime detection rate, improved treatment of victims, and greater transparency in the work of the

police emerge as crucial preconditions for reducing latency, strengthening trust in the police, and increasing the proportion of crimes reported by citizens.

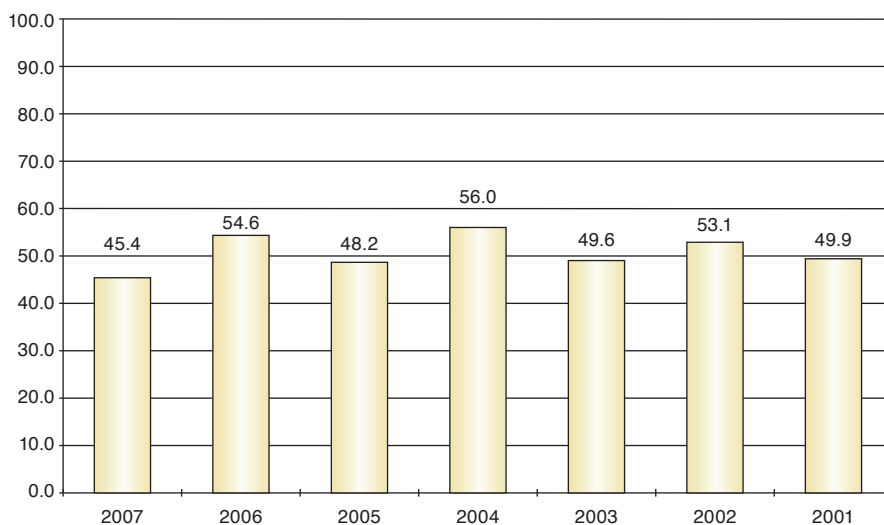
Another factor with a bearing on the discrepancy between real and officially registered crime rates are the various police "filters" in recording reported crimes. These filters differ for the various types of crimes and are the reason why reported crimes do not always make their way into police statistics.

### III. Social Surveys

#### Assessment of the STEPSS Project Results

The **first stage of the STEPSS project** was conducted in 2008. The objective was to adapt a questionnaire and to process and analyze the data from a survey of police

**Figure 13. Proportion of Crimes Reported to Police (%)**



Base: All victims



officers in the towns of Sofia, Plovdiv, and Haskovo. The goal of the survey was to **explore officers' attitudes to the new procedures introduced under the project to eliminate ethnic profiling in police work**, as well as to analyze their assessments following a period of several months working under the new procedures. Stops and searches are the most important preventive factor with regard to theft and robbery, incl. car theft, as well as with regard to drug-related crimes. Some of the respondents thought stops were an important factor for the detection of practically any kind of crime. Some of the topmost reasons cited for undertaking stops and searches related to the specifics of police work, such as operative information and citizens' complaints and reports. Police officers' personal experience and knowledge were deemed to be of critical importance. It is worth noting that, according to the survey results, police officers do not regard the ethnicity of the individual concerned as decisive for undertaking a stop. 180 officers from Sofia, Plovdiv, and Haskovo were interviewed for the purposes of the survey.

### **Discrimination and Crimes against Minorities**

The survey was conducted at the initiative of the European Union Fundamental Rights Agency in all twenty-seven member countries. Its goal was to **establish whether and to what extent there was discrimination against various minority groups** in their communication and interaction with private individuals or institutions: when applying for a job or loan, purchasing housing, visiting a doctor or hospital, going to a restaurant; whether they were treated differently at state institutions or by law-enforcement authorities; whether respondents could detect negative attitudes on account of

ethnic origin, sex, sexual orientation, age, religion, or physical handicaps.

The national representative survey was conducted using the method of face-to-face structured interviews at respondents' homes, and covered 500 representatives of the Bulgarian population, 500 ethnic Turks, and 500 Roma.

### **Study and Assessment of Public Opinion and the Social Impact of the Wetlands Restoration and Pollution Reduction Project**

The research project was territorially concentrated in the regions of the Persina Natural Park and the Kalimok-Brushlen Protected Site. Since 2002, the Ministry of the Environment and Waters, the Ministry of Agriculture and Forests (subsequently renamed Ministry of Agriculture and Food), and the Municipalities of Tutrakan, Slivo Pole, Belene, Svishtov, and Nikopol, have been working on the Wetlands Restoration and Pollution Reduction Project financed by the Global Environment Facility/World Bank. Its **main goal is to help Bulgaria fulfill its national and international commitments to reduce transborder nutrient pollution loads and conserve biodiversity** in the Danube River and Black Sea basins by means of wetlands restoration, improved governance, and the sustainable use of water resources.

The Ministry of the Environment and Waters commissioned Vitosha Research to conduct a social assessment of the project's impact. To this end, the following were conducted: face-to-face structured interviews with 420 residents aged eighteen and over from Belene, Nikopol, Dragash Voivoda, Tutrakan, Staro Selo, Nova Tchernia, Tzar Samuil, Brushlen, and Bobovo; face-to-face structured interviews with ninety-eight representatives of private business, business associations, NGOs and other

civic associations in the project areas – Pleven, Russe, and Silistra, as well as in-depth semi-structured interviews with fifteen representatives of municipal and district institutions and organizations both in the project areas and in the respective district centers – the towns of Pleven, Russe, and Silistra.

### **Situation Analysis of Children without Parental Care or at Risk of Losing Parental Care in Bulgaria**

In 2008 Vitosha Research carried out a study commissioned by SOS Children's Villages. The main goal of the analysis conducted was to **review the opinions, strategies, and programs relating to the target group of the major public institutions, NGOs and individuals working in the area of children's rights**. More specifically, the analysis identified the main reasons for children's rights violations and the shortfalls in the capacity to address these by consulting with the stakeholders.

### **Innovations – 2008**

The survey was commissioned by the Applied Research and Communications Foundation and financed by the European Commission. Its main goal was to **collect information about the innovation activities of Bulgarian enterprises**, their technological needs, and chief obstacles to growth. Part of the questions were aimed at collecting company information in order to examine how innovation characteristics change in terms of company turnover, number of employees, etc. The study covered company innovations resulting from technological development, process innovations, new organizational methods, new marketing strategies, new management approaches adopted to improve a company's competitive position, the use of patents and licenses, the purchase of new technological

equipment for the manufacture of a new product or provision of a new service, training staff to work with a new manufacturing process or delivery method, innovation cooperation, and the protection of self-designed products.

The survey was a national representative one and covered one thousand companies utilizing the structured face-to-face interview method.

### **Flash Eurobarometer**

Vitosha Research **continued its work under Flash Eurobarometer** and conducted more than fifteen surveys of different target groups covering a range of European-wide issues, such as public perceptions of Europe's future in twenty years' time; young people and their rights; young people and drug use; young people and science; children's mental health; public confidence in the information society, etc. The employed method of data collection was the structured telephone interview.

The Flash Eurobarometer constitutes an essential tool in the work of European politicians and decision-makers. The study covers thirty-four states and collects and analyzes current information from citizens within the European Union and in countries outside the EU on the most topical social, economic, and political issues.

### **Challenges in Counteracting Money Laundering**

For the purposes of the survey commissioned by Control Risks, Vitosha Research interviewers met with managers of the banks operating in this country. Some of the questions were aimed at establishing the relationship between the type of bank (local/international) and its efficiency in preventing money-laundering (human resources allocated; specially

designed action programs; training courses). In this regard it was necessary to establish the level of awareness of legal regulations in this country and in the European Union as a whole. The respondents were also asked in which financial structures they believed money-laundering was most common.

### **Assessment of the Training Needs of Judges in Kyrgyzstan**

In late 2008 Vitosha Research started a survey among judges in Kyrgyzstan aimed at establishing their basic training needs. The project was commissioned by the **International Development Law Organization (IDLO)**, Rome. It involves a quantitative survey by means of structured face-to-face interviews with judges from all over the country and at different levels of the court system. The survey covers approximately 200 judges.

The project is aimed at **identifying the basic training needs of judges in Kyrgyzstan** and at improving courts' administrative procedures. The results of the project will serve to develop and organize a long-term program to meet the training needs of judges in Kyrgyzstan.

### **World Bank Group Global Poll**

The main focus of the survey is to help the World Bank Group (WBG) gain a better understanding of the attitudes and views of leaders and stakeholders regarding the impact and work of the World Bank in different countries across the world. Another important goal is to identify and explore opinions on the most critical global development issues. This is a worldwide initiative and covers more than forty-five different countries.

The main survey respondent categories were: officials at the Council of

Ministers, the Ministry of Finance and ministries in charge of development but also the Ministry of Agriculture, Ministry of Education, Ministry of Energy, members of the management teams of both specialized and mass media, including electronic, print, online, and publicly financed ones; NGO management staff; executive members of civic organizations such as trade unions and other labor organizations, organizations based on religious affiliation, local civic associations, environmental groups, human rights foundations and groups; executive members of academic institutions, policy research and advocacy foundations, research organizations and think-tanks; executive members of private companies and organizations closely related to the role and operation of the World Bank (e.g. financial services and banking, manufacture, infrastructure, technologies, etc).

## **IV. Media and Marketing Research**

### **Survey of *Dnevnik Daily* and *Bacchus Magazine* Subscribers**

The project was to provide information about perceptions of Bacchus magazine, the topics its readers enjoyed and those they would have been interested in but which had not been covered in the magazine. The research employed the structured telephone interview method.

### **Survey of *Dnevnik Daily* and *Gentleman Magazine* Subscribers**

The project was to provide information about perceptions of the *Gentleman* magazine, the topics its readers enjoyed and those they would have been interested in but which had not been covered in the magazine. The research employed the structured telephone interview method.

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The marketing studies conducted by Vitosha Research in 2008 covered mainly the following areas:

- Alcoholic beverage brand studies;
- The motor oil market;
- The price elasticity of prescription drugs;
- Attitudes of carwash customers;
- Potential customers of a shopping center;
- The market feasibility of the business plans and positioning of the products and services of a consultancy company recruiting sales representatives;
- Attitudes towards the launch of a new cosmetic product.

## European program

In 2008 CSD's European program worked most extensively in the area of the **new security threats** in the context of Bulgaria's membership in the European Union. The program invested significant efforts in institutionalizing **public-private partnership in crime prevention**, and facilitated the debate on the adoption of Euro-Atlantic standards in areas such as defense and democratic institutions building.

### 2008 Highlights

- Promoting dialogue on the continuity of **international development assistance** to Bulgaria in the field of democratic reforms;
- **Cooperating with government bodies and NGOs from Southeast Europe** with similar developmental and transitional issues, and thus assisting countries from the Western Balkans on their road to EU and NATO membership;
- Encouraging dialogue on issues related to **energy security** and **energy independence**, as well as on the EU's and Bulgaria's defense policy, and helping build up the country's **institutional infrastructure** and improve the **legislative framework** in this field;
- Providing a **non-partisan platform** for establishing a policy framework for **reforming Bulgaria's security sector**;
- Promoting common approaches by government institutions and civil society in the field of **crime prevention**. In doing this, CSD has employed an advanced **analysis of crime trends**, pioneered by the Center at the beginning of the decade and institutionalized through the **National Crime Surveys (NCS)** carried out by CSD, in cooperation with the Ministry of Interior, on an annual basis. The NCS is now the authoritative source of data and analysis of the dynamics of conventional crime in Bulgaria.

### I. Euro-Atlantic Standards

Following Bulgaria's membership in the European Union many bilateral donor programs have been winding up their operations in the country. As the bulk of international assistance for development is now expected to come from the EU, **CSD has initiated a debate on the continuity of development programs**, as well as on evaluating the achievements of bilateral donors and the

outstanding development challenges still to be tackled with EU support, particularly as regards democratic reforms. In cooperation with the Bulgaria Mission of the United States International Development Agency (USAID), CSD organized a major international conference on lessons learned from democratic support efforts in Southeast Europe and the relevance of Bulgaria's experience for its Western Balkan neighbors.

The conference entitled **“Democracy that Delivers: Unlocking the Potential of Transition”** and held on May 21, 2008 was attended by NGO leaders and development officials from Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Serbia and Montenegro, and facilitated the continued dialogue on the unfinished reform agenda in the Western Balkans region, on the opportunities available to press on with reform efforts, and on how Bulgaria’s experience could be a guide to other countries that are still struggling with similar developmental and transitional issues.

In his welcoming address CSD Chairman **Dr. Ognian Shentov outlined the linkages between political reforms, economic freedom and civic initiative.** He noted that the mainstreaming of anti-corruption on Bulgaria’s public agenda – achieved by Bulgarian NGOs with the support of USAID – has made a significant contribution towards the sustainability of democratic institutions. According to Dr. Shentov, it was as a result of the combined demand from our partners and the EU on the one hand, and from Bulgarian civil society

on the other, that politicians started treating anti-corruption as more than just a rhetorical device by tackling issues such as conflict of interests as well as rooting out unacceptable practices.

Commenting on the background to the conference, **US Ambassador to Bulgaria John Beyrle** pointed out that the Bulgarian experience provided a unique backdrop for discussion. Having undergone a dramatic transition since 1990, Bulgaria is now experiencing a new phase in this transition as a member of the European Union and as an emerging donor country. Still, in his contacts with citizens Ambassador Byerle perceived a further need for government institutions to become relevant to the needs of individuals by delivering effective public services. A democratic government is distinguished by its responsiveness to public needs and demands. On the other hand, Ambassador Beyrle highlighted the significance of civic engagement and participation since no amount of assistance or international support could supplant grass roots demands for better governance.



*CSD Chairman Dr. Shentov at the opening*

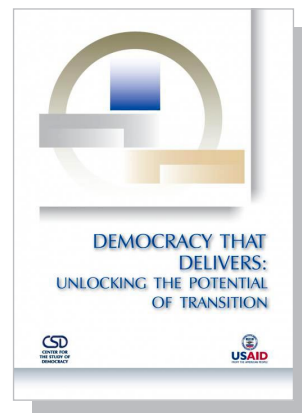


*Ambassador Beyrle and Andrew Natsios*

In his keynote address, **Andrew Natsios, former USAID Administrator and Distinguished Professor at the Walsh School of Foreign Service at Georgetown University**, sketched the significance of the existence of complementary incentive structures for politicians and reformers, particularly those instituted by the international community. These structures should reinforce each other. He also discussed the inverse relationship between ethnic conflict and democracy, pointing out that the likelihood of conflict diminishes significantly in the presence of democratic institutions.

**Mr. Quentin Peel, International Affairs Editor of the Financial Times**, moved the discussion to the international level by looking into the democratic credentials of the European Union. Although the founding considerations of the Union – post World War II efforts to bring about peace through common trade – are still very valid today, the EU has developed its democratic institutions more than other international institutions. It manages to have the capacity to evolve while still remaining true to its principles. The

promotion of democracy through the European Union, in particular in the new members and candidate countries, remains insufficiently effective because of the EU's top-down, bureaucratic approach to assistance. This is evident in the priority given to funding of, for example, infrastructure over civil society. The lack of effectiveness is also due to the fact that the top-down approach is not balanced by bottom-up local demands for good governance.



Over lunch, an address was given by **Ms. Gergana Grancharova, Minister**



*Minister Grancharova*

for European Affairs of Bulgaria. She first emphasized the great appreciation of all Bulgarian politicians for the work USAID had done during its presence in the country and the organization's great, professional and diplomatic contribution to Bulgaria's development.

The Minister continued her speech by elaborating upon the issue discussed during the morning session: namely, whether **EU integration was a key factor in the transformation of the Western Balkans**. She pointed out that Bulgaria had always been a strong advocate of the EU perspective for the region, and that since 2005 large steps had been made on the road of the Western Balkans to the EU., Minister Grancharova underlined several important events from the 2006-2008 period marking the progress of the Western Balkan countries towards the EU, such as their joining CEFTA, the signing of the Energy Community Treaty, and the new IPA regulation. According to the Minister, another decisive step was the recent signing of Stabilisation and Association Agreements (SAA) with the EU by Serbia and Montenegro.

**Ambassador A. Elizabeth Jones, former Assistant Secretary of State for European Affairs and currently Executive Vice President of APCO Worldwide**, first discussed the senses in which the various key terms discussed at the conference were understood. The Ambassador mentioned that democracy was a term loaded with all sorts of meanings and implications and that while in some places it implied chaos and instability, its true meaning related to the people's voice and to the political choices made by ordinary citizens. As for civil society, the Ambassador favored a broad understanding of the term, encompassing not just NGO's but also the media, charities, trade unions, public safety officials and all other structures established with the purpose of taking collective action and having a say in how a given society was governed.

Elaborating upon the concept of transition, the Ambassador mentioned that transition in principle signified gradual change, but it could be scary for society as it introduced the unknown and might come in all varieties – dramatic or less so – but was nevertheless inevitable.





*Michael Fritz, USAID Bulgaria Mission Director*

In his concluding remarks, Mr. Fritz elaborated on the usually negative connotations of the term “balkanization”, which might also have a much more positive meaning related to the peaceful coexistence and interdependence of ethnic communities. According to Mr. Fritz, the future of the Balkans does not need to be synonymous with conflict, but with cooperation. He pointed out that “angel capital” – wealthy businessmen wishing to have social impact through financial support of various initiatives – was starting to form on the Balkans as well, since entrepreneurs saw balkanization as an opportunity for business and social change. Mr. Fritz emphasized that this conference, as USAID’s last major event in Bulgaria, was not the end of the partnership with Bulgaria and the Western Balkans and expressed his pride to work towards democracy that delivered.

**“Hard” security aspects of Euro-Atlantic integration have also been in the focus of CSD’s attention.** In this respect, on October 27, 2008 the Center held a public discussion of the draft of the new Defense Law of the Republic of Bulgaria with the

participation of **Mr. Nikolay Tzonev, Minister of Defense, General Zlatan Stoykov, Chief of General Staff of the Bulgarian Armed Forces, MPs, Deputy ministers, Ambassadors, Former Chiefs of the General Staff of the Bulgarian Armed Forces**, representatives of the Presidency, civil organizations, experts and the media.

In his opening remarks **Ambassador Boyko Noev, former Minister of Defense** emphasized that Bulgarian membership in NATO, accelerated professionalizing of the army, and the fact that the Ministry of Defense is fulfilling its tasks in an entirely modified environment, necessitate the adoption of a new Defense Law. The lack of public debate of issues concerning the draft of the new Law has led to the misinterpretation of the draft by the general public.

Mr. Nikolay Tzonev, Minister of Defense, underscored the importance of the Law. As it regulates an important national institution, its adoption is not to be delayed and compromise is not to be allowed. Minister Tzonev noted that the draft reflects the changes occurring



*Left to right: Ambassador Todor Churov, Deputy Minister of Foreign Affairs, Nikolay Tzonev, Minister of Defense, Ambassador Boyko Noev, former Minister of Defense, General Zlatan Stoykov, Chief of General Staff of the Bulgarian Armed Forces*

in the country during the past several years, while also giving considerable attention to the improvement of the social status and security of military personnel.

**Mr. Todor Churov, Deputy Minister of Foreign Affairs**, considered the scope of the Defense Law as part of the reform process in the army and the country as a whole. It is of crucial importance to maintain the depoliticization of the army, as well as to pay special attention to the coordination of Bulgarian missions abroad, seeking a balance between alliance commitments and national interests.

On 21 December 2008, the Center for the Study of Democracy held a **High Table discussion with the participation of Mr. Robert McFarlane**. Following a distinguished career in the US military and civilian government, including a position as **National Security Advisor to President Ronald Reagan** from 1983 to 1985, Mr. McFarlane – the keynote speaker on the occasion – has since served on the board of a number of

NGOs and corporations, in addition to being Chairman of McFarlane Associates, Inc. The topic of discussion was the changing international environment in the wake of the recent historic US Presidential election, and in particular the implications for the strategic relationship between the US and European Union members.

Mr McFarlane commenced by noting the appropriate choices in nominating to key positions figures with extensive foreign policy and national security experience. Of particular significance to the US-EU partnership, it was emphasized, is the more **“Eurocentric” character of the Obama team**, which points to a period of much more harmonious relations between Europe and America in future years.

In his insightful comments, Mr. McFarlane outlined the main challenges facing the incoming US administration. He discussed the dangers of nuclear proliferation as well as the challenges posed by the high-tech nature of modern-

day US military defense, such as its vulnerability to the disruption of satellite communications as well as to data loss and penetration by computer hackers, which all necessitate the development of complex technological solutions and countermeasures. **Another pressing issue highlighted during the discussion was the need for a major rethinking of the energy policy not only of the US but also of its European allies**, and in particular the need to diversify away from the over-reliance on fossil fuels or on a limited number of energy suppliers and the dire security implications of the failure to do so. Mr. McFarlane nevertheless cautioned against the use of certain renewable energy sources which may lead to unintended side-effects. Finally, Mr. McFarlane drew attention to the conditions of economic crisis presently affecting most NATO members, which will likely require higher levels of social spending and generate greater pressure for corresponding defense spending cuts, thus making it all the more pressing for all NATO allies to pool their resources and work together to counter the common threats they face.

Other distinguished participants at the event – **Ambassadors Michael Geier of Germany, Klaus Fabjan of Austria, and Paul Beijer of Sweden, as well as representatives of Bulgaria’s Defense Ministry** – shared certain experiences from their respective countries in handling some of the challenges under consideration. At the same time, they reaffirmed the consensus view that the security threats of the coming decades are beyond the capabilities of each individual country to tackle in isolation from its NATO allies, thus highlighting the **ongoing need for cooperative engagement of the US and Europe.**

## II. Crime Prevention

CSD has been providing essential input into the work of the National Crime Prevention Commission for several years now by conducting analyses of the various aspects of criminality, which in 2008 were particularly devoted to the study of current crime trends. With the support of the Center, on September 8 2008, the **National Crime Prevention Commission held**



*From left to right: Chief Commissioner Pavlin Dimitrov, Minister of Interior Mihail Mikov, Dr. Ognian Shentov – chairman of CSD, senior analyst Tihomor Bezlov*

a **public meeting** with the topic under discussion being the dynamics of conventional crime in Bulgaria in the period 2006-2007.

In his opening address, **Mr. Mihail Mikov, Minister of the Interior**, stressed the importance of the annual National Crime Surveys as well as of the public presentation of their results, and praised the contribution of the Center for the Study of Democracy as an organization actively involved in crime prevention research.

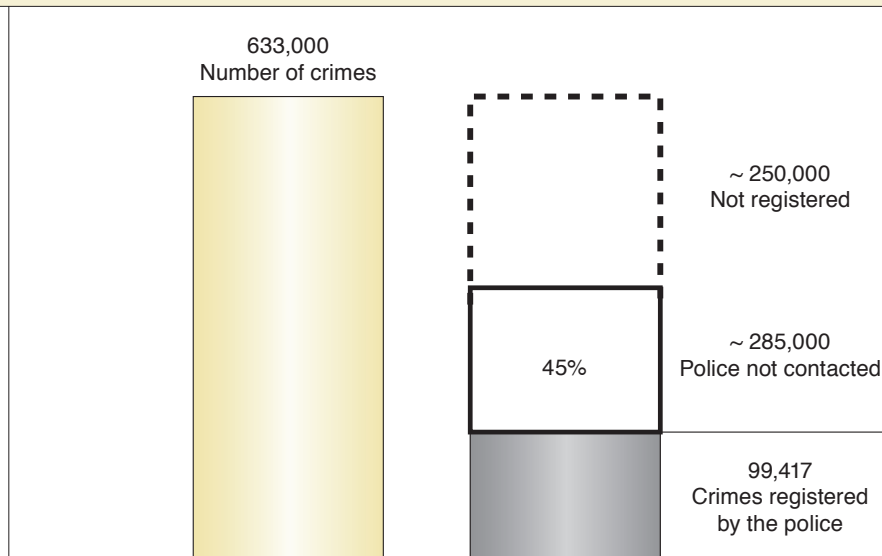
**Mr. Tihomir Bezlov, Senior Analyst at the Center for the Study of Democracy**, made a presentation on the dynamics of conventional crime in Bulgaria in the 2006-2007 period. He analyzed the results of the National Crime Surveys for 2006 and 2007 and compared them to official police statistics for the same period. Mr. Bezlov outlined the reasons for the discrepancies between official statistics and the results of victimization

surveys and elucidated various factors influencing the dynamics of conventional crime.

The Chief Commissioner of the Ministry of the Interior, Mr. Pavlin Dimitrov, presented the Ministry's standpoint and outlined the practical measures that MoI has been implementing in fighting conventional crime, as well as the results achieved.

Crime prevention is also related to the European Program's efforts to advocate the **adoption of European standards in policestop and search activities**. In 2008, the European Program, in cooperation with the Security Police Department of the Crime Counteraction, Public Order Maintenance and Prevention Directorate of the Ministry of Interior, established a monitoring system that is enhancing police management of stops as well as the accountability of the process. The Center carried out an

**Figure 14. Estimates of Crime Latency and Police Filters (2007)**



audit of current policies, practices and training; it developed new operational guidelines and provided the Ministry with a training and monitoring tool (a standardized form and a computerized database for use in performing stops). The key results of this work include:

- Creating a monitoring system that detects disproportionalities and enhances the accountability of stops;
- Improving police training, operational and legal guidance and the supervision of ID checks, stops and searches;
- Introducing procedural improvements in carrying out police stops;

- Increasing minority communities' capacity to participate in dialogue with the police and set local policing priorities;
- Generating replicable best practice models that can be disseminated at the national and regional levels.

The new management and supervision system has tremendous potential well beyond the narrow field of stop and search practices and could become a blueprint for improved operating procedures in all fields of police work.



**Part Two**  
**Administration and Management**



## Administration and Management

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

In 2008, CSD employed a staff of thirty-three of whom twenty-seven in professional and management positions, including part-time consultants, and six in administrative personnel positions.

The application of sound management practices has been of crucial importance to the success of the Center for the Study of Democracy. In 2008 CSD continued its efforts to adapt to the changing donor environment and the new EU financial instruments available to Bulgaria for the 2007-2013 period – the 7th Framework Program, the financial instruments in the area of justice and home affairs, the operational programs administered by the Bulgarian government, etc.

In 2008 CSD began the implementation of a project under the Administrative Capacity Operational Program aimed at strengthening the capacity of the Center in the area of justice and home affairs. As a result of the project CSD:

- **Strengthened its organizational structure and capacity** in the design and implementation of methods of data analysis, as well as in training delivery and presentation skills. In 2008, there were thirty-one days of training grouped under ten topics. Trainees included forty-three CSD and other NGO experts, fifty-three experts (incl. with government institutions), and four civic organizations. As a result of
  - the training, CSD staff improved their skills and knowledge in the following areas: organizational diagnostics, horizon scanning, script planning, strategic planning, elaborating a system of development-assessment indicators, business modeling, work-process modeling, collaborative work software, statistical methods of data analysis, and presentation skills;
  - **Worked out internal organizational documents** outlining CSD's development over the next several years: organizational diagnostics, analysis of CSD's mission and vision, a system of key successful performance indicators, optimization of organizational processes, a Strategy for CSD Organizational Development, and an action plan for its implementation;
  - **Improved the capacity of its staff in the area of justice and home affairs.** CSD staff acquainted themselves with established standards in this area and with existing best practices in EU countries regarding the monitoring, analysis, and assessment of public policies and social processes, prevention policies, and crime monitoring.
- 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 reforms in this country. These principles are implemented by means of:
- Publishing annual audit reports since 1992;
  - Auditing individual projects;
  - Publishing annual reports (since 1994);



- Providing regularly updated information about activities on the CSD website;
- Providing information to the mass media about ongoing projects and the results achieved;
- Publishing a wide range of reports and working papers;
- Developing the consultancy units of CSD – Vitosha Research and Project 1.

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