



CENTER FOR
THE STUDY OF
DEMOCRACY

Corruption in Bulgaria in 2010

In February 2010 the Center for the Study of Democracy (CSD) released the results from the *Corruption Monitoring System (CMS)* for the thirteenth consecutive year. The CMS measures both the actual spread of corruption in Bulgaria (corruption victimization) and the attitudes (perceptions) of businesses and the general public towards corruption. The CMS reveals that in 2010 the dynamics of corruption in the business sector vs. the general population diverged.

The administrative corruption among the general population has declined

According to the 2010 CMS data, there has been a **continuous decline in the corruption pressure** applied by the administration onto the general public. The latter has, in turn, led to a drop in the spread of corruption among general population. The number of corruption transactions (e.g. bribes) has declined sharply from a monthly average of 176 thousand in 2008 to 86 thousand in 2010. In line with the fall in the actual spread of corruption, the CMS shows that over the past two years the practical efficacy of corruption has decreased and the level of susceptibility to corruption among the general public has fallen to an all-times low. The latter might be indicative of a gradual cultural shift towards a higher level of sensitivity and a lower tolerance for corruption among the Bulgarian population. **Although the actual spread of corruption declined markedly in 2010, the public perceptions of corruption still remain high.** The explanation for the gap between actual experiences with corruption and the perception of corruption should be sought for in the low general trust of Bulgarians in public institutions and in the numerous public revelations at the end of 2010 of **fraudulent practices and bad governance in key public sectors, such as energy, healthcare and law enforcement.**

Nevertheless, the level of administrative corruption among the general population remains unacceptable. According to the CMS in the last three months of 2010 **one in every ten Bulgarians, who have dealt with the public administration, has resorted to bribing** as a means to receive service. This statistics is a clear indication that corruption has become so endemic and deeply integrated into the Bulgarian business that it requires a persistent institutional effort to be uprooted.

No decline observed in the level of administrative corruption in the business sector

According to the CMS the number of bribes paid by businesses to the administration in 2010 has been slightly higher as compared to 2009. Even though the companies' tolerance for corruption has continued to decline, their **susceptibility to corruption and perception of its efficacy as a problem solving tool have increased.** Even if the latter remain below the levels prior to Bulgaria's accession to the EU, the refraction of the downward trend in 2010 is worrisome. **The global economic downturn has led to**

an increased reliance of firms on the public administration for contracts and licenses, which is but one explanation why the level of corruption in the business sector has increased slightly over the last year. According to the CMS for the last three months of 2010, one in every six firms that dealt with the public administration reported using a bribe in order to receive a particular service or avoid penalty.

No significant results in combating corruption at the highest echelons of power

The **practical impunity of corruption at the highest levels of power** remains the greatest challenge for the Bulgarian anticorruption policy in 2011. The reprieve of the leader of a parliamentary represented political party in an infamous case of a conflict of interest along with the failure of the state prosecution in the trial against the organized crime group dubbed the "Octopus" are but two emblematic examples of the still existing impunity. Political will by itself, or just declaring its existence, is in no way sufficient to produce lasting anticorruption results in the absence of effective mechanisms to put the adopted policy measures in practice. High-profile investigations remain ineffective, while the increased control and sanctions affect primarily the general public and the small and mid-sized businesses. There is a lack of systematic efforts in the investigations of corruption in cases of white-collar crime involving major political - oligarchic networks and circles of influence. As corruption is difficult to prove, the cases against organized crime groups and conflicts of interest exclude such investigations at all.

Countering administrative and political corruption: what works and what doesn't

The increased control and sanction activities of the different units of the state administrative compliance system (e.g., the National Revenue Agency, the National Customs Agency, the National Employment Agency, the Directorate for National Construction Supervision, the State Financial Inspection Agency) in enforcing the law and limiting abuses is **starting to deliver positive results, such as a lower spread of corruption among general public**. It is necessary, however, that the financial and human resources of these units make the fight against political corruption (i.e. the corruption of the highest echelons of power and their connections to local or national oligarchic networks) a priority.

The Judicial System remains inert in relation to inter-institutional corruption, conflicts of interest, and other abuses. **The anti-corruption actions of the Supreme Judicial Council appear protracted and reluctant**. The **general prosecution's lack of initiative** is alarming – e.g., with regard to political corruption in key national security and economy areas such as **energy**, where a considerable amount of factual information about sizeable fraudulent practices was made public in the last year.

Despite their potential positive long-term effect, **the financial and economic levers** for restricting corruption **are not efficiently and systematically deployed**. The impact of the economic downturn on the population's income (decreased ability and willingness to pay bribes) and the spur of unemployment and economic insecurity (job insecurity among public servants decreased corruption pressure), combined with the increased control measures of the Bulgarian government, are the prime factors for the lower level of administrative corruption among the general population. Yet, the **decision to swiftly raise excise duties** has led to a considerable increase in smuggling, which reflects the experience from 2006, when the same policies were pursued. This has in fact contradicted the government's efforts to reduce corruption through increased control and sanctions.

It is essential that **measures leading to greater transparency** should be consistently implemented. This would lead to a decreased potential for corruption pressure and activities. A positive example is the practice introduced by the Ministry of Finance at the beginning of 2010 to **publish state owned enterprises' quarterly financial accounts**. The publishing of financial information on the execution of EU-funded projects by the Council of Ministers is another initiative that should be commended. The next logical step would be to introduce rules on **publishing all public procurement contracts** with their specific details. A negative example, on the other hand, is the **attempt to restrict public access to the National Company Commercial Register**, presented by the government as a concern of possible privacy abuses.

The divergent dynamics of corruption among the general population and the business sector in 2010 should be interpreted as a warning sign that an **institutional approach is necessary to counter corruption networks of business and politics**. In that respect, the initiation of the Center for Prevention of Corruption and Organized Crime at the Council of Ministers raises more questions than answers. Reasonable doubts arise regarding the Center's actual functions (such as how this body will relate to the Ministry of Interior and the State Agency for National Security) and the integrity and selection of its executive staff.

In addition to its national-level anticorruption efforts, Bulgaria must be more proactive in its decision-making and should take advantage of the planned **EU-level institutional initiatives** for countering corruption. The European Union is considering steps to introduce a uniform mechanism to assess the level and dynamics of corruption in the member states and candidate countries. Such a mechanism will enable a comparison of the corruption level in Bulgaria to the other member states, which should allow for better benchmarking and targeting of policies.

* * *

Corruption Monitoring System (CMS)

The CMS measures the **actual spread** of corruption in Bulgaria, as well as public attitudes towards and expectations about corruption. Applied since 1998, the *Corruption Monitoring System* has been officially recognized by the United Nations as the best national system for corruption monitoring. CMS evaluates the administrative corruption among the general population and the business sector through three main indexes:

1. Corruption activities include: a) **corruption pressure** – shows the frequency of cases, where citizens and businesses admit being asked for money, gifts, or favors by the public administration in order to receive a service; b) **involvement in corrupt transactions** – shows the frequency of cases, where citizens and businesses admit giving money, gifts, or favors in order for a problem to receive a service;
2. Assessing the level of corruption: a) **degree of prevalence** – reflects the assessment of the general population and the businesses of the spread of corruption among public servants; b) **practical effectiveness** - reflects the perception of the general population and the businesses of corruption as an effective problem-solving mechanism;
3. Attitudes towards corruption include: a) **tolerance** for corruption – reflects the level of tolerance for corruption among the general population and the business sector; b) **susceptibility to corruption** – assesses the willingness of the population and businesses to resort to corrupt activities in order to receive a particular service.