

## Chapter 6

# Bulgaria's Private Security Industry

*Philip Gounev*

### **Introduction**

This chapter examines the transformation of the private security industry in Bulgaria.<sup>1</sup> The case of Bulgaria is of special interest for several reasons. First, it highlights a wide range of problems posed by the transformation of the private security industry between 1990–2006. These include corruption, organised crime, and a lack of capacity at the state level which has hampered oversight of the industry. Secondly, security privatisation has reached such profound proportions that about nine percent of all employed males in Bulgaria are now engaged in a private security-related activity. Thirdly, for most of the 1990s the private security companies (PSCs), particularly those involved in racketeering, were part of the public and political life to such an extent that numerous media reports and surveys provide valuable opportunities to examine the Bulgarian case. Therefore, the Bulgarian experience provides an important opportunity to identify ‘lessons learned’ that may be of benefit for other transition countries with active private security sectors.

The central argument put forward in this chapter is that effective regulation of the private security industry depends on a range of factors linked to security governance including issues of resources, organised crime, and corruption. Understanding the underlying factors that contributed to the establishment and transformation of the private security industry is important for several reasons. First, it demonstrates the limitations of ‘best practices’ modelled on developed countries. Second, it suggests that looking at PSCs strictly from a security perspective might not be sufficient; also needed is an understanding of broader issues including the role of the judiciary, the informal economy, criminality and the broader framework of government capacities. Finally, considering the factors that undermine PSC regulation suggests that privatisation should be approached differently in countries in transition in comparison to developed countries.

This chapter lays out chronologically the development of the private security industry from 1990 to 2006, while highlighting its effect on state and human security. It analyses the challenges faced by Bulgaria and the factors that contributed to the transformation of the private security sector from the perspective of security governance. The chapter concludes with a number of policy recommendations drawn from this analysis.

### **The Emergence of Privatised Security**

The recent history of PSCs in Bulgaria provides an experience quite different from many other countries not only in the EU but also in Eastern Europe. For much of the 1990s Bulgarian organised criminal groups, and the PSCs they controlled, were powerful enough to influence not only politics but the life of the average citizen. The names of the main PSCs were well known and became synonymous with crime, extortion, violence and fear. Fresh memories of these experiences have made Bulgarian society's perceptions of PSCs quite different to that of many Europeans.

During the early 1990s extensive lay-offs within the police and the military left tens of thousands of former security officers unemployed. The army was downsized from 150,000 in 1989 to 39,000 in 2001. The police force was also reduced as State Security (the former secret police) was disbanded and along with it close to 30,000 police and security officers were laid off. There were several possible career paths for laid-off law-enforcement and military officers. Some used their connections to start businesses; many of those established private security companies. Others used their relations with the underworld to become involved in criminal activities.

Three periods are discussed below in terms of the history of Bulgaria's PSCs. In the early 1990s, many professional athletes were left without jobs. Secondary boarding schools, specialised in training of professional athletes, could not offer employment prospects to their graduates. These schools became the breeding ground for a new criminal class in Bulgaria, which includes many of the present-day underworld bosses as well as many of the country's nouveaux riches. They facilitated the establishment of a social network of young, aggressive men with connections to security services (as the two main sports clubs in the country were established under the auspices of the police and the army). Some started their careers in Central Europe, engaging in auto theft, currency fraud or pimping, while others remained in Bulgaria, specialising in robbery, prostitution rings and protection

rackets targeting fledgling businesses. They also provided protection for street gangs against the police or rival criminal groups.<sup>2</sup>

### *The Violent Period*

The first private security companies were founded in late 1991 after an internal decision to relinquish the state monopoly on force in order to meet the needs of unemployed professional athletes and laid-off security officers.<sup>3</sup> At that time no legal provision regulated private security activities in any way.<sup>4</sup> On the one hand this change created the opportunity for laid-off military and law-enforcement officers to apply their skills in the private sector. Many of them took up this opportunity. Some of the largest present-day PSCs were started by such individuals in that period (1991–1994).<sup>5</sup> On the other hand, criminal groups drawn from former wrestlers, boxers and martial arts experts grasped this opportunity to put a legal face on their activities.<sup>6</sup> This second group of PSCs continued to be involved in racketeering, particularly of the retail and hospitality industries. Agricultural markets and tourist resorts around the country began to be controlled by different groups, with significant effects on the national economy – bankrupting companies unwilling to give in to racketeering, distorting competition, fixing prices at high levels, and concentrating resources within preferred companies.

These conditions differ from those in other countries in the region. Former Yugoslav countries, such as Macedonia or Serbia, maintained high numbers of military and police personnel for most of the 1990s due to the ongoing conflicts in the region. Organised criminal groups there engaged primarily in trafficking and smuggling activities. In Romania and Hungary, even though the military and police personnel were gradually reduced, the state maintained a strong hold on security for most of the 1990s, keeping crime under control and the criminal justice systems were much more efficient than in Bulgaria.<sup>7</sup> In addition, all of these countries lacked the social network of criminalised athletes that created the backbone of PSCs engaged in protection rackets. Closer to the Bulgarian example is the case of Russia, where rampant crime and the state's inability to provide security to businesses created strong demand for private security provision.<sup>8</sup> As in Bulgaria, the founders of many of the most prominent Russian criminal groups were former athletes with state boarding school backgrounds.<sup>9</sup>

During this initial period there were at least four sources of demand for private security services in Bulgaria. First and foremost, the weak judicial and law-enforcement systems led to a pervasive sense of impunity. The absence of effective enforcement presented new opportunities for organized

criminal groups to extort money and prey on small businesses. During that period the criminal justice system had practically come to a halt. In 1993, for instance, the courts convicted three times fewer individuals than in 1989<sup>10</sup> while the crime rate more than doubled.<sup>11</sup>

On the other hand, with transformation of the economy only slowly starting to take place, there were no adequate mechanisms for debt collection and almost all PSCs carried out this function through intimidation and violence. The scale of the grey economy during most of the 1990s approached 40 percent of the gross domestic product (GDP).<sup>12</sup> As Frye has argued in his research on Poland and Russia, businesses within the grey economy do not have access to official law enforcement mechanisms and therefore rely on private protection.<sup>13</sup> In addition, the downsizing of the police force left unguarded many sites which still needed protection. These included large state-owned enterprises, government and municipal buildings, hundreds of military warehouses, sea and river ports. Finally, the increase in crime, particularly racketeering, created further demand for private protection.

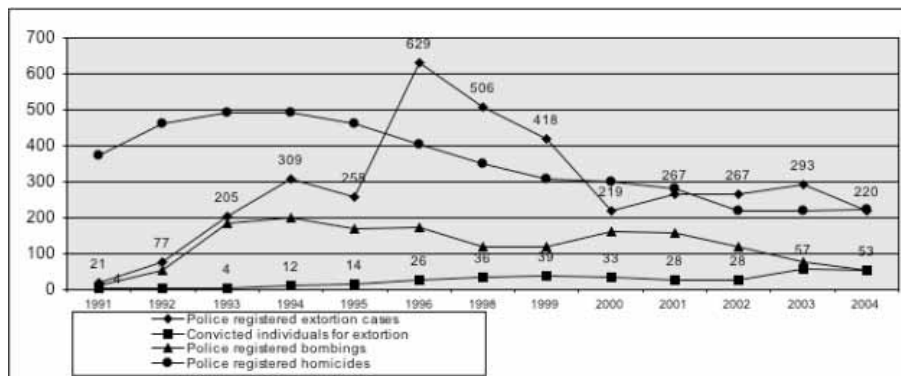
The lack of government control and regulation of PSCs instilled an increasing sense of insecurity among businesses and citizens. Intimidation tactics involved beatings, mutilations, bombings and murders (see Graph 6.1), which reached record-high levels in 1994. PSCs owned by athletes racketeered entertainment establishments, retail establishments and restaurants, smaller offices, and hotels in sea-side resorts. PSCs founded by former security officers tended to insert themselves into a legitimate niche market created as a result of the reduced state-provided protection of large state-owned enterprises, banks or infrastructure (ports, sports facilities, schools, etc.).

Due to the staggering scale of racketeering and the impunity of those involved, very few people saw a reason to report such incidents to the police. Graph 6.1 shows that protection rackets peaked in 1993–1994, illustrated by the record high levels of bombings and murders in these years. At the same time registered racketeering cases numbered only a few hundred per year and less than a dozen individuals were sentenced, highlighting the large number of unreported racketeering incidents.

It was at the height of this crisis that the government took the first steps towards regulating the PSCs, by adopting in March 1994 *Ordinance №14 for the Issuance of Permits for Guarding of Sites and Private Individuals by Physical and Legal Persons*.<sup>14</sup> This ordinance mandated that a PSC could not be registered if one of the owners or its employees had criminal records, were under investigation, or had not paid taxes. The law left significant discretion to local Area Police Departments (APDs) to decide on which

PSCs to register. Since practically all the owners of PSCs involved in racketeering had criminal records or were under investigation, the law was used to force the closure of such PSCs.

Graph 6.1. Racketeering and Violence in Bulgaria



Sources: Ministry of Interior; National Statistics Institute

#### From Protection to Insurance Rackets

The new law marked the beginning of the second period (1994–1998) in the history of Bulgarian PSCs. The closure of notorious companies such as *VIS-1* or *Club 777* had an unexpected, negative effect that led to the widening of the influence of organised criminal groups. In response to losing their legal status the owners of the banned PSCs transformed their businesses into insurance companies. Thus, for example, the owners of *VIS-1* registered an insurance company *VIS-2* and *Club 777* was transformed into *Sila*. Some former security officers, particularly from the Ministry of the Interior's Anti-terrorist Unit, already involved in criminal activities, saw this as a new opportunity to register companies. The re-branded PSCs continued their protection racketeering practices with the main difference being that they changed their legal face from the provision of security to provision of 'insurance'. However, the insurance rackets significantly widened the range of criminal opportunities with insurance forced not only on businesses but also on private individuals' motor vehicles and homes, or government and public institutions.<sup>15</sup>

The two archrivals *VIS-2* and *SIC* each had nationwide coverage. The presence of a sticker of one of the major insurers guaranteed that property would not be damaged or stolen. The sticker acted in effect as static protec-

tion because any attempt to steal or break into insured property that had a *VIS-2* or *SIC* sticker would cause a team of security guards from the insurance company to be sent to recover the object or seek compensation for the inflicted damage. For instance, instead of receiving a payment from their insurance company, insured owners of vehicles that had been stolen were simply given a replacement – usually another stolen vehicle. During this period organised criminal groups became increasingly interested in circumventing the international embargo against the former Yugoslavia and in developing illegal markets (consumer goods and drugs smuggling, prostitution rings, etc.). In addition, the economic crisis of 1996–1997 made racketeering even less profitable, and interest gradually started to shift away from this activity.

In 1997 the new government of Ivan Kostov made a political decision to challenge the violent insurance companies. In April 1997 Interior Minister Bogomil Bonev met with the heads of all the top organised crime-affiliated insurance companies and informed them that they would have to discontinue their racketeering and extortion practices.<sup>16</sup> In July 1998 amendments in the Law on Insurance<sup>17</sup> marked the beginning of a new period. The new provisions specifically banned: (1) insurance companies from performing private security activities (Art.4); (2) PSCs managing or owning insurance companies, whether fully or in part (Art 9.9); (3) actuaries or insurance agencies from being owned, managed, or linked to PSCs (Art.13.3, Art.43.3, Art.43.5, 43v); (4) insurance companies from conducting any activities through legal or private persons that provide private security (Art.31.6); and (5) most importantly, the law banned with immediate effect any insurance companies that had carried out private security activities. Added to this was a requirement for insurance companies to re-register as part of the new requirements with a minimum capital that most criminal insurance companies did not have. In practice these amendments brought about, if not the closure, at least a significant transformation of PSCs turned insurance companies.<sup>18</sup>

#### *Attempts at Regulation*

The closure of the insurance companies involved in racketeering marked the beginning of a new period of increasing regulation of PSCs in Bulgaria. In February 1999 a short-lived *Ordinance №39* and the June 2000 *Ordinance 79 on the Conditions and Order for Carrying out Private Security Activities* developed further the PSC legislation. The new legislation was accompanied by stringent enforcement measures. In August 2001 police throughout the country carried out inspection visits on 847 PSCs, 2338 sites with armed

guards and 1079 sites with unarmed guards, reporting that 'dozens of violations' had been identified and given administrative sanctions and 69 had been issued warnings.<sup>19</sup> The regulation of private security activities should be seen in broader perspective, however, as a number of other regulations and laws were being developed simultaneously relating to the use of firearms or transportation of precious cargo.<sup>20</sup>

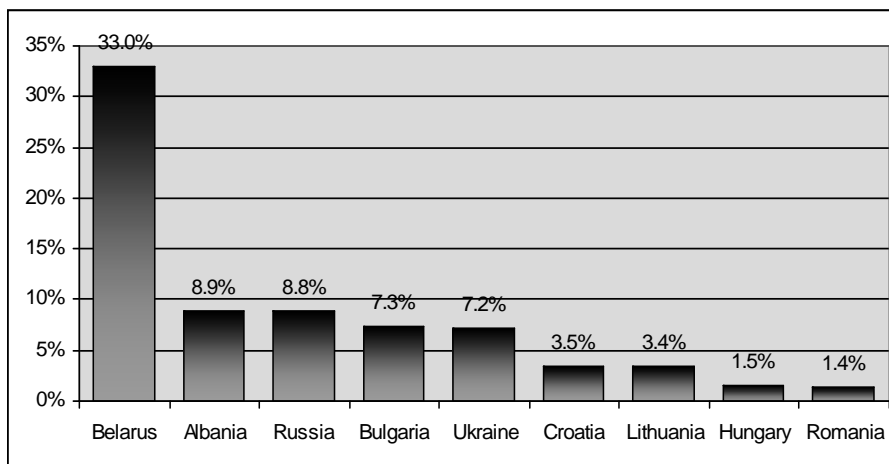
Despite this flurry of legislative and law-enforcement activity, racketeering continued to be relatively widespread. A crime victimisation survey of businesses in Sofia, conducted in 2000 for the United Nations Interregional Institute on Crime and Justice, provides a snapshot of the use of protection rackets.<sup>21</sup> The survey findings indicate that 11.4 percent of businesses stated that protection rackets were either common or very common in their line of business. When asked if they had been racketeered, 7.7 percent of businesses responded positively. For 78.9 percent of them, this had happened less than five times during 1999 but for the rest it was almost a monthly experience. The respondents pointed to 'organised crime groups' (79 percent) and rival businesses (21 percent) as the main perpetrators. The United Nations Interregional Crime and Justice Research Institute (UNICRI) study (see Graph 6.2) shows that at that time the phenomenon of protection rackets was still much more widespread in Bulgaria than most East European countries that had not been part of the former Soviet Union.

The great majority of racketeering, however, remained unreported. Only 7.9 percent of businesses in Sofia responded that they had reported all instances of racketeering to the police during 1999. The main reason for the lack of reporting was fear of reprisals (63 percent). Two other reasons mentioned were that the police were not interested (40 percent) and were unlikely to be able to help (23 percent). It is probable that at the height of the racketeering boom (1993–1995) an even greater share of the crimes remained unreported. Under pressure to meet requirements for Bulgarian membership of the EU and NATO, by 1999 the criminal justice system was more functional and the courts convicted **four times** more individuals than they did in 1993 (from 6,935 to 29,391).

The most significant step towards regulation of the PSCs was the acceptance in 2004 of the *Law on Private Guarding Activities*.<sup>22</sup> The official rationale of the law was that it meant to bring Bulgarian legislation regulating PSCs up to the standard of the best European practice, particularly that of the Scandinavian countries.<sup>23</sup> The law strengthened the definitions of private security activities and introduced an obligation for all PSC employees to attend a six-day training programme. The new law mandated that the private security activity licence did not have a time limit (unlike the previous three-

year limitation) and that all PSCs had to register under the law. From a business standpoint this latter development was positive as it reduced significantly the bureaucratic process. The removal of limits on licences also had a positive effect by allowing the police to focus on monitoring or controlling PSCs rather than administrative issues related to the renewal of licences. Added to this were explicit limitations on the use of automatic weapons by PSC personnel.

Graph 6.2. Have you been asked money for protection? (only capital cities)



Source: UNICRI<sup>24</sup>

### Security Governance and the Private Security Business in Bulgaria

The factors driving the transformation of PSC regulation in Bulgaria have changed over the years, ranging from the state's own desire to exert some level of control over the means of force, to external (NATO or EU) pressures to deal with organised crime. The initiative behind the most recent regulatory effort (the *Law on Private Guarding Activity*) could to a large extent be attributed to the PSC industry itself, which recognised the need for a well-regulated relationship with the police, clear rules in the security services market, and as little bureaucratic muddle as possible. NATO and the EU have played no particular role in shaping the present regulatory framework or practices but were instrumental in intensifying the political will to crack down on organised crime-related PSCs in the late 1990s. Civil society or-



ganisations and communities have not taken a particular interest in this issue, which is reflected in the present *Law on Private Guarding Activity*, where there are no provisions or institutional platforms that allow for civilian control or complaints mechanisms.

The present *Law on Private Guarding Activities* leaves oversight of the private security industry entirely to the police and the Ministry of the Interior, from granting and revocation of licenses, to control over the use of firearms and administrative sanctioning of irregularities. No provisions are made for oversight by local government, the National Parliament or other government authorities. The judiciary only becomes involved in resolving disputes between the PSCs and the police or other plaintiffs. A trade union of private security guards was only established in September 2005<sup>25</sup> and has yet to have any effect. In addition, five different associations of PSCs sprung up involving the majority of PSCs.<sup>26</sup> These first steps towards self-regulation included the establishment of a common code of ethics, and working towards improving the public image and trust in PSCs. However, despite the establishment of common standards, there is no oversight or monitoring mechanism that allows such associations to adequately enforce their ethics codes.

#### *Oversight Capacity*

Being the only institution responsible for overseeing the private security industry, the interior ministry faces a number of challenges. The government has allocated few additional resources to overseeing the private security industry. The licensing work was simply added to the tasks of local police departments without adding staff specifically involved with licensing and oversight. Control is carried out mostly on an ad hoc basis and an indication of the lack of proper resource management is the incomplete knowledge of the Ministry of the Interior of the size of the private security industry; the ministry has officially stated on various occasions that there are around 130,000 guards working in private security companies in Bulgaria.<sup>27</sup> A 2005 survey of businesses revealed, however, that in fact there were only around 54,000 security guards working for PSCs, while the rest (around 70,000) were employed in in-house security teams. Data presented by the National Statistical Institute (NSI) also indicate that security companies at the end of 2004 employed some 42,733 personnel. One possible explanation for the discrepancy between the NSI and the survey figures is that a significant number of PSC guards work without contract and are paid 'under the table'.<sup>28</sup> In addition, since most PSCs employ guards who are equipped with

their own personal firearms, the MoI does not have a clear picture of the number of firearms possessed by PSCs and in-house security teams.

Two recent incidents further highlight existing difficulties in controlling the large private security sector in Bulgaria. On 23 November 2005, the citizens of the village of Gabra (near Sofia) staged a protest against the decision of the Sofia municipality to use an abandoned local mine for depositing the city's garbage. The protesters clashed with about 50 private security guards that the mine owner had hired from a number of different PSCs. Ten protesters were injured. The police detained 34 guards and found that none of them had the right to guard the mine and that 13 of them had criminal records. During the police investigation all guards declared that they happened to be walking around the mine and had not been hired.<sup>29</sup> And in the end no PSC was sanctioned. This case illustrates the readiness of some PSC guards to break the law as well as the problems with the current *Law on Private Guarding Activity* that allows individuals with criminal records to become guards.<sup>30</sup>

In another case, the private guards of a wealthy land-owner who had illegally taken over public forest lands attacked two forest rangers, beating and robbing them of their arms and ammunition. Three hundred local inhabitants signed a letter to the MoI and the Ministry of Forestry and Agriculture protesting against lawlessness and the inability of police to control the security guards, who regularly abused the local population and patrolled the region on horses with automatic weapons, wearing bullet-proof vests and masks.<sup>31</sup>

### *Crime and PSCs*

A more detailed illustration of the lingering challenges in overseeing the private security industry is presented in an analysis of PSC involvement in racketeering or illegal dispute settlement. During the past six years such influence has subsided. In the 2005 business crime victims survey, only 1.3 percent of the respondents indicated that they had been asked for protection money during 2005 – a significant reduction from the 2000 level of 7.3 percent.<sup>32</sup> Overall, however, 8.8 percent of the companies had been victims of a range of threats and extortion (protection money being only one aspect of it). Generally, small companies with fewer than 10 employees were up to five times more likely to fall victim to such crimes than companies with over 100 employees. In only 7 percent of cases though were PSCs directly blamed as the perpetrators of such threats and extortion. In the other cases, local organised crime groups (33 percent) and competition (26 percent) were named as

the main culprits. Nevertheless, the data suggests that some PSCs remain involved in criminal activities. The levels of reporting threats and racketeering to the police were still low – 70 percent were not reported – but 22 percent had reported such crime, which is a clear increase from the earlier figure of 7.9 percent. However, this is significantly lower than other types of crimes that generally have reporting rates of over 50 percent.

In 2005 the key reasons for not reporting incidents to the police were the perception that the police cannot do anything about it (31 percent), and that this is a problem that has nothing to do with the police (31 percent). One key difference with the 2000 survey's reasons for not reporting is the issue of reprisals; while in 2005 only 21 percent mentioned this as a reason for not reporting, in 2000 63.3 percent mentioned it as a reason. This indicates changing patterns of action by the perpetrators and decreased levels of violence by PSCs. This supports the more general observation that organised crime in Bulgaria has gone through a period of a high level of violence in the early 1990s towards reduced levels of violence and, as discussed in the following section, its substitution by corruption as a tool to achieve its goals.<sup>33</sup>

#### *Corruption and Conflicts of Interest*

A major gap in the present legislation is the lack of sufficient checks and balances to ensure adequate measures against corruption. This encompasses a broad range of issues concerning both public administration and the private sector.<sup>34</sup> There are various ways in which corruption has affected the oversight of PSC services. Some of the problems stem from the close relations between the police and the former military or police-turned-PSC-owners. Other issues are more systemic and are related to the more general problem of corruption in Bulgaria.

The most widespread aspect of corruption relates to the issue of public procurement contracts. In 2003, 54 percent of all companies (not only PSCs) in Bulgaria admitted to having paid bribes to obtain a public procurement contract. In 2005 the share fell to 35 percent.<sup>35</sup> There is no reason to believe that private security companies were in any way an exception to such practices. Such levels of corruption, though, take on an entirely different meaning when concerning public procurement contracts for provision of security services to military sites, the Kozlodui nuclear power plant, international sea or river ports (i.e. international border crossings). It is probably the issue that most directly questions the limits of security privatisation particularly in countries with high levels of corruption. During the past decade, security for hundreds of military sites, most major international ports (such as Varna,

Russe and Burgas), power plants and other key infrastructure sites has been contracted out to PSCs.<sup>36</sup> These had formerly been guarded by police or military forces.

At the highest level, corruption could be described in terms of conflict of interest or influence-peddling by politicians who own PSCs. The present legislation fails to impose adequate measures against such practices. There are three models of corrupt practices. One involves using political influence to ensure that the regulation over certain PSCs is more or less strict, depending on the politician's business interests. The second, which is more widely applied, is to gain public procurement contracts through influence over other government agencies, possibly through kickbacks. The third is trading in influence where a given company could be forced to (or even would willingly) give a contract to the politician's PSC, and as a result expect certain favours in return.

Given that the majority of the private security companies in Bulgaria are either staffed or run by former police officers, assigning the oversight of PSCs solely to the police leaves significant room for informal relations between PSCs and their regulators. It is well known that some influential politicians or their families still own PSCs. For example, allegations of undue influence have been made against both the well-known *Scorpio* PSC regarding contracts to guard the National Customs Agency<sup>37</sup> and against *Ipon* concerning the contract to guard municipal property in Sofia.<sup>38</sup> Both companies have ties to prominent politicians. In another case the PSC *Khan Krum*, owned by an off-shore company and linked to a former Member of Parliament and member of the ruling coalition party *Movement for Rights and Freedoms*, was awarded a contract to guard the Kozlodui Nuclear Power Plant (the only one in the country).<sup>39</sup>

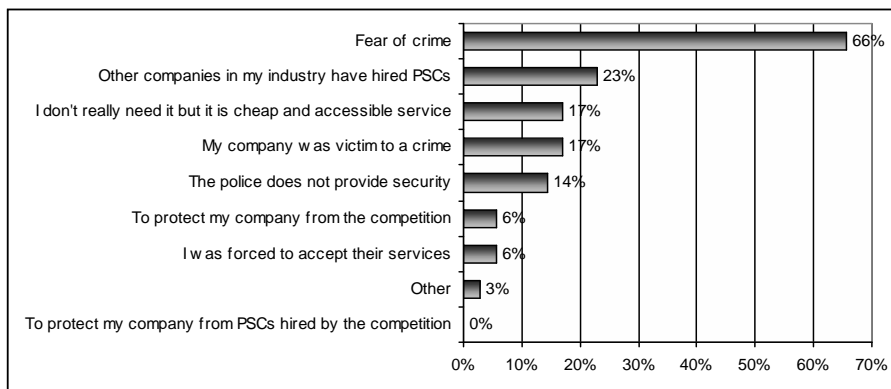
Certainly, the above cases do not suggest any easy answers and it could be argued that private security companies are one means of circumventing widespread corruption within the police and the military. This may be true but salaries in most PSCs are lower than those offered by the police or the military, with evident consequences in terms of incentives to corruption. Also, unlike the police or military (where there are internal affairs departments), PSCs do not have instruments and resources to fight internal corruption. Further to that, the difficulties described in terms of oversight and control of PSCs suggest that much remains to be done to further develop the current regulatory framework and strengthen the oversight capacity of the government. Such initiatives should take into account the underlying factors that drive the demand for private security. This is important, because

while certain demand-driven factors are perfectly legitimate (for instance increased security around a private defence production facility), others (like collection of debts) are the result of existing legislative gaps or inefficient work of law enforcement agencies.

### The Demand for Security Services

Despite the challenges described above there remains a significant demand for private security services. There are various factors that fuel such demand. The 2005 CSD/Vitosha Research survey indicated that perceptions about crime were by far the leading factor, but the grey economy, experiences of crime, and racketeering were also factors.

Graph 6.3. What were the reasons you hired a PSC? (% of respondents)



Source: CSD/Vitosha Research

### *Fear of Crime*

The fear of crime is by far the leading factor that has driven the demand for private security services. During the 1990s, such fears were fuelled by the PSCs themselves, as many of them were involved in the criminal activities described above. In recent years, though, these fears have been maintained by growing media attention on criminality.<sup>40</sup> During the 2001–2005 period, overall crime significantly declined in Bulgaria. The reasons for this decrease are complex, including demographic factors (rapidly declining population, particularly young males), decreasing unemployment, rising incomes, and an increase in the prisoner population. The crime prevention effect of

private security companies is not clear. Analysis indicates that companies using the services of PSCs have a lesser chance of being victims of burglary. However, the likelihood that they would become victims of theft from outsiders or employees or become victims of threats and extortion is not affected and they remain vulnerable to such crimes.<sup>41</sup>

### *Economic Factors*

A number of economic factors drive the demand for PSC services. First, it has been argued that the informal economy in itself attracts PSCs because contracts in the grey sector cannot be enforced through the legal system and official law enforcement channels, therefore opening a market niche for private enforcers.<sup>42</sup> The shrinking of Bulgaria's informal economy over the past few years<sup>43</sup> has probably contributed to the reduced negative influence of PSCs.

Another source of demand for PSCs' services has been created by the inefficiency of Bulgaria's court system, which provides a slow and unreliable system of debt collection. In 2005 the courts had blocked 375,000 debt claims worth 917 million euros. At the same time debt among companies and individuals has mounted to 3.5 billion Euro.<sup>44</sup> A judge passes an average of six collection verdicts per month, which means that most debt claims will remain stuck in court for years. Even slower is the actual enforcement of verdicts, which usually takes years.<sup>45</sup> Therefore a demand has been created for debt collection services, some of which are provided by legitimate debt collection agencies, but often there are 'special units' within PSCs which also provide such services using threats and intimidation to collect debts.<sup>46</sup> The introduction of private collection judges, due to start work during 2006, is expected to gradually help make official debt collection more enforceable.

Finally, hiring a private guard makes sound business sense to many companies because this is still a relatively inexpensive service and certainly cheaper than hiring military and law enforcement personnel. Furthermore, it seems that hiring private security guards has become to many something of an 'industry standard', particularly for retail or wholesale enterprises since instead of quality of service or price serving as the main criteria to hire a PSC, business owners remain cautious, pointing to reputation and trust as the two key criteria in selecting a PSC.

Although financially attractive, private security guards are often not properly trained and managed to provide quality services. A recent incident, in which the Bulgarian Football Union tried to save money and paid a PSC *SOT 161*, instead of the police, to guard a football match proved disastrous.

The company failed to control a fight between hundreds of hooligans, and the police were called in to intervene.<sup>47</sup> Specific skills are moreover needed when guarding key infrastructure or military sites. For instance, the question whether PSCs are fit to guard complex border sites such as international sea ports is a valid one. There are no specific conditions or skills required from PSCs bidding for such contracts, even though guards are likely to be exposed to challenges related to smuggling of drugs, arms, or human beings.

There are at least two reasons why PSCs are less efficient at providing certain specialised services. One is insufficient training and skills; police have more extensive and continuous training in comparison to the three-day general course required for security guards. Secondly, PSC guards have neither the authority nor the deterrent effect of the police; they do not have sufficient powers to detain trespassers or to use force. And attacks on PSC guards are not sanctioned any differently than attacks on regular citizens, unlike attacks against the police.

### **Conclusion and Recommendations**

Per capita, Bulgaria is near the top of the European list measuring the ratio of private security guards to police officers. Thus, for each Bulgarian police officer there are two guards employed by private security companies and about three more private guards in in-house security teams.<sup>48</sup> This fact highlights the need for even greater resources and measures to ensure adequate control over PSCs.

Implementing the regulations to divert PSCs from racketeering in security provision has been a long process that has depended on political will, the capacity to enforce new legislation, economic development, the appearance of more profitable criminal opportunities and the influx of a critical mass of former police and military officers with a better work ethic and professional standards. However, despite the positive developments that led to the decriminalisation of significant parts of the private security industry, a new set of challenges has emerged in recent years connected by a lack of oversight capacity, corruption and lingering crime-related problems.

The transformation of the private security industry is a process that involves a broad range of legislative and administrative reforms and measures related to firearms regulations, corruption, crime, judicial and law enforcement capacity, and more broadly to the business environment.

Countries in transition in Eastern Europe or the former Soviet Union, where former police and military personnel (due to downsizing of the secu-

rity apparatus) constitute the backbone of the private security industry, pose their own challenges. Adopting best practices in PSC regulation from Western Europe is a first step. While adopting a sound law is relatively easy, failure to adapt it to the local context can render it inadequate when facing the realities of countries where corruption and organised crime have undue influence. The following recommendations, drawing on the Bulgarian experience, could certainly be taken into account when drawing up legislation and establishing PSC control mechanisms in other countries in transition.

- **Provision of adequate resources** for oversight is key. One possible approach would be to allocate funding for licensing, levy fines, or even introduce additional fees that could support the oversight body. Another solution could be to broaden the range of institutions that oversee the PSC industry, thus splitting the cost across several agencies, possibly even mandating the establishment of an industry-funded independent monitoring body.
- **Providing additional bodies with functions in oversight of PSCs.** Although the police are certainly best fit to control and monitor PSCs, local government could be allotted a role. There are two important dimensions of the oversight – licensing and monitoring. One possible way would be to establish an **inter-agency licensing mechanism**, so as to avoid undue influence over the licensing process by former police officers. Another would be to concentrate the licensing process within regional centres, instead of keeping responsibility with the local police stations or municipalities. This would reduce the likelihood of inappropriate relations. **Monitoring** could also be improved by establishing multi-agency monitoring teams. Thus not only the police, but also labour conditions inspectorates, civil defence agencies, fire departments, or an industry body could be involved in such teams, in order to provide more objective and balanced assessment.
- **Stricter regulation of in-house security.** Given that in-house security guards outnumber PSC guards, there is no reason to have lesser regulation of this sector. In fact it has been argued that they are *de facto* PSCs registered simply as companies with only one department – in-house security.<sup>49</sup> Therefore, in-house security teams should be put on an equal standing with regard to training, responsibilities, and registration requirements.
- **Stricter rules for individuals with criminal records.** Criminal incidents involving PSC staff have highlighted the danger to the public from guards with criminal records. At least two steps could be taken



to provide safeguards. First, security guards with criminal records should be barred from working in a PSC if they re-offend. In the case of Bulgaria this should include any violent crime as well as 'hooliganism', which usually captures all small-scale violent and threatening behaviour. A second approach would be to set up **higher criminal liability** of PSC guards, i.e. that criminal offences committed by security guards should result in harsher penalties (higher fines or longer sentences) than would be given to ordinary citizens.

- **Widening opportunities for citizens to seek legal remedy.** In light of the public threat that some PSCs have posed and given the fact that PSC management remains well-connected to law enforcement structures, alternative sanctions and remedies outside the police should be made available. One potential ally is the ombudsman institution, while local government bodies could also be allotted a more significant role.
- **Increasing PSC liability for actions of their personnel.** At present there is a whole raft of practices aimed at reducing company liability at the expense of individual guards. These range from having no official contractual relationship between guard and company to obliging guards to obtain personal firearms permits and use their own weapons in the course of their daily work, to not bearing responsibility for semi-legal guarding or debt-collection activities that guards unofficially carry out on behalf of their employer. Increased liability would force the company to more strictly control the actions of its personnel and to limit their involvement in illegal practices.
- **Higher standards for companies guarding critical infrastructure.** Existing regulations do not require a higher level of training, special skills, or higher liability for companies providing security services for key security infrastructure, such as ports, military facilities or nuclear power plants. If such requirements are fulfilled, the cost of private security is likely to surpass the cost of hiring law enforcement personnel. Thus, from a financial or security point of view it makes little sense to employ PSCs under present conditions.
- **Measures against conflicts of interest.** Although some of the above recommendations aim to diminish corruption, there should be some direct legislative provision as well. The absence of rules and regulations against conflict of interests of government officials or their families that own PSCs has created conditions for corrupt practices and trading in influence. Legislation could include provisions barring owners or individuals related to PSCs from holding public office.

Despite the impressive transformation through which Bulgaria's private security industry has gone since 1990, the need for further reforms, in terms of creating the conditions for more effective, well-managed and democratically-governed security provision, remains clear. The case of Bulgaria highlights some of the difficulties that future European Union initiatives to establish common standards for PSC regulation might encounter. Countries in East-Central Europe, like Poland, Bulgaria or Hungary, where corruption is higher and the PSC sector larger than in most West European countries, need more regulatory and legislative safeguards to ensure adequate control.

## Notes

- <sup>1</sup> The historical overview is based mainly on investigative journalism from this period. In addition, the paper draws on interviews with employees and managers of private security companies conducted between February and March of 2005. The paper also analyses two crime victimisation surveys of businesses. The first survey was conducted during 2000 in Sofia by the United Nations Interregional Crime and Justice Research Institute (UNICRI). This survey was part of the International Crime Business Survey (ICBS), as identical surveys were carried out in eight other capitals in East European countries. The second survey used was conducted in Bulgaria in September 2005 by the Center for the Study of Democracy and Vitosha Research. This survey contained not only the ICBS-based questions on crime victimisation but also questions on private security companies (PSCs) and the grey economy. As the two surveys differ in many ways, comparisons between them have been largely avoided. Where appropriate, the results of the two surveys are juxtaposed to police and judiciary statistical data. The analysis on Macedonia and Serbia was based only on secondary sources.
- <sup>2</sup> Hajdinjak, M., 'Partners in Crime: The Risks of Symbiosis between the Security Sector and Organised Crime in Southeast Europe,' Center for the Study of Democracy, (2004), 20–22.
- <sup>3</sup> Interview of Tihomir Bezlov (Senior Analyst at the Center for the Study of Democracy) with Dimitar Ludjev, Deputy Prime Minister (Dec. 1990 – Nov. 1991), Sofia, November 1991.
- <sup>4</sup> In 1993 the Law on the National Police for a first time included a new article (Art.43) which simply states that PSCs need to register with the police, i.e. simply inform the police that they conduct private security activities (State Gazette №109, 1993).
- <sup>5</sup> For example: Daga Security, IPON-1, SOT, Scorpio and Pireli.
- <sup>6</sup> The most infamous PSCs founded by such individuals included *VIS-1*, *Club 777*, *TIM*, and *Apolo Balkan*.
- <sup>7</sup> Between 1990 and 1996 the violent crime rate in Romania and Hungary was about half that in Bulgaria. In addition, despite the higher crime rates, convictions per 100,000 population in Bulgaria remained consistently lower (criminal justice data from <http://www.europeansourcebook.org>).

- <sup>8</sup> Volkov, V., *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* (Ithaca and London: Cornell University Press, 2002).
- <sup>9</sup> Ibid.
- <sup>10</sup> Calculations based on: National Statistical Institute, *Crimes and Persons Convicted 2005*, provided to CSD in electronic format.
- <sup>11</sup> Ministry of the Interior crime statistics provided to CSD.
- <sup>12</sup> Center for the Study of Democracy, 'The Hidden Economy in Bulgaria', (Sofia: CSD, 2004).
- <sup>13</sup> Frye, F., 'Private Protection in Russia and Poland,' *American Journal of Political Science* (July 2002).
- <sup>14</sup> Published in State Gazette, no. 28 from 1994.
- <sup>15</sup> Public transport stops in Sofia were insured by SIC and all carried an SIC sticker.
- <sup>16</sup> 'The Wrestlers Remain in the Insurance Business,' *Capital Weekly*, 24 October 1998.
- <sup>17</sup> Some amendments were first introduced in July 1997 (State Gazette №58) but they were deemed insufficient and were therefore strengthened in August 1998 (State Gazette №93).
- <sup>18</sup> Even though some of these companies reinvented themselves – *SIK* became *Yunion* and later *Bulins*; *VIS-2* became *Planeta* and later on *Jupiter*; *TIM* purchased *Armeetz* – these companies were much less likely to be used as instruments for racketeering or extortion, although they kept to some extent violent methods as part of their ways of conducting business. In legal terms, though, they were unrelated to the PSCs that founded them.
- <sup>19</sup> 'Dozens of PSCs have not Instructed their Guards,' *Demokratia Daily*, 9 August 2001.
- <sup>20</sup> For instance: Ordinance no. 69 of 19 May 2000 on the conditions and order in establishing the psychological fitness for the use of firearms and ammunition; the 1999 Regulations for the Implementation of the Law for Control over Explosives, Firearms and Munitions (SG. 78/3, last amended 2004, SG. 12/13); the 1998 Law for Control over Explosives, Firearms and Munitions (SG 133/11, last amended 2003, SG 71/12); Ordinance no. I-121 from 24 June 2004 on the Order of Organisation of Security during Transportation of Precious Cargo (SG 63/2004) (Ivanov, H., *The Business: Private Security*, (Sofia: Albatros, 2005))
- <sup>21</sup> The numbers quoted below are based on the author's own computations from the SPSS data files. As close to one third of Bulgaria's economic activity is concentrated in the capital, Sofia, this study is considered quite indicative of the overall situation.
- <sup>22</sup> State Gazette, no. 15, 2004.
- <sup>23</sup> Justification of the Law on Private Guarding Activity.
- <sup>24</sup> Calculations of author based on SPSS file provided by UNICRI. The surveys have been conducted during 2000.
- <sup>25</sup> Framework Convention for Social Dialogue in the Security Services Industry, [http://www.fes.bg/bg/ProjectsAndPartners/LabourRelationsAndSocialSecurity/2005/09/20\\_ramkovo\\_sporazumenie.html](http://www.fes.bg/bg/ProjectsAndPartners/LabourRelationsAndSocialSecurity/2005/09/20_ramkovo_sporazumenie.html).
- <sup>26</sup> These included the National Association of Industrial Security Companies, the National Association of the Persons and Associations Performing Guarding Activities, the National Association of Companies Guarding with Technical Means, the Union of the Guarding and Security Companies, and the National Industry Chamber of Guards and Detectives.
- <sup>27</sup> Official letter of the Ministry of the Interior to the Center for the Study of Democracy, March 2005. Further talks have made it clear that the data is based on information provided by the National Social Security Institute, rather than on any register kept by the MoI.

- <sup>28</sup> Bezlov, T., Gounev, P. and Hristov, H., *Crime Trends in Bulgaria 2000 – 2005*, (Sofia: Center for the Study of Democracy, 2006).
- <sup>29</sup> Major Stoil Tomev, head of Elin Pelin Area Police Department, quoted in ‘The Guards that Beat the Protesters from Gabra were from Different Companies,’ *Dnevnik Daily*, 24 November 2005.
- <sup>30</sup> The law only does not allow PSC owners to have criminal records.
- <sup>31</sup> The War on the Hunting Fields of the Beautiful Elena, *Trud Daily*, 15 February 2006.
- <sup>32</sup> Among respondents from Sofia, less than one percent have been victims of racketeering.
- <sup>33</sup> Bezlov, T., ‘Organised Crime in Bulgaria,’ Presentation made at the international conference “EU Prospects and Security in South Eastern Europe: Hidden Economy, Transborder Crime and Development”, (Sofia, 29-29 October, 2006).
- <sup>34</sup> For more on his subject, see: Center for the Study of Democracy, ‘On the Eve of EU Accession: Anti-corruption Reforms in Bulgaria’, (Sofia: CSD, 2006).
- <sup>35</sup> Center for the Study of Democracy, ‘On the Eve of EU Accession: Anti-corruption Reforms in Bulgaria’, (Sofia: CSD, 2006), p 26.
- <sup>36</sup> Register of Public Procurement, <http://www1.government.bg/rop/index.html> (6 June 2006)
- <sup>37</sup> ‘The Bulgarian Socialist Party Takes over the Customs’, 8 June 2006.
- <sup>38</sup> ‘Dontcheva and Gavriiski Have the Same Ideas How to Run Sofia,’ <http://news.ibox.bg/>, 10 April 2006.
- <sup>39</sup> ‘An Off-shore Company Guards Kozlodui Power Plant,’ *Monitor Daily*, 6 April 2006.
- <sup>40</sup> Bezlov et al. op.cit.
- <sup>41</sup> Victimization risk coefficients are calculated by the method used in Van Kesteren, J.N., Mayhew, P. and Nieuwbeerta, P., *Criminal Victimization in 17 Industrialised Countries: Key findings from the 2000 International Crime Victims Survey*, (The Hague: Ministry of Justice, WODC, 2000). It involves an assessment of the chances that a person from a definite social group (e.g. a big city resident) may or may not become a victim of a crime (see Appendix 2). This coefficient is then divided by the victimisation risk ratio of a person belonging to a different social group (e.g. small town/village resident).
- <sup>42</sup> Frye, T. and Zhuravskaya, E., ‘Rackets, Regulation and the Rule of Law,’ *Journal of Law, Economics, and Organization*, vol.16, no.2 (October 2000), 478–502.
- <sup>43</sup> Center for the Study of Democracy, ‘Informal Economy in Bulgaria,’ (Sofia: CSD, 2004)
- <sup>44</sup> Dimitrov M., and Stanchev, K., ‘A Law on Private Collection Judges should be Approved Before the Elections,’ Institute for Market Economy (February 2005), [http://ime-bg.org/pr\\_bg/213-3.htm](http://ime-bg.org/pr_bg/213-3.htm)
- <sup>45</sup> Ibid.
- <sup>46</sup> Interviews with PSC officers, February 2005.
- <sup>47</sup> ‘How the Police Came Back to the Stadium,’ *Dnevnik Daily*, 31 May 2006.
- <sup>48</sup> Previous surveys (such as Page, M., Rynn, S., Taylor, Z. and Wood, D., *SALW and Private Security Companies in South Eastern Europe: A Cause or Effect of Insecurity?* (Belgrade: SEESAC, August 2005)) based their measurements on the Mol/NSSI data and used 130,000 as the reference figure, leading the researchers to conclude that the ratio between PSC guards and police officers was 4.6:1.
- <sup>49</sup> Boyan Boyanov’s comments at a Press Conference of the National Association of the Persons and Association Performing Protective Activity (NAPAPPA), 23 February 2005