

CENTER FOR THE STUDY OF DEMOCRACY

ANNUAL REPORT 2002



Building bridges

**CENTER FOR THE STUDY OF DEMOCRACY
2002 ANNUAL REPORT**



Drawing: Anri Koulev

© Center for the Study of Democracy, 2003
5 Alexander Zhendov St., 1113 Sofia, Bulgaria

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, and reform the legal framework for their operation.

“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.

Center for the Study of Democracy
5 Alexander Zhendov Street, 1113 Sofia, Bulgaria
Tel: (+359 2) 971 3000
Fax: (+359 2) 971 2233
E-mail: csd@online.bg
<http://www.csd.bg>

Table of Contents

INTRODUCTION.....	7
PART ONE: PROGRAM REVIEWS	9
LAW PROGRAM	11
I. LEGISLATIVE REFORM.....	12
II. JUDICIAL REFORM	22
III. OTHER ACTIVITIES	26
ECONOMIC PROGRAM	28
I. EXPLORING THE NATURE, SCOPE AND IMPACT OF THE INFORMAL ECONOMY	29
II. BUILDING PUBLIC AWARENESS FOR CORPORATE GOVERNANCE REFORM	31
VITOSHA RESEARCH/SOCIOLOGICAL PROGRAM	33
I. SOCIAL AND ECONOMIC RESEARCH	34
II. CORRUPTION SURVEYS	37
III. IT PROJECTS.....	39
IV. PUBLIC OPINION, MEDIA AND MARKET RESEARCH	41
V. PUBLICATIONS.....	44
EUROPEAN PROGRAM	45
I. ENHANCING THE RULE OF LAW IN THE PROCESS OF EURO-ATLANTIC INTEGRATION	45
II. REGIONAL AND POLICY STUDIES	49
III. FACILITATING DIALOGUE ON EU AND NATO ENLARGEMENT	51
INFORMATION CENTRE ON THE COUNCIL OF EUROPE	53
COALITION 2000: PUBLIC-PRIVATE PARTNERSHIP TO COUNTER CORRUPTION	56
I. SUPPORTING ANTI-CORRUPTION POLICY.....	56
II. BUILDING CAPACITY AND PROMOTING AWARENESS	59
III. INTERNATIONAL COOPERATION	61
PART TWO: ADMINISTRATION AND MANAGEMENT	63
PART THREE: FINANCIAL REVIEW.....	73

Introduction

The year 2002 has been important and successful for Bulgaria's aspiration to become a member of NATO and the European Union. An invitation to join the Alliance and a clear road map for EU integration came as a result of years of sustained government effort and wide public support. What became nonetheless apparent was that to undertake the obligations of membership the country needed a significant improvement in the capacity to apply the law. Thus, CSD's focus on the linkages between the rule of law and a number of soft security issues was again at the forefront of transition reforms.

Five years ago CSD began to promote a new public-private cooperation approach to one of the key rule of law areas – anti-corruption. In 2002, the main outcome of its leadership - *Coalition 2000*, one of the most successful anti-corruption initiatives in a transition country – looked back on a number of achievements. Having influenced government policy, enhanced public intolerance and helped Bulgaria improve over 20 points in its international corruption ranking, in 2002 the *Coalition* laid out the strategy for its work during the next several years. It now covers a wide range of areas including the informal economy, judicial and administrative reform, and corporate governance. A sign of its international impact was the growing number of requests for exchange of best practices from countries from the NIS, Southeast Europe and other regions.

One of the crucial factors for the sustainability of anti-corruption measures is security sector reform. CSD started to develop its expertise in this area a few years ago and now combines policy analysis with practical support measures. The Center's seminal analysis of the origins of cross-border crime and corruption in Southeast Europe was carried out as part of its effort to promote public-private cooperation in the framework of the Southeast European Legal Development Initiative (SELDI).

Reducing the size of the gray economy is indispensable for establishing a functioning market economy and reducing corruption pressure. CSD initiated a process of building of a network of experts, policy makers and think tanks in Europe actively involved in studying and drafting policies to counter informal economy. Two international conferences were held in April and November 2002 to strengthen the network and discuss results of academic and policy research.

Since 1998, CSD has been the main proponent of the establishment of an ombudsman institution in Bulgaria. Law drafting and public awareness have been among its key achievements in previous years. In 2002, the Center focused on the development of ombudsman offices at the municipal level. As a result of awareness and advocacy activities, more and more representatives of the civil society and local authorities agree that the effectiveness of the existing local ombudsmen and the successful establishment of new ones will increase the transparency in the work of the administration and the decision making process at the local level. It is expected the future national ombudsman to work successfully for protecting human rights,

preventing cases of maladministration and abuse of power and serve as a mechanism for combating corruption.

Another key CSD initiative in 2002 was the promotion of registry reform in Bulgaria. Aiming to improve the business environment in Bulgaria and prevent judicial corruption, a CSD task force developed a feasibility study on the opportunities for reforming the system of official registers in the country based on a comprehensive research and analysis of the situation in Bulgaria and the best practices implemented in other countries. CSD's effort is aimed at encouraging a wide public and expert debate for developing the overall concept of the registration reform in Bulgaria.

The Center continued its book donation program started in 1990 when it established a partnership with the US Sabre Foundation. It has continued for 12 years to provide Bulgarian students and professionals, government and business with invaluable knowledge in a wide range of subjects. In 2002, the Center received and prepared for distribution 10,000 books worth USD 428,000.

The capacity to combine research and policy advocacy work has always been CSD's strong characteristic. In 2002, it was advanced in new areas that are crucial to the success of the Bulgarian transition.

Sofia, February 2003



Dr. Ognian Shentov
CSD Chairman

Part One

Program Reviews

Law Program

In the year 2002 the main objective of the Law Program was to contribute to the development of democratic institutional and legal environment in Bulgaria. The efforts focused primarily on promoting the introduction of the Ombudsman institution on both national and local levels and facilitating judicial reform through the modernization of the registration system in the country.

2002 Highlights

- The Law Program experts who initiated the process of introducing the Ombudsman institution in Bulgaria by developing a Concept Paper and a Draft Law on the Civic Defender and the Local Civic Mediators continued to further assist the policy makers in the process of developing the legal framework for the Ombudsman institution. Members of the Law Program Task Force actively participated in all stages of the legislative procedure at the National Assembly providing numerous comments and recommendations on the Draft Law on the Ombudsman developed by the Parliamentary Committee on Human Rights and Religions. In this respect, among the most significant achievements of the Law Program was the involvement of foreign Ombudsmen's expertise to assist the elaboration of the Draft.
- Parallel to the drafting process the Law Program focused on raising public awareness of the necessity of introducing Ombudsman institution on both national and local level. A wide public awareness campaign for promoting the Ombudsman institution was launched, featuring a series of awareness events carried out throughout the country. The campaign used a combination of various means including the organization of seminars and workshops, publication of leaflets and brochures, participation in radio and TV broadcasts, etc.
- In compliance with the priorities laid down in the Program for Judicial Reform developed within the framework of *Judicial Reform Initiative* the Law Program continued its efforts towards the introduction of modern registration system in Bulgaria. The Task Force of experts set up with the Law Program developed a feasibility study of the opportunities for reforming the system of official registers in the country, based on comprehensive research and analysis of the situation in Bulgaria and the best practices implemented in other countries. The document outlines the necessary steps for the reform of the registration system. It is aimed at encouraging a wide public and expert debate in order to develop an overall concept of the registration reform in Bulgaria.
- Benefiting from the established cooperation with the Ministry of Justice the CSD Law Program initiated the elaboration of Judicial Anti-Corruption Program to serve as a consensus document regarding actions that have to be undertaken to encourage and develop an anti-corruption judicial reform.
- The Law Program specialists who developed the Law on Electronic Document and Electronic Signature continued to provide expert assistance in the process of elaborating the secondary legislation on the implementation of the Law. The work was successfully completed in the beginning of 2002 when the three ordinances were adopted by the Council of Ministers and entered into force. Thus the legal framework for the use of electronic documents and electronic signatures, whose development was initiated and assisted by the CSD Law Program, is already in place.

I. Legislative Reform

1. Introducing Ombudsman Institution in Bulgaria

Since early 1998 the CSD Law Program has been actively involved in the process of establishing an Ombudsman-type institution in Bulgaria. As a result of the CSD-led efforts the need of such an institution in the country gradually gained the support of MPs, representatives of the Judiciary and the Executive, the local authorities, NGOs and the general public. In 2002 the activities of the CSD Law Program in support of the establishment of the Ombudsman institution continued in two main directions – further contribution to the process of developing a legal framework for the introduction of the Ombudsman in Bulgaria, and raising public awareness about the institution on both central and local level.

Draft Law Development Process

On June 5, 2002, the National Assembly adopted on first reading the three Draft Laws on the Ombudsman, submitted to the Parliament in 2001 and the beginning of 2002. In compliance with the legislative procedure the Parliamentary Committee on Human Rights and Religions was assigned with the task to consolidate the three drafts adopted on first reading into a single Draft Law. On November 14, 2002, the Parliamentary Committee approved the prepared unified Draft to be submitted to the National Assembly for adoption on second reading in plenary session.

The CSD Law Program specialists continued to actively participate in the development of the consolidated Draft Law by providing expert assistance at the different stages of the legislative procedure.

- CSD Law Program experts participated in the sessions of the Legislative Council to the National Assembly, which was assigned with the task to deliver a statement on the three drafts submitted to the National Assembly.
- Subsequently, CSD Law Program experts were actively involved in the work of the joint working group set up by the Parliamentary Committee on Human Rights and Religions to elaborate an initial version of the consolidated Draft Law.
- After the elaboration of the consolidated version by the joint working group CSD Law Program experts continued to provide assistance during the series of discussions on the draft held by the Parliamentary Committee on Human Rights and Religions, and made numerous proposals, some of which were incorporated in the final version of the draft.

In order to contribute to the adoption of modern and effective Ombudsman legislation based on established European standards and the best practices implemented in this area, the CSD Law Program focused its efforts on engaging foreign expertise to assist the Parliamentary Committee in the process of preparing the consolidated Draft Law. The comments and recommendations of the Parliamentary Ombudsman of Sweden Ms. Kerstin Andre, the Federal Ombudsmen of Belgium Dr. Herman Wuyts and Mr. Pierre-Yves Monette, and the Ombudsman of Greece Professor

Nikiforos Diamandouros were presented to the members of the Parliamentary Committee on Human Rights and Religions.

Public Policy and Awareness Activities for Promoting the National Ombudsman Institution

The series of public policy events and awareness activities carried out aimed to popularize the role of the Ombudsman institution on both central and local level as a new human rights protection mechanism, and to make both the policy makers' community and the general public aware of the advantages of such an institution.

- **A Round Table on Establishing Ombudsman Institution in Bulgaria** (February 28 – March 3, 2002) brought together experts, judges, lawyers and representatives of NGOs actively involved in the establishment of the Ombudsman institution in Bulgaria. The participants analyzed the three Draft Laws introduced to the National Assembly and the improved Draft Law on the Civic Defender and the Local Civic Mediators developed by the CSD Task Force, and got acquainted with the experience of local ombudsmen operating under different projects.
- As a follow up to the Round Table discussion a **Workshop on the Establishment of Ombudsman Institution in Bulgaria** (March 19, 2002) was held to strengthen the public-private partnership for adopting the most appropriate solution regarding the establishment of the Ombudsman institution in Bulgaria. The workshop was attended by MPs from the Parliamentary Committees on Legal Issues, and on Human Rights and Religions, the Sofia Municipality Civic Mediator,

members of the CSD Task Force, NGOs' representatives.

- The three Draft Laws on the Ombudsman submitted to the National Assembly were further considered at a **Public Discussion on the Ombudsman Institution in Bulgaria** (April 9, 2002), organized jointly by the CSD Law Program, the Union of Bulgarian Jurists, the Parliamentary Information Center and the American Bar Association – Central European and Eurasian Law Initiative (ABA/CEELI). The event took place at the National Assembly and was attended by representatives of the Legislature, the Executive and the Judiciary, local mediators, NGOs, and the media. The discussion aimed to facilitate the reaching of consensus among the parliamentary forces for the development of a joint platform on the establishment and legislative regulation of the Ombudsman institution in Bulgaria. The need of a broad consensus in support of the Ombudsman institution was underlined by the Minister of Justice Mr. Anton Stankov. The three Draft Laws on the Ombudsman were presented by the MPs Mr. Ljuben Kornezov, Ms. Ekaterina Mihailova and Mr. Emil Koshlukov. The CSD Task Force members Mr. Borislav Belazelkov, Justice at the Supreme Court of Cassation, and Dr. Silvy Chernev, Chair of the Court of Arbitration with the Bulgarian Chamber of Commerce and Industry explained the main conclusions and recommendations incorporated in the Concept Paper developed by the CSD Law Program experts. Students from the Parliamentary Internship Program also contributed to the discussion by presenting a comparative review of the foreign and international Ombudsman-related legislation.

- The major event in the series of public policy activities in 2002 was the **International Conference on European Standards and Ombudsman Institutions in Southeast Europe** (June 6-8, 2002). The event was held jointly with the Friedrich Ebert Foundation and aimed at assessing the successes and failures of Ombudsman institutions in the region, strengthening European standards in their performance and establishing a network among them in order to exchange information and experience. Among the distinguished speakers at the conference were: the Parliamentary Ombudsman of Sweden Ms. Kerstin Andre, the Ombudsman of Greece Professor Nikiforos Diamandouros, the Federal Ombudsmen of Belgium Dr. Herman Wuyts and Mr. Pierre-Yves Monette, as well as Ombudsmen or their representatives from SEE countries

(Macedonia, Albania, Bosnia and Herzegovina, Slovenia, Croatia, Serbia, Montenegro and Kosovo). Bulgarian and foreign experts and representatives of all relevant institutions and organizations contributing to the development of the Bulgarian legal framework and its implementation also attended the conference and took part in the discussions. The speakers presented the role of the Ombudsman institution in overseeing public administration and protecting civil rights, as well as its potential to exercise out-of-court control in a democratic society. The conference focused on the national dimensions of the Ombudsman institution in European countries, the cooperation among them (both regional and international) and the possibilities to establish the institution in Bulgaria.



Participants at the International Conference "European Standards and Ombudsman Institutions in Southeast Europe"

"We have gathered here to explain to the general public in Bulgaria that the Ombudsman will be a real defender of human rights, a mediator between the state and the society, and a guarantee for observing the laws. There are hardly any traditions related to the Ombudsman institution in Bulgaria so the responsibility for raising the awareness of what this institution is and how it will operate lays on us as representatives of state institutions, on the non-governmental organizations and the international community."

Mr. Anton Stankov, Minister of Justice, in his opening address at the International Conference "European Standards and Ombudsman Institutions in Southeast Europe"

Local Awareness Events

In the beginning of September 2002 the CSD Law Program launched a series of Information Days for promoting the Ombudsman institution on local level – an ambitious campaign for raising public awareness of the Ombudsman institution as a mechanism for human rights protection both on national and local level. The Information Days were organized with the assistance of local authorities and NGOs, and were held both in municipalities where civic mediators already operate (the cities of Razgrad and Veliko Turnovo) and in towns where such institutions do not exist (the cities of Plovdiv, Varna, Smolyan, Lovech and Troyan). The campaign focused on presenting the experience of already existing local mediators, and providing a forum for discussion on the necessity of transparency in the work of the local administration. The events were attended by representatives of local

authorities, magistrates, non-governmental organizations, experts, journalists and citizens.

In order to further popularize the Ombudsman institution and to facilitate the Information Days campaign the CSD Law Program published and distributed leaflets on the Ombudsman institution describing the nature and types of Ombudsman institutions, the fundamental principles in their operation, the avenues to approach the office of the Ombudsman, the powers and the scope of activity of the institution.

The Information Days campaign had a large impact on the local media – radio and TV cable broadcasts, and the press. Journalists from the local media attended the events and participated in the discussion. As a result information about the events was published in local newspapers and interviews were broadcasted by local radio and TV stations.

- The opportunities for introducing local ombudsman institutions in Bulgaria were discussed at a **Workshop on Establishment of Ombudsman Type Institution on Local Level in Bulgaria: Practice and Prospectives** (November 20, 2002). The event was organized jointly with the Friedrich Ebert Foundation and the National Association of Municipalities in the Republic of Bulgaria, and was attended by local mediators operating on municipal level, representatives of local authorities, non-governmental organizations, jurists, university lecturers and experts. Local mediators from various Bulgarian municipalities presented the experience gained in the course of their operation. The participants agreed that the future Law on the Ombudsman should include special provisions regulating the election of local mediators. In his

statement Mr. Venelin Uzunov, Chairman of the National Association of Municipalities in the Republic of Bulgaria, confirmed the support of the Association and its members for the establishment of public mediators on municipal level. The participants endorsed a Declaration supporting the legal regulation of the Ombudsman institution in Bulgaria and its establishment on municipal level, which was sent to the President of the Republic of Bulgaria, the Chair of the National Assembly and the Chairs of the Parliamentary Committees on Legal Issues, on Human Rights and Religions, on Complaints and Petitions of the Citizens, on Civil Society Issues, and on Local Self-Government.

“We clearly understand the significant role of the Ombudsman institution as an additional mechanism for solving problems related to the lawful operation of the administration. The power of the Ombudsman to monitor the activities of the administration would have a strong impact on the transparency in its work, the prevention and combating of corruption and the education of the administration. Many years ago a former Deputy Minister of Justice said that the best school for the administration was the practice of the administrative courts. I believe that soon this will refer to the activities of the Bulgarian Ombudsman as well.”

Mr. Vladislav Slavov, Chairman of the Supreme Administrative Court and the Union of Bulgarian Jurists in his opening address at the workshop “Establishment of Ombudsman Type Institution on Local Level in Bulgaria. Practice and Prospectives”

“Having in mind the long-established public model of relations between citizens and institutions in the European countries;

Recognizing the civil society's role and significance for the development of the democratic processes;

Determined to establish democratic relations and active dialogue on all levels of government: central authorities – local self-government – citizens;
State their will and ambition to seek and apply different forms for implementing democratic government, requiring active civic participation;

Support:

- *The speeding up of the legislative process and the adoption of a Law on the Civic Mediator (Ombudsman), regulating the statute, general principles, powers, term of office, procedure and organization of its activity;*
- *The legal introduction of the Civic Mediator (Ombudsman) institution on central and local level by assuring the necessary financial resources through corresponding budgets.*

Declaration by the Local Authorities' representatives – participants at the workshop “Establishment of Ombudsman Type Institutions on Local Level in Bulgaria. Practice and Prospectives”

- The debate on establishing local ombudsman institutions in Bulgaria continued at a **Workshop on the Local Ombudsman** (December 14-15, 2002) in Sofia. The event was organized jointly by the CSD Law Program, the British Council in Bulgaria and the Sofia Municipality Civic Mediator, and focused primarily on the mechanisms for establishing Ombuds-

man institutions on local level, the activities of and the difficulties met by the local ombudsmen operating in different municipalities, and the opportunities for developing their mutual cooperation. The workshop brought together representatives of local Ombudsman-type institutions from the whole country as well as lawyers, experts, representatives of local authorities, non-governmental organizations, etc. Guest speaker at the workshop was Mr. Peter McMahon, Deputy Ombudsman of London, who presented the legal framework of the different Ombudsman-type institutions (specialized and local) in the UK and the activity of the office of the London Ombudsman. In the course of the discussions the representatives of local ombudsman institutions decided to establish a National Association of Local Ombudsmen in Bulgaria in order to institutionalize the established cooperation between them and to further promote the introduction of local ombudsman institutions in Bulgaria.

Publications

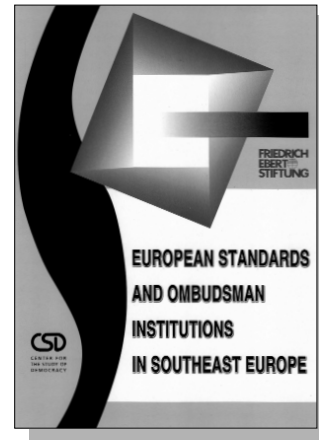
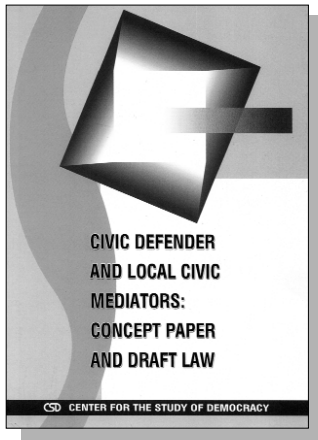
In 2002 the CSD Law Program brought out two more publications related to the introduction of Ombudsman institution in Bulgaria.

- The brochure *Civic Defender and Local Civic Mediators: Concept Paper and Draft Law* (April 2002) consists of both a Concept Paper and a proposal for a Draft Law for the establishment of the institutions of the Civic Defender and Local Civic Mediator in Bulgaria. It is the result of the extended research carried out by the CSD Law Program during the period 1998 – 2002. The Concept Paper and Draft Law reflect the opinions and recommendations of Bulgarian and foreign experts, politicians and representatives of state institutions and non-governmental organizations provided at numerous public discussions, meetings and consultations during this time.
- The brochure *European Standards and Ombudsman Institutions in Southeast Europe* (November 2002) presents a summary of the discussion at the International Conference “European Standards and Ombudsman Institutions in Southeast Europe” held in Sofia on June 6-8, 2002.

The brochures were published in both English and Bulgarian, and were widely distributed among state institutions, non-governmental organizations, experts, journalists, citizens, foreign ombudsmen



At the Workshop on the Local Ombudsman (from left to right): Dr. Maria Yordanova, Director of CSD Law Program, Mr. Ian Stewart, Director, British Council in Bulgaria, Ms. Antoaneta Tsoneva, Sofia Municipality Civic Mediator, Ms. Lisa McManus, Deputy Director, British Council in Bulgaria, Mr. Peter MacMahon, Deputy Ombudsman of London



and representatives of foreign and international organizations with the objective to further popularize the Ombudsman institution and to contribute to the process of its introduction in Bulgaria.

Ombudsman Information Network

Globalization and rapid technological development are affecting many aspects of the lives of the individuals, their families and communities. Understanding the effect of these changes requires human-rights-sensitive knowledge and information that enhance policy making and stakeholder action.

Having in mind the great impact of information technologies in society the CSD Law Program started to develop a web-based *Ombudsman Information Network* (www.anticorruption.bg/ombudsman) to serve as a permanent and dynamic virtual workshop producing, exchanging, managing and disseminating knowledge, data and experience on different issues and trends related to the Ombudsman institution. The network aims at facilitating awareness, advocacy, training and education in the field of human rights protection; collecting relevant information; and disseminating information and knowledge to citizens, public administration and relevant organizations.



2. Developing the Legal Framework for Electronic Documents and Electronic Signatures

During the last few years Bulgaria made considerable progress towards the creation of a favorable legal environment for the use of electronic documents and electronic signatures. The process was initiated in early 1999 by the CSD Law Program whose experts developed a Draft Law on Electronic Document and Electronic Signature. The Law was adopted by the National Assembly in March 2001 and entered into force on October 7, 2001.

Following the adoption of the Law the CSD Law Program experts were involved in a series of training activities aimed to raise awareness of the newly adopted legislation. The members of the CSD Task Force participated in a number of seminars, workshops and public discussions, and presented the Law before magistrates, representatives of state institutions, the legal community, commercial entities and other experts. Parallel to the training activities the CSD Law Program experts provided assistance with the implementation of the new Law by advising institutions and other organizations on different issues concerning the application of the newly adopted provisions.

Drafting Secondary Legislation

A necessary prerequisite for the effective application of the Law on Electronic Document and Electronic Signature was the adoption of the secondary legislation for its implementation. The process started in 2001 and was assigned to the State Telecommunications Commission (transformed later, in February 2002, into Communications Regulation Commission). The CSD Law Program experts who developed the Law on Electronic Document and Electronic Signature

actively participated in all stages of the drafting process, providing expert assistance to the State Telecommunications Commission Working Groups charged with the task to elaborate the secondary legislation. As a result of the combined efforts a set of three ordinances was adopted by Council of Ministers' Decree No. 17 of January 31, 2002 (promulgated in the State Gazette No. 15 of February 8, 2002) and entered into force on February 8, 2002:

- **The Ordinance on the Requirements to the Algorithms of Advanced Electronic Signature** lays down the algorithm requirements through which the data for advanced electronic signature creation are generated (the cryptographic key pairs), and the algorithms through which the actual electronic signature is created (the hash messages, the private key and hashed message combinations, etc). The requirements should be observed by every person performing the activities of generating data for advanced electronic signature creation, and/or verifying an advanced electronic signature. The algorithms should be secure in the practice and incorporated in documents in force (standards, technical specifications, recommendations, guides and reports). The Communications Regulation Commission is responsible for the publication and maintenance of a list of documents in force, containing the technical requirements to the algorithms.
- **After the Ordinance on the Procedure for Registration of Certification-Service-Providers** the Communications Regulation Commission is the body charged with the registration of the Certification-Service-Providers, which issue universal electronic signature certificates. The CRC supports a public register of persons registered

and collects fees for the registration services, determined in the Tariff on Fees, adopted pursuant to a Council of Ministers' Decree. The ordinance includes provisions on the necessary stages of registration procedure, as well as amendments and deletion of the registration.

- **The Ordinance on the Activities of the Certification-Service-Providers, the Terms and Procedures of Termination Thereof, and the Requirements for Provision of Certification Services** includes provisions on the general, personnel and technical requirements as well as the available funds the CSPs have to answer to provide for certification services. It regulates the requirements regarding the format of the certificates issued and the storage of information about the services provided. The Regulation charges the Certification-Service-Provider with the obligation to keep an Electronic Directory containing the certificates of X.500 or LDAP based access issued by it, as well as the certificate of the Provider's electronic signature, and information under article 28, paragraph 3 of the Law on Electronic Document and Electronic Signature relating to the security procedures, the way of using, storing and issuing the advanced electronic signatures, the price for the services provided, the liability of the CSP, etc.

Preparing Comments on the Law

The CSD Law Program experts continued their work on preparing Comments on the Law on Electronic Document and Electronic Signature, which will also include an enlarged survey on the recent legislative developments in the field of e-commerce as well as a collection of foreign and international acts, including some of the newly adopted instruments.

The work on preparing Comments on the Law on Electronic Document and Electronic Signature started in 2001 including the CSD Task Force members Dr. Maria Yordanova, Director of CSD Law Program, Dr. Angel Kalaidzhiev, Associate Professor, Sofia University Law Faculty, Dr. Vessela Stancheva, Attorney at Law, Justice Borislav Belazelkov, Supreme Court of Cassation, as well as Mr. Georgi Dimitrov, Attorney at Law, Dr. Alexander Katzarski, Associate Professor, Sofia University Law Faculty, and Mr. Dimitar Markov, Project Coordinator at CSD Law Program. In the course of the work the CSD Law Program experts decided to broaden the scope of issues to be reviewed in the edition and to include more topics related to the legal regulation of information technologies such as the criminal aspects of computer crimes and the issues of international taxation of e-commerce.

During the year 2002 a series of working meetings of the CSD Law Program experts were held to discuss and share comments and recommendations on the materials prepared. As a result a draft version of the comments was elaborated and circulated among the experts for additional notes and remarks.

3. Continuing Legislative Reform Activities

In 2002 the CSD Law Program continued its efforts towards promoting the principle of public-private partnership in the process of developing new legislation. The initiative aimed to improve the quality of the newly developed laws and regulations, and to increase the transparency of the legislative process. As a result, a series of public discussions on proposed new draft laws were organized, which brought together policy makers, state

officials, experts, representatives of NGOs and the business community.

- **A Public Discussion on the Draft Law on Measures against Financing of Terrorism** (May 14, 2002) brought together MPs, representatives of the Executive, magistrates, experts, representatives of banking and financial institutions, foreign diplomatic missions, foreign and international organizations, non-governmental organizations, and the media. The event was organized jointly by the CSD Law Program and the Atlantic Club of Bulgaria. The Draft Law, developed by a Working Group with the Ministry of Interior and the Ministry of Justice, was presented by the Minister of Interior Professor Georgi Petkanov and the Deputy Minister of Justice Ms. Miglena Tacheva. Mr. Ian Soutar, United Kingdom's Ambassador to Bulgaria, Mr. Vladislav Slavov, Chairman of the Supreme Administrative Court, Mr. Boyko Kotsev, Deputy Minister of Interior, Dr. Vassil Kirov, Director of Financial Intelligence Bureau, Mr. Oleg Nedialkov, CED of Bulgaria Invest Bank and Mr. Svilen Mechev, Head of the Department for Combating Money Laundering at Municipality Bank made valuable comments on the Draft.
- **A Round Table Discussion on the Draft Law on Forfeiture to the State of Any Property Acquired by Criminal Activity** (September 10, 2002) provided government officials, MPs, magistrates, diplomats and journalists with the opportunity to discuss the legal regulation of forfeiture in Bulgaria. The Draft Law was presented by the Minister of Interior Professor Georgi Petkanov. Ms. Karen Kramer, Resident Legal Advisor at the U.S. Embassy, made a review of the U.S. legislation on civil and criminal forfeiture and expressed her support to the Draft Law proposed by the Ministry of Interior. In their statements Mr. Bozhidar Bozhinov, Chairman of the Bulgarian Chamber of Commerce and Industry, Mr. Vassil



Discussion on the Draft Law on Measures against Financing of Terrorism (from left to right): Ms. Miglena Tacheva, Deputy Minister of Justice, Dr. Maria Yordanova, Director of Law Program, CSD, Professor Ljubomir Ivanov, Chair of the Board of the Atlantic Club, Professor Georgi Petkanov, Minister of Interior

Kirov, Director of Financial Intelligence Bureau, Mr. Rumen Georgiev, Deputy Director of the National Investigation Service, and Mr. Gati Al-Dzheburi, First Deputy Minister of Finance made some critical remarks and provided numerous recommendations to the Draft.

- Due to the continued public debate on in the issue of forfeiture a second **Round Table Discussion on the Draft Law** (October 1, 2002) was held featuring a special presentation by Ms. Susan Smith, Senior Trial Attorney at the Asset Forfeiture and Money Laundering Section in the Criminal Division of the U.S. Department of Justice. Ms. Smith made a review of the history and development of asset forfeiture in the United States and described the rather complex legislation in this area.
- Aimed at facilitating the ongoing process of improving the legal framework for political parties in Bulgaria the CSD Law Program jointly with the National Democratic Institute and the American Bar Association – Central European and Eurasian Law Initiative (ABA/CEELI) organized a **Public Discussion on Political Parties Financing**. The event brought together MPs, experts, representatives of non-governmental organizations, foreign and international institutions and journalists. The MPs from Coalition for Bulgaria Mr. Boyko Radoev and Mr. Nikolay Kamov presented the Draft Law on Political Parties submitted by them to the National Assembly. Mr. Emil Koshlukov, MP from the National Movement Simeon II, outlined the main principles of the Draft Law on Political Parties which is currently being developed by MPs from the ruling majority. Mr. Michael Farnworth, Resident Director of the National Democratic Institute, briefed

the participants on the Canadian experience with political parties' financing and outlined some of the best practices implemented in Canada, which could be successfully introduced in Bulgaria as well. In the course of the discussion the participants agreed on the necessity of increasing the control over political parties' financing by both the state and the society. Among the other issues discussed special attention was paid to the necessity of banning anonymous donations and donations by state or municipality-owned legal entities to political parties, permitting the parties to perform commercial activities in certain cases specified by the law, and improving the mechanism for determining the amount of state subsidies for political parties.

II. Judicial Reform

During 2002 judicial reform remained an issue of utmost importance. As a Secretariat of the *Judicial Reform Initiative (JRI)* – a joint initiative of leading Bulgarian NGOs and representatives of the Legislature, the Executive and the Judiciary (www.csd.bg/jri) – the CSD Law Program focused its efforts on facilitating the implementation of the priorities laid down in the Strategy in order to Reform the Judiciary in Bulgaria. The Strategy, adopted by the Government in October 2001, incorporated and further improved many of the recommendations formulated by the *Program for Judicial Reform (PJR)* developed within the framework of JRI and endorsed by a Policy Forum in May 2000.

1. Reforming the Legal Basis of the Judiciary

A Public Discussion on the Draft Law on Amendments to the Law on the

Judiciary (January 31, 2002) was held jointly by the CSD Law Program and the American Bar Association – Central European and Eurasian Law Initiative (ABA/CEELI). The draft amendments to the Law on the Judiciary elaborated by a Task Force with the Ministry of Justice were presented by the Deputy Minister of Justice Mr. Sevdalin Bozhikov. In the course of the discussion Ms. Nelly Koutzkova, Chair of the Sofia District Court and Member of the Supreme Judicial Council, and Ms. Kapka Kostova, Chair of the Sofia Regional Court and the Association of Judges in Bulgaria, expressed their opinion on the draft amendments. Ms. Kostova presented the official statement of the Association of Judges in Bulgaria, which incorporated concrete suggestions and recommendations. Mr. Roumen Georgiev, Deputy Director of the National Investigation Service, introduced the position of the Chamber of Investigators. Dr. Maria Yordanova, Director of the CSD Law Program and JRI Coordinator, underlined the important role of the JRI for the development of judicial reform in Bulgaria. In the course of the discussion MPs, magistrates and law professors expressed their opinions and made various recommendations on the Draft.

2. Registration System Reform

In the beginning of 2002 the CSD Law Program started exploring the opportunities for reforming the system of official registries in Bulgaria. The shortcomings of the present registration system have often been pointed out by the business community as an obstacle to the growth of business and a source of corruption. The reform of the registration system would increase its efficiency and would minimize the unregulated practices accompanying registration and obtaining information. The overcoming of the dismal state of

official registers in Bulgaria is also believed to have far-reaching anti-corruption effects.

In April 2002 the CSD Law Program launched a project with the objective to develop a feasibility study of the opportunities for reforming the registration system in Bulgaria. A Task Force was formed consisting of lawyers experienced in commercial law, and in the field of information technologies and their legal regulation who analyzed the existing situation in Bulgaria and the international experience in the field of development and operation of modern centralized electronic registration systems. The project was implemented in close cooperation with the Minister of Justice who expressed his support to the initiative.

- A Bulgarian delegation made a study visit to Norway (August 4-8, 2002) with the purpose to examine the Norwegian experience with the development of modern registration systems. Members of the delegation were the Minister of Justice Mr. Anton Stankov and the CSD Task Force members Dr. Maria Yordanova, Director of the CSD Law Program, Dr. Silvy Chernev, Chair of the Court of Arbitration with the Bulgarian Chamber of Commerce and Industry, Mr. Borislav Belazelkov, Justice at the Supreme Court of Cassation, and Mr. Dimitar Markov, Project Coordinator of the CSD Law Program. The members of the delegation visited Norway Registers Development (NRD) and were provided with information on the legal basis for registers of legal entities, the NRD's approach to building a register, and the content and possible usage of application framework. The delegation also visited the Bronnoysund Register Centre (BRC) where the participants got acquainted with the

operation of the different registers maintained by the BRC and had useful meetings with BRC senior officers.

On the basis of comprehensive research the CSD Task Force prepared a feasibility study entitled **Opportunities for Development of Central Register of Legal Entities and an Electronic Registries Center in Bulgaria**. The study examines the current situation with official regist-

ries in Bulgaria and analyzes the possibilities for reforming the existing registration system in the country outlining the necessary steps to be undertaken for the introduction of a modern registration system. The recommendations incorporated in the document are in conformity with the Bulgarian legal reality and the needs of the economic and social life. The study aims to stimulate a wide expert and public



During the meeting at NRD (from left to right): (sitting) Mr. Ulf Ertzaas, Senior Legal Advisor, NRD, Mr. Borislav Belazelkov, Justice, Supreme Court of Cassation, Dr. Maria Yordanova, Director, CSD Law Program, Mr. Anton Stankov, Minister of Justice, Mr. Jon Schjelderup Olaisen, Managing Director, NRD, (standing) Dr. Silvy Chernev, Chair of the Court of Arbitration with the Bulgarian Chamber of Commerce and Industry and Mr. Jon Birger Fjalestad, Director, NRD



At the BRC (from left to right): Mr. Ulf Ertzaas, NRD Senior Legal Advisor; Mr. Borislav Belazelkov, Justice in the Supreme Court of Cassation; Mr. Silvy Chernev, Chair of the Court of Arbitration with the Bulgarian Chamber of Commerce and Industry; Mr. Anton Stankov, Minister of Justice; Mr. Dimitar Markov, Project Coordinator, CSD Law Program; Mr. Eric Fossum, Director General of Bronnoysund Register Centre and Dr. Maria Yordanova, Director of CSD Law Program

discussion, which would result in the development of an overall concept for the reform in the registration system.

The full text of the feasibility study developed by the CSD Task Force together with a selection of materials on the registration systems in other European countries collected in the course of the research work were published in a brochure entitled **Reforming Judiciary in Bulgaria: Towards the Introduction of Modern Registration System**. The brochure was put together with the objective to provide useful information in the process of designing the legal basis for the reform and was disseminated among the stakeholders and other interested organizations and experts.

- The conclusions and recommendations of the CSD Task Force were discussed at a **Workshop on Reforming Judiciary in Bulgaria: Towards the Introduction of Modern Registration System**. The feasibility study developed by the CSD Law Program experts was presented by Mr. Borislav

Belazelkov, Justice at the Supreme Court of Cassation. The Norwegian experts Mr. Erik Fossum, Director General of the Bronnoysund Register Centre, and Mr. Ulf Ertzaas, Senior Legal Advisor at Norway Registers Development, presented the Norwegian experience in the field of development, implementation and operation of electronic registers and made a short overview of the legal basis for registers of legal entities in Norway. The event was attended by representatives of the Judiciary and the Executive, NGOs, the business community and media. Ms. Elena Petkova, Director of the Central Pledges Register, expressed support to the registration reform, pointing out the successful operation of the Central Pledges Register – the only centralized electronic register in Bulgaria - created in 1997. Mr. Tsvetan Simeonov, Vice Chairman of the Bulgarian Chamber of Commerce and Industry presented the electronic register of commercial legal entities, kept by the Bulgarian Chamber of Commerce and Industry.



At the Workshop Reforming Judiciary in Bulgaria: Towards the Introduction of Modern Registration System (from left to right): Mr. Borislav Belazelkov, Justice, Supreme Court of Cassation, Mr. Erik Fossum, Director General, Bronnoysund Register Centre, Dr. Maria Yordanova, Director of CSD Law Program and Mr. Ulf Ertzaas, Senior Legal Advisor, Norway Registers Development

3. Developing Judicial Anti-Corruption Program

Based on the experience accumulated in the process of implementing the *Program for Judicial Reform* and the established public-private partnership with the Ministry of Justice, in November 2002, the CSD Law Program as a JRI Secretariat initiated the elaboration of a *Judicial Anti-Corruption Program (JACP)*. The main objective of the JACP is to identify the most important reform areas and to formulate a set of recommendations and mechanisms for achieving legal stability and confidence in the Judiciary.

The process started with a series of preliminary consultations aimed at setting up the Task Forces to elaborate the *Judicial Anti-Corruption Program*. As a result, five Task Forces were formed consisting of experts involved in the PJR development, distinguished lawyers, judges, and civil society representatives. Each of the Task Forces focuses on separate action lines of the reform:

- Constitutional reform
- Improving the legal basis for the anti-corruption actions:
 - Penal Law and Penal Procedure Law
 - Administrative Law and Administrative Procedure Law
 - Civil Law (incl. Commercial Law) and Civil Procedure Law
- Court Administration Reform
- Education and Training of Magistrates
- Awareness and Confidence Building Measures

III. Other Activities

In the year 2002 the CSD Law Program members participated in a number of international forums, presenting the

activities and achievements of the Program and benefiting from the exchange of experience with experts and representatives of numerous foreign and international organizations. Among the most important international events attended by CSD Law Program members are:

- **Human Dimension Seminar on Judicial Systems and Human Rights**, hosted by the Organization for Security and Cooperation in Europe (OSCE) in Warsaw (April 23-25, 2002). The seminar was attended by more than 55 delegations of the participating states, by delegations from states-partners for cooperation, representatives of international and non-governmental organizations and of the OSCE institutions.
- **EU Candidate Countries Conference on Drugs** in Madrid (June 11-12, 2002). The conference addressed the issues of developing national drug strategies by candidate countries and the necessary infrastructures to meet the drug-related elements of the Community acquis, including tackling corruption and strengthening the law enforcement.
- **68th Wilton Park Conference The Justice and Home Affairs Agenda for the South East Europe**, held at Wiston House, Steyning (July 22-26, 2002). The key issues on the JHA agenda in SEE are legal and judicial reforms, measures against organized crime incl. money laundering, drugs trafficking, EU policy towards SEE, etc.
- **The Changes of 1989 and the Process of Transformations in Bulgaria Conference**, organized by the Bulgarian Study Institute in Vienna and the Austrian SEE Institute (October 10-11, 2002).

-
- **Access to Information and Media Legislation Project Conference** held by the Belgrade Human Rights Center and ACCESS – Sofia Foundation in Belgrade (October 29-31, 2002).
 - **UniDem Seminar on Standards of Public Life including Means to Avoid Corruption** in Trieste (November 25-29, 2002). The seminar is part of the UniDem Campus Program set up by the European Commission for Democracy through Law, better known as the Venice Commission – a consultative body of the Council of Europe composed of independent experts in constitutional law. The program aims to provide legal training in, primarily, efficient administration and good governance.
 - **Workshop on Tackling Corruption in South Eastern Europe and the Baltics: Cases of Bulgaria, Romania and Latvia** held by the Latvian Institute of International Affairs in Riga (November 29-30, 2002). The workshop aimed to exchange knowledge on corruption and experience of anti-corruption policies in the three countries, and to outline activities that could be developed in the future between the three countries.

Economic Program

In 2002 the main objective of the Economic Program was to contribute to the economic development and good governance in Bulgaria. The efforts focused primarily on understanding the nature of informal economy, formulating strategies to minimize its negative social effect and promoting the concept and values of good corporate governance in the country.

2002 Highlights

- The Economic Program initiated a process of building a network of experts, policy makers and think-tanks in Europe actively involved in studying and drafting policies to counter informal economy. Two international conferences were held in April and November 2002 to strengthen the network and discuss results of academic and policy research.
- Parallel to the networking process, the Economic Program institutionalized its efforts through the creation of a Working Group on Informal Economy of experts from governmental agencies, NGOs, academia and investigating journalists within the *Coalition 2000* institutional structure.
- The Economic Program developed a new methodology for informal economy assessment based on synthetic indicators. The methodology was tested with two pilot surveys of population and business, and a draft assessment of informal economy based on representative survey of population was prepared.
- Discussion Topics on the Economy of Crime were drafted.
- The Economic Program continued to promote good corporate governance values and standards through series of publications and conference participation.
 - ◆ A reader entitled *In Search for Better Corporate Governance Mechanisms* was published targeted at policy makers, high executives, students and university professors.
 - ◆ The Economic Program fellows participated in the OECD set of conferences aiming to create a White Paper on Corporate Governance in Southeast Europe.
 - ◆ An article on Corporate Governance as Antidote to Corruption, prepared by two fellows of the Economic Program was published by CIPE in March 2002.
 - ◆ The Corporate Governance Dictionary published in 2001 was widely disseminated.
- The Economic Program was actively involved in the creation of regional partnerships against corruption and organized crime by holding international conferences and building networks of experts.

I. Exploring the Nature, Scope and Impact of the Informal Economy

Multiple definitions of the term *informal economy* exist, referring to *gray, underground, criminal, shadow* or *unrecorded* economy, etc. Being *informal* could be a market “exit” option or a symptom of its non-existence. Despite the variety of reasons that may lead to informal economic activities, the real challenge lies in its impact on growth, social welfare, democracy and international trade.

The Economic Program undertook a number of activities to build an international network of experts, policy makers and think-tanks in Europe actively involved in studying and drafting policies to counter informal economy in order to propose effective governance strategy for informal economy in Bulgaria and the region. The activities of this network were institutionalized through the creation of a Working Group on Informal Economy coordinated by Petkan Iliev from CSD.

The Working Group consists of experts from General Tax Directorate, National

Statistical Institute, National Investigation Office, Ministry of Labor and Social Policy, Bulgarian Presidency, National Assembly Administration, Bulgarian National Bank, NGOs, academia and investigating journalists within the *Coalition 2000* institutional structure. The Economic Program organized two international conferences in 2002 aimed to strengthen the network of experts and to discuss the Working Group draft assessments of informal economy.

Round table The Informal Economy in the EU Accession Countries: Size, Scope, Trends and Challenges to the Process of EU Enlargement

The round table was organized by the Center for the Study of Democracy, the World Bank and the Bertelsmann Foundation on April 18-19, 2002. The round table brought together experts involved in policy and research coming from EU member states (Austria, Germany, Italy, the United Kingdom), accession countries (Bulgaria, the Czech Republic, Hungary, Lithuania, Poland, Romania and Slovenia), states participating in the Stability Pact for Southeast Europe



From left to right: Ms. Gabriele Schroers, Program Officer Central and Eastern Europe, Bertelsmann Foundation, Mr. Oscar de Bruyn Kops, Country Manager, World Bank, Sofia, Dr. Ognian Shentov, Chairman, CSD, Mr. Franz Kaps, Senior Partnership Adviser, Office of the Vice President Europe and Central Asia, and Dr. Boyan Belev, Ministry of Foreign Affairs

(Albania, Bosnia, Croatia, Moldova and Serbia) and other countries (Canada and Russia) as well as representatives of international organizations, multilateral and bilateral aid agencies.

The discussion at the round table focused on the following topics: size and scope of the informal economy, methods of assessment, general views and cross-country comparisons, and case studies from Central Europe, the Baltic republics and the Balkans. A special panel was devoted to a related issue - risk reporting and early warning for good governance and against corruption. About 100 experts and policy makers attended the round table. The papers presented by the speakers as well as the written comments submitted by the discussants will be published as proceedings of the round table.

Informal Economy Assessment

On 29 November, 2002, the second International Conference *Informal Eco-*

nomy in the EU Accession Countries: Size, Scope, and the Trends in Trafficking and Corruption was held bringing together leading experts in the field - academics, policy makers, representatives of relevant NGOs and others from Bulgaria, EU members states and candidate countries, other SEE countries and the US to discuss the institutional response to the gray economy and the transnational crime.

The presentations and discussions during the first day provided an adequate picture of the size and the scope of the informal economy in the EU accession countries, explored the nature of the informal economy through application of the available methods of assessment, suggested recommendations on the applicability of specific approaches depending on a dynamic set of variables and contributed to consensus building on the role of the informal economy in Europe and its possible implications in the process of EU enlargement.



From left to right: Mr. Ruslan Stefanov, Project Coordinator, CSD Economic Program, Dr. Maciej Grabowski, Vice President, Institute for Market Economies, Gdansk, Dr. Ognian Shentov, CSD Chairman, Mr. Nikola Yankov, Deputy Minister of Economy and Mr. Michael Cayton, OECD Consultant, Ministry of Economy of Bulgaria

Dissemination activities

CSD activities received broad coverage in the specialized economic and financial press as well as national dailies. Articles on Economic Program outputs were published in *Ikonomicheski Zhivot Weekly*, *Capital Weekly*, *Pari* and *24 Chasa*.

II. Building Public Awareness for Corporate Governance Reform

Throughout 2002 the Center for the Study of Democracy continued to raise awareness on corporate governance issues by bringing out and providing relevant publications to interested parties, and participating in public discussions on relevant legislation changes and in international conferences.

The Economic Program organized the publication of a comprehensive reader on Corporate Governance "*In Search for Better Corporate Governance Mechanisms*". The reader consists of original studies of recent corporate governance

policies, e.g. those of the World Bank, and basic documents on good corporate governance of international organizations like OECD. The papers are written by well known authors like Marek Hessel. The reader is organized in four chapters – the first summarizes the fundamentals of corporate governance; the second is devoted to the reforms in corporate governance systems; the third presents an overview of regional and national strategies for better corporate governance; the fourth provides original documents of leading organizations in corporate governance as well as a detailed reference guide for further reading as appendices.

Copies of the Corporate Governance Dictionary published in 2001 were distributed to journalists from economic sections or specialized economic newspapers and magazines, policy makers and business associations, university professors and graduate students, including participants of the Corporate Governance Summer School organized by Bourov Foundation and others.

Participation in the Regional Debate on Corporate Governance

Two CSD senior fellows - Plamen Tchipev and Boyan Belev participated in the Second and Third Southeast Europe Corporate Governance Round Tables in 2002. The series of round tables in Southeast Europe were initiated by OECD in 2001 aiming to foster regional debate on corporate governance and draft policy measures. The first round table was held in September 2001. The second round table took place in May 2002 in Istanbul and focused on transparency and disclosure, while the third round table was held in November in Zagreb and identified key areas for improvement of corporate governance practices. Based on papers and discussions at these round tables participants



drafted a White Paper including a set of practical recommendations and designed to serve as a means for setting priorities and implementing reform at national or corporate level.

A paper entitled "Corporate Governance as Antidote for Corruption: Examples/lessons learned in Bulgaria and transition countries" written by two fellows of the Economic Program - Todor Yalamov and Boyan Belev - was published in *Corporate Governance: An Antidote to Corruption*, March 2002, CIPE, Washington DC.

Vitosha Research / Sociological Program

2002 Highlights

Vitosha Research carried out 50 social, economic, marketing, media and public opinion projects in 2002. Quantitative and qualitative surveys were conducted, including more than 23,500 face-to-face interviews, 177 in depth interviews and 30 focus groups. The collected information was summarized in over 60 analytical reports, policy papers and newspaper publications.

- In 2002 Vitosha Research continued to systematically expand its scope of activities to cover neighboring and other countries. The Human Security Survey commissioned by the UNDP Regional Bureau in Bratislava and conducted in the Caucasus region (Armenia, Georgia and Azerbaijan) was an important project in this respect.
- Three Eurobarometer Surveys were carried out by a consortium of agencies from EU candidate Central and East European countries. Information about the general attitudes of the Bulgarian public towards EU, as well as public opinion and assessments of the process of European integration in Bulgaria was obtained.
- The results of the second international survey, which is the main component of another round of anti-corruption diagnostics, were presented in April 2002. The corruption monitoring methodology employed provides information about the level of corruption in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Yugoslavia. It has become baseline resource for national and international institutions and organizations.
- Vitosha Research conducted two surveys among the general public, one in the business sector and one among public officials as part of the Corruption Monitoring System of *Coalition 2000*.
- The Conflict Vulnerability Assessment study conducted in cooperation with the Conflict Management Group included analysis of the social and political risk over the period 1989-2001. The main objective of the assessment was to identify current and potential sources of conflict and instability in the country.
- In 2002 Vitosha Research completed the project "Assessment of the Progress Made by Bulgaria towards Sustainable Development in the Context of the RIO+10 Process". A comprehensive analytical report, it outlines the main achievements, challenges and recommendations for the future progress of the Rio+10 process in Bulgaria.

I. Social and Economic Research

The main thematic issues of the implemented social and economic research projects included the assessment of the existing and potential conflicts in Bulgaria, the coping mechanisms of elderly pensioners throughout Bulgaria, crime victimization, regulatory and administrative costs for the private sector firms and others. In the course of the work on these projects, some of them commissioned by the Councils of Ministers, World Bank, UNDP, USAID, American Red Cross and Open Society Foundation, Vitosha Research conducted over 4300 face-to-face interviews, 15 focus groups and 177 in-depth interviews with Members of Parliament, ministry and state agency officials, representatives of municipal administrations, businessmen, academics, NGO leaders and journalists.

1. Conflict Vulnerability Assessment

The survey was part of the efforts of the USAID/Bulgaria to track the past, present and potential future conflicts in Bulgaria, the regional dimensions of conflict vulnerability, to identify the key conflict players and at-risk groups, and to determine the root causes and immediate factors of the conflicts. The study was based on more than 50 in-depth interviews. The interviews included wide range of respondents, dispersed geographically throughout Bulgaria – political leaders and Members of Parliament, national and local government officials, representatives of labor organizations, members of the Turkish, Roma and Pomak communities, representatives of civil society institutions (NGOs), journalists, business associations and trade unions. The study concluded that Bulgaria was unlikely to suffer the kind of ethno-political conflict that had been experienced by some of its

neighbors, even if tensions should increase again in neighboring countries. Still some important causes of conflict vulnerability could be identified - increasing stratification of society, increased marginalization and ghettoization of a significant minority population, low level of public trust in state institutions and political parties, limited capacity for conflict management, etc. None of these causes is in itself sufficient to produce conflict, but together they create a volatile situation ripe for escalation through activities of “conflict agents” or trigger events.

2. Assessment of Sustainable Development Initiatives in Bulgaria

The project on Assessment of Sustainable Development Initiatives in Bulgaria was commissioned by UNDP Capacity 21 Program. The main task of the project was to make an in-depth analysis of the country’s progress towards sustainable development in the context of the Rio+10 process. The approach adopted in assessing Bulgaria’s progress towards sustainable development involved the use of various quantitative and qualitative methods targeting a number of different institutions, organizations and communities. The qualitative survey comprised 50 in-depth interviews with representatives of the following target groups: ministry officials, representatives of the district administrations of Lovech and Veliko Turnovo Districts, and of the municipal administrations in Velingrad, Asenovgrad, Teteven, Svishtov, Elena and Lyaskovets Municipalities, NGO representatives and business persons.

A quantitative survey was also conducted among participants in the pilot projects of Capacity 21 Program in the municipalities of Velingrad and Svishtov. Content analysis was made of existing sources of information concerning the evolution of the Rio+10 process

in Bulgaria – publications, research projects and studies, sector-specific laws, documents, strategies, programs and plans related to sustainable development on the national, regional, and local levels.

In the context of the global problems sustainable development is facing specific challenges in Bulgaria. Among them are the gaps in the national legislation with a bearing to sustainable development; lack of comprehensive institutional regulation of the process of sustainable development and of a steady-fast policy in this direction; the coordination of the overall process of sustainable development and synchronization of the policies, programs and projects in various spheres have been inadequate. The following characteristics of the process of Sustainable Development could be identified:

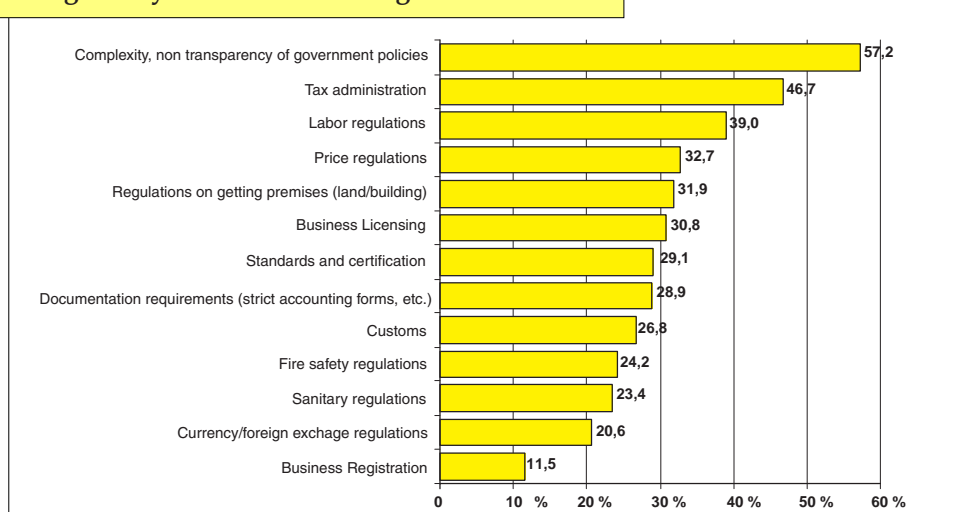
- The National Plan for Regional Development (NPRD) is becoming the basic instrument for the creation of a comprehensive long-term regional development policy based on a balance of national, regional, and local interests and priorities.

- The sustainable development concept is gaining increasing recognition, not only on the part of the political constituency and public administration, but also among members of the academic community and representatives of non-governmental organizations and business.
- Several hundred Sustainable Development related projects have already been implemented in the country at the national, regional and local levels, and involvement of civil society has been growing.

3. Regulatory Framework and Policy Improvement: Regulatory and Administrative Costs Survey

This project was commissioned by Council of Ministers and was aimed at evaluating the impact of the state requirements, procedures and institutional arrangements of private firms. The target groups of the survey were owners, managers and chief executive officers of companies. The information collected made it possible to draw conclusions

Regulatory Constraints to Bulgarian Business



about the main problems faced by the business sector in Bulgaria (including certification of goods and services, obtaining of licenses, inspections, etc.).

4. Coping Mechanisms of Elderly Pensioners in Bulgaria

The survey on the Bulgarian Elderly Pensioner Program was carried out by Vitosha Research in cooperation with the American Red Cross and the Bulgarian Red Cross. The results of both the quantitative and the qualitative surveys (the latter was carried out in six regions – Pazardjik, Lovech, Dobrich, Stara Zagora and Shoumen – through focus groups discussions and in-depth interviews) delineated the basic problems and needs of pensioners over 65 with low personal income. Public officials, local NGO leaders, business persons, journalists and the pensioners themselves gave their opinion and recommendations for finding out the most appropriate and preferred models of assistance.

Regarding the main needs of pensioners, several types of models of assistance were pointed out as more appropriate:

- For satisfying the pensioners' needs for more and better food, forms of assistance such as pensioners' store, social patronage, and delivery of food supplies are more or less positively evaluated.
- The preferred models with respect to pensioners' needs for better health care services and supply of necessary medicine are: rehabilitation centers, health rooms, free medicines and provision of free medical services at home, and special medical care for disabled people and people suffering from chronic diseases.
- The preferred models of assistance in relation to pensioners' limited financial capacity for satisfying their daily wants: delivery of certain amount of money or partial coverage of pensioners' bills for electricity, heating, and water, as well as the provision of cheaper services for household repairs and maintenance. The social assistance benefits, provided by the social assistance services are considered insufficient by the pensioners.
- As a whole, the preferred model for responding to pensioners' cultural and information needs is the conducting of various organized cultural events such as: attendance at theater plays and movies, celebration of various holidays, organizations of lectures and discussions, which create the opportunity for the maintenance and widening of pensioners' social contacts and the realization of more interaction.

5. Human Security in the Countries of the Caucasus - Armenia, Azerbaijan, and Georgia

As a part of the UNDP Human Security project in the Caucasus Region, a set of qualitative social studies were undertaken in the region of South Caucasus (Armenia, Azerbaijan and Georgia). The study was commissioned by the UNDP Regional Bureau in Bratislava and aimed at gauging public attitudes towards terrorism in general and its specific manifestations after September 11. It also assessed the evolution of specific threats against human security in the post 9/11 environment. Qualitative research methods (focus-group discussions and in-depth interviews) were used to evaluate the basic elements of human security (economic security, food security, health security, environ-

mental security, personal and public, and political security) in the three countries.

The study showed that for all the countries in the Caucasus region human security problems have a clear economic background, and produce serious anxiety about the future of national identity and statehood in general. In all three countries the level of political security and public trust in institutions is low. This has been one of the important effects of both the high level of confrontation and tension in the region, and the ineffective policies adopted by the state and the political elites.

6. Early Warning System in Bulgaria

The project coordinated by UNDP includes monthly publications of Early Warning Reports (EWR). The main objective of the reports, which have been published since 1997, is to explore the dynamics of the overall economic, social, political, religious and ethnic environment in Bulgaria, to anticipate and respond to crisis situation before they become too violent or before their effects became irreversible. Early Warning Reports provide information and early warning signals for possible adverse effects. Work on this project is based on the cooperation of analysts in the Development of International Relations Association, BBSS and Club Ekonomika 2000. CSD is responsible for four of the seven sections of the report. In 2002 two Early Warning Reports were published.

7. Social Evaluation of the "Integrated Development of the Pernik Region" Micro-Projects

In order to evaluate the social impact of the Pernik Pilot Project, which constitu-

tes a part of the Employment Project in the regions with steel-producing and mining industries a combination of quantitative and qualitative methods were used.

On the basis of the assessment it was concluded that the micro-projects had been well accepted by citizens of the Pernik Region. Providing objective economic, technical, organizational and social evaluations of the completed projects is considered necessary as it contributes to the design and implementation of similar projects in the future.

8. International Crime Victimization Survey

International Crime Victimization Survey, commissioned by Open Society Foundation, was conducted by Vitosha Research, using a methodology, developed by United Nations International Crime and Justice Research Institute (UNICRI). The main goal of the survey was to collect information from the victims about the different crimes, their frequency and the assistance rendered by the police, NGOs, etc.

II. Corruption Surveys

1. Corruption Monitoring System of *Coalition 2000*

Vitosha Research has been extensively involved in conducting the surveys of the Corruption Monitoring System (CMS) of *Coalition 2000*. CMS includes a comprehensive set of qualitative and quantitative techniques for different target groups (general public, business people, public officials, professionals, etc.). In 2002 two quantitative surveys of general public, two surveys of the busi-

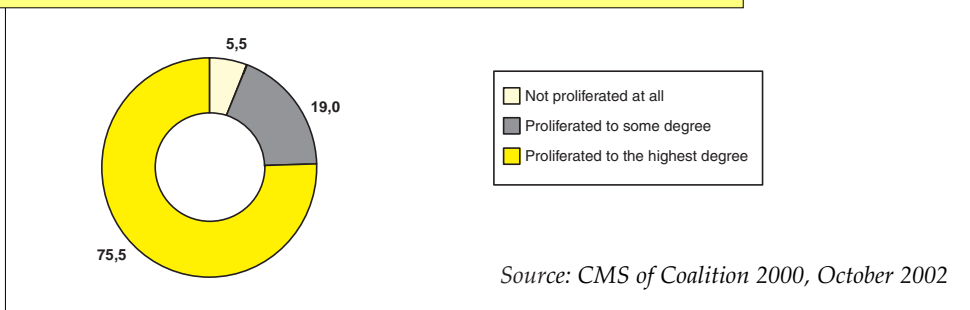
ness sector and one survey with public officials were conducted. This made it possible to estimate the dynamics of the level of corruption in the country and analyze the corruption related attitudes.

CMS results were summarized in the Corruption Indexes of *Coalition 2000* and published three times in 2002 (February, June and November).

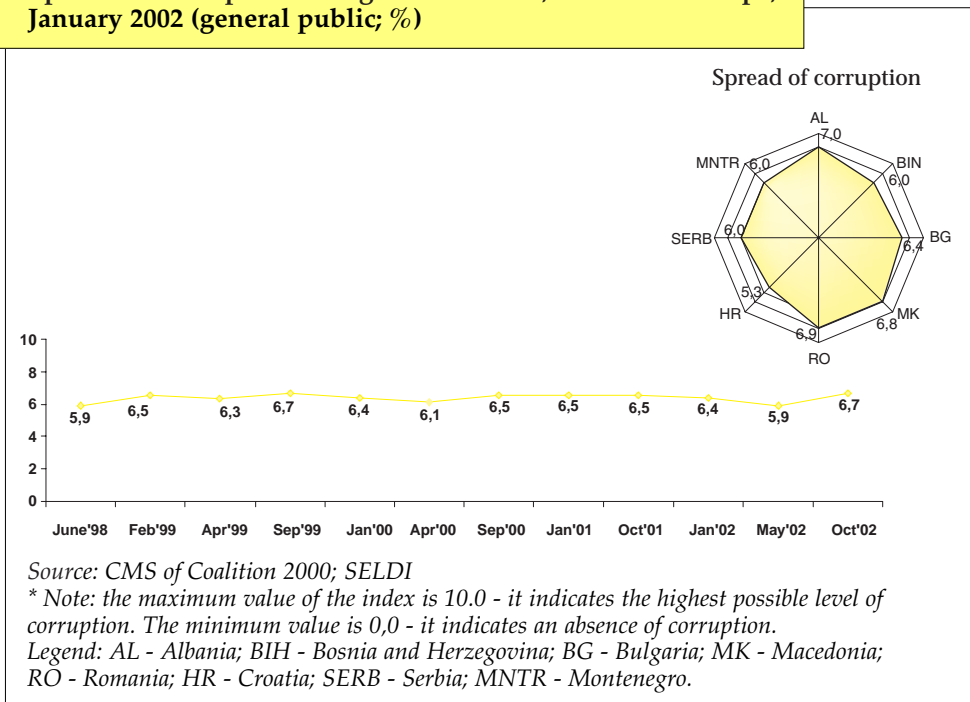
2. Regional Corruption Monitoring

The second round of Regional Corruption Monitoring System was based on the methodology of the Corruption Monitoring System of *Coalition 2000*. The main goal of the analysis is to demonstrate the relative public importance of corruption and the level of proliferation of corrupt practices in various social structures, institutions and groups. The

Spread of Corruption in the Judiciary (general public; %)



Spread of Corruption*: Bulgaria 1998-2002, Southeast Europe, January 2002 (general public; %)



information gathered allows for comparisons between individual countries and makes it possible to track the evolution of corrupt behavior.

The Spread of Corruption index summarizes assessments of the spread of corrupt practices among public sector employees. The evolution of the index values displays several notable characteristics. In general, its values in all of the countries surveyed are the highest compared to the other corruption indexes, which is a tendency carrying on from 2001. In comparative terms, the most notable changes have been registered for Macedonia, where assessments of the spread of corruption have sharply increased. At the same time in Serbia, Croatia and Romania there has been a noticeable change in a favorable direction. In Bulgaria the assessments of the spread of corruption remained almost unchanged.

3. Corruption in Small and Medium-sized Enterprises

In cooperation with Integra, Slovakia, Vitosha Research completed a project on Corruption in Small and Medium-sized Enterprises. The survey was conducted among entrepreneurs and managers of 642 small and medium-sized companies.

The majority of business people recognized many forms of abuse of power, which they identify as corruption in addition to some traditional forms as giving bribes in different forms. SME managers consider the lack of administrative control and the dysfunctionality of the judiciary among the most important factors facilitating the spread of corruption in the country. According to the participants in the survey, the most efficient strategies to curb corruption include, on the one hand, timely and well-ordered government measures and

legal regulations, and on the other hand, the development of alternative anticorruption agencies/actors, e.g. as civil society anticorruption organizations, wide media publicity, etc.

III. IT Projects

Vitosha Research has continued to monitor the IT penetration and information society development in Bulgaria. Special attention has been devoted to PCs and Internet usage and their role in the everyday life of Bulgarians. In 2002 several projects were carried out and the data collected made it possible to produce regular assessments of the current status of ICTs.

1. Monitoring of Information Technologies in Bulgaria

Vitosha Research has been monitoring the penetration of new information technologies in Bulgarians' everyday life since 2000. The purpose is to systematically assess the use of PCs and the Internet by Bulgarian citizens. Three main indicators have been monitored: computer access, Internet use and structure of Internet use. The main findings include:

- Although the relative share of people with PC access has increased, the level of IT penetration in Bulgarians' everyday life can be evaluated as relatively low. As of October 2002 the approximate number of PC users aged 18 and above are about 1,050,000 (16.3% of the adult population).
- The people with higher education constitute the largest group among those having computer access. The highest level of PC usage is observed among the 18-40 age group.

- Although Internet use has generally been on the rise the share of users among the Bulgarian population remains relatively low.
- The typical Internet users visit the virtual space at least once a week.
- The three main purposes for Internet users to access the World Wide Web are the following: as a source of information, for entertainment, and for business and education. At the same time services like financial transactions and online shopping are still rarely used.

The specific goals of the project are:

- Assessment of the general Internet habits of the users;
- Identification of the main problems related to Internet usage;
- Positioning of Internet among the contemporary forms of communication;
- Description of the Internet users' profile;
- Probing the Internet users' attitudes towards participation in future surveys conducted via Internet.

2. On-line Survey on the Internet Use

Vitosha Research and Bulgaria Online developed a pilot project for an Internet survey. The basic methodological purpose of the survey was to test different options and techniques for conducting online studies via Internet. The pilot-project target group covers the registered users of the News and Media information data-base of Bulgaria Online.

Survey results show some essential problems that inhibit the level of Internet use in Bulgaria: the necessity to achieve better value-for-money services in terms of connection speed and connection reliability, the need to improve security and e-mail protection. More than half of the respondents think spam e-mail should be reduced through enforcement of new regulations.

Frequency of Internet Use (%)

	<i>April 2000</i>	<i>September 2000</i>	<i>June 2001</i>	<i>October 2001</i>	<i>May 2002</i>	<i>October 2002</i>
Several times a day	0,4	0,9	0,9	1,4	1,3	1,9
At least once a day	1,0	1,4	2,5	1,8	1,4	2,5
At least once a week	2,2	1,6	3,2	3,8	3,8	2,9
At least once a month	0,9	0,8	1,0	1,1	0,8	1,2
Less often	1,0	2,1	0,7	2,3	1,6	1,5
Total	5,5	6,8	8,3	10,4	8,9	10,0
<i>Source: Vitosha Research Quarterly Omnibus (2000 - 2002)</i>						

IV. Public Opinion, Media and Market Research

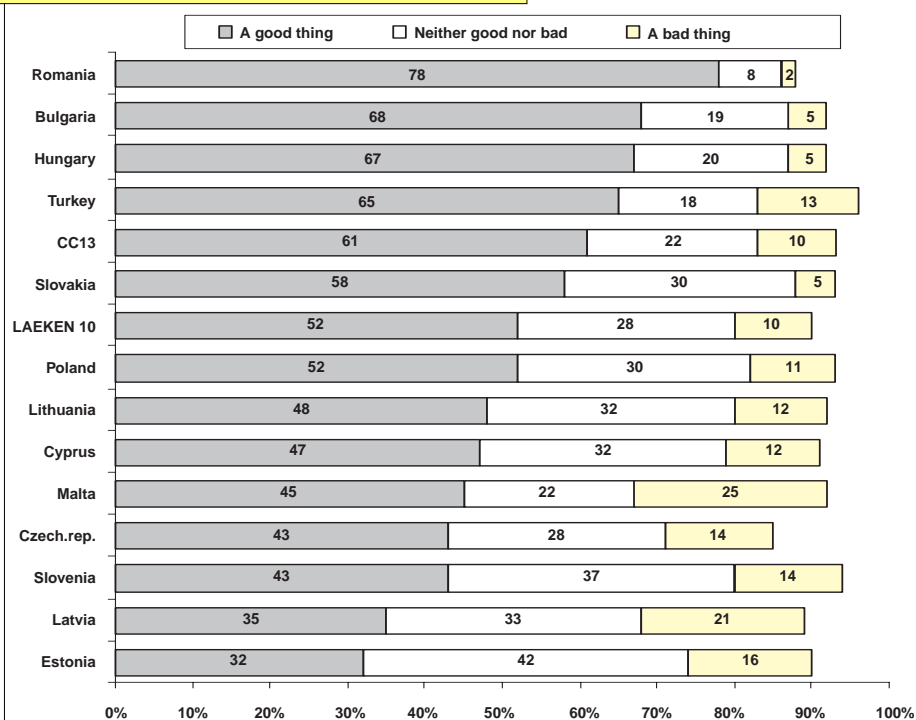
Ten public opinion research projects were implemented in 2001. The basic topics of the studies were: public opinion about politics and economy, attitudes towards the European Union, NATO and US policy against terrorism, the health reform in Bulgaria, etc. The projects were commissioned by the Office of Research, US Department of State, Gallup Hunga-ry, the Democracy Network Program, the

National Health Insurance Fund, Barents Group of KPMG Consulting, and the International Institute for Democracy and Electoral Assistance.

1. Eurobarometer

Vitosha Research, as a part of a consortium of research institutions from Central and Eastern Europe, has continued the implementation of the Eurobarometer survey. The survey is launched by

Support for EU Membership



Source: Candidate Countries Eurobarometer 2002.2, Public Opinion in the 13 Candidate Countries for European Union Membership, First Results, November 2002, European Commission
The Eurobarometer Website: http://europa.eu.int/comm/public_opinion

CC13 - Candidate countries as a whole

LAEKEN 10 – “Laeken group” includes 10 countries which were invited in December 2002 to join the EU by 2004 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia)

Question: Generally speaking, do you think that (COUNTRY)'s membership of the European Union would be...?

(% “Don't know” and “No answer” not shown)

the European Commission in 13 EU candidate countries and is coordinated by Gallup Hungary. Gathering information about societies that will become members of the European Union, the Commission is able to provide decision makers and the European public with opinion data that help understand similarities and differences between the EU and the candidate countries. The Eurobarometer continuously tracks the support for EU membership and the change of attitudes related to European issues in the candidate countries. In 2002 three surveys were carried out. The project aims at monitoring general attitudes towards the EU membership, public expectations of changes of living standards, and assessments of the process of European integration of Bulgaria.

More than 6 people out of 10 in the candidate countries (61 %) consider their country's membership of the EU as a "good thing" (2 percentage points more than last year). Across all 13 candidate countries the level of support observed has not risen significantly. However, opposition has fallen compared to the Spring 2002 survey. These favorable results are even more striking in the 10 countries which in December 2002 were invited to become EU members, where the number of people who are against their country's membership records a drop of about 20 percentage points within one year.

The latest wave of the Eurobarometer showed that the highest level of support for EU membership has been registered in Romania, Bulgaria, Hungary and Turkey.

2. Public Opinion on Administrative Services in Bulgaria

The project, commissioned by KPMG,

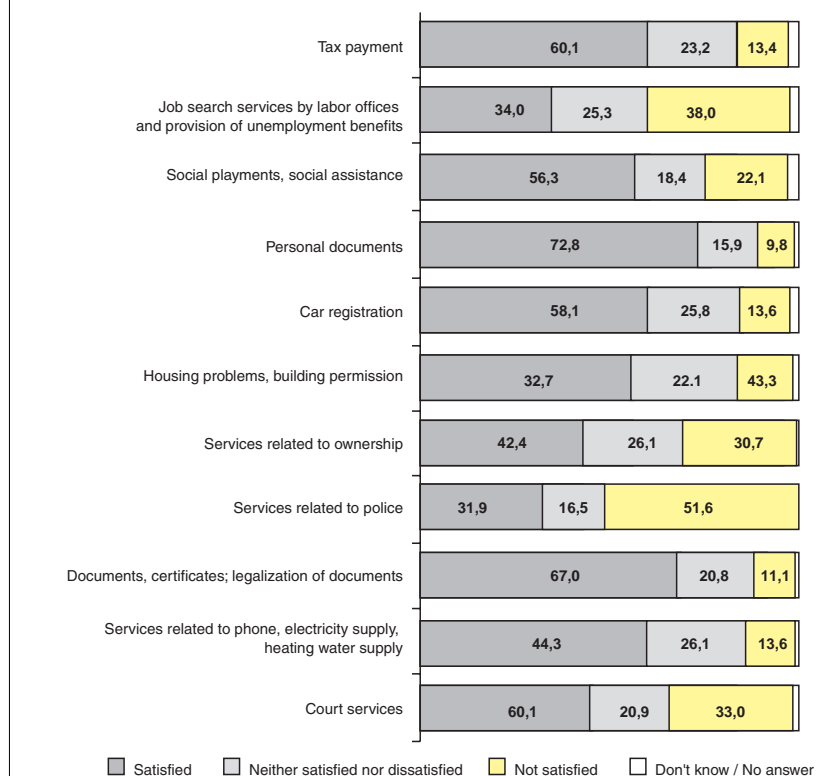
aimed to gauge citizens' satisfaction with administrative services in Bulgaria, and to obtain assessments and recommendations on the current administrative system in the country.

The survey results show that positive assessments prevail for the administrative services provided to citizens and companies. The share of unsatisfied clients exceeds that of satisfied clients in services related to: 1) police (e.g. in case of theft, complaints, check-ups, etc.); 2) housing problems, applications for building permissions and job search services and 3) provision of unemployment benefits by Labor Offices. Along with many objective reasons for not receiving administrative services that citizens and firms are entitled to (such as the high cost of the services, too much bureaucracy, lack of financial resources from the budget, delay of payments, unclear requirements, etc.) the negligence and unconcerned attitude of the public officials towards the clients and towards their own administrative duties was highlighted as a very important subjective reason. The main recommendation for the improvement of service delivery at the local, regional and national level is to impose stricter control and penalties for malperformance of officials.

3. Media Research

Media studies focused on the evaluation of Radio Free Europe, Deutsche Welle, BBC and Voice of America programming. A total of one quantitative, two qualitative studies, two radio monitoring projects, one assessment of radio advertisements and three waves of assessment of music fragments were conducted. Most of these projects were commissioned by the InterMedia Survey Institute and Radio Vitosha – Bulgaria and aimed at assessing:

Citizens' Satisfaction with Administrative Services (%)*



(*) Base – the respondents who have received the respective administrative service

4. Market Research

- Trust of the Bulgarian public in mass media;
 - Attitudes towards international and domestic TV, and radio channels;
 - Role, image and relevance of international and domestic radio broadcasters in Bulgaria;
 - Opinions and attitudes of Bulgarian listeners towards the programs of the RFE, DW, BBC and VOA.
- Vitosha Research also conducted eight quantitative market surveys in 2002. The main topics of the studies were:
- Pharmaceutical market segmentation;
 - Alcoholic drink consumption and brand tracking;
 - Use and attitudes towards the consumption of goods at OMV petrol stations.

V. Publications

Research findings have been widely disseminated in the press. More than 20 articles and survey analyses were published in newspapers with national circulation. About 40 analytical reports and policy papers were prepared by Vitosha Research experts. Some of the more important reports are:

- Assessment of the Progress Made by Bulgaria towards Sustainable Development in the Context of the RIO+10 Process, January 2002.
- Developing Philanthropy in Bulgaria: Strategic and Sustainable Partnership with NGOs, January 2002.
- E-readiness assessment of Bulgaria, January 2002.
- Corruption Indexes, Regional Corruption Monitoring in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, and Yugoslavia, April 2002.
- Social Evaluation of the Micro-projects Fulfilled under the "Integrated Development of the Pernik Region" Project, February 2002.
- Conflict Vulnerability Assessment, April 2002
- Regulatory Framework and Policy Improvements: Regulatory and Administrative Costs survey, April 2002.
- Human Security in Armenia, Azerbaijan and Georgia Following the Events of 11 September 2001, April 2002
- Bulgarian Elderly Pensioner Program Survey, May 2002
- Public opinion on the economic and social policy of the Bulgarian government, June 2002.
- Public opinion on administrative services delivery, June 2002
- Corruption in Small and Medium-Sized Enterprises, August 2002
- Corruption Indexes of *Coalition 2000*, November 2002.

European Program

I. Enhancing the Rule of Law in the Process of Euro-Atlantic Integration

The main focus areas of CSD's European Program in 2002 were the issues of justice and home affairs (JHA) agenda of Euro-Atlantic integration. This agenda increasingly incorporates the problems of corruption, organized crime, trafficking, security sector reform, etc.

CSD has cooperated for several years now with the George C. Marshall European Center for Security Studies in the field of the security aspects of European and Atlantic integration. The Center for the Study of Democracy and the Marshall Center jointly organized a regional conference **Institutionalizing the Prevention of Corruption in Security Forces: Enhancing Preventive Structures** (March 11-14th, 2002, Sofia). The conference aimed to examine and assess the threat posed by organized crime and corruption to the national security in the region by streamlining

the anticorruption strategies and future activities of cooperation in that area. The event brought together approximately 50 senior executives from governmental security organizations from 11 countries in Southeast Europe (Albania, Bosnia and Herzegovina, Croatia, Hungary, Macedonia, Moldova, Rumania, Slovakia, Slovenia and Bulgaria) as well as special observers from international organizations and local NGOs. Keynote speakers included Mr. Nickolay Svinarov, Minister of Defense of Bulgaria, Mr. Roderick Moore, US Charge d'Affairs and Ambassador Victor Jackovich, Associate Director of the Marshall Center.

In the past few years, the potential for cooperation with non-governmental organizations and think-tanks in the global war against terrorism has been receiving increasing acknowledgement. This is particularly relevant in Southeast Europe where the new security risks are linked to the stability of government institutions and the capacity of law enforcement. A sign of this acknowledgement was the visit of General Joseph W. Ralston, Supreme Allied Commander Europe (SACEUR) to the Center for the Study of Democracy in



Participants at the conference Institutionalizing the Prevention of Corruption in Security Forces: Enhancing Preventive Structures

March 2002. SACEUR encouraged the cooperation already developed in this area between CSD and the George C. Marshall European Center for Security Studies, and underlined the contribution which efforts in the field of the rule of law can make to the security objectives pursued by the US government and its allies in the region.



General Ralston (left) met with Ambassador Boyko Noev, Director of CSD's European Program and former Minister of Defense of Bulgaria, and Dr. Ognian Shentov, CSD Chairman (right).

One of CSD's key contributions in the field of fighting global terrorism was the organization of the Regional Policy Forum **International Cooperation in Countering Terrorism** held in June 2002 jointly with the Ministry of Foreign Affairs of Bulgaria. The main purpose of the forum was to provide an understanding of the best national practices in countering terrorism and to transfer relevant experience between Southeast European countries. Government representatives from the SEE countries discussed the national and international actions directed to countering terrorism. The meeting facilitated the dialogue toward preparing future strategies for regional cooperation in this field. Discussions in two parallel sessions - „Combating Terrorism and Transnational Organized Crime“ and „Measures against Financing of Terrorism“ took place during the forum.

Among the speakers at the forum were Mr. Georgi Parvanov, President of Bulgaria, Mr. Solomon Passy, Minister of Foreign Affairs, representatives of the UN Security Council Counter - Terrorism Committee, the Multidisciplinary Group on International Action against Terrorism at the Council of Europe, the Stability Pact for SEE as well



From left to right: Mr. Boyko Kotzev, Deputy Minister of Interior, Mr. Georgi Parvanov, President of Bulgaria and Mr. Solomon Passy, Minister of Foreign Affairs of Bulgaria

as members of the National Assembly of Bulgaria, diplomats and NGO community representatives.

The Scandinavian countries have been showing an increasing interest in the field of the soft security issues in Southeast Europe. In this context, cooperation was established with the Norwegian government. With its support, the Center is currently implementing a long term program aimed at providing the Bulgarian security forces with the capacity to develop their own anti-corruption training. The program is carried out under a Memorandum of Understanding with the Ministry of Interior and includes anti-corruption training for trainers component delivered at the Academy of the Ministry. The same training is also provided to the Military Academy which prepares future members of Bulgaria's General Staff. The

logic of the programs is to span the national agencies which are dealing with both the “traditional” and the new security challenges, including organized crime.

The occasion of the visit of the Deputy National Police Commissioner and the Director of the National Criminal Investigation Service of Norway in September 2002 was used to outline the framework of future joint efforts in this area. During the visit to CSD Mr. Odd Malme, Deputy National Police Commissioner and Mr. Arne Huuse, Director of the National Criminal Investigation Service of Norway discussed a possible future cooperation with experts from the Ministry of the Interior of Bulgaria, including the National Service for Combating the Organized Crime and the Border Police.

As part of this program, in November, 2002, the Center for the Study of Democracy hosted an international conference on the “**Economy of Crime: Gray Sector, Trafficking, Corruption**”. The event brought together 120 participants from Bulgaria, EU member states and candidate countries, SEE

countries and the US to assess the risks posed by organized crime and corruption to the security and development of Bulgarian society.

The flourishing of the economic crime in Bulgaria during the years of transition is a consequence of a number of national and international factors. Among the latter are international terrorism, the expansion of cross border organized crime, new dimensions of the international corruption in the context of the globalization of the economy, the destabilizing processes in the Western Balkans and the imposition of embargo regimes, the appearance of regional contraband channels and others. The national factors are the crisis of the reforming judicial system and the destabilization of the law enforcement agencies, which created an unfavorable legal and institutional environment for the developing business sector, and made the differentiation between the public and the private sphere problematic.

Conference Discussion Topics



The MoU was signed at an official ceremony at the Military Academy in the presence of General Atanas Zapryanov, Rector of the Military Academy (right), Dr. Ognian Shentov, Chairman of CSD (second from right), Norwegian Ambassador Rolf Baltzersen, (second from left) and Ambassador Boyko Noev, former Minister of Defense and Director of the European Program at CSD (far left).

Bulgarian politicians and experts, the US and UK Ambassadors, the Minister of Interior, the Deputy Minister of Finance, the Deputy Prosecutor General, the Mayor of Sofia and experts from the Customs Agency and the CSD Working Group on Contraband and Corruption presented and discussed the new developments in the institutional response to the gray economy and transnational crime.

One of the most serious issues related to organized crime and corruption for Bulgaria, which was among CSD's focus areas in 2002, was drug trafficking. The Center is working on establishing partnerships between NGOs and law-enforcement institutions from Bulgaria, and the EU countries and the US in this area. As part of this work, in April 2002 the British Embassy to Bulgaria and the Center for the Study of Democracy jointly organized a discussion with Mr. Keith Hellowell, the UK Anti-Drugs Coordinator, on the **New International Anti-Drugs Agenda**. Mr. Hellowell stressed that a number of countries in Europe considered drugs as a strategic



*Mr. Keith Hellowell,
UK Anti-Drugs Coordinator*

issue to be included in their agenda and further efforts had to be made by the EU member countries in this direction. According to Mr. Hellowell, governments could reach an easier solution to the drugs problem through better sharing of information and better intelligence. Mr. Hellowell pointed out that Bulgarian customs had made a considerable record of successful operations in drugs seizure in the last year and highlighted the importance of strengthening the control of drugs at sea ports.



From left to right: Minister of Interior Georgi Petkanov, UK Ambassador Ian Soutar, US Ambassador James Pardew, CSD Chairman Ognian Shentov at the opening of the conference Economy of Crime: Gray Sector, Trafficking, Corruption

CSD's European Program in the press

In 1998, in one of the first comprehensive policy studies on Bulgaria's EU accession, CSD suggested that Bulgaria should keep its currency board until its membership in EU's Economic and Monetary Union. At that time, the European Commission considered currency boards incompatible with the requirements of ERM II. As reminded recently by *Pari*, a Bulgarian economic daily, CSD's position was vindicated later by ECOFIN which admitted that such a transition was possible under some circumstances. "It is worth recalling that the possibility of the currency board staying in place until Bulgaria's full EU membership was first promoted in CSD's 1998 study "Bulgaria and the European Union: Towards an Institutional Infrastructure," said *Pari* in February 2003.

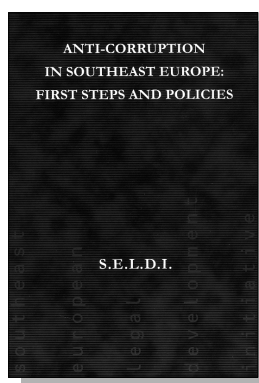
II. Regional and Policy Studies

CSD gives special attention to the cross-border aspects of Euro-Atlantic integration.

For a fourth year now the CSD has been the Executive Secretariat of the Southeast European Legal Development Initiative (SELDI) (www.seldi.net). In this capacity in 2002 CSD was the main implementing agency for the anti-corruption efforts of SELDI. CSD's work contributed to the promotion of a region-wide institutional framework for public-private cooperation in countering corruption in the countries of Southeast Europe. Among the key results of SELDI in this area is the **regionalization of national best-practice models**.

The main output of SELDI's anti-corruption efforts in 2002 was the

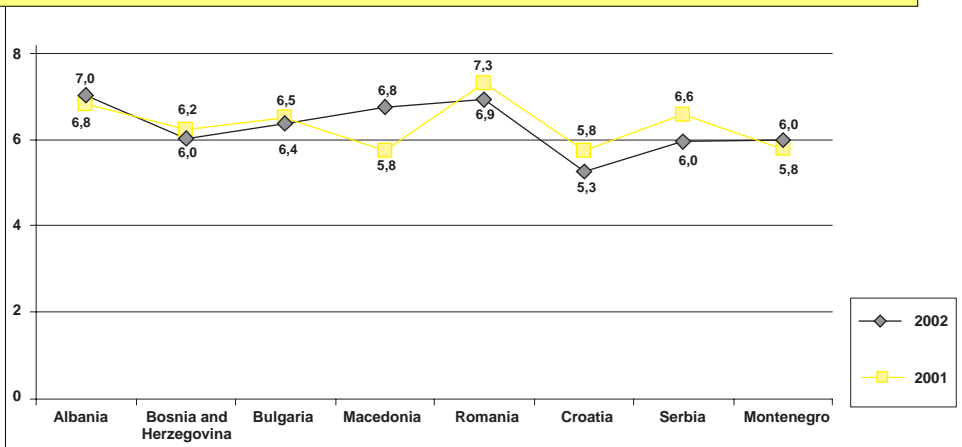
regional corruption assessment report *Anti-Corruption in Southeast Europe: First Steps and Policies*. The report aims to sensitize politicians and the civil society to the specific set of sources of corruption in the region. It analyzes the origins of cross-border corruption in Southeast Europe which is seen as a result of the rise of transnational crime caused by the violent break-up of former Yugoslavia. It demonstrates that regional factors significantly contribute to national-level corruption and could undermine national anti-corruption efforts. The report also evaluates the national circumstances in which the regional factors develop. It compares the national legislation and institutional practice in a number of areas critical to anti-corruption efforts: regulatory and legal framework, institutional prerequisites, corruption in the economy, the role of civil society and media, and international cooperation.



The implementation of the **Regional Corruption Monitoring System (RCMS) in Southeast Europe** in 2002 marked the third year of regional diagnostics of corruption in the region by SELDI. It is based on a uniform methodology that ensures comparability of results between countries and over time.

* * *

Spread of corruption in Southeast Europe (January 2001 - January 2002)



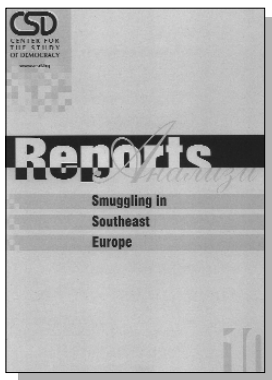
Source: SELDI Corruption Monitoring System

In 2002 CSD made a significant contribution to the understanding of the origins of soft security risks in Southeast Europe. Its study *Smuggling in Southeast Europe* analyzes and reviews the connection between the conflicts in former Yugoslavia and the growth of the trans-border crime in the region, and also looks at the related issue of corruption. The paper highlights the decisive impact of the Yugoslav wars on the development of the regional criminal networks, often set up and maintained not only with the knowledge, but even with the active participation of the highest state officials.

The research also makes a contribution to the study of conflicts in the Western Balkans. The majority of existing interpretations of causes, course and consequences of the Yugoslav wars try to provide the answers through ethnopolitical explanations. These unjustly ignore the importance of the interplay of the interests of political elites, organized crime groups, and the „mediating class“ of corrupt state officials.

* * *

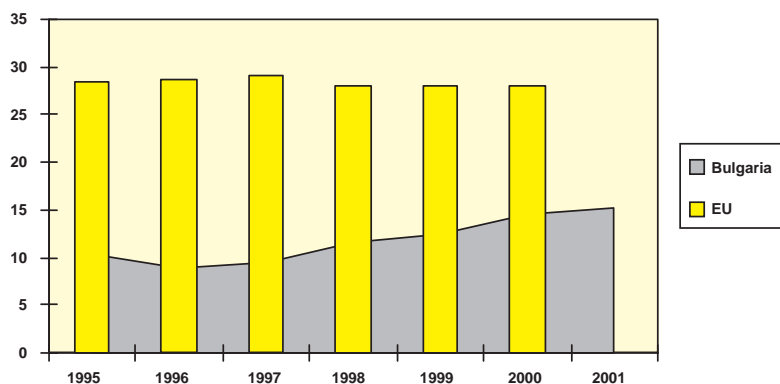
Continuing to provide policy analysis and recommendations on key aspects of Bulgaria's EU accession in 2002 the CSD was part of a study of the **social protection systems in the 13 EU applicant countries**. The study investigated and described the social protection systems in the candidate countries on the basis of a common methodology, identifying the major challenges in the current social, economic and demographic contexts, assessing recent reform efforts and highlighting major issues for further reform. The study analyzed the main features of the social protection system taking into account the economic, financial, social and demographic



Main findings for Bulgaria

Pension Insurance, Health Insurance, Poverty and Social Exclusion measures in Bulgaria are in conformity with European standards. At the same time the study confirms that additional efforts are needed in building institutional capacity in the sector. Significant work is necessary in the field of obtaining public support and the inclusion of non-governmental organizations in developing and implementing more efficient and effective instruments for social inclusion.

Social Expenses as % of GDP



Source: *Study of the Social Protection Systems in the 13 EU Applicant Countries, Report on Bulgaria*, Center for the Study of Democracy

contexts, including the financing of social protection, problems of poverty and social exclusion, characteristics and problems of the health care system, and other issues. The focus was on economic aspects paying specific attention to issues of efficiency, effectiveness, sustainability, adequacy of coverage and the economic incentives resulting from the system.

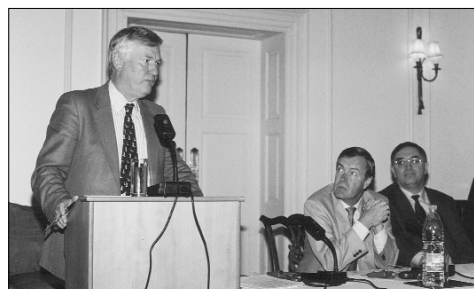
The study was carried out in cooperation with the Gesellschaft für Versicherungswissenschaft und Gestaltung E.V., a German association of institutions and individuals.

III. Facilitating Dialogue on EU and NATO Enlargement

Among CSD's main inputs in the efforts of Bulgaria to become a member of the

Euro-Atlantic structures has been the facilitation of an exchange of views and ideas between policy makers in the EU and NATO members, and the Bulgarian public.

In June, CSD hosted a visit to Bulgaria of one of the leading opinion makers in Europe on the **Structure of Europe after EU and NATO Enlargement**, Prof. William Wallace (Lord Wallace of Saltaire), Professor of International



Relations at the London School of Economics and member of the International Steering Board of SELDI. Meeting Bulgarian policy makers and experts, Lord Wallace pointed out that there was a shortage of strategic leadership in the EU at present with all member states being engaged mostly with domestic policy. A broad debate on the future of the EU and NATO needs to be conducted in all European countries and the initiative has to be taken by the EU institutions as regards to the further development of the European Security and Defense Policy with view to the new priorities in the US foreign and defense policy.

The **constitutional future of the European Union** was also an issue of interest to CSD in 2002. In November 2002 by invitation of CSD and the British Embassy to Bulgaria, Ms. Gisela Stuart, British MP and Member of the Presidium of the Convention on the future of the EU, met with represen-



tatives of the Ministry of Foreign Affairs, Ministry of Finance, Academy of the Ministry of Interior, MPs, diplomats and students. In her speech Ms. Stuart emphasized the importance of the Convention for the Future of Europe as a unique forum dealing for the first time with the issue of simplifying the EU institutional structure and decision-making process.

Among the most hotly debated topics as regards EU and NATO enlargement are the differences in crucial policy issues between Europe and the US. In his lecture on **European Anti-Americanism and American Anti-Europeanism** in October 2002 Dr. Joshua Muravchik, expert in U.S. foreign policy and international relations and resident scholar at the American Enterprise Institute, focused on the tensions between the USA and the EU member-states caused by their different views on their role in international affairs. In his opinion the European Defense and Security Policy is driven by the main objective of the EU - to be equal to the USA, the only superpower in the world after the end of the Cold War. The war in former Yugoslavia was the first test for the international community following the collapse of the communist regime. The EU member-states, however, did not manage to solve the conflict in its beginning and this had terrible consequences for the Western Balkans.



*Dr. Joshua Muravchik and CSD Program Director Boyko Todorov at the discussion **European Anti-Americanism and American Anti-Europeanism***

Information Centre on the Council of Europe in Sofia

The Center for the Study of Democracy has been hosting the Information Centre on the Council of Europe in Sofia since 1993. The Information Centre provides the Bulgarian public and institutions with information on the activities and supports Council activities in priority areas. Below are some of the highlights for the 2001. Additional information is available at www.cid.bg

Releases in 2002

Translations

- Manual on Local Authorities and Urban Crime Prevention [CPL (8)2]
- Info-brochure “Framework Convention for the Protection of National Minorities”
- Explanatory Report on the Criminal Law Convention on Corruption
- Explanatory Report on the Civil Law Convention on Corruption

Publications

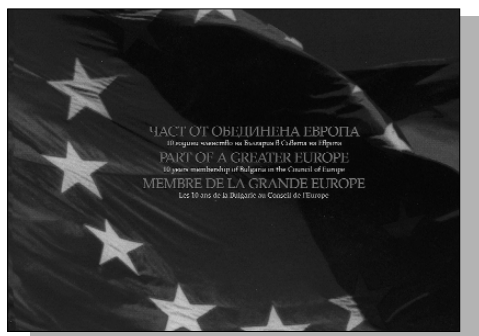
- Policing in a Democratic Society
- Is your Police Service a Human Rights Champion?
- Human Rights and the Police. A Workbook for Practice Oriented Teaching
- The Council of Europe – 800 million Europeans
- Europe is more than you think
- Part of a Greater Europe – Bulgaria’s 10th anniversary in Council of Europe.
- reprinting of European Convention on Human Rights
- Evolution of European Court of Human Rights’ jurisprudence on Article 2 and Article 3 of ECHR

Celebrating Bulgaria’s 10th anniversary in the Council of Europe

On May 7, 1992 Bulgaria signed the Statute of the Council of Europe. Its membership in the Council was among

the first crucial acts of recognition of the nascent democratic reforms. In 2002 the Information Centre in Sofia celebrated ten years of achievements and successful cooperation with the Council of Europe.

On May 8th a concert dedicated to the 10th anniversary of Bulgaria's accession to the Council of Europe was organized with the Ministry of Foreign Affairs. The concert was under the patronage of the Bulgarian President and with the assistance of the Ministry of Culture and the Atlantic Club. The concert was attended by the Bulgarian Prime Minister, the Chairman of the Parliament and other state officials as well as representatives of foreign embassies in Bulgaria. The Bulgarian Minister of Foreign Affairs greeted the guests. A letter from the Secretary General of the Council of Europe was read by the Director of Sofia Information Centre.



One of the major initiatives of the Information Centre for commemorating the 10th anniversary of membership was the publication *Part of a Greater Europe – Bulgaria's 10th anniversary in the Council of Europe*. The book summarizes the political, legal and parliamentary cooperation of Bulgaria with the Council since 1990 and highlights the impact of the membership on the democratic institutions in the country. The publication includes contributions from Bulgarian diplomats, prominent legal experts, parliamentarians, etc.

In May 2002 Council of Europe Secretary General Walter Schwimmer paid an official visit to Sofia to mark the

country's ten-year membership of the organization.

Mr. Schwimmer held talks with President Georgi Parvanov, Prime Minister Simeon Saxe-Coburg-Gotha and Foreign Minister Solomon Passy and spoke before the National Assembly. He also met National Assembly Chairman Ognyan Guerdjikov and party leaders. Top-level discussions covered current political topics, including stability in the region, the fight against terrorism, future EU and NATO enlargement and relations with the Council of Europe.

Together with the Director of his Private Office and other Council officials, the Secretary General visited the Information Centre and the Center for the Study of Democracy. He underlined the contribution of the Information Centre to the provision of assistance to Bulgaria by the Council in a number of areas, including anti-corruption, human rights, social cohesion, etc.



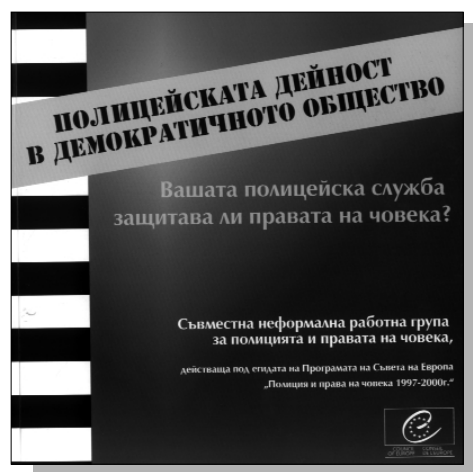
Secretary General Walter Schwimmer (second from left) and his Private Office Director Jan Kleijssen (first right) during their visit at the Information Centre

Southeast Europe Regional Seminar to promote employment opportunities for Roma

In October 2002, the Information Centre co-organized a Regional Seminar as part of the Southeast Europe Regional Project to Promote Employment Opportunities for Roma. With the support of the Austrian Government, the Council of Europe was organizing a series of regional seminars and local training workshops for the representatives of employment services and Roma organisations in Southeast Europe. This activity was a sub-project of the joint OSCE-Council of Europe project on Roma/Gypsies within Working Table I of the Stability Pact for Southeast Europe. The specific objectives of the project were to improve the role of local employment services in the job search for Roma, develop regional networks, and promote capacity building. The seminar in Sofia considered and commented on proposals for a training and guidance memorandum similar to the memorandum on equal opportunities but dealing more specifically to the employment problems of the Roma community in Southeast Europe, and aimed at the representatives of both employment services and Roma organisations.

Police and human rights

In 2002, continued its work on popularizing best international human rights instruments. As part of its work, it translated into Bulgarian and published two key practical books on human rights in the police: *Human Rights and the Police: A Workbook for Practice-Oriented Teaching* and *Policing in a Democratic Society – Is your Police Service a Human Rights Champion?* The latter was produced by the Joint Informal Working Group on Police and Human Rights, operating under the auspices of the Council of Europe's program "Police and Human Rights 1997-2000".



The essential purpose of these publications was to provide police trainers with a human rights teaching resource based on concrete examples of typical human rights problems, or case studies, which can be used in practice-oriented teaching on the European Convention on Human Rights and other relevant human rights standards.

Coalition 2000: Public-Private Partnership to Counter Corruption

The CSD has been the Secretariat of *Coalition 2000* since its launch in 1998. Since then the Coalition has made a significant impact in the field of anti-corruption in Bulgaria. Through its efforts both the assessment of corruption and anti-corruption policies came to reflect the best international standards. In this period Bulgaria improved its rating in the Corruption Perception Index of Transparency International - from 66th place in 1998 Bulgaria is now at 45th place out of 102 countries.

2002 marked the beginning of the second phase of the work of *Coalition 2000*. Following a Framework Agreement for Cooperation between the Bulgarian and the US governments, in June 2002 USAID officially launched its Open Government Initiative. The Initiative focuses on areas such as public finances and procurement, and will include the public-private partnership of *Coalition 2000*.

The official signing ceremony was hosted by CSD, *Coalition 2000* Secretariat and

was attended by government officials, including the Minister of Justice and the Minister of Public Administration. In his address to the meeting Justice Minister Anton Stankov highlighted the crucial significance of anti-corruption for the success of overall reform efforts.

* * *

I. Supporting Anti-Corruption Policy

Public-Private Partnerships

The Policy Forum is the Coalition's main public-private platform. The Forum, organized annually by *Coalition 2000*, is a high-profile public event of anti-corruption initiatives, focusing on the increased cooperation between civil structures and institutions in the fight against corruption. On February 12, 2002 the Fourth Anti-Corruption Policy Forum of the *Coalition* took place with the participation of all institutions involved in the fight against corruption: politicians, non-governmental organizations, media, the business and diplomats.



Mr. Frederick Schieck (right), USAID Deputy Administrator and Mr. Georgi Nikolov (left), Chairman of the National Audit Office of Bulgaria signing the Memorandum of Understanding



From right to left: Mr. Ognian Shentov, Chairman, Center for the Study of Democracy, Mr. Georgi Parvanov, President of the Republic of Bulgaria, Mr. Georgi Petkanov, Minister of the Interior and Ms. Ekaterina Mihaylova, Chair of the Union of the Democratic Forces

Addressing the participants, the President of Bulgaria Mr. Georgi Parvanov stressed the substantial role of the civil society in the fight against corruption and congratulated *Coalition 2000* on the consistent efforts in the analyses of corruption, underlining that the result of these efforts is truly significant. The President pointed out that the necessity of a professional analysis of corruption and of a clearer

definition of countervailing measures had become particularly important in the context of increasing intolerance of Bulgarian citizens to corruption.

The other main instrument of the public-private effort of the Coalition is the annual **Corruption Assessment Report**. In 2002 its preparation involved various experts from governmental and non-governmental institutions. The



Participants at the Coalition 2000 Policy Forum

Report maps a significant part of the Bulgarian legislative and institutional reforms and evaluates the anti-corruption potential of government policies, the contribution of civil society and the role of the media.

Facilitating Policy Design

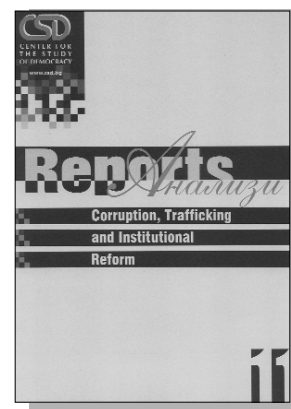
A key part of *Coalition 2000*'s process is the provision of expertise and networking support for the development of government policies that target various corruption loci. Thus in 2002 the Coalition provided expert advice through participation in the working group of NGOs and donors' organizations aimed at developing the government **Program for the Implementation of the National Anti-Corruption Strategy**.

Coalition 2000 also facilitated the input of Bulgarian and foreign stakeholders in the development of key pieces of legislation with an anti-corruption impact. This included the process of improving the **legal framework for political parties** in Bulgaria. Among the most important issues in the debates were the opportunities for political parties to perform commercial activities, the necessity to improve the control over the financing of electoral campaigns and the introduction of tax preferences for persons financing political parties.

Coalition 2000 assisted in the development of the **draft law on asset forfeiture for Bulgaria**. It was drafted by the Ministry of Interior in cooperation with the US Department of Justice and the Coalition was instrumental in ensuring the input of various stakeholders. In the discussions hosted by the Coalition representatives of the Bulgarian judiciary raised issues such as the procedures on the part of the innocent owners when they have to protect themselves against the state and the need for a legal definition of the term „criminal activity“.

Coalition 2000 led the debate in Bulgaria on identifying and developing responses to the **linkage between corruption and terrorism**. *Coalition 2000* provided a public platform for the discussion of the Draft Law on Measures against Financing of Terrorism. The draft was developed by a Working Group with the Ministry of Justice and the Ministry of Interior. The Coalition facilitated the contribution of Members of Parliament, representatives of the executive branch, magistrates, experts, representatives of banking and financial institutions, foreign diplomatic missions, foreign and international organizations, non-governmental organizations and the media to the Draft Law. Together with CSD's European Program, the Coalition was instrumental in the organization of the Regional Policy Forum *International Cooperation in Countering Terrorism* held in Sofia in June 2002.

Coalition 2000 was one of the first to identify trafficking as a major factor contributing to corruption in Bulgaria. A **Task Force on Trafficking and Corruption** was set up in May with the aim to elaborate a trafficking and corruption report for Bulgaria. It included experts from the Ministry of Interior, Ministry of Interior's Academy, the Customs Agency, National Service for Combating Organized Crime, National Border Police



Service and CSD. The *Corruption, Trafficking and Institutional Reform* report, published in November 2002, is dedicated to trafficking as one of the most serious problems of the Bulgarian transition towards market economy.

The explosion of trans-border crime during the last 12 years has led to the emergence of criminal infrastructure, developed and maintained by criminal groups and semi-legal „power groups“. The trans-border crime in Bulgaria is a part of the new network of international organized crime, which was established after the end of the Cold War and which is closely connected to the regional channels of smuggling and trafficking. Smuggling (including drug smuggling) and trafficking are the main sources of income for organized crime in the country.

II. Building Capacity and Promoting Awareness

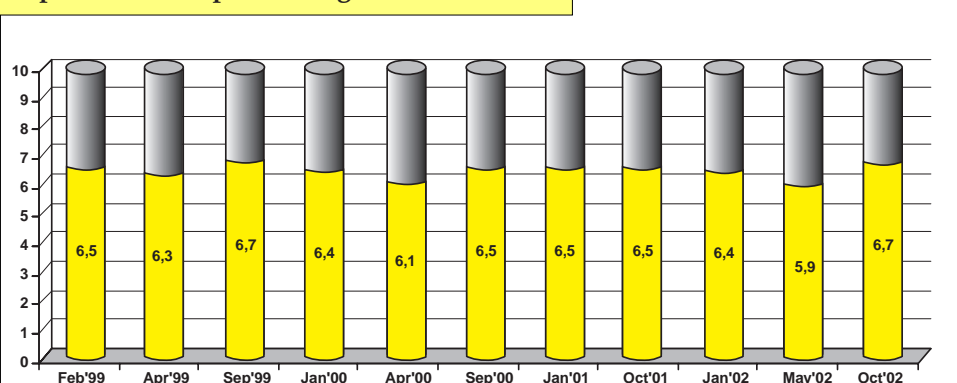
During its fifth year of action Coalition 2000 intensified the public awareness activities with the aim to establish practical mechanisms to support anti-corruption

efforts through public education, media and dissemination of research and policy findings, and to facilitate closer cooperation networks or expert alliances as the backbone of larger coalitions.

Since 1997 *Coalition 2000* has been setting the standard in implementing the Corruption Monitoring System, a national corruption-diagnostic instrument. It evaluates the spread of corruption in society and public institutions, measures the public trust in government policies in this area, and through its media outreach increases public intolerance of corruption.

In 2002 *Coalition 2000* adopted a new approach to its **web outreach**. From a web presence that mostly covered the Coalition's own activities, it moved towards a comprehensive coverage of corruption developments and anti-corruption policies in Bulgaria. Anticorruption.bg was the first Bulgarian specialized portal site to disseminate updated information about recent corruption cases, research and publications, different anticorruption problems, initiatives and measures taken in the country.

Spread of corruption (Bulgaria 1999-2002)



Source: *Corruption Monitoring System of Coalition 2000*

Taking into account the growing significance of the problem of corruption to the Bulgarian society, *Coalition 2000* decided to develop this site in order to give publicity to its activities and increase public awareness of the complex problems confronting

the fight against corruption. The Anticorruption.bg site provides access to many resources such as publications, studies, polls, research and reports produced both in Bulgaria and abroad, thus facilitating knowledge-sharing between anti-corruption forces.



Dr. John Sullivan, Executive Director, Center for International Private Enterprise (left) and Dr. Ognian Shentov, CSD Chairman at the Black Sea Anti-Corruption Initiative Inter-regional Workshop

In the summer of 2002 *Coalition 2000* announced a small grant competition for anticorruption projects of non-governmental organizations. The **small grant program of *Coalition 2000 Civil Society against Corruption*** aims to encourage the widest possible participation of civil society in implementing a variety of transparency and anti-corruption measures. It also aims to promote civil society participation in anti-corruption activities and in the application of mechanisms of civil control over the state, especially with regard to the implementation of the National Anti-Corruption Strategy for Bulgaria for the period 2001-2004.

III. International cooperation

Facilitating the transfer of best international practices is among the key objectives of *Coalition 2000*. This includes both the application of advanced knowledge and expertise, developed in the European countries and the US in Bulgaria and sharing the results and approaches to anti-corruption, adopted by the Coalition in

Bulgaria, with other countries in transition.

An example of the latter was the **Balkan-Black Sea Anti-Corruption Initiative Inter-regional Workshop** held in cooperation with the Center for International Private Enterprise, Washington D.C., in October 2002. The workshop was part of a 2-day event which brought together business leaders, policy makers, and experts in the field of anti-corruption from Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Serbia and Uzbekistan. The emphasis was on identifying key lessons learned from combating corruption in Southeast Europe and their most effective application in the Caucasus and Central Asia. The workshop also promoted the exchange of useful advocacy strategies and successful institutional reform and coalition building, focusing in particular on the work of *Coalition 2000* in Bulgaria. The second day was devoted to visits to the Ministry of Justice, National Audit Office and Sofia Ombudsman and the final session to conclusions, recommendations and action plan formulation.



Judge Eva Joly (left) and Bulgarian Justice Minister Anton Stankov at the discussion *Anti-Corruption in Bulgaria: the Role of Judiciary and the Law Enforcement Institutions*

As regards bringing advanced international expertise and advice to Bulgaria, the Coalition has aimed to provide access of stakeholders in Bulgaria to prominent anti-corruption experts abroad. In October 2002 Judge Eva Joly, one of the leading investigative magistrates in France, visited Bulgaria at the invitation of the Coalition. Among many other meetings Judge Joly had with Bulgarian politicians and NGO leaders, she was the keynote speaker at a discussion on the **Anti-Corruption in Bulgaria: the Role of Judiciary and the Law Enforcement Institutions** held at the Center for the Study of Democracy.

Addressing the meeting, Judge Joly focused on the French experience in inverting the burden of proof in economic crime matters. As anti-corruption instruments she also highlighted the necessity of efficient rules on the transparency of income of public officials and the need to increase the budget of the judiciary which in Bulgaria is currently only 10% of that in the EU member states.

* * *

Looking back on the experience of *Coalition 2000* in the year 2002 it is evident that the model of public-private partnership it has been promoting in the past five years has made a significant impact on the implementation of anti-corruption policies in Bulgaria. Drafting of key pieces of legislation, institution building work and other efforts are now carried out in cooperation between government institutions and the private sector.



Part Two
Administration and Management

Administration and Management

Sound management and adequate administrative support have always been the key to the success of CSD's research and program development activities. Therefore, the Center strives to continuously develop and apply advanced management techniques and administrative procedures, while at the same time preserving their proven quality.

For several years now CSD has been developing and implementing complex projects, which involve participants from the different programs at the Center, outside experts and partners from the public and private sectors, and the NGO community. These projects require multi-layered managerial approaches, and better coordination and administrative support. CSD's management has been able to expand the Center's activities through a balanced leverage between in-house resources and outside expertise. In 2002 CSD employed a staff of 65 persons, of which 48 professional and management, including part-time consultants and 17 support personnel. The Center has regular working relations with a large pool of external contributors.

In 2002 CSD continued to be true to its long-standing commitment to review and update its internal system of rules and regulations, concerning administrative and financial management, recruitment, accounting, etc., by taking into account new legislative changes in the NGO sector (*Law on Not-for-Profit Legal Persons* in force since January 1, 2001) and most recent international experience.

As one of the leading organizations in the NGO sector in Bulgaria CSD

represents a model for the development of other non-governmental players in the country and has tried consistently to transfer know-how and best practices in administration and management to its partner organizations and the NGO community at large. Furthermore, understanding the importance of the third sector for the democratic development of the country the Center has taken a pro-active role in shaping the legislative and administrative environment for the successful and sound advancement of the NGO sector.

In 2002 the Governing Board of CSD developed and adopted specific formal requirements for the Small Grants Program of *Coalition 2000* Civil Society Program against Corruption. These aim at achieving greater transparency and accountability, and regulate among others the following important points:

- Recruitment criteria for consultants and evaluators;
- Project selection procedures;
- Grant contracting;
- Monitoring, reporting and evaluation procedures for the subgrants;
- Consulting and technical support for the grantees.

CSD's Financial Manager took part as a consultant and panelist in a financial management seminar organized in cooperation with DPK Consulting and *Coalition 2000*. The seminar reviewed a number of important grant management activities:

- Negotiating and running a grant;
- Cost principles according to USAID regulation;
- Matching between USAID costs

reporting requirements and Bulgarian accounting legislation;

- Contract and reporting requirements.

Through its Financial Manager the Center actively participated in the work of an expert group to the Ministry of Finance tasked with the development of the tax legislation for non-governmental organizations in Bulgaria.

CSD grantees in 2002

- Access Association
- Center for the Study of Political Processes, Shoumen
- Department for International Relations Association
- Association Knowledge, Lovech
- Black Sea Legal Society, Bourgas
- Bulgarian Association for Out-of-Court Dispute Resolution, Plovdiv
- Bulgarian Youth League "Stefan Stambolov", Smolian
- Center for Economic Development
- Public Barometer Civic Association, Sliven
- Civic Association for Countering Corruption and Illegal Construction Building, Sofia
- Department of Law, Technical University, Varna
- Edu Foundation
- Foundation for Entrepreneurship Development
- Institute of Healthcare
- Integra, Sofia
- Local Agenda, Veliko Tarnovo
- Town and Culture Foundation, Varna

Accountability and transparency have been established as the leading principles of CSD's operation. CSD has tried to ensure wide publicity of its activities and their results through a number of channels some of which have been:

- publishing independent annual audit reports since 1992 (CSD's financial statements and KPMG audit report for 2002 follow);
- performing audits of individual projects (since 1992);
- publishing annual reports (since 1994);
- uploading detailed information on CSD's activities on its web-site;
- releasing information on projects and activities in the massmedia;
- issuing a range of print materials, etc.

Moreover in 2002 CSD registered as a public benefit organization with the Central Registry of NGOs at the Ministry of Justice. Public benefit organizations are obliged by law to a number of additional reporting rules and undergo stricter financial and administrative scrutiny.

List of Staff

Governing Board

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

Senior Staff

Boyko Todorov, Program Director
Lydia Mileva, Financial Manager

Economic Program

Petkan Iliev, Senior Fellow
Ruslan Stefanov, Project Coordinator
Todor Yalamov, Project Coordinator
Veselin Minchev, PhD, Senior Fellow
Plamen Tchipev, PhD, Senior Fellow
Yordan Markov, Research Fellow
Vassil Hristov, Research Fellow
Daniela Mineva, Project Assistant

Law Program

Maria Yordanova, PhD, Director
Rositsa Elazar, Program Secretary
Dimitar Markov, Project Coordinator
Konstantin Tanev, Fellow
Angel Kalaidjiev, Senior Fellow
Borislav Belazelkov, Senior Fellow
Silvy Tchernev, Senior Fellow
Stephan Kyutchukov, Senior Fellow

Vitosha Research/Sociological Program

Andrey Nonchev, Coordinator
Margarita Pavlikianova, Senior Analyst
Tihomir Bezlov, Senior Analyst
Martin Kanushev, Senior Analyst
Martin Dimov, Senior Analyst
Kalina Nedeva, Analyst
Ralitza Andreeva, Analyst
Ralitza Ruseva, Analyst
Angelina Videnova, Analyst
Antoaneta Raikinska, Research Assistant
Kostadinka Andreeva, Head of Data Processing Unit
Bogdana Dermendjieva, Field Manager
Borislava Gerginova, Cashier/Bookkeeper

Information Centre on the Council of Europe, Sofia

Boyko Todorov, Director

Dimitrinka Slavcheva, Assistant

European Program

Boyko Noev, Director

Emil Tsenkov, PhD, Senior Fellow

Denislava Simeonova, Project Assistant

Marko Hajdinjak, Research Fellow

Coalition 2000 Secretariat

Zhivka Damianova, PhD, Coordinator

Zornitza Inovska, Assistant

Maria Karagiozova, Project Assistant

Administration

Mariana Yankova, Administrative Secretary

Nickolay Karshev, LAN Administrator

Maria Popova, Accountant

Lazarina Andonova, Cashier/Bookkeeper

Slavyana Ivanova, Assistant

Tzvetana Zaharieva, Assistant

General Assembly

- Alexander Stoyanov**, Professor, Department of Economic Sociology, University of National and World Economy, Sofia, and Director of Research, Center for the Study of Democracy
- Andrey Ivanov**, PhD, Human Development Advisor, RBEC, United Nations Development Programme (UNDP) - Bratislava
- Blagovest Georgiev**, PhD, Professor, Department of Sociology, Sofia University and Executive Director, Regional Initiatives Fund, Ministry of Labor and the UNDP
- Emil Tsenkov**, PhD, Senior Fellow, Center for the Study of Democracy
- Evgenii Dainov**, PhD, Director, Centre for Social Practices
- Inko Razpopov**, PhD, General Manager, Atlantic Agency
- George Prohasky**, PhD, Co-Chairman, Center for Economic Development
- Mois Faion**, PhD, Manager Financial Operations, Rochester & ELI Citizens Communications
- Ognian Shentov**, PhD, Chairman, Center for the Study of Democracy
- Tihomir Bezlov**, Senior Analyst, Vitosha Research
- Vladimir Yordanov**, Executive Director, Center for the Study of Democracy

International Advisory Board

- Arie M. Oostlander,** Member of the European Parliament
- Franz-Lothar Altman,** Head, Southeast Europe Department,
Stiftung Wissenschaft und Politik, Berlin
- Giovanni Sartori,** The Albert Schweizer Professor in the Humanities,
Columbia University, New York
- James Fishkin,** Professor, Darrel K. Royal Regents Chair in Government,
Law and Philosophy, University of Texas at Austin
- John Roper,** Fellow, Royal Institute for International Affairs, London
- Juan Linz,** Professor, Department of Political Studies, Yale University
- Margot Light,** Professor, Department of International Relations at the
London School of Economics and Political Science
- Michael Branch,** Professor, Former Director, School of Slavonic and East
European Studies, London
- Michael Katz,** Dean of Languages and International Studies at
Middlebury College, Vermont, USA
- Pasquale Ferraro,** Deputy Director General, International Development Law
Organization, Rome
- William Meyer, Esq.,** Hutchinson, Black and Cook; Central and East European
Law Initiative, American Bar Association

Sources of Support and Cooperation

American Bar Association Central European and Eurasian Law Initiative (CEELI)
Bertelsmann Foundation, Germany
British Association for Central and Eastern Europe
Center for Democracy and Free Enterprise, Prague
Center for Democracy, Washington DC
Center for International Private Enterprise, Washington DC
Center for Economic Development (CPHR), Bratislava
Center for Economic Development, Sofia
Center for Social and Economic Research, Warsaw
CERGE-EI, Prague
City University, Sofia
Conflict Management Group, Boston
Constitutional and Legislative Policy Institute, Hungary
Council of Europe
DPK Consulting
European Commission
European Parliament
Freedom House
Friedrich Ebert Stiftung
George C. Marshall European Center for Security Studies
German Marshall Fund of the United States
Gesellschaft für Versicherungswissenschaft und Gestaltung E.V., Germany
Government of Japan
Government of Norway
Government of United Kingdom
Hanns Seidel Foundation, Germany
Hellenic Foundation for European and Foreign Policy (ELIAMEP), Athens
InterMedia Survey Institute, Washington, D.C.
International Center for Not-for-Profit Law, Washington, D.C.
International Development Law Organization, Rome
International Institute for Democracy, Strasbourg
Lithuanian Free Market Institute
London School of Economics and Political Science, UK
Max-Planck-Institut fuer Auslaendisches und Internationales Privatrecht, Hamburg
Open Society Foundation, Sofia
Open Society Institute
Royal Institute for International Affairs, London
Sabre Foundation, US
School of Slavonic and East European Studies, London
Stiftung Wissenschaft und Politik, Berlin
The Gallup Organization, Budapest, Hungary
United Nations Development Programme
United States Agency for International Development
United States Department of State, Office of Research
Urban Institute
World Bank

Part Three

Financial Review

Center for the Study of Democracy
Organization's Financial Statements
For the period ended 31 December 2002
With Independent Auditors' Report Thereon



AUDITORS' REPORT

**to the General Assembly
of the Center for the Study of Democracy**

Scope

We have audited the financial statements of Center for the Study of Democracy as at 31 December 2002 set out on pages 1 to 19 in accordance with International Standards on Auditing. The financial statements have been prepared in conformity with International Accounting Standards.

Responsibilities of management and auditors

The financial statements have been prepared by, and are the sole responsibility of the management of Center for the Study of Democracy. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

1. As at 31 December 2002 Center for the Study of Democracy has reported investments, which are carried at a cost - for the total of BGN 10,006. The financial statements of the subsidiaries are not consolidated as per requirements of IAS 27 Consolidated Financial Statements and Accounting for Investment in Subsidiaries.

In our opinion, except for the effect on the financial statements of the matters referred to in paragraph 1 the financial statements give a true and fair view of the financial position of Center for the Study of Democracy as at 31 December 2002 and the excess of revenue over expenditure in accordance with the International Accounting Standards adopted by International Accounting Standards Board.

10 March 2003

KPMG Bulgaria OOD
37 Fridtjof Nansen Str
1142 Sofia
Bulgaria



Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended 31 December 2002

<i>In BGN</i>	Note	2002	2001
Revenue from grants, contributions and projects	2	1,600,208	1,894,707
Expenses on grants, contributions and projects	3	(1,309,901)	(1,520,860)
General and administrative expenses		<u>(110,310)</u>	<u>(109,072)</u>
Gross excess of revenue over expenditure		179,997	264,775
Foreign exchange gains/(loss) - net	4	(271,974)	6,335
Interest income		24,981	47,099
Other financial expenses		(5,757)	(7,036)
Other income		8,778	7,542
Impairment of assets	5	-	<u>(19,611)</u>
Excess / (Surplus) of revenue over expenditure for the year		<u>(63,975)</u>	<u>299,104</u>
Financial income	9	30,433	-
Income tax	9	<u>(7,151)</u>	-
Profit from trading activities		23,282	-
Total excess / (surplus) of revenue over expenditure for the year		<u>(40,693)</u>	<u>299,104</u>
Accumulated excess of revenue over expenditure brought forward		<u>2,976,278</u>	<u>2,677,174</u>
Unrestricted fund balances at 31 December 2002		<u><u>2,935,585</u></u>	<u><u>2,976,278</u></u>

The financial statements of the Center for the Study of Democracy are to be read in conjunction with the notes to them and form an integral part of these statements set out on pages 5 to 19.

Balance Sheet

As at 31 December 2002

<i>In BGN</i>	Note	2002	2001
Property, plant and equipment	6	716,056	727,963
Intangible assets	7	6,620	9,061
Investments in associates	8	10,006	10,006
Other investments	9	<u>1,192,054</u>	<u>-</u>
Total non-current assets		<u>1,924,736</u>	<u>747,030</u>
Inventories		108	135
Receivables	10	154,002	55,029
Cash and cash equivalents	11	1,404,949	2,386,608
Deferred expenses	12	<u>777,315</u>	<u>41,733</u>
Total current assets		<u>2,336,375</u>	<u>2,483,505</u>
Total assets		<u><u>4,261,110</u></u>	<u><u>3,230,535</u></u>
Liabilities			
Payables	13	89,383	54,699
Deferred revenue	14	<u>1,236,142</u>	<u>199,558</u>
Total Liabilities		<u>1,325,525</u>	<u>254,257</u>
Unrestricted fund balance		<u><u>2,935,585</u></u>	<u><u>2,976,278</u></u>

The Center's financial statements are to be read in conjunction with the notes to them and form an integral part of these statements set out on pages 5 to 19.

Vladimir Yordanov



Executive Director

4 March 2003

Unrestricted fund balance

As at 31 December 2002

<i>In BGN</i>	2002	2001
Balance at 1 January 2002	2,976,278	2,677,174
Total Excess / (Surplus) of revenue over expenditure for the year	(40,693)	299,104
Balance at 31 December 2002	<u><u>2,935,585</u></u>	<u><u>2,976,278</u></u>

The Center's financial statements are to be read in conjunction with the notes to them and form an integral part of these statements set out on pages 5 to 19.

Statement of cash flows

For the year ended 31 December 2002

<i>In BGN</i>	Note	2002	2001
Operating activities			
Gross excess/ (surplus) of revenue over expenditure		(40,693)	299,104
Adjustments for:			
Depreciation		51,604	48,375
Foreign exchange gains from revaluation assets and liabilities denominated in foreign currency		(38,735)	4,709
Taxes accrued		7,151	-
Impairment of assets		-	19,611
		<u>(40,284)</u>	<u>371,799</u>
Cash flow from operating activities before changes in working capital			
(Increase)/ decrease in assets from operating activities		(846,958)	718,763
Increase/ (decrease) liabilities from operating activities		1,107,090	(99,084)
Cash flows from operating activities		<u>239,459</u>	<u>991,478</u>
Investing activities			
Purchase of tangible fixed assets		<u>(52,011)</u>	<u>(149,731)</u>
Cash flows from investing activities		<u>(52,011)</u>	<u>(149,731)</u>
Financing activities			
Acquisition of other investments		(1,192,054)	-
Interest received		<u>22,947</u>	<u>-</u>
Cash flows from investing activities		<u>(1,169,107)</u>	<u>-</u>
Net increase in cash and cash equivalents		(981,659)	841,747
Cash and cash equivalents at beginning of year		<u>2,386,608</u>	<u>1,544,861</u>
Cash and cash equivalents at end of year	7	<u><u>1,404,949</u></u>	<u><u>2,386,608</u></u>

The Center's financial statements are to be read in conjunction with the notes to them and form an integral part of these statements set out on pages 5 to 19.

I. Significant accounting policies

The Center for the Study of Democracy (CSD) is a non profit organization domiciled in Bulgaria. The financial statements were authorized for issue by the Executive Director on 4 March 2003.

(a) Activity background

Founded in late 1989, the Center for 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 well as to monitor the institutional reform process in the country;
- to strengthen the institutional and management capacity of NGOs in Bulgaria, and reform the legal framework for their operation.

CSD encourages an open dialogue between scholars and policy makers and promotes public-private coalition building. As a full-service think tank, the Center achieves its objectives through policy research, process monitoring, drafting of legislation, dissemination and advocacy activities, building partnerships, local and international networks.

(b) Statement of compliance

The financial statements of the Center for the Study of Democracy have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB.

(c) Basis of preparation

These financial statements have been drawn up in conformity with International Financial Reporting Standards.

Hyperinflation adjustments have been made in order to show the effect of inflation on the purchasing power of the equity interest as at 31 December 1998. Due to the insignificant inflation growth in the financial year 1999, 2000, 2001 and 2002, the Statement of Revenues, Expenditures and Changes in Fund Balances for that years and the Balance Sheet as at 31 December 1999, 31 December 2000, 31 December 2001 and 31 December 2002 have not been adjusted according the official inflation index.

Significant accounting policies (continued)

(d) Foreign currencies

Monetary assets and liabilities in foreign currencies have been revalued on a monthly basis. As a result foreign exchange differences have arisen. The BNB official exchange rates of the USD as at 31 December 1999 is 1.9469, as at 31 December 2000 is 2.1091 BGN/USD and as at 31 December 2001 is 2.21926 BGN/USD, the average exchange rate for the year 2001 is 2.18467 BGN/USD and as at 31 December 2002 is 2.06604 BGN/USD.

(e) Property, plant and equipment

Items of Property plant and equipment and intangible assets are stated at a cost less accumulated depreciation and impairment losses. They are reported in the Balance Sheet applying International Accounting Standard 29 Financial reporting in hyperinflationary economies. The monthly inflation indices have been used. Their cost have been inflated as at 31 December 1998.

Property plant and equipment and intangible assets have not been inflated for the years ended 31 December 1999, 31 December 2000, 31 December 2001 and 31 December 2002. The inflation rate for the twelve months ended 31 December 1999, 31 December 2000, 31 December 2001, 31 December 2002 of 6.4 %, 11.4%, 4,8% and 3,8% respectively are considered insignificant, and no restatement of the financial statements as of and for the year ended 31 December 1999, 31 December 2000, 31 December 2001 and 31 December 2002 have been made.

Inflated values as at 31 December 1998 of property plant and equipment and of intangible fixed assets have been depreciated using the straight - line method. The rates of depreciation used are as follows:

Buildings	4%
Machines and equipment	20%, 25%
Fixtures and fittings	20%
Vehicles	20%
Computers and software	33%
Intangible assets	20%

(f) Investments in associates

Investments classified as long-term assets are carried at cost, less any amounts written off to recognise a decline in the value of the investment. The subsidiaries perform economic activity which is different from the activities performed by the CSD. In relation to the stated above, the financial statements of the subsidiaries are not consolidated and the management carries the investments at cost. In the present report there is an information is disclosed (refer to note 8) for the activities of these subsidiaries concerning their net assets and financial results.

Significant accounting policies (continued)

(g) Other investments

As other investments are classified held-to-maturity assets measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(h) Receivables

Receivables are stated at cost less any amounts, which are not expected to be collected. The latter are presented as impairment losses on the basis of the calculated recoverable amount of trade receivables (refer to accounting policy (k)).

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

(k) Impairment

The carrying amount of the Center's assets is reviewed at each balance sheet to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(l) Payables

Payables are stated at their cost.

(m) Revenue recognition and expense reporting

Revenue is recognized in the income and expenditure account on the basis of completed stage as reported by the CSD to the commissioning bodies. Revenue is recognized as income for the period to match the related costs, on a systematic basis. Project contracts are denominated in foreign currency, while the related expenses are incurred in BGN.

The revenue of the Center for the Study of Democracy consists of funds extended by international financing bodies for the completion of accepted projects. The amounts are carried in the balance sheet as deferred revenue at their historic values. Every project is commenced with a signing of a contract where the financing body determines the budget, payment installments and the rates at which expenses incurred in BGN are to be translated into the respective foreign currency.

Significant accounting policies (continued)

Reports are prepared as contracted with financing organization. Respective amount of BGN expenses are translated at the specified rate and an expense report in foreign currency is produced. It is used to report on the progress of the project before the financing organization. Frequency is determined in the contract for the project assignment.

(n) Taxation

CSD is a non - profit organization. No corporate tax is levied in accordance with current Bulgarian legislation. For the period ended 31 December 2000 and 31 December 2001 there are no trade operations on which tax is due.

As at 31 December 2002 the Center has gained financial income from dealing with securities under agreement for trading of securities and bonds. Under Bulgarian tax legislation income and municipality tax is levied.

Significant accounting policies (continued)

2. Revenue from grants, contributions and projects

<i>In BGN</i>	2002	2001
Council of Europe – Information Centre on the Council of Europe	122,004	113,970
The German Marshall Fund – Illegal Trafficking and Corruption in Southeast Europe (2001-2002); Corruption Assessment in Southeast Europe (2002-2003)	60,460	49,412
Royal Norwegian Embassy – Trafficking and Corruption: Monitoring and Prevention	224,282	-
Royal Norwegian Embassy – Reforming the Judiciary in Bulgaria: Towards the Introduction of Modern Registration System	46,811	-
InfoDev World Bank – Country Development Gateway	-	159,677
SELDI phase I – Assessment and Introductory Training of Coalition Building and Monitoring	-	553,454
SELDI phase II – Coalition Building and Monitoring for Anti-Corruption	586,740	307,826
CIPE – Balkan/Black Sea Anti-Corruption Workshop	19,851	
Conflict Management Group – Conflict Vulnerability in Bulgaria	57,600	-
CIPE - Corporate Governance Reform and the Mass Media	-	34,597
IDLI - Implementing Anti-Corruption Action Plan for Bulgaria	-	65,594
USAID, American Embassy, Sofia – International Conference “Beyond Anticorruption Rhetoric”	-	56,658
CIPE – Transforming Business Practice through Corporate Governance	-	63,046
MSI – Support for Armenia Anti-Corruption Study Tour	-	66,630
Santander group - Phare Democracy Program – Citizen Participation and Public Hearings	-	80,986
Other projects	447,314	301,925
	<u>1,565,062</u>	<u>1,853,775</u>
 Income from financing for assets	 35,146	 40,932
	<u>1,600,208</u>	<u>1,894,707</u>

Significant accounting policies (continued)

3. Expenses on grants, contributions and projects

<i>In BGN</i>	2002	2001
Salaries and benefits	92,002	71,741
Hired services	747,313	928,492
Depreciation	51,604	48,375
Supplies and consumable	58,729	92,873
Other expenses	360,253	379,379
	<u>1,309,901</u>	<u>1,520,860</u>

Hired services are related particularly to undertaking of the projects activities and reported to the grantors to the amount of BGN 747,313. They include expenses for honoraria, communication and printing services. Substantial amount of honoraria consist of payment for consulting services to outside and local consultants and experts.

4. Foreign exchange gains or losses

<i>In BGN</i>	2002	2001
Exchange rate gains	128,527	328,576
Exchange rate losses	(400,501)	(322,241)
	<u>(271,974)</u>	<u>6,335</u>

5. Impairment of assets

<i>In BGN</i>	2002	2001
Balance at the beginning of the year	(19,611)	-
Losses on impairment of receivables incurred during the period	-	(19,611)
Write off receivable against provisions incurred in previous years	-	-
Balance at the end of the year	<u>(19,611)</u>	<u>(19,611)</u>
Total (increase)/ decrease of bad debt allowance	<u>-</u>	<u>(19,611)</u>

Significant accounting policies (continued)

6. Property, plant and equipment

<i>In BGN</i>	Land and buildings	Plant and equipment	Vehicles	Fixtures & fittings	Under construc- tion	Total
<i>Cost</i>						
Balance at 1 January 2002	229,662	182,877	175,116	95,820	335,923	1,019,398
Acquisitions	-	19,983	-	32,028	-	52,011
Disposals	-	(67,613)	-	(37,648)	-	(105,261)
Balance at 31 December 2002	<u>229,662</u>	<u>135,247</u>	<u>175,116</u>	<u>90,200</u>	<u>335,923</u>	<u>966,148</u>
<i>Depreciation and impairment losses</i>						
Balance at 1 January 2002	1,433	84,607	116,654	88,741	-	291,435
Depreciation charge for the year	4,298	31,745	10,654	2,466	-	49,163
Depreciation of disposals	-	(58,096)	-	(32,410)	-	(90,506)
Balance at 31 December 2002	<u>5,731</u>	<u>58,256</u>	<u>127,308</u>	<u>58,797</u>	<u>-</u>	<u>250,092</u>
<i>Carrying amount</i>						
At 1 January 2002	<u>228,229</u>	<u>98,270</u>	<u>58,462</u>	<u>7,079</u>	<u>335,923</u>	<u>727,963</u>
At 31 December 2002	<u>223,931</u>	<u>76,991</u>	<u>47,808</u>	<u>31,403</u>	<u>335,923</u>	<u>716,056</u>

Significant accounting policies (continued)

7. Intangible assets

<i>In BGN</i>	Software	Total
<i>Cost</i>		
Balance at 1 January 2002	13,228	13,228
Acquisitions	-	-
Balance at 31 December 2002	<u>13,228</u>	<u>13,228</u>
<i>Amortisation and impairment losses</i>		
Balance at 1 January 2002	4,167	4,167
Amortisation charge for the year	<u>2,441</u>	<u>2,441</u>
Balance at 31 December 2002	<u>6,608</u>	<u>6,608</u>
<i>Carrying amount</i>		
At 1 January 2002	<u>9,061</u>	<u>9,061</u>
At 31 December 2002	<u>6,620</u>	<u>6,620</u>

Significant accounting policies (continued)

8. Investments in associates

<i>In BGN</i>	2002	2001
Agency Vitosha EOOD	5,006	5,006
Vitosha Research EOOD	5,000	5,000
	<u>10,006</u>	<u>10,006</u>

CSD is a non-profit organisation which has invested in two companies in prior accounting periods. For the financial year 2002 the subsidiaries that perform business activities in line with the overall goals and the mission of CSD have received no further financial support. Their financial statements have been audited by certified chartered accountants according to Bulgarian legislation, for which some details are presented below:

<i>In BGN</i>	Net Assets		Profit after tax	
	2002	2001	2002	2001
Agency Vitosha EOOD	49 740	43 061	6 766	3 787
Vitosha Research EOOD	67 525	27 016	40 609	18 222
	<u>117 265</u>	<u>70 077</u>	<u>47 375</u>	<u>22 009</u>

Significant accounting policies (continued)

9. Other investments

<i>In BGN</i>	Maturity	Nominal value		Number of	Balance as at
		EUR	BGN	bonds	31 December 2002
					BGN
Bonds held-to-maturity issued by:					
Bulgarian - American Bank	28 March 2005	300,000	586,749	300	590,529
First Investment Bank	24 October 2003	300,000	586,749	300	601,525
					<u>1,192,054</u>

The financial assets held-to-maturity realise gains accounted for as financial income in the Statement of revenues, expenditures and changes in fund balances in the amount of BGN 30,433.

The Center has accrued income and municipality tax in the Statement of revenues, expenditures and changes in fund balances in the amount of BGN 7,151.

Significant accounting policies (continued)

10. Receivables

<i>In BGN</i>	2002	2001
Completed Projects	107,219	50,777
Other receivables	66,394	23,863
Impairment of assets	(19,611)	(19,611)
	<u>154,002</u>	<u>55,029</u>

11. Cash and cash equivalents

<i>In BGN</i>	2002	2001
In local currency	5,114	50,050
In foreign currency	1,342,928	2,280,695
Deposits	2,560	800
At bank	<u>1,350,602</u>	<u>2,331,545</u>
In local currency	25,078	14,779
In foreign currency	29,269	40,284
In hand	<u>54,347</u>	<u>55,063</u>
	<u>1,404,949</u>	<u>2,386,608</u>

Significant accounting policies (continued)

12. Deferred expenses

<i>In BGN</i>	2002	2001
USAID/DPK Consulting - Coalition 2000 Anti-Corruption Program	595,416	-
European Commission - Promoting European Standards in Human Rights: Establishment of Ombudsman Institution in Bulgaria	85,324	-
The German Marshall Fund - - Illegal Trafficking and Corruption in Southeast Europe (2001-2002); Corruption Assessment in Southeast Europe (2002-2003)	25,218	24,431
European Commission - The Informal Economy in the EU Accession Countries (Inforec)	38,117	-
British Embassy - Promoting European Standards in Human Rights: Establishment of Ombudsman Institution in Bulgaria	20,299	-
InterMedia - International Audience Research Program	4,942	-
GVG - Study on the Social Protection Systems in the 13 Applicant Countries	5,412	-
EC/Gallup Hungary - Eurobarometer Surveys in Countries applying for EU Membership	-	10,799
US Department of State, Office of Research - Public Opinion Survey in Bulgaria	-	6,150
Other projects	2,587	353
	<u>777,315</u>	<u>41,733</u>

Since revenue and expenses on projects are matched on a yearly basis to conform with the accruals principle, deferred expenses consisting of expenses incurred on projects that have not been completed.

Significant accounting policies (continued)

13. Payables

<i>In BGN</i>	2002	2001
Payable to the budget	36,159	11,577
Salaries, benefits and social security payable	20,010	13,350
Payable to suppliers	10,595	14,893
Other payable	22,620	14,879
	<u>89,384</u>	<u>54,699</u>

14. Deferred revenue

<i>In BGN</i>	2002	2001
For project activities	1,112,440	79,369
For fixed assets	123,702	120,189
	<u>1,236,142</u>	<u>199,558</u>

Significant accounting policies (continued)

15. Financial instruments

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

<i>In BGN</i>	Note	Effective Interest rate	Total	6 months or less
Cash and cash equivalents:				
Deposit in Bulgarian - American Bank - fixed rate per a.n.		4,05%	565,488	565,488
Cash in hand		-	25,078	25,078
Cash at bank	11	0,2 - 0,5%	814,383	814,383
			<u>1,404,949</u>	<u>1,404,949</u>
Bonds issued by the Bulgarian - American Bank		6,67%	590,529	590,529
Bonds issued by the First Investment Bank	9	4,61%	601,525	601,525
			<u>1,192,054</u>	<u>1,192,054</u>

Significant accounting policies (continued)

16. Related parties

Related party payables	Nature of the related party relationship	Transaction during the year	Amount	Outstanding balance 31 December 2002
ARC Fund	Management control	Partner organization within Coalition 2000 initiative	35,772 USD	67,251 BGN

17. Events subsequent to the balance sheet date

There have been no material changes or transactions subsequent to the balance sheet date that require adjustment or disclosure in the financial statements prepared for the period ended 31 December 2002.

18. Contingencies

There are no contingencies to report on.

