

Coalition 2000

CSD has been the Secretariat of *Coalition 2000* since its launch in 1998. A significant shift has taken place in the anti-corruption environment in Bulgaria since then. Government no longer denies corruption exists and is ready to take action, the public no longer puts up with rent seeking from public servants, and oversight institutions are starting to make a difference. Public service corruption has declined to almost a third of its scope in 1998 – as evidenced by the *Coalition 2000* monitoring, corruption transactions have been reduced from a monthly average of 250,000 in 1998 to 90,000 in 2004. The improvement in the spread of corruption has also been registered by the Corruption Perception Index (CPI) of Transparency International. Bulgaria has been slowly but steadily improving its CPI score – from 2.9 in 1998 to 4.1 in 2004, now ahead of all EU candidate countries, even outperforming some current member states (Poland, Latvia and Slovakia).

Coalition 2000's 2004 priorities included:

- corruption assessment and anti-corruption policy reform
- establishment of the national and local ombudsman offices;
- anti-corruption education for high schools and universities;
- building civil society capacity against corruption.

Coalition 2000 is one of the most prominent examples of a private-public partnership in the area of anticorruption in South Eastern Europe. ... It is an all-inclusive platform combining the input and efforts of various stakeholders irrespective of their political or institutional affiliations. The partnership has developed a Corruption Monitoring System (CMS) to serve as a special tool for diagnosing corruption. [...] Coalition 2000 also has completed a best practices initiative on a local level. [...] The anticorruption initiative promotes participation by civil society in applying mechanisms of civil control over the state, especially with respect to carrying out the National Anticorruption Strategy for Bulgaria for the period 2001–04. [...] The experience of Coalition 2000 demonstrates that a determined citizenry can demand better government and turn the tables on those who are corrupt.

Building Market Institutions in South Eastern Europe, The World Bank, Washington DC, 2004, p. 76.

I. Supporting Anti-Corruption Policy

The Policy Forum is the Coalition's main public-private platform. The Forum, organized annually by *Coalition 2000*, is a high profile public event bringing together civil society and government institutions in the fight against corruption. On February 17, 2004

the *Coalition 2000* Policy Forum brought together over 150 representatives of the legislature, the executive, and the judiciary, the state administration, non-governmental organizations, prominent public figures, business, media, the international community and foreign missions to Bulgaria. The participants at the Forum discussed the fifth annual **Corruption Assessment Report 2003** (CAR). In the spirit of an already established public-private partnership the representatives of the government institutions and the civil society debated the anticorruption dimensions of judicial reforms, that were the focus of *Coalition 2000's* 2003 Report.

In his address, delivered on behalf of Prime Minister Simeon Saxe Coburg Gotha, Justice Minister Anton Stankov emphasized the positive developments in curbing corruption, tightening of customs control and the efficient anti-smuggling actions ensuing from the cooperation between government institutions. The contribution of *Coalition 2000* as an organizer of the public-

private debate on these significant issues was also highly appreciated. On behalf of USAID Bulgaria Mission Director Debra McFarland highlighted the importance of judicial reform being an inclusive process involving all branches of government and civil society with magistrates in the lead. Ms. McFarland pointed to the continued support of the US government of Bulgaria's efforts to improve judicial governance and make its judiciary more transparent and accountable.

The 2003 Report made a general evaluation of the state and dynamics of corruption in Bulgarian society and of anti-corruption efforts in the year 2003 emphasizing the anti-corruption dimensions of judicial reform in Bulgaria.

The level of corruption in Bulgaria did not change significantly in 2003. Corruption is still perceived to be one of the gravest problems of society. This is indicated by the Coalition 2000



From left to right: Mr. Jose Lopez-Jorin, Ambassador of Spain to Bulgaria, Mr. Anton Stankov, Minister of Justice, Dr. Ognian Shentov, Chairman, Center for the Study of Democracy

Corruption Indexes, which measure the spread of corruption and the perceptions of the general population, the business community and analysts. ... The unchanged corruption level is in contrast to the Bulgarian public's expectations for improvement. This lack of development signals that the anti-corruption measures undertaken so far have been exhausted. In the last few years, anti-corruption efforts have, to a certain extent, succeeded, due to certain "soft" forms of curbing corruption, i.e., by means of extensive public pressure. However, none of the essential structural faults that breed corruption in various segments of society have been remedied.

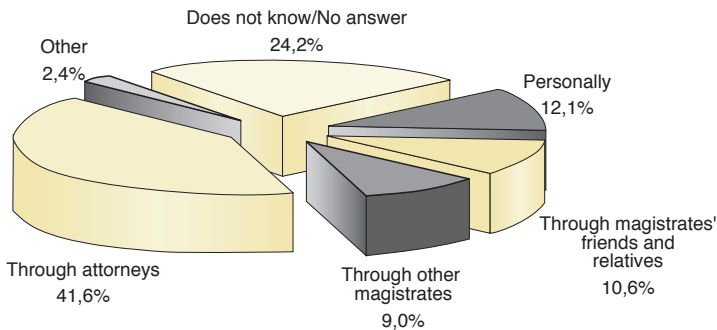
Corruption Assessment Report 2003, p.5

most areas affected by it – public administration, civil society, economy, etc. As the anti-corruption environment matured, in 2003 the Coalition decided to give its annual Corruption Assessment Report a narrower focus. Thus CAR 2003 looked in greater detail into the anti-corruption reforms in the Bulgarian judiciary.

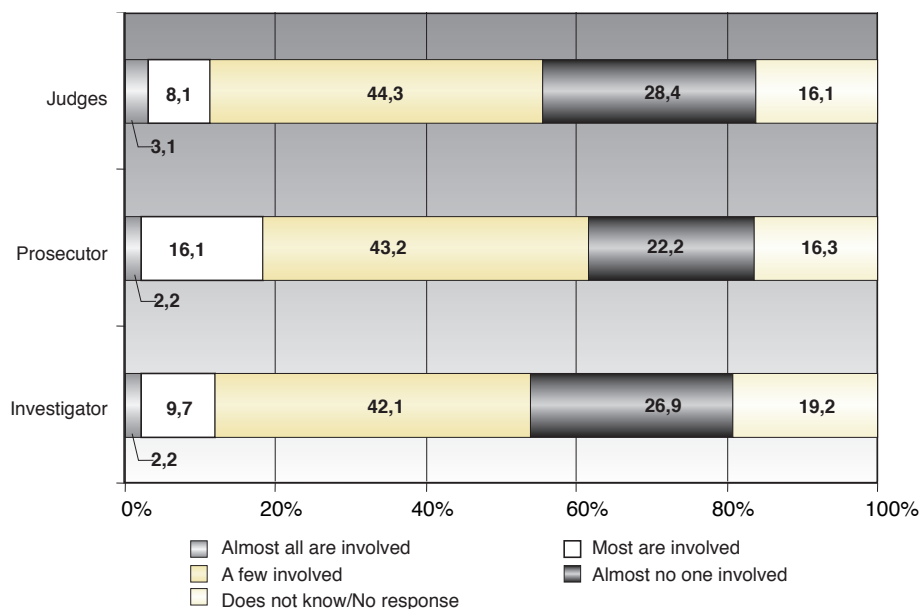
The Report incorporates the main assessments, conclusions and suggestions concerning the anti-corruption aspects of judicial reform laid down in the *Judicial Anti-Corruption Program*, a process similar to *Coalition 2000* initiated by CSD. At the same time, CAR—2003 stresses the links between corruption as a general issue and the need to establish an effective, stable and clean judicial system as the key rule of law instrument for curbing of corruption in society. This approach also seeks to bring about a consensus between decision makers on the general principles, as well as the particular immediate and long-term goals of judicial reform.

In the period 1998-2002, *Coalition 2000* carried out comprehensive assessments of anti-corruption in Bulgaria, covering

Chart 7. Corruption methods in the judiciary



Source: Corruption Monitoring System of *Coalition 2000*

Chart 8. Spread of corruption among magistrates (%)


Source: Corruption Monitoring System of *Coalition 2000*

II. Hidden Economy and Corruption

The hidden economy feeds corruption through various channels. One of the major sources of informality and unfair competition coming from hidden economic activity is the smuggling of consumer goods. The interaction between corruption and hidden economic activity also creates concerns in other public domains such as labor markets, public procurement, privatization and concessions, regulatory regimes, etc. In 2004 *Coalition 2000*'s efforts in the area of hidden economy and corruption were concentrated on influencing Bulgarian and international policy debate through: (1) shaping public opinion through debate in the public media; (2) delivering policy recommendations to the national and local governments on reducing hidden

economy and corruption; (3) advising major international partner organizations (IMF, USAID) on effective assistance policies to support national anti-corruption and anti-hidden economy efforts; and (4) expanding the existing pool of knowledge and education on hidden economy and corruption.

In January 2004 *Coalition 2000* together with six major Bulgarian NGOs initiated and took part in the public debate on **improving governance at the Sofia Municipality**. The new Municipal Council Statutes, that by and large incorporated the entire range of recommendations made by *Coalition 2000*, were voted into force by the Sofia Municipal Council and resulted into an enhanced public access

to and control of Sofia Municipal Council and its standing committees. Improved transparency aided media investigations and the unveiling of several established corruption practices in the Sofia Municipality. The principles adopted by the Statutes guarantee better local governance through better interaction between the Mayor, the Municipal Council, NGOs, the business and the broader public.

On July 15, 2004 *Coalition 2000* and the Center for the Study of Democracy presented the book *The Hidden Economy in Bulgaria*. It includes contributions of experts from the National Social Security Institute, the Bulgarian National Bank, the National Statistical Institute, the Agency for Economic Analysis and Forecasting and the Center for the Study of Democracy.

The book adds value to the debate in three directions: (1) it estimates the hidden economy in Bulgaria using several different methods, (2) it gives a broader view of the



hidden economy phenomenon in Bulgaria for the past four years and assesses how it affects specific socio-economic spheres (labor market, domestic production, tax and social security system, black economy) and (3) it evaluates systematically the effectiveness government's policies to reduce the hidden economy and provides recommendations for further action.

On the labor market the informal economy has two manifestations –



From left to right: Mr. Todor Todorov, Director of National Economic Accounts and Balances Department, National Statistical Institute, Mr. Ruslan Stefanov, Project Coordinator, Center for the Study of Democracy and Mr. Petkan Iliev, editor of the book and Senior Fellow to the Center for the Study of Democracy

hiring employees without signing a formal, written contract or reporting for tax purposes lower than the actual salary of the employees (contracts with "hidden" clauses). In the period 2002 – 2004 the share of hidden employment (work without contract) shrank. One of the main reasons for this decrease had been the administrative measures launched by the Ministry of Labor and Social Policy for mandatory registration of all labor contracts and the introduction of mandatory minimal social-security thresholds for tax purposes in the beginning of 2003. At the same time the share of hidden remuneration (i.e. the prevalence of contracts with "hidden" clauses) increased. Also the majority of the newly mandatory registered contracts were primarily at the minimum wage level.

Tracking the Dynamics of the Hidden Economy – the Index of Hidden Economy

In 2004 *Coalition 2000* continued its work on tracking the dynamics of the hidden economy through the Index of Hidden

Economy. The index proved an effective tool for influencing public policy debate and for focusing government attention on the most pervasive problems the hidden economy creates in the country. The index gave a deeper insight into the nature and dynamics of the hidden economy in Bulgaria. While public policy has helped in bringing down hidden economic activity, there have been some worrying trends. High social security contributions continue to motivate businesses to hide labor income. Criminal businesses have remained active and have been quick in seizing new opportunity for siphoning public money. In 2004 they increasingly turned to VAT fraud and thus managed to offset successful policy responses in other areas.

III. Introducing the Ombudsman Institution

Coalition 2000 has been advocating for the introduction of the ombudsman institution in Bulgaria at the national and local level for more than six years.

Index of hidden economy: the business perspective

Hidden Economy	December 2002	March 2003	November 2003	April 2004
Overall Index	3.85	2.91	2.86	3.01
<i>Business Perception of the Share of the Hidden Economy in GDP</i>	4.60	3.96	3.66	3.86
<i>Hidden Labor</i>	3.98	2.79	2.76	2.86
<i>Hidden Turnover</i>	3.65	2.66	2.72	2.83
<i>Siphoning Public Money (VAT Fraud)</i>	3.15	2.24	2.28	2.48

It focused its efforts on setting the ground for the effective establishment of the institution through drafting of legislation, enhancing public awareness and implementing education and training activities.

Following the two unsuccessful attempts of the parliament to elect a national ombudsman during 2004, *Coalition 2000* engaged in supporting the establishment of the ombudsman institution. It initiated the development of a mechanism for consultations to facilitate the election of the ombudsman. The initiative aimed to stimulate an open dialogue among political parties and civil society organizations before the opening of the next ombudsman election procedure. The intention was to make the entire procedure more transparent and to contribute to the election of an ombudsman enjoying a broader support in parliament than the simple majority envisaged by the law.

No steps were taken by parliament or government to improve the existing legislation, which was criticized by non-governmental organizations and

experts as not providing guarantees for the impartiality and effectiveness of the ombudsman. However, through the efforts of *Coalition 2000* specific proposals and recommendations for legislative amendments were developed. To enhance the independence and stability of the ombudsman institution *Coalition 2000* developed draft amendments to the Constitution, to be submitted to the Ad-Hoc Parliamentary Committee on Amendments to the Constitution.

Having already contributed in 2003 to the elaboration and adoption of the legal framework of the ombudsman institution on national and local level, in 2004 *Coalition 2000* in cooperation with its partners paid special attention to promoting and supporting the establishment of public mediators on municipal level.

***Coalition 2000* capacity building tools for the local ombudsmen**

*Three Municipal training seminars
Human rights promotion and protection through the institution of the*



At a public discussion on the best European practices of the local ombudsman institutions, July 9, 2004: (from left to right) Mr. Henry Minis, LGI Program Director, Mr. Gene Gibson, Senior Advisor, USAID, Bulgaria, Dr. Hans Martin Tschudi, Vice-President of the Congress of Local and Regional Authorities of Council of Europe and Dr. Maria Yordanova, CSD Law Program Director

local public mediator were held in Ognyanovo (May 19), Varna (June 24), and in Shoumen (November 5). They have been organized by Coalition 2000 with active participation of the local partners' organizations. The training was instrumental for providing citizens with detailed information about the ways to approach the office of the local ombudsman, procedures for submitting inquires, experience accumulated in the country. The target group of the seminars were local authorities and local NGOs, office of the public mediator (if such Institution operates), citizens, media.

The partnership of NGOs and local authorities, created an environment that along with the legal framework – also developed with Coalition assistance – made possible the number of local public mediators around the country to increase. Three of the seven public mediators, operating at the end of 2004, were established and supported by Coalition 2000 grantee NGOs. The Coalition supports this process through education, expert consultations, supply of publications, and facilitation of experience sharing among elected mediators.

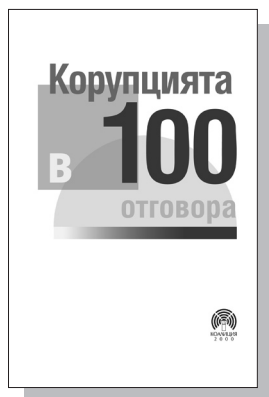
The local public mediators have already started considering citizens' complaints against maladministration in the respective municipalities. Their initial activities have improved the transparency and accountability of the local authorities. They have strengthened the civic control over local government and local self-government, fostered dialogue between citizens and local authorities, and improved the quality of public services.

IV. Anti-Corruption Education

Aiming to leave a lasting impact in the field of anti-corruption, Coalition 2000 has also been successful in bringing Bulgaria's young into the broader rule of law constituency. This was achieved by making anticorruption education in high schools one of Coalition 2000's priorities in 2004. Its work coincided with the governmental efforts to push educational reforms and with the endorsement of the national Strategy for Development of the Secondary Education in Bulgaria (2005-2010). At the beginning of 2004 Coalition 2000 led the establishment of an expert group tasked to assess the opportunities for introduction of anticorruption education as part of the civic education in secondary schools. The overall goal was the young people to receive information about corruption, and at the same time, to increase their knowledge about issues such as the role and functions of the state institutions, the formation of the state budget and taxes, the work of local authorities, the need for transparency and accountability in the work of state institutions, as well as their civil rights and obligations. As a result of these efforts, in the fall of 2004, the Ministry of Science and Education officially introduced an elective course on anticorruption in the secondary schools curriculum.



Coalition 2000 published a new edition of the 2003 educational manual *Anticorruption*. It created a basis for the development of a university anticorruption course, and for the integration of selected anticorruption topics in existing academic programs in the social sciences. This was an important step towards the introduction of the anticorruption as a subject in the Bulgarian higher education, including in the preparation of future teachers.



In 2004 *Coalition 2000* also published three teacher manuals assisting the introduction of anticorruption education in high schools. The *Corruption in 100 Answers* manual was offered to

school teachers to facilitate the teaching of an elective course on *Anticorruption*. Two on-line manuals were also developed: *Anticorruption and Citizenship* for students from grades 9th through 12th and a manual for assisting teaching of anticorruption in the secondary schools.

Since the beginning of 2004 experts and partner organizations of *Coalition 2000* have been working on the pilot introduction of the position of the school mediator (ombudsman). By the end of 2004 peer mediation was tested at three Plovdiv-based secondary schools.

Good practices in anticorruption education were also established by partner nongovernmental organizations in the framework of the *Civil Society Against Corruption* grants program of *Coalition 2000*. During the projects, the partner NGOs tested new models and methods for teaching anticorruption in high schools, preparing future teachers in civic and anticorruption education at the university level. They also designed extracurricular activities, such as visits to public institutions by students. Some of these projects also included surveys



that assessed the levels of corruption in higher and secondary education institutions and the benefits from introducing of anticorruption education in secondary schools. The survey results demonstrated a substantial interest about the issue by students, parents, teachers, and the school and university administrations.

The cooperation between *Coalition 2000* and the Department on Information and Teachers' Training at Sofia University in 2004 led to the introduction of a new continuing education course for teachers, *A Transparent Classroom – Aspects of Anticorruption Training and Education*.

V. Corruption Monitoring System

The Corruption Monitoring System (CMS) is an essential part of the implemented anti-corruption initiatives of *Coalition 2000* in Bulgaria. The CMS consists of a system of quantitative and qualitative monitoring instruments and was designed to generate information about the structure and dynamics of corrupt behavior, the scope and dynamics of corruption related attitudes, assessments and expectations of the general public, of public sector officials, and of specific social and professional groups. It allows policy makers and the public to gain knowledge about the actual volume of corrupt transactions as well as about public attitudes and expectations about the effectiveness government policies.

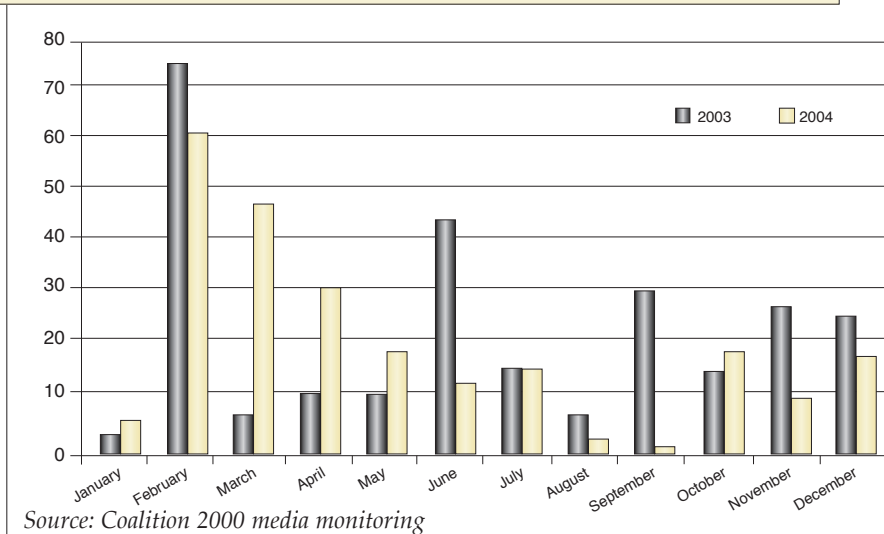
As a result mostly of *Coalition 2000's* monitoring system, corruption was acknowledged by political elites and recognized as a problem by the general public. The Coalition has shown not only that corruption can be measured but that measurement is crucial in its successful combat. The regular publication of data

on the actual prevalence of corruption in society has given the public an instrument of advocacy and pressure, and has allowed government to better tailor its policies. *Coalition 2000's* monitoring system has been included as part of the UN Anti-Corruption Tool Kit and is routinely referred to by various international institutions, including the European Commission, World Bank, IMF, UNDP and others.

In March *Coalition 2000* presented the latest corruption indexes of the business sector based on a survey of businessmen in Bulgaria, conducted in February 2004. The conclusions of the survey were that susceptibility to corruption among the business sector remained high since the previous survey in November 2003. Businesses considered corruption as the major obstacle to their work. Other factors that businesses pointed to included the unfavorable conditions for business development and crime.

In June, *Coalition 2000* presented the results from a survey *Corruption Practices in the Tax Administration*. The study was conducted at all Territorial Tax Directorates and their subdivisions in the 28 regions of the country among 699 tax administration officials. The results obtained during the survey served as a basis for developing concrete measures and set of indicators, for monitoring the effectiveness of those measures, in cooperation with the tax authorities at all levels.

After a tangible drop in the perceptions of corruption among citizens and business registered in March 2004, the November round of corruption diagnostics showed return towards the higher average values, typical for 2003. This was valid for the cases of corruption pressure by public officials and for the realized corruption deals.

Chart 9. Number of media stories on *Coalition 2000* by month

The number of actual corruption deals in the public sector in November 2004 increased by about 20,000 cases per month in comparison to March 2004. One of the affected areas was local

government. This could be explained with the reallocation of bigger financial resources towards the local governments and the process of administrative and financial decentralization.



From left: Ambassador James Pardew, Embassy of the USA, Ms. Kristina Krasteva, 24 chassa daily, Mr. Iovo Nikolov, Capital weekly and Mr. Krassimir Dobrev, Sega daily

Second Award Ceremony for Best Journalistic Materials on Cases of Corruption

In March *Coalition 2000* announced the 2004 awards for best journalistic materials covering cases of corruption published or broadcast in Bulgarian media during 2003. The ceremony took place at the American Center in Sofia, where Ambassador James W. Pardew bestowed the awards to the winners. Eleven investigating journalists from eight media outlets competed for the second annual awards. The First Prize went to Ms. Christina Krasteva and Mr. Stanimir Vaglenov of the *24 Chassa Daily* for their November 2003 news-breaking story that caused a major political scandal about a corrupt deal for 11 municipal properties in Sofia. The second prize was awarded to Mr. Yovo Nikolov from *Capital Weekly* for an investigation on the illegal business of the assassinated Kossio Dimitrov-Samokovetsa and his political protectors, and his the trafficking chan-

nels. Third prize received Mr. Krasimir Dobrev from *Sega Daily* for the article: *Why Minister Tserovski is allowed to have a private company and his subordinate X – is not allowed?*

Civil Society against Corruption Program

In 2004, *Coalition 2000* engaged a significant number of civil society organizations in promoting anti-corruption education, the establishment of local ombudsman offices, and targeting corruption in specific public services. These were the priority areas for a Civil Society against Corruption program managed by the Center for the Study of Democracy.

The grants program assisted 24 NGOs in establishing local and specialized ombudsman institutions, piloting anti-corruption education in secondary schools and universities, analyzing the mechanisms of corruption in the public sector, conducting corruption percep-



Coalition 2000 grantees at a training session at the CSD. A key element of the civil society program was building the capacity of the participating NGOs.

tion surveys, supporting the activities of local anticorruption councils and fora, etc.

The achievements of the civil society against corruption program in 2004 included:

- *Election of a public mediator in Banite municipality, District of Smolyan and in Botevgrad municipality, Sofia District; conducting the necessary information and educational work; drafting and adoption of essential documents and procedures for election of public mediator in Razgrad municipality and in Kurdjali district;*
- *Elaboration of anticorruption curricula for the secondary schools and introducing practical exercises in civic education with anti-corruption aspect in Varna;*
- *Watchdog surveys and analysis of corruption practices with respect to building of anticorruption strategies in 10 academic institutions in the country, in the tax administration, etc.;*
- *Building of models for anticorruption public-private partnerships at the local level in Velinograd, Pernik, Stara Zagora and exercising civic control in the area of illegal construction.*