

# CENTER FOR THE STUDY OF DEMOCRACY

---

ANNUAL REPORT 2014



Building bridges

---

**CENTER FOR THE STUDY OF DEMOCRACY  
2014 ANNUAL REPORT**

---

Drawing: Anri Koulev

© Center for the Study of Democracy, 2015  
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.

“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](mailto:csd@online.bg)  
[www.csd.bg](http://www.csd.bg)

# Table of Contents

INTRODUCTION.....	7
<b>PART ONE: PROGRAM REVIEWS .....</b>	<b>9</b>
<b>LAW PROGRAM .....</b>	<b>11</b>
I. MEASURING PUBLIC CONFIDENCE IN JUSTICE .....	11
II. JUDICIAL REFORM.....	14
III. PENITENTIARY REFORM.....	15
IV. FUNDAMENTAL RIGHTS.....	17
<b>ECONOMIC PROGRAM .....</b>	<b>22</b>
I. ENERGY SECURITY AND SUSTAINABLE DEVELOPMENT.....	23
II. REGIONAL AND INTERNATIONAL COOPERATION IN ANTI-CORRUPTION.....	29
III. MONITORING AND EVALUATION OF HIDDEN ECONOMY POLICIES IN BULGARIA AND SOUTHEAST EUROPE .....	37
IV. COMPETITIVENESS AND THE KNOWLEDGE ECONOMY .....	41
<b>SECURITY PROGRAM .....</b>	<b>43</b>
I. ENHANCING THE EFFICIENCY OF ANTI-CORRUPTION EFFORTS .....	43
II. WIDENING THE SCOPE OF SERIOUS AND ORGANISED CRIME THREAT ASSESSMENT .....	47
III. ENHANCING BORDER SECURITY POLICIES .....	50
IV. MANAGEMENT AND DISPOSAL OF SEIZED AND CONFISCATED CRIMINAL ASSETS IN EU COUNTRIES .....	51
V. ADVOCATING POLICY EVALUATION PRACTICES IN BULGARIA .....	53
<b>SOCIOLOGICAL PROGRAM .....</b>	<b>55</b>
I. INTEGRATION OF MIGRANTS AND SOCIAL INCLUSION OF VULNERABLE GROUPS .....	56
II. TRAFFICKING IN HUMAN BEINGS .....	60
III. EVALUATION OF POLICIES AND PROGRAMS.....	65
IV. PREVENTION OF INTERNET BULLYING BEHAVIOUR .....	66
V. INTERNATIONAL DEVELOPMENT AND POVERTY REDUCTION.....	68
<b>PART TWO: ADMINISTRATION AND MANAGEMENT.....</b>	<b>69</b>
<b>INSTITUTIONAL DEVELOPMENT.....</b>	<b>71</b>
<b>INTERNSHIP PROGRAM .....</b>	<b>72</b>

---

DONATION OF BOOKS AND OTHER PUBLICATIONS .....	74
CONSULTING ARMS OF CSD: VITOSHA RESEARCH AND PROJECT ONE .....	75
LIST OF STAFF.....	76
 PART THREE: FINANCIAL REVIEW.....	 79

---

# Introduction

In 2015, the Center for the Study of Democracy marks its 25<sup>th</sup> anniversary. This is a good reason to look back and reflect on the changes, the accomplishments, and the challenges lying ahead. Along the thorny road from the fall of the Berlin wall through Bulgaria's membership in NATO and the EU, the Center has been both an involved observer and a driver of societal change, a 'think tank with teeth' that has revealed the major challenges of Bulgaria's transition and has relentlessly promoted policy reforms to address them.

These are a few of the areas where the Center's efforts have produced measurable and beneficial impact:

## **Coalition building and monitoring for anti-corruption**

Since 1998, the Center for the Study of Democracy has pioneered the anti-corruption efforts of the Bulgarian civil society. CSD introduced an innovative public-private partnership format for co-operation among NGOs, governmental institutions and individuals for delivering anti-corruption awareness raising and policy advocacy. It consists of three pillars:

- annual anti-corruption policy forums;
- annual Corruption Assessment Reports; and
- the Corruption Monitoring System.

At present, the PPP format established in this way may look self-evident, but this was not the case in the second half of the 1990s. Back then, such civil society efforts were confined to raising public awareness about corruption and were seen as secondary to state institution actions. The CSD-led *Coalition 2000* initiative pioneered this format in Bulgaria, while internationally this was achieved through the Southeast European Leadership for Development and Integrity (SELDI).

## **Countering organized crime**

CSD has pioneered in another area traditionally perceived as the inviolable domain of state institutions – organised crime and national security. The Center has published ground breaking reports in this domain since the late 1990s. CSD has introduced new policy instruments in this area, such as the first Serious and Organized Crime Threat Assessment for Bulgaria. SOCTA analysed all major criminal markets and estimated their annual volumes. The SOCTA process was an exemplary cooperation between law-enforcement institutions, bringing together in close cooperation an NGO, the Bulgarian Ministry of Interior, the UK Serious Organised Crime Agency and law-enforcement institutions from Austria, Belgium, Germany and the Netherlands.

The Center has conducted its annual National Crime Survey (NCS) of victims of crime, which has become the most influential alternative to police crime statistics.

---

The presentation of annual results are closely followed by politicians, the media, and civil society.

### **New democratic institutions**

Since the beginning of the democratic transition in Bulgaria, CSD has been actively involved in the legislative reform in the country, championing and contributing to the establishment of new legislation in a range of pivotal areas. The Center has engaged in the creation of many critical pieces of legislation, but it is a whole institution that stands out as an example of CSD's rule of law and democratization efforts. CSD has initiated and overseen the establishment of the Ombudsman institution. It is a complementary mechanism for monitoring and control over the public administration and an out-of-court means of respecting and restoring human rights violated by the state. Following a long-standing and consistent advocacy, CSD drafted the legislation adopted in 2003, as well as the Internal Procedural Rules of the Ombudsman. Nowadays, the Ombudsman institution has become synonymous with equal, quick and easy access to justice and enjoys the highest trust of citizens.

These are only a few of the milestones that can be mentioned when looking back at CSD's 25 year-old history. Other areas where CSD has exercised a significant influence in shaping national reform policies have been private sector development, energy security, and curbing the hidden economy. We look forward to the next 25 years of active engagement and positive social impact.



Sofia, January 2015

Dr. Ognian Shentov  
Chairman

---

# **Part One**

## **Program Reviews**



# Law Program

In 2014, the Law Program's efforts were focused on four main topics: public confidence in justice, judicial reform, penitentiary reform and fundamental rights.

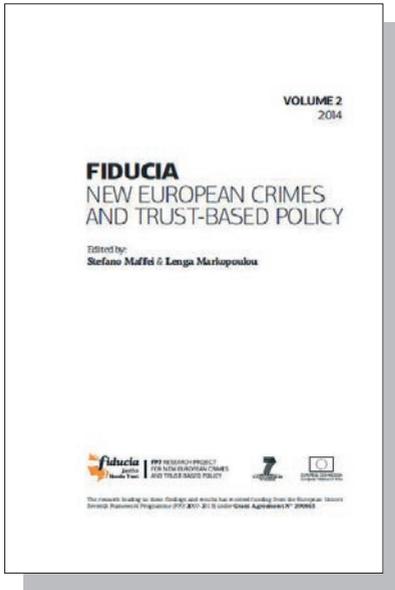
- **Public confidence in justice.** The Law Program continued its efforts in studying public confidence in justice in the context of new forms of criminality and particularly of cybercrime. The main findings of the research efforts are presented in two comprehensive comparative studies – on current domestic and supranational policies on cybercrime and on self-regulation and other non-legislative practices against cybercrime. A national survey on trust and attitudes to justice “abroad” as part of a joint effort of partners from 7 Member States was also conducted.
- **Judicial reform.** CSD experts contributed to optimizing the structure of the judiciary and to improving its work through developing an innovative method for using open public data for forward looking analysis of the socio-economic factors affecting the workload of the regional courts. The Law Program continued to provide expert assistance to the Ministry of Justice in updating the Strategy for the Continuation of the Reform of the Judiciary in the Context of the Full Membership in the European Union as well as for furthering the reform of the system of official registers.
- **Penitentiary reform.** Building upon previous efforts in the field, the Law Program published a comprehensive study on alternatives to imprisonment, compiled a handbook on the treatment of vulnerable groups of inmates and designed a state-of-the-art Prison Conditions Monitoring Index (PCMI).
- **Fundamental rights.** As a member of the FRANET network of the EU Fundamental Rights Agency the CSD collects data and information necessary for the agency's comparative studies. CSD also continued its work on protecting victims' rights through better access to legal aid and on facilitating the interaction between vulnerable groups and the state.

## I. Measuring public confidence in justice

Measuring public confidence in justice continued to be in the focus of the Law Program's activities. CSD is participating in the FIDUCIA initiative ([www.fiduciaproject.eu](http://www.fiduciaproject.eu)): a joint effort of lawyers, psychologists, sociologists, statisticians, criminologists and policy

analysts from thirteen European universities and research institutes aimed at shedding light on a number of distinctively 'new European' criminal behaviours that have emerged in the last decade as a consequence of technology developments and the increased mobility of populations across Europe. Like its predecessor, the EURO-JUSTIS initiative, FIDUCIA is built around the con-

cept that public trust in justice is critically important for social regulation, in that it leads to public acceptance of the legitimacy of institutions of justice, and thus to compliance with the law and cooperation with legal authorities.



The research is focused on four new types of criminality: trafficking in human beings, trafficking in goods, illegal migration and cybercrime. CSD is leading the work on cybercrime, which aims

to examine the causal dynamics of that type of crime, assess ‘best’ and ‘worst’ policy responses across Europe and at EU level, identify ‘trust based’ alternatives that might prove more effective, and devise ways of implementing these approaches.

In 2014 volume 2 of the series *FIDUCIA: New European crimes and trust-based policy* was published, in which the chapter *D-9.1 Report and factsheets on prevalence of cybercrime and related enforcement activity* prepared by the CSD Law Program team is included.

Based on its own research and contributions by partners from other EU Member States CSD produced two subsequent comprehensive studies.

- The report *Current Domestic and Supranational Policy on Cybercrime* examines the cybercrime-related public policies. It is based on research covering two major areas: (a) initiatives and policy instruments of international actors such as the Organisation for Economic Cooperation and Development, the United Nations, the Council of Europe, the European Union and the Group of Eight Industrialised Countries, and (b) policies

“Most often countries collect data on the typical forms of cybercrime (i.e. crimes such as hacking, virus attacks, etc., that can be committed only by using a computer or other similar information technology). In terms of crimes that can be committed either with or without using such technology (e.g. fraud) separate figures are not available. This situation significantly hampers the assessment of the spread of cybercrime, since it remains unclear what share of crimes, otherwise recorded as conventional crimes, are actually committed in cyberspace.

A positive development in some countries is the publication (periodically or occasionally) of **special reports on cybercrime**. Such reports offer detailed statistics on cybercrime accompanied by analysis and recommendations.”

*Source: FIDUCIA: New European Crimes and Trust-Based Policy, Volume 2, 2014, edited by Stefano Maffei & Lenga Markopolou, p. 134.*

“Cybercrime has constantly been in the focus of EU instruments and initiatives over the past few decades. Parallel to the adoption of legal provisions covering a number of cybercrimes, development of a specific EU policy against cybercrime has long been recognised as a priority by the Member States and the Commission. Policy initiatives towards the development of a general policy on the fight against cybercrime have aimed at strengthening the fight against cybercrime at the national, European and international level. The first comprehensive policy document that the European Union has produced in this area, the *Cybersecurity Strategy of the European Union: An Open, Safe and Secure Cyberspace*, addresses all relevant actors: public authorities, the private sector and individual citizens. Drastically reducing cybercrime is one of the strategic priorities that should guide cybersecurity policy in the EU and internationally.”

*Source: Current Domestic and Supranational Policies on Cybercrime.*

at the national level. In addition to reviewing the state of the art in terms of existing domestic and supranational policies, the study examines the level of synergy between international, EU and national policies, and the possible short and mid-term trends in the development of common European policies in this area.

- The report *Self-Regulation and Non-Legislative Measures to Prevent and Counter Cybercrime at National and International Level* reviews the non-legislative initiatives and practices for preventing and countering cybercrime. It examines the international and national cooperation between business, government and civil soci-

ety to combat the inexorable growth in cybercrime. It has identified a number of best models and practices that could serve as a starting point for formulating future policies based on trust and soft/persuasive measures in contrast to the fear-based policies and coercive measures dominant so far.

The two reports were presented at the 14th Annual Conference of the European Society of Criminology (ESC), held on 10-13 September 2014 in Prague, the Czech Republic. In her presentation *Policies and non-legislative practices countering cybercrime at international, EU and national level*, the Law Program Director

“...the private actors dealing with ICT are contributing to cybersecurity and fight against cybercrime by a variety of voluntary initiatives and actions at international and national level. The implemented forms of self-regulation and co-regulation are necessary complements to centralised regulation of the cybercrime. These persuasive measures offer flexible approaches and in combinations with the traditional regulatory frameworks based on coercive measures can mitigate cyberthreats and vulnerabilities. They can balance the increasing over-regulation that can become an obstacle for the development of ICTs and their availability.”

*Source: Self-Regulation and Non-Legislative Measures to Prevent and Counter Cybercrime at National and International Level.*

Dr. Maria Yordanova presented the conclusions of the research on the EU and EU Member States' policy initiatives against cybercrime and the private sector's responses to cyberthreat. Special attention was paid on the need to expand the already established cooperations and partnerships at all levels both within the Union and within individual Member States (including successfully implemented self-regulations, co-regulations and other forms of PPPs and joint initiatives of businesses, non-profits and governments) as well as with all influential international structures.

A national survey on trust and attitudes to justice "abroad" as part of a joint effort of partners from 7 Member States (UK, Italy, Germany, Finland, Lithuania, Hungary, Bulgaria) was also conducted. The survey design included a separate set of questions on public attitudes towards and public awareness of cybercrime on the basis of which CSD will produce in the beginning of 2015 a comparative study on public attitudes to cybercrime.

## II. Judicial reform

The reform of the judiciary continued to be a major component of CSD's activities. In 2014, the efforts were directed to supporting the design and implementation of the public policies for reforming the structure of the courts. In close cooperation with the Supreme Judicial Council (SJC) and the Ministry of Justice (MoJ), the CSD expert Todor Galev and the Law Program team have developed an innovative method for using open public data for forward looking analysis of the socio-economic factors affecting the workload of the regional courts. The main findings of the pilot analysis, methodology and some initial results were presented to the members of the SJC and administrative heads of a number of district and regional courts, representatives of the Ministry of Justice and civil society organisations involved in judicial reforms efforts. This is the first analysis in Bulgaria to identify potential socio-economic factors affecting the frequency and types of cases instituted by the Bulgarian courts. Until now, the



*From left to right: Dr. Todor Galev, CSD Expert, Mr Kalin Kalpakchiev, Supreme Judicial Council Member and Mr Petko Petkov, Deputy Minister of Justice*

“The developed model and pilot analysis which applies this model, identify factors of micro-level (settlement or municipality) that affect the instituted lawsuits and by which may be forecast the development of future scenarios can be foreseen.”

**Source:** *Potential Socio-Economic Factors Affecting the Frequency and Types of Cases Instituted by the Bulgarian Courts.*

“To successfully complete the first stage of the Strategy 2005 it is still necessary to create a Central Electronic Register of Non-Profit Organisations, Central electronic register of entities of private law that are not created through registration, and a Central Electronic Registry of State Establishments.”

**Source:** *Updated Strategy for the Establishment of a Central Electronic Register of Legal Persons and an Electronic Registries Center of Republic of Bulgaria (draft).*

workload of the courts has been seen primarily in terms of data reporting by the judiciary itself and the statistics on the work of the law enforcement agencies (e.g. police statistics on recorded crimes). The expected final result of the CSD analysis is to support the ongoing reform of the structure of the judiciary and to enhance significantly its performance.

The Law Program experts continued to provide expert assistance to the Ministry of Justice in updating the *Strategy for the Continuation of the Reform of the Judiciary in the Context of the Full Membership in the European Union*, the final version of which was presented for public discussion by the Minister of Justice in October 2014.

CSD continued to advocate for an overall reform of the system of official registers in Bulgaria, in particular for the transfer of the register of non-profit legal entities from the district courts to the Registry Agency as well as for the adoption of the *Updated Strategy for the Establishment of a Central Electronic Register of Legal Persons and an Electronic Registries Center*

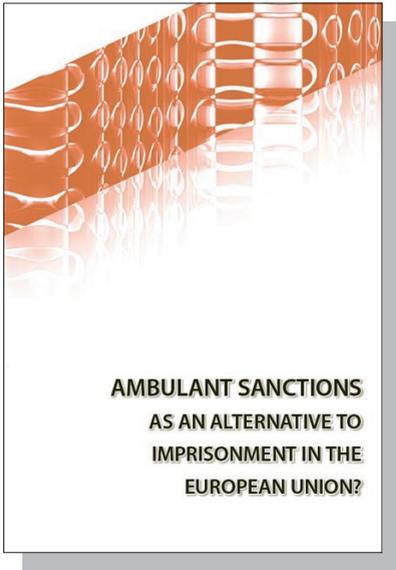
*of Republic of Bulgaria*, developed by CSD in 2012. The Strategy was further improved based on the feedback received from stakeholders and officially presented to the Ministry of Justice in January 2013 with a suggested system of legal and technical steps to be implemented.

In 2014, a newly formed working group with the Ministry of Justice was expected to elaborate legislative amendments enabling the electronic registration of non-profit legal entities. CSD was officially invited to participate in the working group and nominated as its representatives the Law Program Director Dr. Maria Yordanova and the Program’s Senior Analyst Mr. Dimitar Markov. However, no progress towards the establishment of a modern registration system in Bulgaria was made.

### III. Penitentiary reform

The execution of criminal sanctions in Bulgaria reveals serious problems that have been neglected by the government for a long time. Particularly worrying is the situation in the prisons where prob-

lems such as overcrowding, poor living conditions and lack of adequate social and medical services often lead to violation of prisoners' rights and prevent the effective social re-integration of offenders. As indicated by international studies and reports, similar problems are also observed in lots of other countries across Europe.



Against this background, CSD launched an international initiative aimed at suggesting and promoting research-based solutions to the existing problems. The initiative combines the efforts of universities and research institutes from Bulgaria, Germany, Spain, Belgium and Lithuania, and is focused on the iden-

tification and promotion of effective alternatives to imprisonment, and of good practices for treating particularly vulnerable groups of inmates. The common efforts are also aimed at enhancing the civic monitoring of prisons by offering a set of indicators for assessing the conditions in prisons.

Following the completion of the data collection stage, in 2014 the experts focused their efforts on analyzing the existing alternatives to imprisonment. The research, coordinated by the University of Applied Sciences and Arts in Dortmund (Germany), provided a theoretical framework of the concept of alternative to imprisonment and, based on this framework, reviewed the various types of alternatives applied in the participating countries. The results of the work were presented in a report entitled *Ambulant Sanctions as an Alternative to Imprisonment in the European Union*. The report covers several European countries, describing the existing alternatives to imprisonment and assessing their contribution to the re-socialisation of the offenders. The study also highlights some promising practices that could be transferred to other countries, particularly ones with increased involvement of civil society.

Vulnerable groups of inmates are another focus of the initiative. Inmates with special needs are often neglected by the prison administration due to lack

“While the consent of the affected individuals is inevitable, it has to be ensured that consent is not a mere expression of the urge or hope – oftentimes unjustified – to avoid a more intrusive sanction. As a first step to achieving that, procedural safeguards have to be created and the possibility of revocation needs to be abolished. Revocation adds imprisonment to the partially completed ambulant sanction which – in turn – leads to an even more intense sanctioning effect in the end.”

*Source: Ambulant Sanctions as an Alternative to Imprisonment in the European Union, CSD, 2014.*

of financial resources and qualified personnel for the provision of specialised services. The expert team identified and focused its efforts on twelve vulnerable groups: prisoners with mental health care needs, prisoners with disabilities, representatives of ethnic and racial minorities, foreign nationals, lesbian, gay, bisexual and transgender (LGBT) prisoners, elderly prisoners, prisoners with serious and terminal illnesses, drug addicts, women, inmates with life sentences, prisoners at the risk of self-harm or suicide, and juveniles. Information was collected about the respective situation of vulnerability and the related special needs, the applicable legal provisions and the existing measures and practices addressing their vulnerability of each group. The collected information will be summarised into a handbook on vulnerable groups of inmates.

The work on monitoring the conditions in prisons also marked significant progress. Following several rounds of discussions and revisions, the expert team approved the set of indicators to be included in the Prison Conditions Monitoring Index (PCMI) and the methodology for their calculation. The PCMI is divided into five major components: living conditions, security and safety, employment, social work and free time, and healthcare. Under each of these components, as well as under the PCMI as a whole, each prison could mark a score within the range 0 (lowest) – 10 (highest).

In October 2014, CSD started the pilot implementation of the PCMI. The items included in the PCMI were translated into a questionnaire and sent to all prisons and reformatories. More than half of the penitentiary facilities responded to the questionnaire, which will allow CSD to feed the data into the PCMI and produce the first of its kind indicator-based report on the conditions in prison.

In the course of the work, the partners of the initiative met twice (in Barcelona, Spain, on 13-14 March 2014, and in Dortmund, Germany, on 28-29 August 2014) to discuss the findings and conclusions of the research, and to plan the upcoming activities. Among the research issues discussed during the meetings were: the definition of ‘vulnerable groups’, the criteria for assessing vulnerabilities and special needs, the indicators for assessing conditions in prisons and their applications, etc.

To improve the visibility of the initiative’s work and achievements a newsletter is regularly compiled and disseminated. In 2014, the first four issues of the newsletter were circulated, each providing brief information on recent and upcoming events, EU prison policies in the news and recommended reading.

CSD research on penitentiary reform also looked at the general prison population as a vulnerable group. It looked at the procedures inmates are involved in within the framework of its initiative on NGO-institutional collaboration in the protection of vulnerable communities.

#### **IV. Fundamental rights**

In line with its long-term research priority related to fundamental rights in a criminal justice context, the Center for the Study of Democracy in partnership with universities and NGOs from Poland, Italy and Latvia, continued working on improving the protection of victims’ rights through better access to legal aid. In 2014, the initiative focused on training practitioners and raising the awareness of various specialised audiences on the issue.

In February 2014, the Center sent a prosecutor and a legal aid practitioner to an international training in Poznan,



*Participants in the training on the status of victims of crime in criminal proceedings and their access to legal aid, Sofia*

Poland on standards in treating victims and trends in providing them with legal aid. As a follow-up, on 20 March 2014 the Center conducted a training on the status of victims of crime in criminal proceedings and their access to legal aid. Judges, prosecutors, attorneys and representatives of the Ministry of Justice participated and the experts, trained in Poznan, were able to serve as trainers for their peers, while the Law Program team ensured media coverage of the victims' topic.

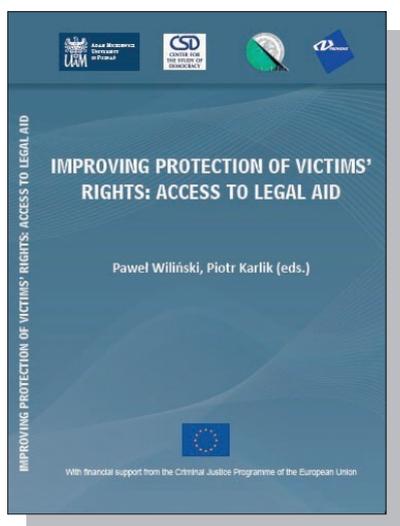
The Bulgarian country report on legal aid to victims, previously prepared by the Law Program team, was presented on 30 May 2014 during a session of the National Council for Assistance and Compensation to Victims of Crime, where various possible future efforts were also discussed. On 6 June 2014 the Law Program team held a roundtable on the adoption of long-term policies for improvement of the status of vic-

tims of crime, where magistrates, attorneys and representatives of civil society were invited. On 9 June 2014, Ms Miriana Ilcheva, Research Fellow at the Law Program, took part in an academic conference in Poznan, Poland on victims' access to legal aid. Together with a representative of the Ministry of Justice and a criminal attorney, she presented the system of legal aid in Bulgaria and the problems in obtaining state provided legal advice faces by victims of crime. In the accompanying meeting with the partners under the initiative, the Center presented its plans for follow-up of the activities to support the victims of crime in Bulgaria.

As part of the initiative's dissemination, four bulletins and two press articles were disseminated to relevant stakeholders. A CD containing an overview of all partner countries' legal aid systems and a brochure on how victims of crime can obtain legal aid in Bulgaria

were also distributed in electronic and hard copies to institutions and organisations, which in turn spread them among the groups they worked with.

A review of legal aid systems throughout partner countries and international standards in the area was published by Adam Mickiewicz University as scientific output of the initiative. The Law Program team contributed to the publication by editing the report, comparing domestic legal systems, and writing an article on the challenges to victims' protection in Bulgaria in view of harmonizing protection frameworks throughout the European Union.



In a related effort, Ms Miriana Ilcheva, Research Fellow at the CSD Law Program, participated in a working group with the Ministry of Justice to amend the *Law on Assistance and Compensation of Victims of Crime* in correspondence with the 2012 EU Directive on Rights of Victims. Ms Ilcheva advocated for the full and correct transposal of the Directive both in the law on victims and in the *Criminal Procedure Code* and presented to the members of the group the guidelines and stand-

ards for transposing EU legislation in the area.

In 2014, the Law Program, together with the Sociological Program of the Center, started implementing an initiative on enhancing the role of the civic sector as a guarantee for equal rights of vulnerable groups before the state. The start of the initiative was marked by a media release. A dedicated section of the CSD website was created, where all reports and analyses are uploaded.

A legal analysis was launched on the relations of institutions and NGOs in the protection of four vulnerable groups – asylum seekers, prisoners, victims of trafficking and victims of domestic violence. The document looked at several administrative and judicial procedures those communities usually participate in, the difficulties they encounter and the potential for assistance by civil society. Recommendations were given for facilitating the access of NGOs to law and policy making.

The groups' sociological and demographical profile was outlined in another publication. The analysis used data by various governmental and non-governmental sources and emphasised how burdensome it is to obtain comparable statistics from institutions and protection NGOs in order to make a well informed effort to assist those groups.

Lastly, a directory was prepared of all state bodies and non-governmental organisations, involved in the protection of and assistance to the selected vulnerable groups, using parameters such as contact information, relevant legal provisions for their protection and the main initiatives in each area. The initiative continues by analyzing relevant best practices from all over Europe in terms of their sustainability and transferability into the Bulgarian context.

All research outputs are consulted with relevant stakeholders to ensure the full and correct representation of the legal and practical framework of working with vulnerable groups. They will be actively involved in the initiative's future efforts on drafting a concept for more prominent participation of NGOs in the process of assisting vulnerable groups.

In October 2014, the EU Fundamental Rights Agency (FRA) designated CSD as the Bulgarian member of the Agency's multidisciplinary research network FRANET (<http://fra.europa.eu/en/research/franet>). As a FRANET member CSD provides, upon request, relevant data to FRA on fundamental rights issues to facilitate the Agency's comparative analyses. The tasks performed in 2014 included data collection for the upcoming FRA annual report and participation in the FRANET meeting held in Vienna, Austria, on 31 October 2014. The data collection covered a broad range of topics such as equality and non-discrimination, racism, xenophobia and related intolerance, Roma integration, asylum, borders, migration and integration, information society and data protection, rights of the child, access to justice, rights of crime victims, etc.

\* \* \*

The Law Program continued to contribute to CSD's work in the area of anti-corruption. The Law Program experts:

- drafted the section on judiciary and anti-corruption and the subsections on anti-corruption legislation and institutions in Bulgaria of the 2014 Corruption Assessment Report;
- assisted the preparation of the *Macedonian Corruption Assessment Report* (MCAR), part of the Macedonian Anti-corruption Program of USAID

Macedonia by providing consultations to the local experts and participating as lecturers in the joint trainings and seminars in Macedonia;

- provided the 42th National Assembly with an expert opinion on the planned amendments to the legislation on conflict of interests.

Ms. Miriana Ilcheva, Research Fellow at the Law Program, continued working on the legal aspects of the Overall Analytical Report and the periodic updates within the framework of the Local Research Correspondents on Corruption (LRCC) Network.

The Law Program Director Dr. Maria Yordanova represented CSD in the work of the first meeting in 2014 of the National Coordination Mechanism on human rights, established in December 2013 by the Council of Ministers and chaired by the Minister of Foreign Affairs.

In 2014, the fifth edition of the European Sourcebook of Crime and Criminal Justice Statistics was published. It is an instrument for collecting official statistics and data from sociological surveys in the area of crime and criminal justice, of which the Law Program served as national correspondent for Bulgaria. The program experts collected the necessary official statistics and survey data, and filled the collected information in the online country survey.

In April 2014, Ms Miriana Ilcheva, Research Fellow at the Law Program, attended a seminar organised by the Academy of European Law in Trier devoted to access to justice for crime victims in the EU. The seminar presented an opportunity for exchanging experience on the transposal of the 2012 EU Directive on Rights of Victims.

Through its Law Program CSD continued its participation in the Upsidedown

---

Protect initiative – a joint effort of research institutes from nine EU Member States to examine the access to information about the critical underground infrastructure, and to assess the risks of the potential use of such information for terrorist activities. CSD took part in the development of the Bulgarian country report on the availability of and access to spatial data on water supply networks, participated in an exchange of experience workshop held in Stockholm, Sweden, on 12-13 June 2014 and selected the Bulgarian participants in the concluding conference held in Milan, Italy, on 28 November 2014. Being also responsible for the evaluation of the initiative, CSD experts drafted a series of evaluation reports, each combining a detailed assessment and

corresponding recommendations for improvement.

CSD continued to actively participate in the Informal Drug Policy Dialogue in Southeastern Europe – an international network of experts working in the field of preventing and reducing illegal drug use. In 2014, the network held two meetings in Athens: one to discuss the new psychoactive substances and cannabis policies (23-25 January) and another to debate on the shift of focus in interventions from repression towards a human rights and public health approach (10-11 October). Mr. Dimitar Markov, Senior Analyst at the CSD Law Program, took part in both meetings presenting the recent policy and legislative developments in Bulgaria.

## Economic Program

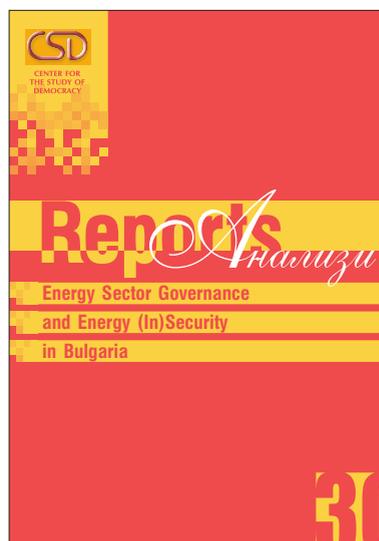
In 2014, the Economic Program focused its work on the following areas:

- **Energy security and sustainable development.** In 2014, CSD continued to provide the Bulgarian society and policy makers with valuable expertise and international best practice on the issues of energy security, energy poverty, energy efficiency and consumer electricity pricing through policy reports and briefs, media notes, and policy trackers. The report *Energy Sector Governance and Energy (In)Security in Bulgaria* presented the *Energy Security Risk Index* for Bulgaria and explored the major governance deficiencies and state capture risks in the Bulgarian energy policy. CSD started work on designing the best possible adaptation strategies of Bulgarian regions to the main 2050 EU scenarios on energy security.
- **Anti-corruption.** Since November 2012, CSD has coordinated the Southeast Europe Leadership for Development and Integrity initiative (SELDI) – the largest anti-corruption and good governance civil society coalition involving partners from nine countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Republic of Macedonia, Montenegro, Serbia and Turkey). In 2014, CSD published the SELDI regional anti-corruption report *Anti-Corruption Reloaded: Assessment of Southeast Europe*. The report summarises the data from the Corruption Monitoring System for the countries in the region for the period 2002 – 2014, incorporates the findings of nine national corruption assessment reports, and provides policy solutions for regional corruption challenges. In 2014, CSD published its tenth national Corruption Assessment Report for Bulgaria. CSD also participated in the delivery of the first EU Anti-Corruption Report 2014, providing input to the Bulgarian profile. CSD contributed to the establishment of the Macedonian Anti-Corruption Platform of CSOs, and provided technical assistance to the elaboration of the first Macedonian Corruption Assessment Report.
- **Hidden economy.** In 2014, CSD, in cooperation with the Sheffield University Management School (UK) and the Institute of Public Finance (Croatia) analysed and presented the various states of informality in Europe. CSD also joined efforts with the Center for Research and Policy Making (CRPM) to introduce evidence-based tools for monitoring and awareness-raising for tackling the hidden economy in Macedonia.
- **Competitiveness and the knowledge economy.** The Economic Program contributed to the development of the 2014 edition of the *IMD World Competitiveness Yearbook* and the annual assessment of the Bulgarian economy. The CSD team also supported the preparation of the *Innovation.bg 2014* report, which provides a reliable assessment of the innovation potential of the Bulgarian economy and the state and development capacity of the Bulgarian innovation system.

## I. Energy security and sustainable development

The report *Energy Sector Governance and Energy (In)Security in Bulgaria* explores the major governance deficiencies in the Bulgarian energy policy regarding the strategic, institutional, and legal framework of the sector. The analysis focuses on state capture of energy policy by private political and economic interests that led to bad management practices in the sector, to lack of consistency in the legal and regulatory framework, to deteriorating investment environment, and to the involvement of the country in infrastructure projects that undermine the national long-term strategy and policy priorities. This has affected negatively the Bulgarian taxpayers and consumers, has jeopardised the financial stability of the state-owned energy companies, and, ultimately, has reduced the energy security of the country. The report recommends that the implementation of

the country's energy policy should be reconsidered and should be based on EU priorities and on sound cost-benefit analyses with regard to Bulgaria's energy security.



*Energy Security in the Black Sea Region in the Wake of the Ukrainian Crisis round table, Washington D.C., USA*

The Economic Program of the Center for the Study of Democracy continued to engage the media on the issue of energy security through the *Energy in(security): the parliament's decision on the South Stream pipeline increases the risks for Bulgaria's energy security* media note. It was published after the decision of the Bulgarian Parliament from 4 April 2014 to adopt at first reading the amendments in the Energy Law. These amendments granted South Stream gas pipeline special status which highlighted the lack of logic in the national energy policy and compounded the impression that public interest is not the driving force behind the proposed changes. The decision and the manner in which it was taken, reveal some of the most serious problems in Bulgaria's energy policy in terms of bad governance and corruption. The policy tracker *Key Challenges for Energy Efficiency Policies in the Domestic Sector* complemented the analysis of the topic

by pointing out that the Bulgarian economy is by far the most energy intensive in Europe. Furthermore, Bulgaria is highly dependent on other countries for its energy and therefore the economy – and in turn individual households are vulnerable to price changes. The tracker argues that a quarter of energy consumed in Bulgaria is used in the residential sector and if end users actively reduce the energy consumed, this would be the fastest and most cost-effective method of making further energy savings, and would also relate benefits such as lowered reliance on energy imports and lower fuel bills for consumers and businesses. A second CSD policy tracker *Economic Governance and Performance of the State-owned Energy Sector* noted that Bulgaria's energy sector is characterised by severe financial weaknesses related to high levels of indebtedness, low profitability and bad governance. The financial outlook of state-owned enterprises



*Participants in the Energy (In)Security in Bulgaria: National Policy and European Perspectives policy forum, Sofia*

has become increasingly problematic in the 2011 – 2013 period. An overview of the financial health of the largest energy companies reveals a desperate need for liquidity and a reform of the pricing method to abolish destabilizing subsidies, improve debt collection and the energy mix, and invest in the minimisation of power distribution losses.

Energy sector governance issues were discussed in a series of events. The *Energy Security in the Black Sea Region in the Wake of the Ukrainian Crisis* round table was co-hosted at the U.S. Chamber of Commerce in Washington, D.C. and took place on 10 June 2014. The former Prime Minister of Bulgaria Mr. Boyko Borisov was a keynote speaker at the roundtable. Other participants included U.S. businesspeople, representatives of embassies of Black Sea and Central and East European countries, Washington based policy institutes and academics.

Mr. Boyko Borisov emphasized different opportunities for effective tackling of the challenges of high energy poverty and energy import dependence in Bulgaria. He expressed his full support for the creation of the European Energy Union, noting that after the Ukrainian crisis EU leaders had realized the significance of the unified position on major energy sector issues such as the common gas price. Mr. Borisov noted that investment opportunities in Bulgaria are not limited to the energy sector and the untapped gas reserves, but include tourism, infrastructure, and agriculture among others. The Senior Manager for European Affairs at the U.S. Chamber of Commerce made remarks on the unexplored potential of the transatlantic commercial partnership. He underlined that the Chamber has been a staunch supporter of an ambitious and comprehensive Transatlantic Trade and Investment Partnership (TTIP) and noted that coop-



*Energy Security and State Capture Risks international conference, Sofia*



*Mr. Michael Ruehle, Head of the Energy Security Section in the Emerging Security Challenges Division, NATO during the international conference: Energy Security and State Capture Risks in Europe, Sofia*

eration is particularly needed in the energy area. The CSD experts highlighted the importance of the *International Index of Energy Security Risks (IIESR)* developed by the Institute for 21st Century Energy to quantify and expose the main vulnerabilities of the energy sector in Bulgaria and the Black Sea region countries. They also stressed that energy security vulnerabilities are particularly exacerbated in certain Central and East European countries including Bulgaria where growth and economic development have been impeded by high levels of energy poverty.

The capture of the state's energy policy by local private as well as foreign state interests is the major risk for the Bulgarian energy security. These issues were discussed at a policy forum *Energy (In)Security in Bulgaria: National Policy and European Perspectives* on 25 July 2014

in Sofia. The Economic Program experts presented the report *Energy Sector Governance and Energy (in) Security in Bulgaria* by summarizing Bulgaria's results in the *International Index of Energy Security Risk (IIESR)* developed by the Institute for 21st Century Energy at the U.S. Chamber of Commerce. According to the data, Bulgaria is facing the highest level of energy insecurity among all the 75 countries under review. Bulgaria's results suggest that despite the long-term trend towards decreasing energy security risks from the 1980s onwards, three major risks remain: low energy efficiency, high and volatile expenditures on fossil fuel imports, and high dependence on oil and gas imports. The participants noted examples for the lack of transparency in the governance of large energy projects such as South Stream, NPP Belene and the construction of a seventh unit in NPP Kozloduy.



*Dr. Theresa Sabonis-Helf, Professor at the US National War College during the round table: Europe and Energy Security: The Coming Winter and Beyond, Sofia*

Energy security risks for Southeast Europe and the Black Sea Region were discussed at the *Energy Security and State Capture Risks* international conference in cooperation with the *Southeast Leadership for Development and Integrity initiative (SELDI)*, NATO's Public Diplomacy Division, and DG Enlargement on 27 October 2014. The event served as a platform for discussion of the main problems of the common European energy security amidst the continuing conflict in eastern Ukraine and state capture as a specific security risk factor for the countries of Southeast Europe. The experts from the Center for the Study of Democracy highlighted the importance of emerging security threats and underlined that energy security remains one of the most acute risks for Central and Eastern Europe and the Black Sea regions. They noted that Russia has used

a mixture of corruption and geopolitical pressure to sway governments in the region, including those of some NATO members, to adopt policies that are not consistent with their national energy and security strategy, but benefit foreign private and state interests.

The participants also stressed the importance of the Energy Union initiative as a tool for guaranteeing uninterrupted energy resource imports on reasonable prices. Dr. Velizar Shalamanov, Minister of Defense of the Republic of Bulgaria, stressed the importance of energy security for preserving sovereignty and proceeded to explain that the dependence on foreign countries in any economic sector, whether it is energy or defense, undermines the countries' ability to manage the impact of supply disruptions. Mr. Michael Ruehle, Head of

the Energy Security Section at NATO's Emerging Security Challenges Division, commented that the Ukrainian crisis has shown the continuing importance of the Black Sea region in ensuring Europe's energy security. Mr. Ruehle stressed that NATO members have pledged to increase the alliance's role and competence in energy security issues, but reminded that it is still the prerogative of member-states to guarantee the security of their critical energy infrastructure including pipelines, oil and gas fields and refineries. Dr. Frank Umbach, Director of the European Centre for Energy and Resource Security, presented his report titled *Good Governance and the Example of the South Stream Gas Pipeline Project*. His presentation highlighted an interesting new trend of the decreasing importance of Russian gas for Europe's consumption profile by 2050. Dr. Theresa Sabonis-Helf, Professor at the US National War College, concluded the conference by noting that energy companies have the

responsibility to fulfill some of mankind's most basic needs, and that national and European authorities should not only consider the creation and implementation of rules, but should also follow through with specific actions against recurring violations of the law. She expressed her belief that policy-makers should include domestic exploration and efficiency gains in their toolbox for increasing energy security, and should not rely on populist rhetoric and short-term problem-solving initiatives.

The international conference on energy security and state capture risks was followed by a round table *Europe and Energy Security: The Coming Winter and Beyond*, organised by the CSD and held on 28 October 2014. Main speaker at the round table was Dr. Theresa Sabonis-Helf, Professor at the US National War College, who thoroughly discussed and analyzed the topic before the discussion that followed. The representatives of the



*Dr. Mikhail Krutihin, Senior Partner of the RusEnergy during the discussion  
Future of Russia's Oil and Gas Policy, Sofia*

Center for the Study of Democracy compared the European and US approach to energy security issues and noted that while the US has been able to foster energy independence through unconventional energy resources, Europe has moved very slowly to develop its domestic resource potential.

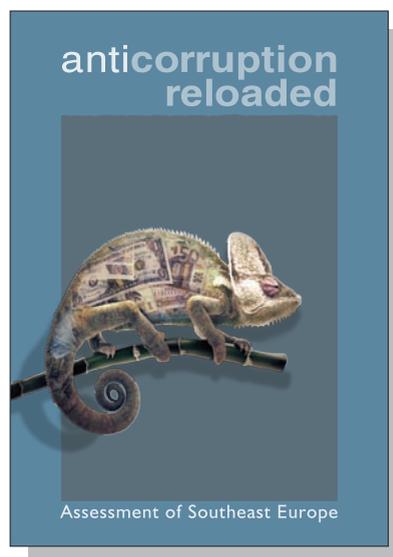
CSD invited Dr. Mikhail Krutikhin, Senior Partner at the RusEnergy Consultancy Agency, to give an in-depth presentation of the most recent trends in the management of the Russian hydrocarbon sector. During the discussion *The Present and the Future of Russia's Oil and Gas Policy*, held on 30 October 2014, Dr. Krutikhin underlined that the oil and gas sector is vital for the financial survival of the Russian economy. He stressed that for the last 14 years the government has disregarded the development of other economic areas, making the Russian economy inflexible to fluctuations in energy prices and market volatility. He pointed out the permanent existence of state capture practices in Russia's hydrocarbon sector and noted that the growing influence of few individuals in energy decision-making has led to major inefficiencies that have undermined the country's future economic development.

In 2014, CSD continued its research in the framework of the initiative Forward Looking Analysis of Grand Societal Challenges and Innovative Policies (FLAGSHIP) in Europe, through which it aims to enhance CSD's awareness raising and advocacy work. FLAGSHIP is an ambitious European research effort to which CSD contributes with its expertise in the application of innovative research methods (foresight, big data, elaboration of indexes, etc.) in the fields of energy policy, anti-corruption, and hidden economy. During the period 2013 – 2016, FLAGSHIP aims to analyse reference and alternative scenarios of

long-term demographic, legal, economic, social and political evolutions in Europe. The result of this forward looking exercise will be a set of policy recommendations for European institutions, as well as for all stakeholders striving to exploit the potential of transition and change for the future of the European Union.

## II. Regional and international cooperation in anti-corruption

The overall effect of the anti-corruption policies was the key research and analytical focus of CSD's Economic Program in 2014.



Given the major significance of the corruption issue in the SEE region, CSD continued to contribute to promoting the civil society – state dialogue in identifying effective counter-measures. The *Southeast Europe Leadership for Development and Integrity (SELDI)* initiative, coordinated by CSD, organised the Regional Conference on *Good Governance and Anti-Corruption Policy Challenges* in Tirana, Albania on 13-14 November 2014. The event was hosted

in collaboration with the Regional Anti-Corruption Initiative (RAI), a member of SELDI. The countries from the region of Southeast Europe (SEE) discussed the main findings and lessons learnt from analyzing the corruption manifestations and applied national anti-corruption policies. CSD presented the *SELDI Regional Anti-Corruption Report*, which by summarizing the conclusions from the national analyses and the data from the sociological surveys carried out in nine countries, provides an assessment of the regional anti-corruption developments in SEE. The hosts at the Albanian Center for Economic Research (ACER) acknowledged the effort and dedication of the SELDI network during the past two years and highlighted the contribution of the Albanian government, which endorsed the initiative. The experts from the Center for the Study of Democracy provided a brief historical overview of the regional developments in the past decade, in particular high-

lighting the evolution of the civil society sector and its impact in the anti-corruption domain.

The elaboration and publication of the *Regional Anti-Corruption Report* was based on the two-year efforts of the SELDI members. The preliminary findings of nine surveys and the national *Corruption Assessment Reports* were discussed on 20 June 2014 during a policy advocacy workshop: *Improving Governance in Southeast Europe: a Civil Society Update and New Public-Private Partnership Solutions* in Istanbul, Turkey. The discussion focused on the most pressing governance challenges in the region and on finding innovative public-private partnership solutions. Attendees witnessed first-hand the results of the unique regional *Corruption Monitoring System*, which provides an overview of anti-corruption progress in Southeast Europe in the period 2001 – 2014. The Chief Inspector at the Prime

Despite some important achievements – mostly with respect to the stabilisation of democratic institutions, the adoption of laws in key anti-corruption areas, a reduction in petty bribery and growing public intolerance of corruption – anti-corruption and good governance reforms are not consolidated, corruption among elected politicians and judges seems to be increasing and the enforcement of anti-corruption legislation is haphazard. Anti-corruption policies and institutions in the region will benefit immensely from the adoption of regular and accurate victimisation-survey based tool for measuring corruption and the rate of progress in good governance, similar to the special Eurobarometer on anti-corruption, UNODC's SEE monitoring of corruption and organised crime, and the Corruption Monitoring System employed by this report.

Critical sectors with high corruption and state-capture risks, such as the energy sector, should be addressed with priority. The other priority measures include:

- increasing competition in public procurement;
- improving the corporate governance of state owned enterprises;
- transparent management of large-scale investment projects;
- enhancing the accountability and independence of energy regulatory authorities.

*Source: Anti-Corruption Reloaded: Assessment of Southeast Europe, CSD, 2014, p. 12, p. 19.*



*Participants in the workshop: Improving Governance in Southeast Europe: a Civil Society Update and New Public-Private Partnership Solutions, Istanbul, Turkey*

Minister's Inspection Office of Turkey highlighted six key corruption-related challenges:

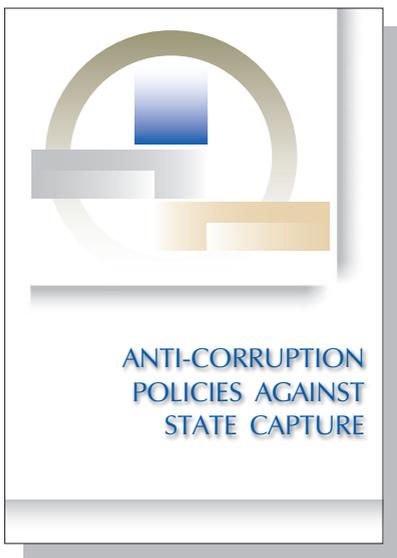
- Any deviation from democracy rules increases corruption.
- Countries that have governance problems also have corruption problems.
- Equality of treatment should always be combined with justice.
- In Turkey and other countries all immunity provisions should be abolished in relation to corruption related crimes.
- Countering corruption requires not only political will (which is spontaneous), but also political determination (persistence, stability and credible commitment).
- The state should have good institutional set-up to counter corruption crime. The question still stands if there should be one or many units tackling the problem. He also underlined that the countries should invest not only in institutions, but also in

the people, in order to educate them and build social values.



The representatives of the Center for the Study of Democracy presented the *SELDI Corruption Monitoring System* methodology and stressed that corruption is

a wide phenomenon that translates in many complex types of behaviours at different levels – administrative, political. They pointed out that the survey-based *Corruption Monitoring System* is one of the few instruments to objectively measure corruption, and produce data that is very different from the administrative and court statistics. It aims to assess the preconditions, the actual experience, and the perceptions of corruption, as well as the government’s effectiveness in countering corruption. According to the results, Croatia and Turkey have the lowest corruption indicators’ score, while Albania and Bulgaria manifest the highest corruption pressure index values and the highest shares of population that reports being asked to give a bribe.



The *Bulgarian Corruption Assessment Report* issued in 2014 highlights several key points:

- In the past year Bulgarians have conceded to being involved on average in roughly 158 thousand corruption transactions monthly.
- Most corruption transactions have been initiated by the administration

through exerting corruption pressure on those seeking public services.

- The very high levels of corruption involvement of the Bulgarian population make criminal law enforcement initiatives ineffective and inadequate.
- The twin peaks of administrative and political corruption in 2014 have risen at the backdrop of the continuing failure of the Supreme Judicial Council to rise to the challenge and ensure that public prosecution and courts adequately tackle corruption and state capture. The structure of the judiciary still does not provide guarantees for fast, just, and transparent enforcement of the law.

On 11 December 2014, the Center for the Study of Democracy organised the Eleventh Anti-Corruption Policy Forum. Dr. Ognian Shentov, Chairman of the Center for the Study of Democracy, pointed out that political corruption had reached its peak, and it went beyond the corruption scandals associated with the judicial system. Dr. Shentov cited the management of large infrastructure projects such as Belene and South Stream as an example of state capture by foreign and local private interests.

Ms. Roumyana Bachvarova, Deputy Prime Minister, commented that the Corruption Assessment Report is hard reading, as it offers unambiguously hard conclusions. She defined the report as a bold piece of writing. According to Ms. Bachvarova Bulgaria needs a new anti-corruption action plan, laying down concrete measures and presenting a clear prospect of what must be done in the country.

The importance of CSD’s *Corruption Assessment Report* and the urgent need of reform was emphasised by **Mr. Konstantin Penchev**, Ombudsman of



*From left to right: Mr. Philip Gounev, Deputy Minister of Interior; Mr. Andrei Yankulov, Deputy Minister of Justice; Ms Roumyana Bachvarova, Deputy Prime Minister; Dr. Ognian Shentov, Chairman, Center for the Study of Democracy and Mr. Konstantin Penchev, Ombudsman of the Republic of Bulgaria*



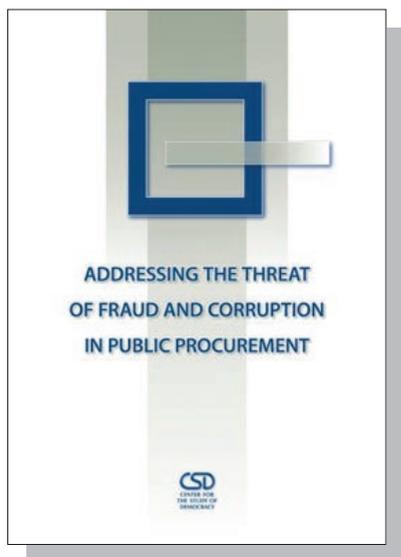
*Eleventh Anti-Corruption Policy Forum: Anti-Corruption Policies against State Capture, Sofia*

the Republic of Bulgaria, **Mr. Andrei Yankulov**, Deputy Minister of Justice, **Mr. Delyan Dobrev**, Chairman of the Energy Committee of the National Assembly. **Mr. Philip Gounev**, Deputy Minister of Interior, argued that massive and long-term investments in people and time are required to address the critical corruption risks. **Mr. Ilian Vassilev**, Honorary Chairman of the Bulgarian Economic Forum, confirmed that there is state capture in Bulgaria, citing as example the non-transparent and uncontrolled formation of the price of gasoline, natural gas and diesel. **Mr. Christian Takov**, law professor at Sofia University and Chairman of the Arbitration Court at the Bulgarian Chamber of Commerce and Industry (BCCI), **Justice Pavlina Panova**, Deputy Chair of the Supreme Court of Cassation and Chair of the Criminal Division of the Court, and **Ms Nelly Koutskova**, judge at the Sofia Court of Appeal, discussed anti-corruption measures targeting the judicial system.

CSD hosted the SELDI Steering Committee Meeting on the role of the CSOs in implementing regional anti-corruption programs on 28 October 2014 in Sofia. During the event, the discussion focused on the CSO executive management and development. Representatives from the Regional Cooperation Council (RCC) discussed the implementation of the *SEE 2020 Strategy and Regional Programming on Anti-Corruption through Public-Private Partnerships*. RCC outlined the work of the organisation and presented the *Southeast Europe 2020 Strategy: Jobs and Prosperity in a European Perspective*. Concentrating on growth while mirroring EU 2020 Strategy, the initiative is designed to specifically suit the regional characteristics of the SEE region. The SEE 2020 Strategy is based on five pillars, among which is the Governance for Growth Pillar, targeting effective public services and anti-corruption, and focusing on the effect of anti-corruption and hidden economy for facilitating environment for growth.



*Participants in the SELDI Steering Committee Meeting on the role of the CSOs in implementing regional anti-corruption programs, Sofia*



In 2014, CSD published the report *Addressing the Threat of Fraud and Corruption in Public Procurement: Review of State of the Art Approaches* which was based on ideas presented at the international seminar *EU's Financial Interests under Threat: New Approaches in Assessing the Risks from Public Procurement and EU Funds Fraud*, held on 31 October – 1 November 2013 in Sofia with the support of the European Anti-Fraud Office

(OLAF). The selected best practices in the report addressed the threat of fraud and corruption from multiple perspectives, with the underlying purpose of providing practitioners from Romania and Greece with a set of state-of-the-art approaches for tackling this threat in the complex multi-layered national public procurement systems.

CSD is part of the large-scale European project *Anticorruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption* (ANTICORRP), which utilizes the expertise of twenty research groups in sixteen EU countries. In 2014, CSD contributed to the elaboration of the second ANTICORRP report: *The Anti-Corruption Frontline* and the chapter on the Bulgarian anti-corruption report. The authors from CSD note that corruption is a key element to understanding the Bulgarian governance regime, i.e. the way political and administrative power are acquired, used, structured, delegated, and reproduced. The report underlines that Bulgarian governance has progressed since 1998, in particular as related to administrative (petty) corruption, but it is has not yet evolved into an open access order.

Public procurement is increasingly associated with great expectations. The 2020 Strategy for smart, sustainable and inclusive growth of the European Union invokes it in the achievement of objectives ranging from improving framework conditions for business to innovate to a shift towards a low-carbon economy, while at the same time ensuring the most efficient use of public funds. In times of bulging public deficits, the effect of potential savings – expected to come from better procurement rules – on the public sector balance is eagerly anticipated. The growing hopes that government purchasing would continue to contribute to economic prosperity, as well as to a host of other goals, however, require that its regulation be constantly modernised and brought in line with economic realities. A number of obstacles need to be overcome if public purchasing is to achieve such overarching societal goals. Highlighted among these has been the threat of fraud and corruption.

**Source:** *Addressing the Threat of Fraud and Corruption in Public Procurement: Review of State of the Art Approaches*, CSD, 2014, p. 9.



In February 2014 CSD presented a background analysis on Bulgaria's governance. According to the analysis, there is a need for careful consideration to understand how much progress Bulgaria has made in the fight against corruption and organized crime, as well as whether

Bulgaria could be considered to be an anti-corruption success story. The research showed that Bulgaria has made some progress in its transition from patrimonialism to open access order, but the main features of its governance regime remain these of competitive particularism. In legal terms Bulgaria displays some open access order features, but they do not translate into practical implementation.

The Center for the Study of Democracy contributed to the establishment of the Macedonian Anti-Corruption Platform of CSO representatives, and provided technical assistance to the Macedonian Center for International Cooperation (MCIC) for the publication of the first Macedonian Corruption Assessment Report. Experts of the Economic Program participated in the Anti-Corruption Policy Forum in Skopje, where the report was presented on 14 October 2014. The CSD team also participated in the training *Monitoring and reporting on the link between organized crime and corruption* from 14 to 16 October 2014 in Mavrovo,



*The participants in the Anti-Corruption Policy Forum, Skopje*



*Participants in the Regional Conference on Good Governance and Anti-corruption Policy Challenges, Tirana*

Macedonia. The training was intended for journalists engaged in investigative journalism.



As part of the network of local correspondents of DG Home of the European

Commission, CSD prepared the Bulgarian section of the first *EU Anti-corruption Report*. In the report, published in February 2014, the European Commission suggests that Bulgaria shields anti-corruption institutions from political influence and appoints their management in a transparent, merit-based procedure. It also notes that random assignment of cases in courts should be ensured by an effective nationwide system, while dissuasive sanctions for corruption in public procurement should be enforced at national and local level.

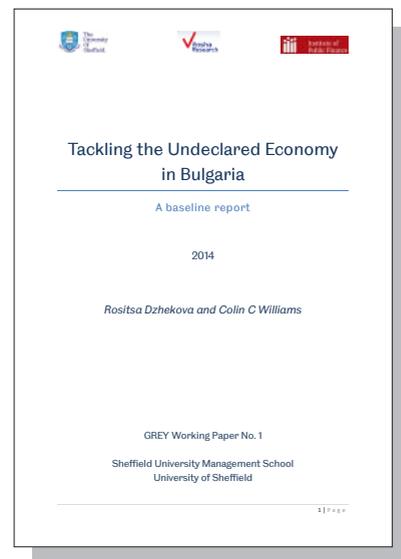
### **III. Monitoring and evaluation of hidden economy policies in Bulgaria and Southeast Europe**

Recognizing the profound significance of the hidden economy problem in the region, CSD organised an international conference *States and States of Informality in Europe: Current and*



*The participants in the conference States and States of Informality in Europe: Current and Future Perspectives, Sofia*

*Future Perspectives* in cooperation with the Sheffield University Management School (UK) and the Institute of Public Finance (Croatia) on 4 September 2014. Its main topic concerned tackling the informal economy and undeclared work in Europe. The participants presented the findings from their background research on the state of the gray economy in Bulgaria, Croatia and Macedonia, as well as possible measures for tackling it. Professor Colin Williams from Sheffield University delivered the keynote speech and set out the conceptual framework for tackling undeclared work. He outlined the advantages and the disadvantages of undeclared work for all involved parties – the employee, the employer, the government and the end customer, and what makes the practice attractive. The outlined policy approaches for dealing with the issue include increasing direct control – by stepping up deterrent measures and



providing more incentives for both employers and employees to declare work, and indirect control – by fostering a culture of commitment which aligns

Recent surveys indicate that although the undeclared economy appears to be shrinking over time, there is an increasing involvement in some types of undeclared work due to the economic crisis. This means that although the overall trend is downwards, not all forms of undeclared work are shrinking.

Examining sectorial and business variations, there is greater involvement in the undeclared economy amongst small and medium-size enterprises, and those operating in construction, retail, tourism, hotels and restaurants, real estate, garments, food processing and the agricultural sectors as well as some services. Overall, labour-intensive, low technology sectors are more vulnerable to entering the undeclared realm. Producers and distributors of excise goods (alcohol, cigarettes and fuel) are considered at high risk when it comes to tax/excise evasion and under-reported turnover.

*Source: Tackling the Undeclared Economy in Bulgaria: a baseline report, GREY Working Paper No. 1, University of Sheffield, 2014, p. 6.*

the values of the citizens with the formal rules and regulations. CSD also contributed to the elaboration of five policy papers: three on tackling the undeclared economy in Bulgaria, Croatia, and Macedonia, one on the policy approaches towards undeclared work, and one assessing the the cross-national transferability of policy measures for tackling undeclared work.

The Center for the Study of Democracy and the Center for Research and Policy Making (CRPM) in Macedonia started an initiative to monitor and analyze the hidden economy and to outline actions for curbing its negative implications in Macedonia. CSD and CPRM seek to introduce evidence-based tools for monitoring and awareness raising for tackling the hidden economy in Macedonia, based on the experience of CSD. CSD and the Center for Research and Policy Making, in association with the European Instrument for Democracy and Human Rights, organised a conference in Skopje to examine the state of the hidden economy in the Republic of Macedonia on 5 June 2014. Representatives from academia, community-based organisations and

private-sector employers discussed the informal economy monitoring practices, its different forms and possible interaction between the civil society sector and state institutions in an attempt to prevent it. The two partners provided further advocacy and awareness on the topic through the *workshop Tackling Undeclared Work in Macedonia: Local and European Experience*, held on 27 November 2014 and the *workshop Strengthening Media Reporting on Hidden Economy and Corruption: Latest Trends and European Experience*, held on 28 November 2014. CSD and CPRM also put together a *Reader of Articles: Best Practices in Monitoring Hidden Economy*, issued in English and Macedonian. The compilation of articles in the Reader summarises the most recent activities in countering the hidden economy in the EU and beyond. Understanding current research and policy work on the hidden economy will help Macedonian government, practitioners, and civil society to better understand its nature and implications for development on national and local level in Macedonia.

CSD presented its experience in measuring the hidden economy in Bulgaria on



*The participants in the conference: Tackling the Hidden Economy in Macedonia: Strengthening the Public-Private Dialogue, Skopje*

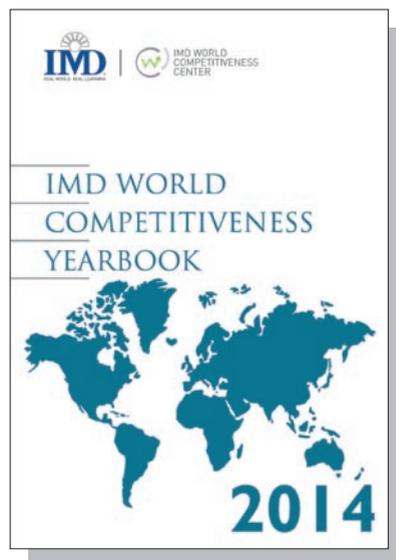
8 October 2014 during the TeliaSonera Business Day: Exploring the Shadow Economy Around the World. The event was hosted by the Stockholm School of Economics (SSE) in Riga, the TeliaSonera Institute at SSE Riga and TeliaSonera. The Economic Program representatives provided some insights on the hidden economy manifestations in Bulgaria for the period 2002 – 2011 and introduced the audience to CSD's *Hidden Economy Index*, which reflects the dynamics of the hidden economy in Bulgaria since 2002. The index covers components such as hidden employment, hidden turnover, and VAT fraud. They underlined the importance of the hidden economy issue, and reminded that the hidden economy can be used as an aggregate indicator of the quality of policies and institutions. The Economic Program provided recommendations for measures to limit

undeclared work and stressed on the fact that the cost of entrepreneurship continues to be too high.



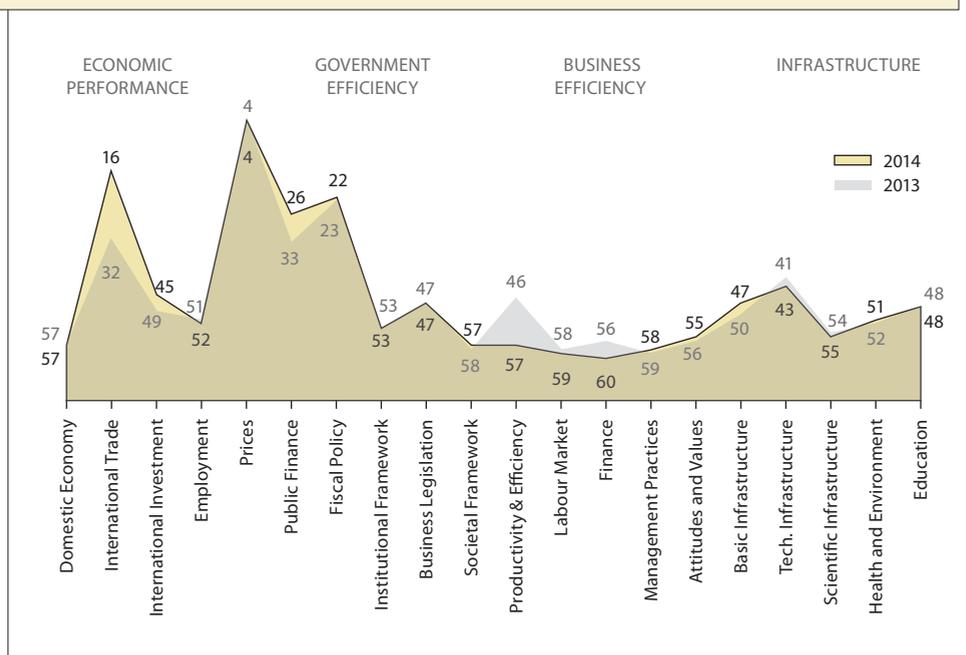
#### IV. Competitiveness and the knowledge economy

In 2014, the Center for the Study of Democracy continued to analyze the competitiveness of Bulgaria and its place on the world's map. CSD presented the results of the *IMD World Competitiveness Yearbook 2014* on 22 May 2014. The Center is the official partner of the World Competitiveness Center at the International Institute for Management Development (IMD) for Bulgaria. The previous eight issues of the Yearbook had a direct impact on the policy-making and were quoted in strategic policy documents of the Bulgarian government. International investors monitor very closely the IMD competitiveness ranking, which makes its 2014 results even more relevant. In 2014, Bulgaria is ranked in 56<sup>th</sup> position – one place above its 2013 rank.



CSD also supported the preparation of the annual *Innovation.bg* report which provides a reliable assessment of the

**Figure 1. Changes in the Competitiveness Landscape of Bulgaria 2013 – 2014, IMD 2014**



innovation potential of the Bulgarian economy and the state and development capacity of the Bulgarian innovation system. It put forward recommendations for improved public policy on innovation in Bulgaria and the EU by drawing on the latest international theoretical and empirical research, while taking into account the specific economic, political, cultural, and institutional framework in which the country's innovation system is operating. The 2014 edition notes the challenges still remaining in front of Bulgaria's innovation policy:

- Underfinancing of the national innovation system, which incorporates scientific organisations, innovative companies, traditional large and small firm structures, non-governmental innovative bodies, etc.
- Lack of coordination between the various strategic and legislative documents, necessary for the setting a uniform and common regulative framework.

## Security program

In 2014, the Security Program's activities were focused on five key areas for the security sector reform in Bulgaria:

- **Enhancing the efficiency of anti-corruption efforts.** In order to support the work of the Bulgarian and Romanian internal police directorates, the Security Program developed a manual for corruption investigations. CSD experts contributed to the preparation of a manual presenting best practices for CSOs' involvement in drafting, implementing and monitoring anti-corruption policies in cooperation with government institutions.
- **Widening the scope of serious and organised crime threat assessment.** The Security Program contributed to the development of a draft Investigation manual on the financing of organised crime activities. A study of the effectiveness of specific criminal law measures targeting organised crime was finalised.
- **Enhancing border security policies** The Security Program was involved in the assessment of the main operational capability-based vulnerabilities in conducting border checks and in evaluating the implementation of the action financed under Schengen Facility II.
- **Management and disposal of seized and confiscated criminal assets in EU countries.** The Security Program organised a series of events dedicated to the social re-use of confiscated criminal assets. A study of the laws and practices for disposal of confiscated criminal assets compared the state of play in the 28 Member States and contributed to the process of developing common European standards for social re-use of confiscated assets.
- **Advocating policy evaluation practices in Bulgaria.** In its capacity of a founder of the cluster Bulgarian Association for Policy Evaluation CSD organised a series of events dedicated to the enhancement of the policy evaluation market in the country.

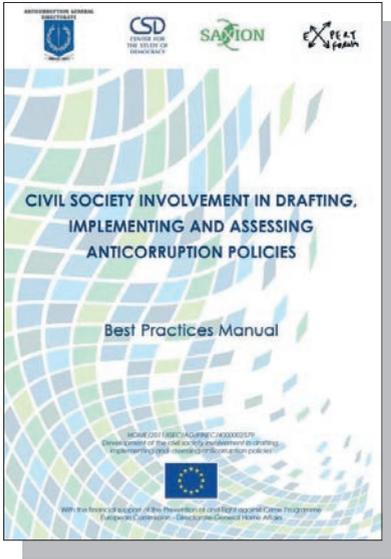
### I. Enhancing the efficiency of anti-corruption efforts

Corruption among police officers has been viewed with an increasing concern by the authorities and the public in many European states. During the last decade, several European countries developed multi-institutional systems for police integrity. On EU level, platforms like the European Partners against Corruption

(EPAC) were introduced, enabling specialised anti-corruption institutions to cooperate and share experience. In addition, Europol, Interpol and the UN developed and shared the blueprints of common standards and good practices in preventing police corruption.

In Bulgaria, the General Anti-Corruption Directorate of the Ministry of Interior (MoI) and the National Anti-Corruption

Directorate of the Prosecutor's Office are trying to make an impact on police corruption in agencies such as the Border Police and the Traffic Police, where corruption had been endemic.



In 2014, the Security Program continued its efforts to enhance the capacity of the internal security units of the Bulgarian and Romanian ministries of interior. To that end, the experts at CSD prepared

a manual for corruption investigations. Its purpose was to provide new officers a way of introducing investigative approaches to a variety of cases. Instead of presenting a standard investigative approach (e.g. the preparation of an investigative plan), the manual tried to explain the specifics in which investigative tools and procedures must be kept in mind. CSD also developed tools for preparing a situation analysis of the state of corruption within the Local Police Departments and the Regional MoI Directorates, which were subsequently formally adopted and implemented for regular use by the Ministry of Interior.

In 2014, the Security Program continued its work on an initiative focused on civil society involvement in drafting, implementing and assessing anti-corruption policies. CSD experts contributed to the preparation of a manual presenting promising examples of CSOs involvement in drafting, implementing and monitoring anti-corruption policies in cooperation with government institutions. The manual is specifically aimed at strengthening the cooperation between civil society organisations (CSOs) and public institutions with regard to

“When discussing a complex problem such as corruption, the parties involved might have very different viewpoints, which can lead to a polarisation of the discourse. CSOs, public institutions, academia, businesses and journalists often discuss corruption and their vision on how to curb it. In the meantime, they often become narrow-minded and fail to consider outside opinions. The psychology behind such a behaviour suggests that people are inclined to think that propositions by others have already been tried in the past or are not applicable in the given context. Consequently, individuals (and the organisation they represent) tend to become isolated by holding on tightly to their beliefs, identities and truths. When discussing corruption and potential approaches to solve it, organisations often consider taking a step back, studying it objectively and controlling it mechanically. This attitude further limits their ability to assess the situation realistically.”

**Source:** *Best Practices Manual: Civil Society Involvement in Drafting, Implementing and Assessing Anti-Corruption Policies.*

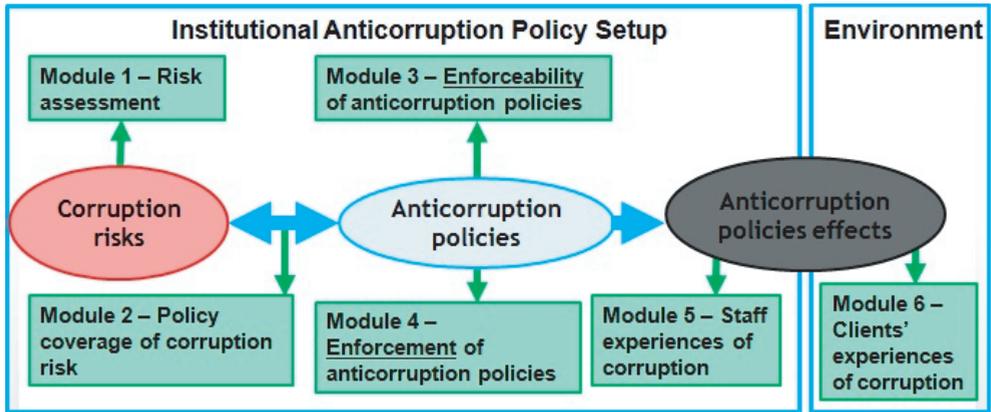
preventing and fighting corruption. Strengthening the role of CSOs in anti-corruption means thinking in systemic terms – how a corruption system can be broken and how it is possible to develop and improve national and local integrity systems.

The Manual describes good practices of cooperation which can be found in Romania, Bulgaria, the Netherlands and other EU and non-EU countries. The selected best practices are all good examples of the practical implementation of five characteristics that improve the role of CSOs in the integrity system and lead to a better cooperation between CSOs and public institutions: capacity building; advocacy campaigns and coalition building; watchdog and monitoring activities; raising public awareness of corruption; regional activities and local integrity.

The anti-corruption efforts of the Security Program also addressed the question of how anti-corruption enforcement monitoring can be best implemented in Europe. To that end, CSD experts started developing an Integrated Anti-Corruption Enforcement Monitoring Toolkit (IACEMT), a comprehensive set of tools for monitoring the delivery of national level anti-corruption enforcement and the dynamics of the incidence of corruption. The main objective of IACEMT is to measure the degree to which specific institutional settings have implemented the main anti-corruption principles. As a first step in the tool development process, a *Mapping Report* on the existing instruments for measuring corruption and monitoring anti-corruption policies' enforcement in EU Member States was drafted. It attempted to account for policy responses to corruption behaviour and measure both the level of prevalence of corruption behaviour and the level of control of such types of behaviour. The report

makes a distinction between assessment of anti-corruption policies and the measurement of corruption practices, regardless of their kind. It considers that actual corruption practices are easier to assess with quantitative measures than anti-corruption policies, but the general problem of the hidden nature of the corruption phenomenon has led to a great variety of tools and approaches – from directly asking people if they have participated in bribery to analysing complex economic indicators to assess indirectly corruption's scale in a particular field, or even measuring people's perception of corruption. This difficulty in defining and measuring the different corruption phenomena at different levels and in different fields has led to a staggering number of tools. CSD Mapping Report tries to unify some of the best practices in corruption assessment into a general standardised method that can be used in a wider variety of situations for a more in-depth analysis of corruption.

On 29-30 July, an Integrated Anti-Corruption Enforcement Monitoring Toolkit Workshop was held in Trento. During the event, Security Program experts presented the IACEMT methodology. They pointed out that the tool consists of six modules which should be applied successively in a given institution in order to explore its AC setup. Modules 1 and 2 aim to show whether the particular institution identified all anti-corruption risks and whether the institution developed any measures to neutralise them. Modules 3 and 4 measure to what extent the anti-corruption setup is being actually applied. Modules 5 and 6 aim to assess the effects of the functioning of the anti-corruption setup. In the ensuing discussion on the proposed methodology a number of useful recommendations were expressed. Prof. Alberto Vanucci from the University of Pisa noted that the methodology requires the specification of a feasible



framework using a well-circumscribed set of indicators and sources of information, where proxies have to be used to verify to what extent desirable results can be obtained with the tool.

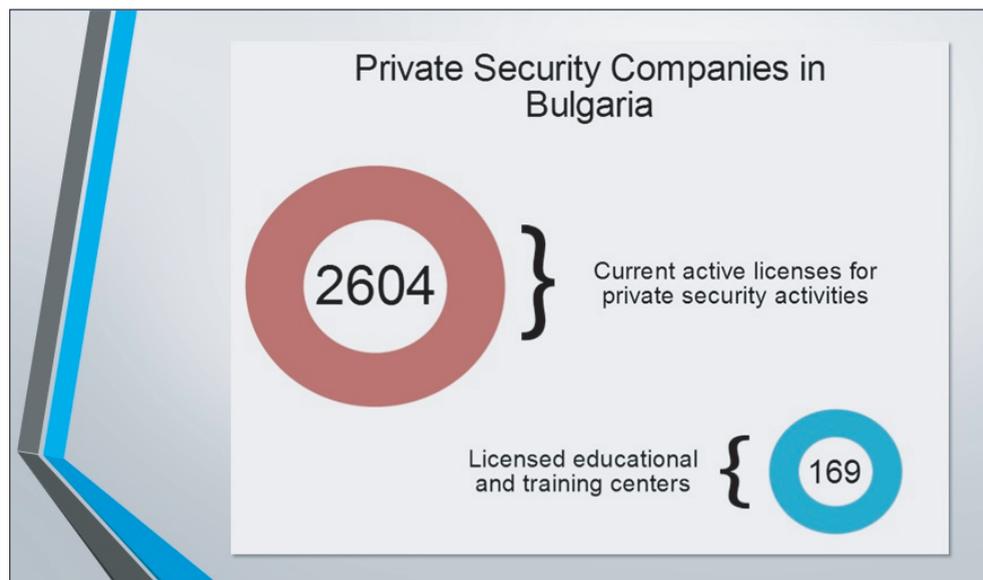
The Bulgarian experience in pilot testing of the tool was also presented to the participants in the workshop. CSD experts approached two Bulgarian institutions – the Border Police and Sofia Municipality. In both institutions a detailed list of activities and functions was compiled. On the basis of these lists experts from both organisations had to assess the corruption risk in the execution of each activity. A major difficulty encountered in the practical implementation of the tool at the Border Police Directorate was the arbitrary risk assessments provided by the different experts at the institutions and their unwillingness to go into details regarding particular mechanisms.

In 2014, CSD undertook another initiative targeting two critical aspects of the fight against corruption and organised crime: policy effectiveness and capacity building. The efforts are focused on assisting the government in reinvigorating its anti-corruption policies and increasing its capacity to counter the threat of organised crime, in particular complex economic crime. CSD will assess the present level of implementation of gov-

ernment policies and will propose policy measures and tools that will increase the government's capacity to counter these threats.

As private security companies (PSCs) grow in size and take over more and more security services that were previously provided by state actors, their impact on a national security, democracy, the rule of law, and human rights becomes increasingly significant. Especially in transition countries in Eastern Europe, PSCs can both alleviate and create insecurity and their activities can infringe on citizens' rights. In most Eastern European countries, regulatory frameworks have been introduced. However, there is a need to examine how well they function, how tailored they are to the country's specific challenges and how they are being implemented.

In 2014, CSD together with the Geneva Centre for the Democratic Control of Armed Forces (DCAF), Te Institute for Democracy and Mediation (IDM), the Kosovar Center for Security Studies (KCSS) and the Belgrade Centre for Security Policy (BCSP) initiated a study on private security companies in the Western Balkans. The aim is to facilitate an informed discussion on improving PSC regulation by proposing an exhaustive study into its state of play in three



*Presentation by Mr. Anton Kojouharov on "Private Security Companies in Bulgaria"*

Western Balkan countries and Bulgaria, as well as targeted policy recommendations based on international standards and best practices. By comparing the situation in post-conflict and post-authoritarian countries with little regulation (Albania) to those with recent regulatory developments (Serbia and Kosovo), to a new EU member which has not undergone conflict, but also suffers from organised crime and is a developing country in transition (Bulgaria), the project aims to identify a range of challenges specific to the Western Balkan region and adapt best practice in private security regulation from Eastern and Western Europe to the target countries.

On 10-11 June, a workshop to discuss the methodology of the study on private security companies was held in Geneva. Mr. Anton Kojouharov, analyst at CSD, presented the current state of affairs in the regulation of private security companies in Bulgaria by focusing on the statistics on the topic and outlining the main conflict areas. Ms. Nelleke van

Amstel, Project Coordinator at DCAF, presented the different approaches and standards for PSC regulation, their advantages and disadvantages. Dr. Alan Bryden, Assistant Director at DCAF, made a comprehensive overview of the study on the PSC market in Switzerland as an exemplary approach to researching PSCs in the Western Balkans.

A second workshop on PSCs was held in Tirana on September 23-24, 2014. CSD experts participated in the discussions on the common challenges and issues related to legislative developments in the Western Balkan countries and a methodology for a mapping study of PSC.

## **II. Widening the scope of serious and organised crime threat assessment**

The mechanisms and sources of financing for organised crime are often neglected in threat assessments, as more often than not they examine the pro-

ceeds derived from criminal activities instead of the funding that organised crime receives. Understanding this issue can provide critical insights of how organised criminal networks operate. There are many illicit markets (such as illicit excisable goods, trafficking in human beings, foreign currency counterfeiting, credit card fraud, and trafficking in stolen vehicles) where no systematic research has been undertaken in regards to the financial flows that enable criminal networks to enter certain markets and to fund their ongoing activities.

For the past two years CSD has been engaged in examining the various forms of financing and the criminal structures behind this financing in EU Member States. The efforts have also been targeted at exchanging best practices in investigating, analysing, and tackling financing of organised crime. In this regard, on 2 September CSD experts participated in a workshop on financing of organised crime activities with a specific focus on cocaine trafficking, illicit tobacco trade and organised VAT fraud. The workshop was hosted by the University of Trento and gathered representatives of tax and police authorities of eight EU Member States and experts from CSD and Teesside University (UK). Dr. Atanas Rusev, Senior Fellow at CSD, presented the specific case of organised VAT Fraud, underlining the distinct ways it affects Eastern and South-Eastern Europe as opposed to Western Europe. He also elaborated on the sources of financing, the settlements of payments between different actors, the costs needed to complete a fraudulent cycle and the profits of VAT fraud rings.

A draft version of an *Investigation Manual on the Financing of Organised Crime Activities* was presented at the

workshop. The manual sets out a methodical approach to financial investigation based on the existing EU law and practice and the related research carried out by CSD, the University of Teesside and the University of Trento. It catalogues good practices for conducting money laundering investigations and is designed for criminal justice staff at all levels.

The preliminary results of the CSD study on financing of organised crime groups were also presented at the 14th Annual Conference of the European Society of Criminology Eurocrime held on 10-13 September in Prague. Dr. Rusev made a short introduction into the methodology of the study, which included a survey among experts in the EU-27, follow-up interviews and 11 country case studies. The data gathered so far shows that both criminal and legitimate sources play important role in the financing of organised crime activities. Furthermore, most organised crime activities are to a large extent embedded in the legitimate economy, and are dependant on the legitimate financial institutions for their financial transactions.

In 2014, CSD continued its work on a study about possible future policy initiatives in the fight against organised crime, focusing on the effectiveness of specific criminal law measures targeting organised crime. The study is an evaluation of the practical application of legal and investigative tools in the fight against organised crime stemming from Council Framework Decision on the Fight Against Organised Crime,<sup>1</sup> other EU regulations and national legislation. It draws lessons on strengths, weaknesses, legal and implementation constraints, and EU added value of the Framework Decision transposition and of other national legal tools in the fight

<sup>1</sup> Council Framework Decision 2008/841/JHA, O.J. L 300/42.

CENTER FOR THE STUDY OF DEMOCRACY		CSD
<b>What is the source of financing?</b>		
Large-scale fraud	Small-scale fraud	
Money from previous cycles of VAT fraud	Money from previous cycles of VAT fraud	
Money from the legitimate business	Credit from the importer	
Personal savings of the ring leader	Advanced payment from end customer	
Bank loan	Loan from a legitimate businessman	
	Loan from criminal entrepreneur	
	Pooling resources with other criminal entrepreneurs	
<small>www.csd.bg</small>		

*Presentation of Dr. Atanas Rusev on Investing in Illicit Markets: Sources and Mechanisms of Financing for Organised Crime Groups at Eurocrime 2014*

against organised crime. CSD research focused on the assessment of the practical application and impact of special investigative techniques in the fight against organised crime. It also aimed to identify good practices in EU/national investigative tools and the limits in their application as well as in the role of national specialised law enforcement agencies and international law enforcement agencies in implementing criminal law and investigative tools.

In 2014, Security Program experts conducted research on online trade of fake medicines in Bulgaria and the efforts of the authorities to fight this crime. Although not a cybercrime in its narrow definition, the online trade of counterfeit medicines is an the Internet-facilitated offense and contains some of the fea-

tures of cybercrime. The growing presence of the Internet-enabled criminality presents law-enforcement and prevention efforts with several challenges, including the speed of transactions and the multiple jurisdictions involved. In addition, hi-tech crime requires a hi-tech response, or at minimum specialised staff with the necessary skills to counter it. Many agencies tasked with tackling the Internet-facilitated crime lack expertise, staff and technical resources to maintain IT capability and keep up with new technologies. Another problem is that many jurisdictions, particularly in the EU, have strict privacy regulations that make investigation of online crime cumbersome and time-consuming. Increasingly, investigations of the Internet-facilitated crimes possess a cross-border dimension, which further

complicates enforcement efforts. These factors, exacerbated by potent social and financial motivators driving consumer behaviour, have assisted in making the online distribution of counterfeit medicines a growing issue with an alarming prevalence and turnover. The country report focuses on the legal framework in Bulgaria and the results of the virtual ethnography, which was employed as a main research method. The report also examines the profile of the consumer of counterfeit medicine and the main risk factors.

Another initiative undertaken by the Security Program in 2014 is aimed at developing and testing more reliable tools for measuring the extent of extortion racketeering in vulnerable industries and societal groups. Extortion racketeering has long been identified as one of the most effective tools used by organised crime in the accumulation of financial resources and the penetration of the legal economy. Recent media reports indicate that the economic downturn has brought a revival of these practices in a number of Member States like Bulgaria, Italy, and Spain, as many businesses have been struggling and have consequently been turning to illegal money lenders or stepping into the grey economy. This is why CSD will aim to promote and transfer victim-focused, pro-active approaches for the prevention and investigation of extortion racketeering thorough civil society involvement.

### III. Enhancing border security policies

The increased migratory pressure on European borders following the Syrian conflict raised questions concerning the reliability of local border-enforcement efforts. In this regard, the early detection in the first-line of border checks (FLBCs)

has been considered of paramount importance. It ensures efficient border controls, the internal security of the Union, and reliable data capture, risk analysis and planning of future operations.

CSD was commissioned by Frontex to assist EU Member States in their efforts to assess their respective capacities to face upcoming challenges in FLBCs and to close the gap and demonstrate the need and impact of capacity-building measures based on metrics of security performance. The study aims to set the groundwork for a harmonised assessment of the main operational capability-based vulnerabilities in conducting border checks. In addition, it is intended to contribute towards the development of a common approach towards assessing potential countermeasures to mitigate or remove such vulnerabilities.

The research efforts of CSD were also focused on the specific case of Bulgaria and Romania. From 2007 to 2009 the two states implemented *Schengen Facility Indicative Programmes* designed to strengthen and upgrade their external border control. It is indispensable for Bulgaria and Romania to have, at the time of their accession to the Schengen Area, external border control systems in place which are up to the standard of the Schengen Area members. In addition, in a recent report, Frontex stated that the migratory pressure at the Turkish-Bulgarian border has increased since Greece enhanced surveillance at its border with Turkey.

CSD experts took part in the evaluation of the implementation of the action financed under Schengen Facility II, conducted in line with Article 21(3) of Commission Regulation (EC, Euratom) No 2342/2002. The implementation of the Schengen Facility II was assessed across six evaluation themes: relevance,

effectiveness, efficiency, complementarity and coherence, sustainability and impact. The analysis took into account economic, social, cultural and psychological factors which might have influenced the implementation and impact of the Schengen Facility. CSD team carried out on-site visits at various facilities in Bulgaria and Romania where investments have been made in order to assess the availability as well as the usage and management of the purchased systems. The research was analysed through a number of case studies (5 for Bulgaria and 7 for Romania). The selected case studies for Bulgaria cover 79 % of all expenses eligible under the Schengen Facility for Bulgaria. They cover a variety of objectives and measures set out in the Bulgarian Indicative Programme: acquisition of new technical equipment for surveillance and control, upgrading of the national communications system (TETRA), and implementation of the national component of SIS II.

#### **IV. Management and disposal of seized and confiscated criminal assets in EU countries**

The confiscation of assets acquired from criminal activities has been a topical issue in recent years. According to contemporary theory and practice, the confiscation of proceeds of crimes is indispensable if the fight against serious criminality is to be effective. Moreover, the objective behind asset confiscation extends beyond depriving criminal enterprises of their ill-gotten gains. Being increasingly aware of the full array of considerations behind asset confiscation, EU Member States have turned their attention to compensating victims – individual victims and deprived communities alike – and to maintaining public confidence in the justice system.

In 2014, the Center for the Study of Democracy continued its efforts to improve the management and disposal of



*Public discussion: Management and disposal of seized and confiscated criminal assets in EU countries, Sofia*



**Table 1.**

<b>Policy proposals on EU level</b>	<b>Policy proposals on national level</b>
Minimal standards on funds for victim compensation	Value confiscation as a subsidiary option
Social re-use of confiscated assets – a disposal option of greater applicability	Statistically accurate data management systems on confiscated assets
Monitoring system – property is not back in the hands of organised crime	Specialised training
Establishment of central national specialised disposal authorities	Civil society role in the disposal phase
Mutual recognition of non-conviction based asset confiscation	Interagency cooperation and communication

*the EU Member States* points out that social re-use is the only form of disposal that guarantees the visibility of confiscated assets among citizens, since what stems from crime is explicitly given back to society. Still, these social purposes often conflict, in everyday life, with economic efficiency. In general, incentivisation schemes are easier to manage than social re-use schemes, since it is generally easier to handle money than property itself.

The results of the study on the practices for managing seized and confiscated property in the 28 EU Member States conducted by CSD and the University of Palermo were also presented in Bucharest, Brussels and Madrid. The events gathered experts from state institutions involved in the confiscation process, beneficiaries of programs for social re-use of confiscated assets, representatives of the judiciary and the NGO sector. The focus of each of the events was the experience of the host country in the use of confiscated assets for public and social purposes and the main difficulties encountered in this process.

The report *Disposal of Confiscated Assets in the EU Member States: Laws and Practices* reviews national confiscation legislations and notes marked differences among approaches to confiscation. It also pays special attention to the institutional dimensions of the disposal of confiscated assets and the meaning of the term ‘social re-use’. The study makes two sets of recommendations – proposals at EU level and proposals at national level. While the former argue in favour of legislative standards incorporated in the EU legal framework observing the subsidiarity principle, the latter concern the practices applied by the Member States with respect to the disposal of confiscated criminal assets.

## **V. Advocating policy evaluation practices in Bulgaria**

Security Program experts participated in the work of the Bulgarian Association for Policy Evaluation. At a round table on 24 April, CSD experts presented the approach of the Bulgarian institutions



*Working seminar on public policies evaluation*

in evaluating public policies. More specifically, with regard to internal security policies, the Bulgarian institutions have limited experience analyzing the implementation of the strategic documents

and action plans. The lack of traditions of the public administration in policy evaluation leads to poor prioritisation and low quality planning of subsequent actions.

## Sociological program

The work of the Sociological Program in 2014 was focused on the following areas:

- **Integration of migrants and social inclusion of vulnerable groups.** Impact assessments of the integration policies, practices and measures on vulnerable categories of migrants (women, children and victims of trafficking) were carried out. Obstacles to integration for particular categories of migrants was analysed, conceptualising their influence over the increase of vulnerability to social exclusion, exploitation and trafficking.

A central research topic was the radicalisation leading to terrorism in Bulgaria, Greece and the Czech Republic and the identification of exposures to vulnerability among different groups such as youth susceptible to right- or left-wing ideas, football gangs, immigrants and local minorities.

Growing negative attitudes and “othering” of Roma in Bulgaria were also challenged by show-casing the possibilities, direct positive effects and benefits of social inclusion achieved at local level through transparent public funding.

The role of civil society organisations in fostering equal rights of vulnerable groups (migrants, victims of trafficking, victims of domestic violence, prisoners) was explored.

- **Countering trafficking in human beings.** Three new forms of child trafficking for the purpose of begging, pick-pocketing and sexual exploitation of boys have been studied. The focus was on the Roma communities and research is carried out in seven EU Member States. New methods for participatory research were applied, involving Roma communities, organisations and activists in this process with the aim of building their capacity for participation in research and policy development.

The use of Internet (including social networks) in the area of trafficking in human beings was studied. Knowledge sharing through workshops for law enforcement agencies and NGOs and dissemination activities was a main priority.

- **Evaluation of policies and programs.** A handbook *Social Impact Assessment*, authored by Sociological Programme team members, was published. The topic was interpreted in the wider framework of impact assessments. The handbook provides practical guidelines and examples in implementing social impact assessments at national and European level.

- **Prevention of the Internet bullying behaviour.** Together with the Bulgarian Safer Internet Center (SIC) and nine European universities and organisations, the Sociological Program successfully completed work on helping young people, school teachers, counsellors and parents in identifying dangers and risks associated with bullying behaviour online.

## I. Integration of migrants and social inclusion of vulnerable groups

### Assessing integration measures for vulnerable migrant groups

In 2014, the Sociological program continued working on this topic, coordinating activities in ten EU Member States – Austria, Belgium, Bulgaria, Greece, Malta, Hungary, Italy, Poland, Slovakia, and Spain. A review of the existing monitoring mechanisms at national level was conducted in the ten EU Member States participating in the initiative. The review identified that in the countries

with low levels of immigration there are no developed monitoring mechanisms. The only two countries with more advanced mechanisms to monitor migrant integration appear to be Austria and Belgium. A methodology was developed for assessing integration of vulnerable migrant groups identifying qualitative indicators at the level of policy and statistical indicators at the level of migrants' social, economic and civic performance. Based on this methodology a comparative assessment was conducted in the ten EU states identifying the levels of integration of vulnerable migrant groups such as migrant women, migrant



*Expert meeting: Monitoring the integration of vulnerable migrants. From left to right: Ms. Reyes Castillo and Ms. Teresa De Gasperis, from ACCEM, Spain, Myroslava Keryk from Lazarski University, Poland, Tímea Stránská and Romana Medvedova from People in Need, Slovakia and Dr. Margit Ammer from BIM, Austria*



*Expert meeting: Assessment of integration measures for vulnerable migrant groups in Bulgaria. From left to right: Slavyanka Ivanova, CSD, Dr. Mila Mancheva, CSD*

children and victims of trafficking. In addition, good practices in the field of integration of vulnerable migrants and monitoring of migrant integration were collected to feed into a Compendium of Good Practices accessible for all 27 EU Member States.

Two workshops took place in 2014. The first one, on monitoring the integration of vulnerable migrants, discussed the methodology for the review of national monitoring mechanisms for the integration of migrants.

In September 2014, the Sociological Program hosted a national expert meeting *Assessment of Integration Measures for Vulnerable Migrant Groups in Bulgaria* aimed at generating a discussion on the mechanisms for monitoring of the migrant integration in Bulgaria. The results of a study on the integration measures for vulnerable migrant groups in the country were presented alongside

the experience of other EU Member States. A discussion on the recent developments in the mechanisms for monitoring migrant integration in Bulgaria was carried out. Stakeholders from various governmental agencies and NGOs pointed that the lack of well-developed monitoring system is the outcome of a number of factors such as low immigration levels, insufficient synchronisation between existing administrative and statistical databases for third country nationals, lack of effective coordination regarding information exchange between the different institutions, etc. CSD experts stressed that Bulgaria is not an exception and similar tendencies are observed in other EU Member States such as Greece, Malta, Poland, Slovakia and Hungary.

In the beginning of October 2014, the Sociological Program together with People for Change Foundation conducted a workshop in Malta with a pri-

mary focus on presenting and discussing the Methodology for Monitoring the Integration of Vulnerable Migrants and discussing progress results from national studies under the same methodology. Workshop participants agreed on the general conclusion that although some countries (i.e. Austria and Belgium) appear advanced in the area of migrant integration monitoring, in most countries the level of effort by governments to address monitoring and integration is low, and is even lower when addressing the integration of vulnerable migrant groups.

National reports on existing monitoring mechanisms for the integration of migrants were prepared for each of the ten countries participating in the initiative. The report for Bulgaria aims to trace the mechanisms for monitoring of migrant integration in Bulgaria. This task is pursued by investigation of the prevailing migration trends in the country, the leading migrant integration approaches at policy level and the available data collection systems. The report offers a discussion of the main factors that hamper the effective monitoring of migrant integration and puts forward some recommendations in this regard. Analysis is provided about the attention given to vulnerable migrant groups (women, children and victims of trafficking) in national integration policy and in national monitoring initiatives.

The report identifies a number of gaps in the migrant integration policy in the country as well as in the existing data collection mechanisms. In the context of moderate immigration inflows and relatively low interest on the part of institutions to the specific integration needs of third country nationals, Bulgarian policy makers have not yet developed elaborate mechanisms for monitoring migrant integration. The report highlights that Bulgaria is predominantly a country of emigration and has been the recipient of small immigration flows that form only a very minor share of the country's population (less than 1% in 2013). Significant aspects of the integration of migrants are not the subject of National Strategies or Action Plans. Although the *Common Basic Principles of Migrant Integration* are cited in full in the main national policy documents, they are not developed into concrete policy programs and measures to facilitate the integration of third country nationals in practice.

The fact that data on third country nationals (TCNs) in Bulgaria is not publicly available hinders the analysis of the effectiveness and the gaps in the data collection mechanisms in the country. It also hinders the development of effective monitoring mechanisms in the field of migrant integration in the country.

### **Recommendations:**

- Public institutions with mandates in the field of migration should take steps to develop information systems for TCNs serviced under their auspices.
- Public institutions should consider consultations with regard to the harmonisation of the information categories, definitions and indicators with regard to TCN used by the different administrative registers.
- The main institutions producing data on migrants shall consider making this data publicly available.
- The National Statistical Institute should consider the conduct of studies of migrant integration based on samples composed of TCNs only.

On the basis of the ten national reports, a Comparative Report was prepared, providing a review of the existing systems for monitoring migrant integration in the EU. The report highlights the strengths and weaknesses in the application of the *Common Basic Principles on Migrant Integration* with regard to vulnerable migrant groups as well as the application by the ten Member States of the Zaragoza Indicators for migrant integration. One of the main findings of the report was that vulnerable migrant groups such as women, children and victims of human trafficking, are not explicitly identified in the mainstream monitoring and evaluation of integration, and in the integration policies of the ten Member States.

Although the importance of monitoring integration through indicators in Austria, Belgium and Italy has been acknowledged and efforts have been made, the monitoring of specific vulnerable groups is still very limited, and indicators tend to focus on migrants in general. The research has found a noticeable lack of infrastructure for monitoring integration processes in a reliable and regular way. The availability of data on migration, especially on the integration of migrants, is still limited and is usually inconsistent. It also varies from one institution to another. A lack of relevant data makes the creation of integration indicators problematic, while statistics on migrant integration are not always available in the form, quality and accuracy required. More information is available at <http://www.assess-migrantintegration.eu/>.

### **Inclusion revisited. Practical solutions for addressing “othering” of Roma in Bulgaria**

In 2014, the Sociological Program challenged the growing negative attitudes and “othering” of Roma in Bulgaria

by show-casing the possibilities, direct positive effects and benefits of social inclusion achieved at local level through transparent public funding. Putting gains in the centre of the Roma inclusion debate, the partnership of CSD and the Roma NGO World Without Borders seeks to build a consensual understanding of integration by majority and minority alike. Criteria for good practice identification were drafted and information on good practices of Roma inclusion were collected. Existing compendiums and handbooks illustrating good practices were reviewed and local practices based upon transparent public funding were identified. The two local practices chosen for further assessment were the investments made in public infrastructure, education and employment measures in the municipality of Kavarna and the investments in pre-school education in a kindergarten in Stara Zagora.

A methodology for impact assessment on the Roma community of the public funding measures for Roma integration was developed. In addition, the methodology provided instruments to test the responses of members of the majority population to the research findings on the effects and benefits of inclusion, and to assess whether the findings contribute to overcoming the attitudes of “othering” of Roma. It defined the main hypotheses and specific research questions for both localities and indicators for measuring results in the fields of educational integration, health status, housing and living conditions, employment and victimisation, as well as indicators on transparency, good governance and sustainability.

### **Countering radicalisation in Southeast and Central Europe through development of monitoring tools**

Together with the Security Program, the Sociological Program started a new

initiative on countering radicalisation in Southeast and Central Europe. It aims to assess and transfer de-radicalisation experience from the Netherlands, UK and other EU Member States in order to design, establish and promote radicalisation monitoring tools in Bulgaria, the Czech Republic and Greece. Those tools will be used to monitor radicalisation and recruitment that might potentially lead to acts of extremism and terrorism. Through this action the capacity of law-enforcement, local level authorities and civil society will be increased to prevent and counter radicalisation that may lead to violence amongst risk groups in Bulgaria, the Czech Republic and Greece. These monitoring tools will also serve as an analytic prerequisite for the design and establishment of adequate radicalisation prevention policies and programmes in the three countries. A reader on radicalisation was prepared, providing a critical summary of the discussion on concepts and definitions of radicalisation and terrorism, pathways to radicalisation and main recruitment mechanisms. In addition, the reader includes analysis of different types of radicalisation such as right and left wing radicalisation, Islamist radicalisation and football hooliganism. The reader presents an analytical framework for researchers of radicalisation in Eastern Europe and provides law enforcement officials in the region with a collection of counter-radicalisation tools developed in other EU countries and the USA.

**Civic organisations: a guarantee for equal rights of vulnerable groups before the state**

Together with the Law Program, the Sociological Program started an initiative on promoting equal rights of vulnerable groups (migrants, victims of trafficking, victims of domestic violence, prisoners) before the state with the help

of civic organisations. The main aims of the initiative are to:

- increase the contribution of NGOs in the policy and decision-making process at the local, regional and national level;
- step up NGOs' activity in relation to the accountability and transparency of public institutions;
- improve the dialogue between NGOs and local, regional and national authorities.

The Sociological Program is responsible for the data collection and analysis of two of the chosen vulnerable groups – migrants and victims of trafficking. As part of the initiative, a socio-demographic profile of the vulnerable groups has been elaborated. For this purpose, data from various institutions and organisations was collected and semi-structured in-depth interviews were conducted.

## II. Trafficking in human beings

### Countering new forms of Roma children trafficking

A study on countering new forms of Roma children trafficking aims to address two deficiencies in the current counter-trafficking response: lack of in-depth knowledge of the new forms of trafficking of children and lack of active involvement of the Roma community – a group at high risk of child trafficking. It is focused on three new forms of trafficking: child begging, labour exploitation for pick-pocketing and sexual exploitation of boys. Activities take place in four EU Member States, which are typical countries of origin for victims of trafficking (Bulgaria, Hungary, Romania and Slovakia) and three Member States, which are traditional destination countries for Roma victims (Austria, Greece and Italy).



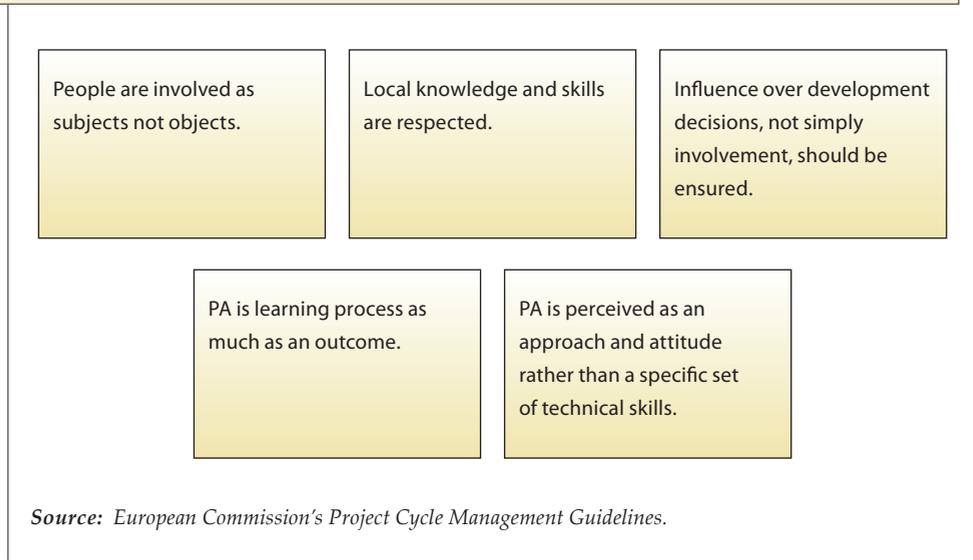
*Workshop on Methodology for Participatory Research for Roma Communities. From left to right: Ms. Tímea Stránská, People in Need, Slovakia, Ms. Romana Medvedova, People in Need, Slovakia, Ms. Ammer Margit, BIM, Austria, Mr. Iulian Stoian, Soros Foundation, Romania, Ms. Daniela Tarnovschi, Soros Foundation, Romania*

A methodology for participatory research with active participation of the Roma communities has been elaborated. This is achieved through working with partner community organisations and community activists, carrying out a range of activities, such as community mapping, ranking exercises, drawing of community figure, participation in focus groups, collecting life stories. These new forms of data collection add new knowledge of the community and of the three specific forms of trafficking. They also help identify gaps and good practices in child victims' assistance, and develop effective mechanisms for community involvement in prevention and assistance measures. Furthermore, throughout the research process, Roma representatives participated in all stages of the data collection, gained new knowledge on child

trafficking and built skills in participating and conducting community-based research. This enabled them to more effectively take part in the counter-trafficking policy debate, and policy formulation and implementation.

In February 2014, the Sociological Program organised a workshop with partners from seven countries to discuss the methodology for participatory research among Roma communities. The methodology has the purpose to guide the fieldwork, which seeks to explore new forms of child trafficking affecting Roma communities, to build the capacities of the communities to prevent trafficking and to improve assistance mechanisms for child victims. The workshop participants shared common challenges in their preliminary research

**Figure 2. Main principles of participatory approach**



phase, such as lack of ethnically disaggregated data on trafficking and reluctance from authorities on data sharing. The participants discussed practical and theoretical aspects of conducting participatory research among Roma communities. Discussions on how to frame the issue of child begging and how to ensure a culturally sensitive approach to exploring childhood and child rearing in the Roma communities helped achieve a better understanding on how to approach the pending field research. Another important discussion helped identify strategies to contribute to the empowerment of the communities through the fieldwork. The research is regarded as a two-way knowledge sharing process: communities share information about their ways of life, while project partners share information about the rights of children/victims and the available assistance for families and children at risk. The knowledge generated through the fieldwork will serve to improve the capacities of local child

protection authorities and child assistance service providers to prevent child trafficking and to offer more sustainable assistance to victims.

The developed methodology aims to explain the main principles of participatory research (PR), to offer some guidelines on conducting such research and to outline five commonly used PR methods, which could be useful for conducting the research among Roma communities. Various methods adequate to the PR have been explained in the methodology: focus groups, qualitative face-to-face interviews, life stories, community mapping, Venn diagrams. PR evolved as an alternative system of knowledge production by challenging the premise of conventional social science research that researchers can conduct their work in a neutral, objective, and value-free manner. Instead, participatory research recognises the 'subjects' of research as researchers themselves, in pursuit of answers concerning their

daily activities and challenges. The PR process enables co-researchers to abandon traditional routines, forms of interaction, and power relationships in order to challenge established interpretations of situations and strategies.

Participatory research was conducted in Bulgaria, Hungary, Romania and Slovakia, identified as origin countries of child victims of trafficking with large traditional Roma minorities. The research was conducted in two stages: a preliminary stage and a fieldwork phase. The objectives of the preliminary phase of the research were threefold: i) to gain a general understanding on the extent of child trafficking in the country and the CT institutional frameworks; ii) to identify localities with vulnerable Roma communities; iii) to assess the available child support infrastructure in each locality and to identify potential partner Roma NGOs to be involved in further project activities. The methods used at the preliminary stage were literature reviews, semi-structured interviews with national stakeholders and electronic data collection questionnaires on national statistics.

For Bulgaria, the three regions chosen for the fieldwork phase were the towns of Stara Zagora, Pazardzhik/ Peshtera and Shumen/ Novi Pazar. In the fieldwork phase, the research team conducted three study visits in each chosen locality. In the first round of visits, the research team met with the partnering Roma NGOs, discussed research topic and objectives. In the first visit, relevant local stakeholders were interviewed. During the second study visit, the research teams applied PR techniques, such as community mapping, Venn diagrams, ranking exercise, drawing community figure, on-site observations to determine factors of vulnerability, to identify families with children at risk of trafficking and to explore local resources

for prevention and victims' assistance. Trainings were conducted to acquaint local activists with the trafficking phenomenon. Local counterparts were also trained in data collection methods. In the third round of visits, research teams, composed of the lead researchers, the local partner and research assistants conducted semi-structured interviews and collection of life stories with different representatives of the community.

Throughout the research, the team conducted 25 semi-structured interviews, 4 focus group discussions and 18 life story interviews. The respondents included young men providing sex services, caregivers of children abandoned by mothers trafficked for prostitution, families relying for subsistence on begging and trash collection, and many persons living in daunting poverty.

The study identified several significant gaps in the child victim identification process, which prevent children in situation of trafficking and exploitation from gaining access to assistance. The research established that Roma boys providing sex services are especially vulnerable to being trafficked abroad for sexual exploitation. Among the destination points for this type of trafficking are Germany, France and Spain, in particular cities such as Frankfurt, Bordeaux, Salamanca, Benidor, etc. While transgender and male prostitutes working abroad may have reached adulthood (i.e. 18 years), abuse and sexual exploitation is likely to have started earlier in childhood in their home country. Therefore, law enforcement and service providers should pay particular attention to indicators of trafficking as far as these groups are concerned. Interviews conducted for this study clearly revealed the involvement of pimps and other intermediaries in the provision of services, and indicated to some signs of exploitation abroad. Currently, institutional homophobia

and intolerance exemplified in opinions such as “they are ‘voluntary’ victims of sexual abuse” or “they are to blame for their situation” prevent the effective identification of boys and men, mostly of Roma origin, victims of exploitation, who need to have equal access to protection and assistance provided for victims of trafficking.

In addition, increased attention is needed to improve identification rates of children victims of trafficking for begging and pickpocketing. Expert assessments reveal that with some rare exceptions when physical abuse and violence are used, in most cases the children are attached to their families or caregivers and do not feel that they are victims of exploitation. On the one hand, this factor challenges identification. On the other, it should be taken into account when determining the child’s “best interest”. A child’s best interest, however, can only be accurately assessed if all circumstances related to her situation, be it negligence, exploitation or trafficking, are taken into account. In all cases, children should be provided with adequate care, safe environment, access to education. It is families or caregivers who should be responsible for providing such upbringing.

While comparative studies reveal that Bulgaria is one of the most advanced countries in the EU in terms of inter-institutional counter-trafficking response, a closer look at the implementation of return, protection and assistance measures for child victims of trafficking reveals some serious deficiencies. They are especially grave with regard to the protection and assistance of victims of Roma origin. The most acute deficiencies can be observed in the last two stages of protection – finding a long-term, durable solution and monitoring of the re-integration assistance. These challenges, however, are much the result of gaps in inter-institutional cooperation that occur in earlier phases.

Finally, if any efforts in child victim’s assistance are to be taken seriously, then urgent steps need to be made in developing the final stage of support – i.e. monitoring of the re-integration of the child victim of trafficking for one year. Currently, this phase of assistance exists only on paper, while its actual implementation is challenged by several difficulties. For one, case overload and/or lack of experience prevent social workers from pursuing an active relationship with the families of re-integrated children victims of trafficking. Other

The Coordination Mechanism indicates that in cases of return of the child, such social and family assessments need to take place once the victim is returned and accommodated in a safe place. However, it seems that hasty return is the rule, rather than the exception in the case of Bulgarian children victims of trafficking repatriated from abroad. In such cases of pre-emptive return the minors are placed in the crisis centre with little or no accompanying information or documentation.

The lack of complete information on the children’s trafficking circumstances, their relations with the family and risks assessment of re-trafficking leaves them vulnerable to further capture and exploitation by traffickers during their placement in the crisis centres. Another factor contributing to this vulnerability is the lack of coordination and communication between the Child Protection Division (CPD) at the place of residency of the victim, the CPD covering.

reasons include lack of confidence of social workers in working with Roma communities, lack of motivation due to high levels of stress and low levels of pay and ensuing reluctance to engage in difficult fieldwork among marginalised groups. Reluctance to work with a social worker can also be detected in Roma families themselves. The assessment of the workload and qualifications of social workers is among the objectives of the current social assistance reform, the implementation of which has been delayed for various reasons beyond the focus of this research.

### Surfandsound

Together with the Security Program, the Sociological Program started a new initiative Surfandsound ([www.surfandsound.eu](http://www.surfandsound.eu)). It addresses some key EU needs related to the use of the Internet in the process of trafficking in human beings (THB):

- Accumulating knowledge on the use of the Internet in the THB process, e.g. how it facilitates recruitment and communications, guarantees anonymity, and accelerates victims' exchange, how demand and supply for the services are matched, etc.
- Developing tools and methods to investigate/prosecute the abuse of the the Internet in the THB process
- Spreading knowledge with law enforcement agencies (LEAs), non-governmental organisations (NGOs), and other key actors in the fight against THB (e.g. citizens, employers), in order to develop more effective preventative/contrast strategies for reducing the demand/supply of services.

To address these needs, the initiative aims to improve the knowledge on the use of Internet (including social networks) in the THB process in four key

EU Member States and spread such knowledge through workshops for LEAs and NGOs, and through dissemination activities.

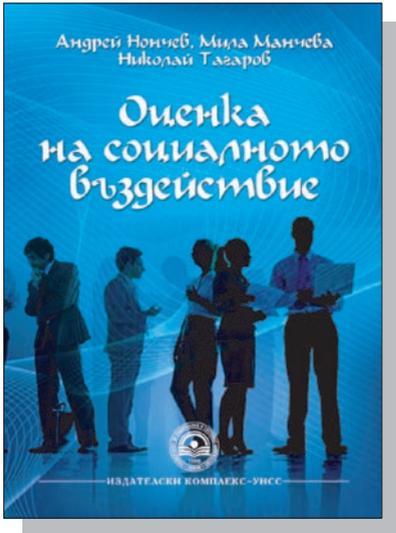
The following specific objectives have been identified:

- to explore visible/dark Web to draft a research protocol about the use of Internet in the THB process in two origin/transit countries (Bulgaria and Romania) and two destination countries (Italy and UK);
- to use the research protocol to collect and organise a significant volume of information from the Web;
- to understand the use of Internet in the THB process by analysing collected data, in order to:
  - draft guidelines for identifying potential at risk Web contents and other abuses of the Internet (e.g. chats, VOIP) in the THB process and develop awareness raising campaigns in order to reduce THB victimisation via Internet and to alert Internet users;
  - spread the knowledge and guidelines via workshops for LEAs/NGOs involved in the prevention and fight against THB and dissemination activities.

### III. Evaluation of policies and programs

In 2014, a handbook developed by team members of the Sociological Program, *Social Impact Assessment* was published. It focuses on social impact assessment, which is viewed in the wider framework of impact assessments, and indicates the links and differences between them by using various types of assessments (economic impact assessment, risk of poverty impact assessment, environmental impact assessment, etc.). The emergence and development of the practice of so-

cial evaluation is traced back and the basic principles, objectives and rules of social impact assessment are described. Different types of social impact assessment and various methods for their evaluation are presented. The analytical steps and the rules of the procedures applied by the European Commission's integrated approach for impact assessment are closely reviewed. Special attention is paid to the innovative approach developed by the authors for 'mirror assessment' of the possibility to transfer good practices in different national contexts. The handbook also presents some outcomes of the international research project *Integrating Refugee and Asylum-seeking Children in the Educational Systems of EU Member States: Evaluation and Promotion of Current Best Practices – INTEGRACE*, funded by the European Refugee Fund and coordinated by the Sociological Program.



*Social Impact Assessment handbook*

The handbook was mainly intended for use by students in social sciences, but could be helpful to at least two more categories of readers. First, it could benefit politicians, officials in central and

local authorities, experts and consultants interested in issues related to social assessment of policies and programs. Second, it could serve experts and representatives of civil society groups and organisations working in the field of public sector efficiency and good public governance.

#### IV. Prevention of Internet bullying behaviour

The Sociological program, together with Bulgaria's Safer Internet Centre (SIC), successfully completed the work on the project *Threat Assessment of Bullying Behaviour in Youngsters: Transferring Internet Preventive Procedures in Europe*. The initiative's activities were implemented in Italy, Bulgaria, Hungary, Greece, Cyprus France, Spain and Poland.

A video game was developed as another method of self-assessment of bullying behaviour in the Internet. An online questionnaire was filled-in three times at regular intervals to follow up the changes in pupils' attitudes as a result of their training in cyberbullying prevention, and to help them self-assess their behaviour.



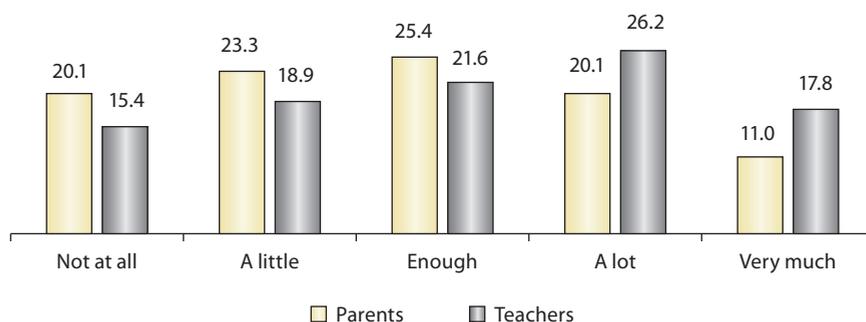
In Bulgaria, about 20 teachers and school counsellors from 16 schools in 7 towns have voluntarily taken part in the project and over 1,000 students have taken part in the online survey.

The results from the online survey revealed that in Bulgaria teachers are

more likely to talk to teenagers about online safety than parents.

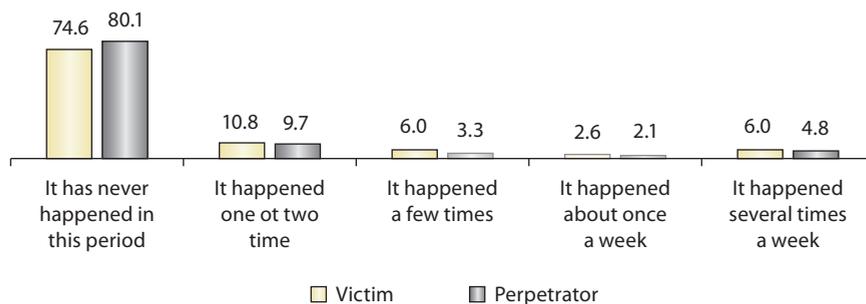
There is no significant difference between the rate of children who are victims of bullying in school and those who are perpetrators.

**Figure 3. Do your parents/teachers talk with you about Internet safety?**



*Source: Online survey, Threat Assessment of Bullying Behaviour in Youngsters: Transferring Internet Preventive Procedures in Europe, 2014.*

**Figure 4. In the last four months have you been victim of bullying acts/involved in bullying as a perpetrator at school?**



*Source: Online survey, Threat Assessment of Bullying Behaviour in Youngsters: Transferring Internet Preventive Procedures in Europe, 2014.*

Traditional bullying in school seems to be more popular than online bullying:

- 11.3 % of the students have suffered cyberbullying;
- 4.1 % have bullied others online;
- 19.6 % have suffered bullying at school;
- 5.1 % have bullied others at school.

## V. International development and poverty reduction

As a recipient of development funding since the 1990s, the Sociological Program has built the capacity and expertise to become an implementer of development projects in other countries. CSD's competitive advantages in this field have been created by successfully attracting support from a multitude of donors (UNDP, World Bank, USAID, European Commission), delivering high quality evidence-based analysis, and managing multi-stakeholder consortia.

The Center for the Study of Democracy has acquired its core competencies along the following lines:

- topical expertise in key policy areas such as governance, corruption, multi-dimensional poverty, socio-economic vulnerability;
- regional expertise and partner networks in the Western Balkans, the Caucasus and the Middle East.

An inventory was put together documenting the track record in development-related projects implemented by the CSD group and highlighting the competitive advantages and expertise across all departments.

The Sociological Program participated in the Regional Review Conference on the Geneva Declaration on Armed Violence and Development, which took place on 8-9 July 2014 in Geneva and focused on Southeastern Europe, the Caucasus and Central Asia. A presentation was delivered examining the transformation patterns from violence to corruption in Southeastern Europe, and the linkages between these patterns and the socio-economic development trends across the region.

\* \* \*

The Sociological Program has been providing sociological expertise (mainly of a methodological and analytical nature) in the development of research methods and instruments, the collection and analysis of data, the application of advance research techniques and tools, as well as policy evaluations and impact assessments.

Experts from the Sociological Program took part in a number of governmental, civic and academic initiatives and forums, among them:

- The Director of the Sociological Program was appointed as governmental expert at the Horizon 2020 informal configuration for *Societal Challenge 6: Europe in a Changing World – Inclusive, Innovative and Reflective Societies*.
- Sociological Program team members participated in the Expert Working Group at the National Commission for Combating Trafficking in Persons.

---

## **Part Two**

# **Administration and Management**



# Institutional Development

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

In 2014, CSD continued its efforts to streamline its internal administrative regulations and procedures. After audits conducted by the European Commission, a review of the time management and reporting system was launched. Following a number of consultations with legal and financial experts, a computerised project cost reporting module was introduced. Due to the multitude of requirements from various financing institutions, and the need to comply with national labour legislation, a new remuneration system was implemented in 2014.

In 2014, CSD employed a staff of thirty-one of whom twenty-six in professional and management positions, including part-time consultants, and five employees in administrative positions.

**Accountability and transparency** are guiding principles in the operation of the Center for the Study of Democracy. They are intrinsic to CSD activity and are related to the critical analysis of social processes and trends in Bulgaria and in the EU. These principles are implemented by means of:

- annual audit reports published since 1992;
- audits of individual projects;

- CSD annual reports published since 1994;
- regular updates about CSD's activities on its website;
- press-releases about on-going projects and their results;
- publication of a wide range of analyses and reports.

The application of good management practices has been critical to the successful work of CSD. In 2014, the Center continued its efforts to diversify its sources of funding in addition to the traditional EU financial instruments available for the period 2007-2014: the Seventh Framework Program, the European Social Fund, and the financial instruments in the area of justice and home affairs. Some of CSD activities were funded through the operational programs administered by the Bulgarian government, as well as the World Bank and the Open Society Institute. Apart from the awarded grants, CSD took part in tenders through its consulting arm Project One EOOD.

In 2014, CSD proved its reputation as a reliable partner and coordinator of EU-wide projects encompassing research in the legal, security and social policy areas. In partnership with leading European think tanks and academic institutions, CSD took part in the European debate on the assessment and development of policies related to the fight against organised crime, the integration of victims of trafficking and other vulnerable groups, public confidence in justice, and cybercrime.

## Internship program

The Center for the Study of Democracy aims to provide internship opportunities for outstanding students from various universities. Following a several-year-old tradition, in 2014 the Center hosted 52 interns from 12 different countries. In addition to Bulgarian students and recent graduates who enrolled either under a Ministry of Education scheme, or by an independent application via the CSD website, the Center accommodated interns from Austria, France, Germany, India, Italy, Russia, Spain, Sweden, Switzerland, Turkey, and the USA.

The Center has a robust, well-defined, standardised policy for welcoming and mentoring newly hired interns, which frequently leads to extending offers for permanent positions as researchers and experts at CSD or other institutions, to offers of admission to elite graduate schools, or to funding schemes for additional employment and/or education. Interns, who are variously employed for a period of up to six months, undergo a careful two-stage selection and are provided with complete information to facilitate their adaptation to the receiving country and the organisation's specificities. In all cases when interns are hired, CSD uses standardised templates and procedures for developing intern action plans as well as mentorship plans to guide the intern's supervisor(s), while clearly identifying the expected timeline(s) and performance indicators that would determine the successful completion of the internship. The action and mentorship plans provide an initial assessment of the strengths and opportunities of the internship for both the intern and the organisation.

CSD always attempts to match interns' professional aspirations to their assignments. Having developed over the past two decades into a major think tank with expertise in a number of diverse fields, CSD is able to attract diverse talent. As a minimum, the Center always guarantees interns the ability to produce policy briefs (with supervision and feedback where needed) or policy notes on a topic relevant to the intern's educational background and/or future professional goals.

In 2014, all CSD programs actively engaged interns in their core activities such as desk research, data collection, literature reviews, and drafting of reports on policy events. This helped them gain practical skills and in-depth knowledge in areas such as:

- anti-corruption, good governance, energy security, competitiveness, informal economy and innovation;
- migration, Roma and trafficking in human beings, integration and social inclusion of vulnerable groups;
- financing of organised crime activities, special investigative tools and border security;
- witness protection, provision of services to vulnerable groups, surveillance and data retention, measures against racism and xenophobia, prevention of and fight against cybercrime.

Interns also assisted in preparing and conducting face to face interviews, transcribing and processing collected qualitative data, and illustrating the results of quantitative research.

CSD has also developed its capacity to manage large-scale international projects, sometimes taking place in all 28 EU Member States and requiring the publication of reports for each of the countries involved. It is thus often possible to match the skills of incoming interns to tasks which are part of such projects. Therefore, interns based in countries other than Bulgaria are frequently given the option to conduct research in their country of origin or current residence. In 2014, all interns were involved in the project preparation process, gaining valuable experience in developing grant and tender proposals and assisting the process with technical tasks.

In 2014, the diversity of the educational backgrounds of the interns provided the programs' teams with a variety of perspectives on their respective fields of research. The interns, on the other hand, had the opportunity to find out about policy and program evaluation, to learn from leading researchers, policy analysts, investigative journalists, and advocacy leaders, and, depending on their interests and background, to participate in events organised by the programs and to familiarise themselves with the ongoing research activities.

*"Vibrant work atmosphere, opportunity to work with very learned supervisors and reasonable flexibility of working conditions, comprise few of the many good reasons for interning with the Centre for Study of Democracy in Sofia. ... The research I undertook specifically on the issue of rights of vulnerable prisoners allowed me to gain a better understanding of the gravity of this issue and also allowed me to learn more about the ethos and functioning of European law. I felt no dearth of encouragement and support from my supervisors who gave me timely feedback on my work. The office was also a great place to come to, for it would always be brimming with international interns in different programs, thereby allowing for a great cultural exchange of thoughts and ideas amongst other things. All of this enabled me to work professionally in an environment very friendly and for that I am indeed grateful to the CSD family for allowing me the opportunity to be a part of this experience. Thank you CSD! :)"*

**Paridhi Singh**, India, intern at CSD's Law Program, January – February 2014

*"My time with CSD greatly improved my knowledge of the Central and Eastern European (CEE) region. I enhanced my analytical skills while working on dynamic issues affecting the CEE region - energy security and NATO collective defense. I will always remember my time with CSD and the excellent researchers that I worked with."*

**William Lamping**, USA, intern at CSD's Economic Program, June – August 2014

*“During my time at the CSD I was part of the Sociological program. It was a privilege working as intern in an international and intellectually stimulating setting amongst other interns coming from all over the world and professionals with expertise. Through my internship experience I had the opportunity to reflect upon pertinent issues in the field of human rights and to develop a deeper understanding which I will apply towards my future career. I believe that my internship with CSD ideally complemented my education and experiences in the field of human rights and provided me a strong foundation for my profession.”*

**Anna Sassu**, Italy, intern at CSD’s Sociological Program, July – September 2014

## Donation of books and other publications

In 2014, CSD donated books and educational materials to the following institutions: Association of Prosecutors in Bulgaria, Bourgas Free University, Ministry of Interior Academy, National Legal Aid Bureau, National Institute of

Justice, National Revenue Agency, New Bulgarian University, Plovdiv Economic Library, Supreme Bar Council, Supreme Judicial Council, University of National and World Economy.

## Consulting arms of CSD: Vitoshka Research and Project One

Vitoshka Research EOOD and Project One EOOD are wholly owned by CSD and form the CSD Group. Vitoshka Research EOOD had started as one of the programs of CSD dealing with sociological issues and in 2000 was set up as a separate commercial company aiming to support the long term financial sustainability of CSD through involvement in marketing research. The General Manager of the company is the Director of Research of CSD.

Project One EOOD was founded after consultations with the auditing company KPMG in order to enable CSD's participation in tenders and consultancy projects on the territory of Bulgaria and the EU. Project One is also in charge of the management of CSD investment activities. The Manager of Project One EOOD is the Executive Director of CSD. The three organisations use interchangeably their facilities, human and financial resources in order to better achieve their goals, while observing distinct separation of CSD Group's commercial and non-commercial activities.

In 2014, Vitoshka Research carried out ten social, economic, and marketing research projects. More than ten thousand face-to-face, telephone and online interviews were conducted with population and businesses.

As part of CSD's annual monitoring of the grey economy and corruption in Bulgaria, Vitoshka Research conducted national representative surveys of the

population and the business sector. Other social and economic surveys, commissioned by Bulgarian and international organisations in 2014 include:

- Gallup Europe: World Poll Survey – Bulgaria
- Bulgarian Ministry of Labour and Social Policy: Net Effect of Active Policies on the Labour Market
- Bulgarian Ministry of Economy and Energy: Reducing the Administrative Regulations in the Economy
- Bulgarian Academy of Sciences: Young people in Bulgaria: Transition from Education to Employment

Vitoshka Research and Project One EOOD are among the founding members of the Bulgarian Association for Policy Evaluation (BAPE). The mission of BAPE is to establish the evaluation of public policies as a tool for good governance in Bulgaria, to develop policy evaluation capacities and to promote the best practices of monitoring of public policies at the local, regional and national levels. In 2014, Vitoshka Research and Project One EOOD hosted a round table and two seminars of BAPE.

Project One EOOD continued its efforts to secure funding for an office building to be constructed at 3, Zhendov Str., a site adjacent to the building currently occupied by CSD. The office building is designed in full compliance with the standards of the Bulgarian Green Building Council. Through this project CSD will contribute to the implementation of best energy saving practices.

## List of Staff

### Governing Board

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

### Program Board

Alexander Stoyanov, Ph.D., Director of Research  
Andrey Nonchev, PhD, Director, Sociological Program  
Maria Yordanova, PhD, Director, Law Program  
Mois Faion, PhD, Financial Director, Senior Fellow  
Ruslan Stefanov, Director, Economic Program

### Economic Program

Ruslan Stefanov, Director  
Todor Yalamov, Senior Analyst  
Todor Galev, PhD, Senior Analyst  
Daniela Mineva, Research Fellow  
Martin Vladimirov, Analyst  
Nadejda Gantcheva, Analyst  
Plamen Shalafov, Analyst  
Stefan Karaboev, Analyst

### Law Program

Maria Yordanova, PhD, Director  
Dimitar Markov, Senior Analyst and Project Director  
Miriana Ilcheva, Research Fellow  
Galina Sapundjieva, Program Assistant  
Maria Doichinova, Program Assistant

### Sociological Program

Andrey Nonchev, PhD, Director  
Mila Mancheva, PhD, Senior Analyst  
Slavyanka Ivanova, Senior Analyst  
Kamelia Dimitrova, Research Fellow  
Yva Alexandrova, Research Fellow  
Svetla Encheva, Analyst  
Gergana Karjilova, Program Assistant

### Security Program

Philip Gounev, Ph.D., Director  
Chavdar Chervenkov, Lieut. Gen. (ret.), Senior Fellow  
Emil Tsenkov, PhD, Senior Fellow  
Tihomir Bezlov, Senior Analyst  
Atanas Rusev, PhD, Research Fellow  
Rositsa Dzhekova, Analyst

Maria Karayotova, Analyst  
Anton Kojouharov, Analyst  
Yordanka Telkiyanova, Junior Researcher

Administration

Mariana Yankova, Administrative Secretary  
Milena Yordanova, Executive Assistant  
Dimitar Stamenov, LAN Administrator

Financial Department

Lydia Mileva, Financial Manager  
Ivan Pekov, Accountant

Technical Support

Boyko Tassev



---

## **Part Three**

# **Financial Review**





CENTER FOR  
THE STUDY OF  
DEMOCRACY

**Center for the Study of Democracy (The Group)**

**Consolidated Annual Financial Statements**

**31 December 2014**

## **Independent Auditor's Report**

To the General Assembly of  
The Center for Study of Democracy

Sofia, 30 July 2015

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Center for Study of Democracy and its subsidiaries (the 'Group') which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Stoyan Donev  
Registered Auditor



30 July 2015  
Sofia

Center for the Study of Democracy (The Group)  
Consolidated Statement of Financial Position, 31 December 2014

(all amounts in BGN thousand)	Note	31 December 2014	31 December 2013
<b>Assets</b>			
Property, plant and equipment	5	2,184	2,118
Intangible assets	6	461	17
Investment property	7	369	373
<b>Total non-current assets</b>		<u>3,014</u>	<u>2,508</u>
Trade and other receivables	8	617	525
Cash and cash equivalents	9	2,340	1,344
Deferred expenses		286	195
<b>Total current assets</b>		<u>3,243</u>	<u>2,064</u>
<b>Total assets</b>		<u>6,257</u>	<u>4,572</u>
<b>Equity</b>		<u>2,695</u>	<u>2,624</u>
Loans payable	11	200	200
Deferred tax liabilities			
<b>Total Long-term liabilities</b>		<u>200</u>	<u>200</u>
Trade and other payables	10	1,521	691
Corporate income tax liabilities	16	-	15
Deferred financing	12	1,841	1,042
<b>Total Short-term liabilities</b>		<u>3,362</u>	<u>1,748</u>
<b>Total liabilities</b>		<u>3,562</u>	<u>1,948</u>
<b>Total equity and liabilities</b>		<u>6,257</u>	<u>4,572</u>

These financial statements set out on pages 3-28 were approved by the Governing Board on 28 July 2015. They are signed on behalf of the Governing Board by:

Vladimir Yordanov  
Executive Director  
28 July 2015




Initialed for identification purposes in reference to the audit report:

Stoyan Donev  
Registered Auditor  
30 July 2015



0509  
Стоян  
Донев  
Регистриран одитор

Center for the Study of Democracy (The Group)  
Consolidated Statement of Comprehensive Income, 31 December 2014

(all amounts in BGN thousand)	Note	For the year ending:	
		31 December 2014	31 December 2013
Revenues	13	2,376	2,516
Cost of Sales	14	(2,273)	(2,450)
<b>Gross Profit</b>		<b>103</b>	<b>66</b>
Other operating income		-	-
Administrative expenses		-	-
Impairment losses		-	-
<b>Revenue from operating activities</b>		<b>103</b>	<b>66</b>
Financial income		30	22
Financial expenses		(50)	(27)
<b>Net financing costs</b>	<b>15</b>	<b>(20)</b>	<b>(5)</b>
<b>Profit before income tax</b>		<b>83</b>	<b>61</b>
Extraordinary expenses		-	(11)
Income tax expense	16	(11)	-
<b>Net profit for the period</b>		<b>72</b>	<b>50</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>72</b>	<b>50</b>

These financial statements set out on pages 3-28 were approved by the Governing Board on 28 July 2015. They are signed on behalf of the Governing Board by:

Vladimir Yordanov  
Executive Director  
28 July 2015




Initialed for identification purposes in reference to the audit report:

Stoyan Donev  
Registered Auditor  
30 July 2015




*Center for the Study of Democracy (The Group)*  
*Consolidated Statement of Changes in Equity, 31 December 2014*

(all amounts in BGN thousand)	Note	Retained earnings
<b>Balance as at 1 January 2013</b>		<b>2,499</b>
Net profit for the period		50
Reclassification		75
<b>Balance as at 31 December 2013</b>		<b>2,624</b>
<b>Balance as at 1 January 2014</b>		<b>2,624</b>
Net profit for the period		72
<b>Balance as at 31 December 2014</b>		<b>2,695</b>

These financial statements set out on pages 3-28 were approved by the Governing Board on 28 July 2015. They are signed on behalf of the Governing Board by:



Vladimir Yordanov  
 Executive Director  
 28 July 2015



Initialled for identification purposes in reference to the audit report:

Stoyan Donev  
 Registered Auditor  
 30 July 2015



*Center for the Study of Democracy (The Group)*  
*Consolidated Cash Flow Statement, 31 December 2014*

(all amounts in BGN thousand)	Note	<b>For the year ending:</b>	
		<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Cash generated from operations</b>			
Profit before income tax		87	50
<b>Adjustments for:</b>			
Depreciation		33	24
Net interest income accrued			11
<b>Changes in working capital:</b>			
Trade and other receivables		(135)	192
Trade and other payables		1,269	(125)
<b>Net cash from operating activities</b>		<u><b>1,254</b></u>	<u><b>152</b></u>
Income tax paid		(11)	(6)
<b>Net cash generated from operating activities</b>		<u><b>1,243</b></u>	<u><b>146</b></u>
<b>Cash flows from investing activities</b>			
Payments for acquisition of property, plant and equipment		(188)	(32)
<b>Net cash used in investing activities</b>		<u><b>(188)</b></u>	<u><b>(32)</b></u>

*Center for the Study of Democracy (The Group)*  
*Consolidated Cash Flow Statement, 31 December 2014*

(all amounts in BGN thousand)	Note	For the year ending:	
		31 December 2014	31 December 2013
<b>Cash flows from financial activities</b>			
Loans received		(42)	-
Interest and commissions paid		(9)	-
<b>Net cash used in financing activities</b>		<b>(51)</b>	-
Net increase/(decrease) in cash and cash equivalents		1,004	114
Cash and cash equivalents at the beginning of the year		1,336	1,230
<b>Cash and cash equivalents at the end of the year</b>	16	<b>2,340</b>	<b>1,344</b>

These financial statements set out on pages 3-28 were approved by the Governing Board on 28 July 2015. They are signed on behalf of the Governing Board by:



Vladimir Yordanov  
Executive Director  
28 July 2015



Initialled for identification purposes in reference to the audit report:

Stoyan Donev  
Registered Auditor  
30 July 2015



## **1. Group background and activities**

The Center for the Study of Democracy (CSD) is a non-profit organisation domiciled in Bulgaria. The consolidated financial statements of CSD for the year ended 31 December 2014 comprise CSD and its subsidiaries, Vitosha Research EOOD and Project 1 EOOD (together referred to as the "Group").

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, especially in the area of justice and home affairs;
- 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.

The Center for the Study of Democracy owns 100% of its subsidiaries Vitosha Research EOOD and Project 1 EOOD.

Vitosha Research EOOD, established in 2000, is specialised in wide range of research fields: social and economic policy; social assessment and evaluation studies; economic and political behaviour; political attitudes and value systems; market, media and audience research; advertising studies, and others.

Project 1 EOOD was established in 2003. Its main activity is managing real estate investments of the Group and project management of the contract research of the Group.

As of 31 December 2014 the Group has 31 employees.

The financial statements were approved by the Governing Board on 28 July 2015.

## **2. Accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## **2.1. Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial statements have been prepared under the historical cost convention.

The consolidated financial statements comprise the financial statements of the Center for the Study of Democracy and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent Group, using consistent accounting policies. For consolidation purposes, the financial information of the Group has been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

All intra-group balances, income and expenses and unrealized gains resulting from intra-group transactions are eliminated in full. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the

operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *Transactions with non-controlling interests*

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Disposals of non-controlling interests result in gains and losses for the Group that are recognised in the income statement. Acquisitions of non-controlling interests are accounted for whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions. The management relied on their own judgment when applying the accounting policy of the Group. The elements of the financial statements whose presentation includes higher degree of judgment or subjectivity and for which the assumptions and judgments have higher influence are separately disclosed in Note 4.

#### *New and amended standards, adopted by the Group:*

New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2013 are not early adopted by the Group because management of the Group believes that they are not currently relevant to the Group although they may affect accounting for future transactions and events.

## **2.2. Foreign currency translations**

### **2.2.1. Functional and presentation currency**

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency is 'Bulgarian lev' or 'BGN'.

### **2.2.2. Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## **2.3. Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation, less impairment losses, if any. Historical cost includes all expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation commence from the date the asset is available for use. Land is not depreciated as it is deemed to have an indefinite life. Assets under construction are not depreciated as not yet available for use.

The Group uses straight – line depreciation method. Depreciation rates are based on the useful life of the different types of property, plant and equipment as follows:

Buildings	100 years
Machinery and equipment	3.33 years
Vehicles	6.67 years
Fixtures and fittings	2 – 6.67 years

Property, plant and equipment is depreciated from the month, following the acquisition date and for internally generated assets – from the month, following the date of entering into use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### **2.4. Intangible assets**

Intangible assets acquired by the Group are presented at cost, less accumulated amortisation and impairment.

##### *Subsequent expenditures*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

#### **2.5. Financial assets**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

For the purposes of these financial statements short term means a period within 12 months. During the year, the Group did not hold any investments in this category. The Group does not possess such financial assets as at 31 December 2014.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest rate.

#### *Held-to-maturity*

Held-to-maturity investments are fixed-maturity investments that the Group's management has the positive intention and ability to hold to maturity. These securities are included as non-current assets except for securities, reaching maturity within 12 months from the balance sheet date and which are recognised as current during the reporting period. During the year, the Group did not hold any investments in this category.

#### *Available for sale financial assets*

Available-for-sale financial assets are non-derivatives that are investments acquired with the purpose to be owned for non-fixed period of time and which can be sold when the Group needs recourse or at change of interest rates. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or to use them as a source of working capital. In this case the investments are classified within current assets. During the year, the Group did not hold any investments in this category.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in Note 2.7.

## **2.6. Inventory**

Inventories are stated at the lower of cost and net realisable value. Inventories are expensed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## **2.7. Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost (using effective interest method) less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

## **2.8. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less as well as bank overdrafts. Bank overdrafts are shown within current borrowings in current liabilities on the balance sheet.

## **2.9. Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## **2.10. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of

transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **2.11. Deferred tax**

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### **2.12. Employee benefits on retirement**

In accordance with article 222, para. 3 of the Bulgarian Labour Code, in the event of termination of a labour contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to a compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Group for at least 10 years. As at 31 December the Group has not accounted for those potential obligations.

### **2.13. Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### *Sales of services*

Revenue from time and material contracts, typically from delivering certain services, is recognised under the percentage of completion method. Revenue is generally recognised at

the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered.

Revenue from fixed-price contracts for delivering certain services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

#### *Revenue from grants and contributions*

Grants from financing bodies are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

#### *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

## **2.14. Dividend distribution**

The Group does not distribute dividends.

## **3. Financial risk management**

### **3.1. Global financial crisis**

#### **Impact of the ongoing global financial and economic crisis**

The global financial crisis has had a severe effect on the Bulgarian economy and the financial situation within the Bulgarian financial and corporate sectors has significantly deteriorated since mid-2008. In 2012 and 2013, the Bulgarian economy experienced a moderate recovery in economic growth.

The future economic direction of Bulgaria is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to predict all developments which could have an impact on the sector and wider economy, and consequently what effect, if any, they could have on the future financial position of the Group.

The Bulgarian economy is also vulnerable to market downturns and economic slowdowns elsewhere in the world. Management is unable to determine reliably the effects on the Group's future financial position of any further changes in the economic environment in which the Group operates.

Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current circumstances.

### **Impact on liquidity**

The global financial crisis continues to have impact on the Group during 2013. The length of the crisis, along with the slowed recovery of the industry and bank sector, might lead to decreased operational cash flows, the ability to obtain new credits, increased operating expenses and slowdown or reduction of the planned capital expenditures.

### **Impact on customers/borrowers**

The debtors or borrowers of the Group may also be affected by the lower liquidity situation which could, in turn, impact their ability to repay the amounts owed. The operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

## **3.2. Financial risk factors**

The risk exposures of the Group could be determined as follows: market risk (including currency risk, price risk and risk of future cash flow changes as a result of changes in market interest rate), credit risk and liquidity risk. The Group's management focuses on the financial risk and seeks to minimise potential adverse effects on the Group's financial performance.

### **3.2.1. Market risk**

#### *a) Currency risk*

The Group is not exposed to foreign exchange risk as most of its activities are denominated in EUR. The exchange rate of the BGN is currently pegged to the EUR.

The Group's management does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

*6) Price risk*

The Group's management considers the price risk in the context of the future revenues that are expected to be generated in the operating activity of the Group.

### **3.2.2. Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group analyses its interest rate exposure on a dynamic basis and addresses the underlying risk.

### **3.2.3. Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

### **3.2.4. Liquidity risk**

In the context of its underlying activities, the Group is able to maintain flexibility in funding and to use credit lines, overdrafts and other credit facilities, if necessary.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>As at 31 December 2014</b>	<b>Up to 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	1,521	-	-	-
<b>As at 31 December 2013</b>	<b>Up to 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	691	-	-	-

#### **4. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The authenticity of accounting estimates and judgments is monitored regularly.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### *Useful life of property, plant and equipment*

The presentation and valuation of property, plant and equipment requires the Management to estimate their useful life and remaining value. The Management assesses at the end of each accounting period the determined useful life of the property, plant and equipment.

##### *Impairment of loans and receivables*

Impairment of receivables is determined based on Management's expectations for the collectability of the loans and receivables. As at the date of preparation of the financial statements, the Management reviews and assesses the existing receivables' balances for collectability.

## 5. Property, plant and equipment

Cost	As at 1 January 2014	Additions	Disposals	As at 31 December 2014
Land	529	-	-	529
Buildings	606	-	-	606
Computers	197	91	19	269
Fixtures & Fittings	109	-	-	109
Vehicles	242	-	-	242
Other assets	9	3	-	12
Assets under construction	911	3	3	911
	-	-	-	-
<b>Total</b>	<b>2,603</b>	<b>97</b>	<b>22</b>	<b>2,678</b>

Depreciation	As at 1 January 2014	Additions	Disposals	As at 31 December 2014
Land1	-	-	-	-
Buildings1	29	-	-	29
Computers1	167	17	19	165
Fixtures & Fittings1	83	3	-	86
Vehicles1	202	7	-	209
Other assets1	5	-	-	5
Assets under construction1	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>486</b>	<b>27</b>	<b>19</b>	<b>494</b>

### Carrying amount

Land	529			529
Buildings	577			577
Computers	30			104
Fixtures & Fittings	26			23
Vehicles	40			33
Other assets	4			7
Assets under construction	911			911
	-			-
<b>Total</b>	<b>2,117</b>	<b>-</b>	<b>-</b>	<b>2,184</b>

*Center for the Study of Democracy (The Group)*  
*Notes to the Consolidated Annual Financial Statements, 31 December 2014*  
*(all amounts in BGN thousand, unless otherwise stated)*

## 6. Intangible assets

Cost	As at 1 January 2014	Additions	Disposals	As at 31 December 2014
Software	96	2	-	98
Others	23	444	-	467
<b>Total</b>	<b>119</b>	<b>446</b>	<b>-</b>	<b>565</b>
Depreciation	As at 1 January 2014	Additions	Disposals	As at 31 December 2014
Software	94	-	-	94
Others	8	2	-	10
<b>Total</b>	<b>102</b>	<b>2</b>	<b>-</b>	<b>104</b>
Carrying amount				
Software	2	2	-	4
Others	15	442	-	457
<b>Total</b>	<b>17</b>	<b>444</b>	<b>-</b>	<b>461</b>

## 7. Investment property

	<b>2014</b>	<b>2013</b>
<b>As at 1 January</b>		
Carrying amount at the beginning of the period	373	345
Others (reclassification)	-	32
	<u>373</u>	<u>377</u>
Depreciation charge	-	(4)
<b>Carrying amount at the end of the period</b>	<b><u>373</u></b>	<b><u>373</u></b>
<b>As at 31 December</b>		
Cost	508	428
Others (reclassification)	-	80
	<u>508</u>	<u>508</u>
Accumulated depreciation	(139)	(135)
<b>Carrying amount</b>	<b><u>369</u></b>	<b><u>373</u></b>

Investment properties of the Group consist of land and buildings acquired in the period 2005 – 2006. Investment property is presented at cost less accumulated depreciation and impairment losses.

## 8. Trade and other receivables

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
Short-term loan	68	-
Trade receivables	177	463
Trade receivables, net	<u>245</u>	<u>463</u>
Prepaid corporate tax	19	23
VAT Refund	103	-
Other	250	39
	<b><u>617</u></b>	<b><u>525</u></b>

The carrying amount of trade and other receivables approximates their fair value.

*Center for the Study of Democracy (The Group)*  
*Notes to the Consolidated Annual Financial Statements, 31 December 2014*  
*(all amounts in BGN thousand, unless otherwise stated)*

## 9. Cash and cash equivalents

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
Cash at hand	29	20
Cash in bank current accounts	2,311	1,324
	<u>2,340</u>	<u>1,344</u>

## 10. Trade and other payables

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
Payables to related parties	175	444
Payables to partners and suppliers	1,315	159
Salaries and social securities payables	31	41
Other	-	47
	<u>1,521</u>	<u>691</u>

## 11. Loans liabilities

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
Principal of loan to related parties	200	200
	<u>200</u>	<u>200</u>

Loans liabilities represent loan granted in 2009 by IR Communications EOOD to Project 1 EOOD. According to the loan contract the interest rate is 3.5 %.

## 12. Deferred financing

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
EC – Civil Society for Good Governance and Anti-Corruption in Southeast Europe: Capacity Building for Monitoring, Advocacy and Awareness Raising	167	
EC – Financing of Organized Crime Activities	158	163
EC – Monitoring Anti-Corruption in Europe: Bridging Policy Evaluation and Corruption Measurement	140	221
EC – Enhancing Police Internal Affairs Departments in EU Member States	130	
EC – Assessing Integration Measures for Vulnerable Migrants Groups	129	156
Swiss Government – Overcoming Institutional Capacity Gaps to Counter Corruption and Organized Crime in Bulgaria	89	
EC – Countering New Forms of Roma Childred Trafficking: Participatory approach	87	197
Open Society Institute (Budapest) – Enhancing Transparent Governance of Energy Security in Bulgaria	75	
EC – Anticorruption Policies Revisited. Global Trends and European Responses to the Challenge of Corruption	71	
EC – New European Crimes and Trust-Based Policy	65	
EC – REuse of Confiscated Assets for Social Purposes: towards Common EU Standards	64	
EC – Augmenting Demand for Anti-Corruption and Organised Crime	58	
EC – Re-socialization of Offenders in the EU: Enhancing the Role of the Civil Society	39	46
EC – Civil Society Organizations as Guarantors for the Rights of Vulnerable Groups	34	
EC – Promoting Good Governance and Economic Rights in the FYR of Macedonia	29	

*Center for the Study of Democracy (The Group)*  
*Notes to the Consolidated Annual Financial Statements, 31 December 2014*  
*(all amounts in BGN thousand, unless otherwise stated)*

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
EC – Building a Platform for Enhanced Societal Research Related to Nuclear Energy in Central and Eastern Europe	29	46
EC – Development of the Civil Society Involvement in Drafting, Implementing and Assessing Anti-Corruption Policies	28	6
EC – Improving Protection of Victim’s Rights: Access to Legal Aid	27	23
EC – Forward Looking Analysis of Grand Societal Challenges and Innovative Policies	25	4
EC – Threat Assessment of Bullying Behaviour in Youngsters	18	10
EC – Spatial MetaData Protection for the Underground Critical Infrastructures	18	21
EC – Anticorruption Policies Revisited. Global Trends and European Responses to the Challenge of Corruption	-	32
EC – Sharing Alternatives Practices for the Utilisation of Confiscated Criminal Assets	-	12
Other	355	105
<b>Total deferred financing related to projects</b>	<b>1,836</b>	<b>1,042</b>
Financing for acquisition of fixed assets	5	
<b>Total deferred financing</b>	<b>1,841</b>	<b>1,042</b>

### 13. Revenues

Revenues from grants financing and other project for respective periods are as follows:

	<b>2014</b>	<b>2013</b>
EC – Civil Society for Good Governance and Anti-Corruption in Southeast Europe: Capacity Building for Monitoring, Advocacy and Awareness Raising	145	129
EC – Financing of Organized Crime Activities	138	142
EC – Assessing Integration Measures for vulnerable Migrants Groups	124	8
EC – Monitoring Anti-Corruption in Europe: Bridging Policy Evaluation and Corruption Measurement	115	194
EC – Anticorruption Policies Revisited. Global Trends and European Responses to the Challenge of Corruption	113	100
EC – New European Crimes and Trust-based Policy	89	112
EC – Countering new forms of Roma Children Trafficking: Participatory approach	89	54
Open Society Institute (Budapest) – Enhancing Transparent Governance of Energy Security in Bulgaria	77	10
Swiss Government – Overcoming Institutional Capacity Gaps to Counter Corruption and Organized Crime in Bulgaria	72	
EC – Enhancing Police Internal Affairs Departments in EU Member States	67	219
EC – Augmenting Demand for Anti-Corruption and Organised Crime	62	
EC – Civil Society Organizations as Guarantors for the Rights of Vulnerable Groups	36	
EC – Development of the Civil Society Involvement in Drafting, Implementing and Assessing Anti-Corruption Policies	33	53
EC – REuse of Confiscated Assets for Social Purposes: towards Common EU Standards	32	102
EC – Promoting Good Governance and Economic Rights through Empowering Macedonian Civil Society to Monitor and Tackle the Hidden Economy in the FYR of Macedonia	31	
EC – Building a Platform for Enhanced Societal Research Related to Nuclear Energy in Central and Eastern Europe	30	7

*Center for the Study of Democracy (The Group)*  
*Notes to the Consolidated Annual Financial Statements, 31 December 2014*  
*(all amounts in BGN thousand, unless otherwise stated)*

	<b>2014</b>	<b>2013</b>
EC – Forward Looking Analysis of Grand Societal Challenges and Innovative Policies	28	14
EC – Improving Protection of Victim’s Rights: Access to Legal Aid	23	16
EC – Spatial MetaData Protection for the Underground Critical Infrastructures	21	20
EC – Threat Assessment of Bullying Behaviour in Youngsters	20	28
EC – Sharing Alternative Practices for the Utilization of Confiscated Criminal Assets	12	6
EC – Assisting and Rreintegrating Children Victims of Trafficking	2	164
Open Society Institute (Budapest) – Good Governance vs Civil Society Capture in Bulgaria		104
EC – Enhancing Transparent Governance of Energy Security in Bulgaria: Developing Monitoring and Advocacy Tools for Institutional Accountability and Stakeholder Participation		101
EC – Judicial Training and Research on EU Crimes against Environment and Maritime Pollution		87
OLAF – Training seminar EU’s Financial Interests under Threat: New Approaches in Assessing the Risk from Fraud and Corruption		45
EC – RED Network Combating Racism, Xenophobia and Intolerance		40
EC – Re-Socialization of Offenders in the EU: Enhancing the Role of the Civil Society		28
EC – Corruption and Anti-Corruption in Bulgaria 2013		12
Friedrich Ebert Foundation- Hidden Economy Index		12
Other projects	76	52
Revenue from projects	<u>1,433</u>	<u>1,859</u>
Revenue from services	943	653
Income from financing for fixed assets		4
Total Revenue	<u><u>2,376</u></u>	<u><u>2,516</u></u>

#### 14. Cost of sales

Cost of sales for the Group includes:

	<b>2014</b>	<b>2013</b>
Expenses for materials	14	417
External services	1,353	1,382
Depreciation and amortisation	33	24
Salaries and social securities	557	403
Other expenses	316	224
	<u>2,273</u>	<u>2,450</u>

#### 15. Finance costs, net

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
Interest income	10	13
Interest expense	-	(2)
<b>Interest, net</b>	<b>10</b>	<b>11</b>
<b>Foreign exchange, net</b>	<b>(22)</b>	<b>(10)</b>
<b>Other financial, net</b>	<b>(8)</b>	<b>(6)</b>
<b>Finance costs, net</b>	<b>(20)</b>	<b>(5)</b>

#### 16. Income tax

The major components of income tax expense for the year ended 31 December 2014 and the period ended 31 December 2013 are:

	<b>2014</b>	<b>2013</b>
Current tax	11	-
Deferred tax	-	-
<b>Income expense</b>	<b>11</b>	<b>-</b>

The official rate stated in Corporate Tax Law adopted for 2014 was set to 10% (2013:10%). Deferred taxes are calculated on all temporary differences under the balance method using this effective tax rate

### *Movement in deferred tax*

	<b>Balance as of 1 January 2014</b>	<b>Movement</b>	<b>Balance as of 31 December 2014</b>
Property, plant and equipment	0	0	0
Trade payables	0	0	0
Net deferred tax asset/liability	0	0	0

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional taxes and penalties. The Groups' management is not aware of any circumstances which may give rise to a potential material liability in this respect.

There have been no tax checks performed in the recent years.

### **17. Related parties**

The group is related party to the Applied Research and Communication Fund and its subsidiaries.

The following transactions occurred during the year:

<b>Related party</b>	<b>Transactions during the year</b>	<b>January-December</b>		<b>31 December</b>		<b>31 December</b>	
		<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<i>Transactions</i>		<i>Receivables</i>		<i>Payables</i>	
ARC Consulting EOOD	Consulting services	10	11	-	-	150	150
Applied Research and Communication Fund	Rental contract	45	45	-	-	-	-
IR Communications		-	-	-	-	200	200
		<b>55</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>350</b>	<b>350</b>

***Transactions with directors and other members of the management***

Total amount of the remunerations and social contributions included in the expenses for external services is as follows:

	<b>2014</b>	<b>2013</b>
Board of Directors	199	156

**18. Events after the balance sheet date**

There were no events after balance date requiring corrections of the financial statements or disclosures.