

## Economic Program

In 2018, the Economic Program focused its work on the following areas:

- **Energy security and governance in the transition to a low-carbon future.** The Economic Program worked on defining, modelling, and impacting the factors that influence Bulgarian and European households' and businesses' choices in their transition to low- or no-carbon energy solutions. CSD focused on the role of governance in this transition and the capacity of governments in Europe to deliver complex yet affordable transition paths. CSD joined forces with other European partners in finding solutions at community level which would ensure that the energy poor also benefit from the creation of the Energy Union in the EU. CSD introduced to the Bulgarian public and to the policy-makers the *South East Europe Electricity Roadmap (SEERMAP)* until 2050, which informed the debate on the definition of priorities for the National Energy and Climate Plan until 2030.
- **Diagnosing and tackling foreign economic, political and media influence in Europe.** The risks of adverse foreign economic, political and media presence in the Western Balkans remained in focus. Assessments of the Russian economic footprint in Serbia, Montenegro, Macedonia and Bosnia and Herzegovina were developed. The tools used by Russian-controlled media for disseminating content and political messages in the Black Sea countries were also analysed.
- **Monitoring and addressing corruption and state capture risks.** In the framework of Bulgaria's EU Presidency in the first half of 2018, CSD organised the largest international civil society driven conference on making democracy deliver for the Western Balkans. It brought together EU, NATO and US representatives to chart the way forward for anticorruption in the Western Balkans. CSD continued its pioneering work on finding a practical monitoring instrument for state capture risks in Europe. In Bulgaria, CSD updated the *Money Laundering Investigation Manual (MLIM)*, a specialised instrument aiming to support the operational work of civil servants, investigation authorities and members of the judiciary in Bulgaria.
- **Holistic approach to hidden economy and undeclared work.** As part of the support to the European Platform Tackling Undeclared Work, CSD prepared papers, analyses and toolkits aimed at sharing good practices and experiences among EU Member States. CSD experts compiled a pilot study on indicators for measuring and monitoring cross-border undeclared work in Europe.
- **Competitiveness and innovation for higher growth.** CSD continued analysing the barriers to the Bulgarian business, provided recommendations

for improvement of the economic competitiveness, and contributed to the development of the *2018 IMD World Competitiveness Yearbook*. CSD experts participated in the preparation and the presentation of the annual *Innovation.bg* report, drawing key recommendations for the national innovation policy for smart specialisation in Bulgaria.

### **I. Energy governance, decentralisation and transition to a low-carbon future**

Bulgaria and Southeast Europe (SEE) face challenges in adapting their national priorities to the dynamically evolving European strategies and policies for a low-carbon economy. The process of reaching the targets agreed with the EC reflects the regional characteristics of SEE and the technological potential of the SEE economies and their energy sectors, which causes tension between market players, consumers and stakeholders. In response to these challenges

and the need for communication between the various stakeholders, CSD organised the round table *South East Europe Electricity Roadmap until 2050: Decarbonisation and Decentralisation* on 27 March 2018. The round table included constructive discussion on the electricity market liberalisation and the decarbonisation and decentralisation of electricity generation. In continuation of its work on the topic, CSD held a stakeholder workshop on *Governance Practices in the Transition to a Low-Carbon Future*, as well as a two-day *Transition Visioning Workshop* within the framework of the [ENABLE.EU](#) initiative on 14-15 June



*Envisioning the Transition to Low-Carbon Energy Workshop,  
Sofia, 14-15 June 2018*

2018 in Sofia. Sixty participants from 10 countries discussed the measures and possible solutions with regards to energy efficiency and prosumer practices in households.

Besides its analytical and stakeholder consultation work, CSD has undertaken steps to develop and test pan-European best practice examples in developing community-based tools and solutions for low-carbon transition in high-energy-poverty environments. Facilitating vulnerable consumers (e.g. low-income and long-term unemployed ones) to become (co-)owners of renewable energy sources built on community level in cooperation with local authorities, external investors and credit institutions is in the focus of a new initiative for piloting the innovative Consumer Stock Ownership Plans in Europe. As part of it, CSD is developing a novel methodology for identification and involvement of vulnerable consumers, and will facilitate the transfer of knowledge and know-how to Bulgarian stakeholders. Experts from CSD's Economic Program used the insights gathered through the analyses and stakeholder consultations and provided recommendations for the *Priorities for the National Energy and Climate Plan until 2030* during a round table discussion on 19 June 2018. Their findings were based on the three SEERMAP scenarios for the development of the electricity sector in Southeast Europe. In July 2019, the Economic Program analysed in a *Policy Brief* Bulgaria's long-term potential capacity for decentralised PV-based power generation, which was estimate at more than 5.4 TWh per year, one-seventh of the current power consumption in the country. In August 2018, the Economic Program published an analysis of the *Development of Small-Scale Renewable Energy Sources in Bulgaria: Legislative and Administrative Challenges*. CSD presented the report at a policy round



table at the Bulgarian Parliament on 27 November 2018 with the participation of the energy and climate parliamentary committees, and experts from the ministries responsible for the development of the *National Energy and Climate Plan* for the 2020 – 2030 period. On 20 November 2018, CSD also co-organised the *Korea – Bulgaria Energy Forum*, which explored the opportunities for mutual learning between Korea and Southeast Europe in implementing and managing a successful energy transition to renewables.

CSD held its traditional *energy security policy forum* on 26 November 2018, presenting its updated energy security *Policy Brief* dedicated to the critical issues of gas diversification and electricity production decentralisation. The Chairman of the Parliamentary Energy Committee, the Minister of Energy, the Ambassadors of the USA and Greece, and the Chairman of the Energy and Water Regulatory Commission, among oth-



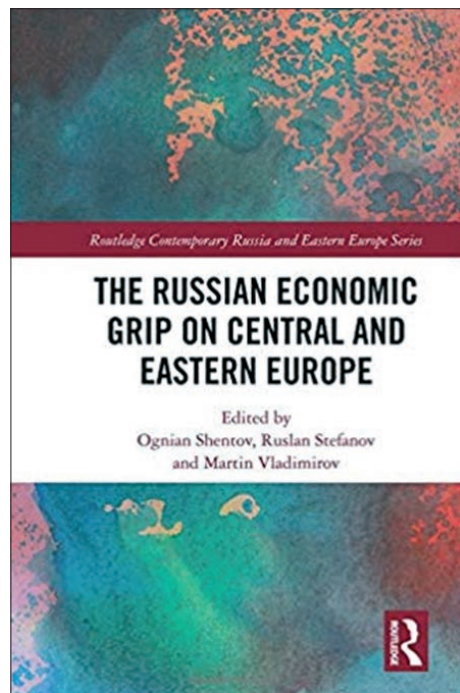
*Energy Security Risks and Energy Security Agenda in Southeast Europe Round Table, Sofia, 26 November 2018*

ers, debated Bulgaria's future in the EU Energy Union, its gas diversification options, the updated Energy Strategy of the country, and the challenges of the transition to low-carbon economy. During the discussion, the US Ambassador Eric Rubin underlined the importance of energy cooperation for the health of the Euro-Atlantic alliance by stating: "Your energy security is our energy security because your national security is our national security".

## II. Assessing and tackling foreign economic and media influence

### *The Russian Economic Grip on Central and Eastern Europe*

CSD's Economic Program edited and co-authored a book on the Russian economic influence in nine Central and Eastern European countries. The book



dwells on the use of economic and state capture levers for achieving political clout. It details how Moscow has been able to exploit governance deficits and influence decision-making in the countries of the region through a range of economic means. By collating economic data with an analysis of governance loopholes and the political process, the authors reveal the Kremlin's methods for swaying national policies, especially through the exploitation of governance failures in these countries. The book highlights how Russia's economic power is related to its wider strategic goals. It concludes that Russia's economic grip is tighter than official statistics imply.

### **Russia's economic footprint on the Balkans**

CSD continued its work on defining the risks of adverse foreign economic, po-

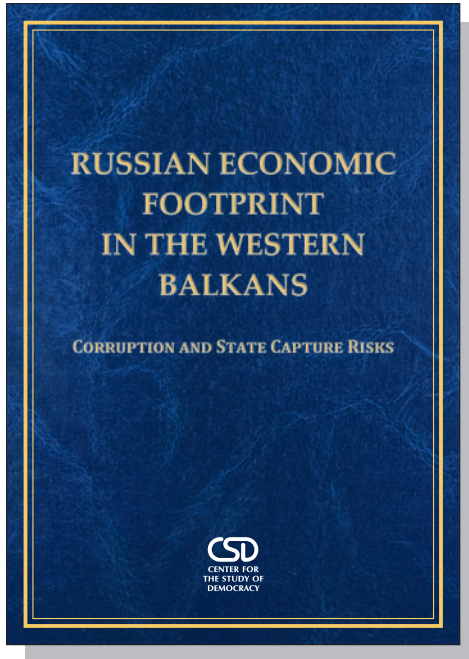
litical and media presence in the Western Balkans. In an attempt to improve the understanding of the size and scope of these risks, CSD developed [assessments](#) of the Russian economic footprint in Serbia, Montenegro, Macedonia and Bosnia and Herzegovina, presented at a [briefing](#) at the **Commission on Security and Cooperation in Europe (the Helsinki Commission)** on 30 January 2018 in Washington D.C. CSD summarised the key findings in a regional comparative report *Russian Economic Footprint in the Western Balkans. Corruption and State Capture Risks*.

Because the Russian economic footprint is concentrated in a small number of strategic sectors, such as banking, energy, metallurgy and real estate, the four small, energy-dependent countries assessed in the report remain vulnerable to Russian pressure. An over-reliance



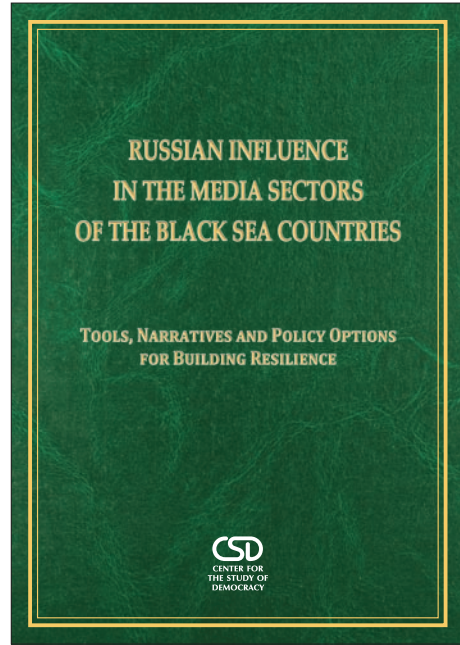
*Briefing on Foreign Meddling in the Western Balkans: Guarding against Economic Vulnerabilities, Washington D.C., 30 January 2018*

on Russian imports, coupled with an expansion of Russian capital, has made the governments of the Western Balkans particularly susceptible to pressures on strategic decisions related not only to energy market diversification and liberalisation, but also to Russian sanctions, and NATO and EU expansion.



### Mapping the links between Russian influence and media capture in the Black Sea countries

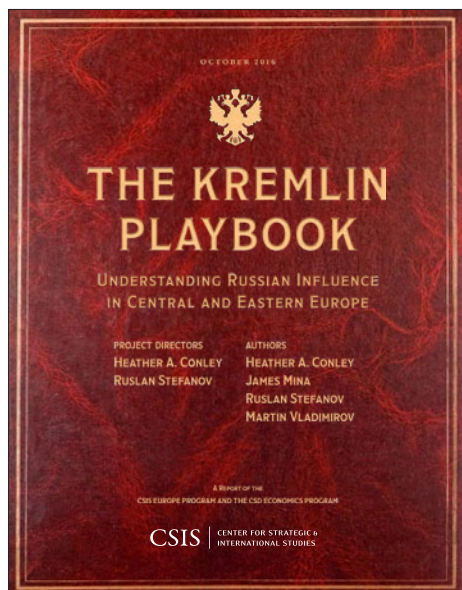
Russian influence in the media sectors of the Black Sea countries has been established through the deployment of a diverse set of instruments. Some of these instruments include the establishment of financial dependencies especially on the basis of ownership, political support for pro-Kremlin domestic media, the utilisation of commercial companies, NGOs, educational and cultural institutions for agenda-setting; the exploitation of the Black Sea coun-



tries' governance deficits to prevent media transparency and freedom, the conferral of honors and awards on pro-Russian media and their staff, and the use of hybrid warfare tools such as fake news and internet trolling. To address these issues, CSD has engaged in analysing the Russian economic footprint and ownership links in the media sectors of Black Sea countries. CSD and its local partners summed up their findings in a [Policy Brief](#) and a regional comparative report *Russian Influence in the Media Sectors of the Black Sea Countries: Tools, Narratives and Policy Options for Building Resilience*. The report was presented at an international policy roundtable on 4 September 2018 in Kyiv, Ukraine. CSD partnered with the German Foreign Relations Institute (IFA) and the German Council on Foreign Relations (DGAP) to produce an analyses [Russia's communication strategy vis-à-vis Serbia and Estonia](#) focusing on the role of Russian media ownership, propaganda and disinformation.

## *The Kremlin Playbook 2: The Enablers Edition*

CSD continued its cooperation with the Center for Strategic and International



Studies on their seminal *Kremlin Playbook* report on assessing and exposing the economic underpinnings of Europe's vulnerability to Russian influence. In the sequel of the Playbook planned to appear in early 2019, CSD and CSIS expand their analysis on Central and Eastern Europe and add three Western European countries considered most vulnerable to Russian influence: Austria, Italy, and the Netherlands.

### III. Regional and European cooperation in good governance and anti-corruption

#### Making democracy deliver for the Western Balkans

The Western Balkans have made continued progress in addressing rule of law and governance issues. The advancement has been made possible thanks to the triangulation of reforms led by local civil society, reformist-minded politicians, and external aid. Still, in some



*Democracy That Delivers: Ten Years Later. Unlocking the Potential of the Western Balkans International Conference, Sofia, 16 May 2018*

countries and policy domains systemic rule of law issues have resulted in state capture. In order to discuss the governance gaps, exploited and amplified by resurgent authoritarian powers in the region, CSD and its regional anticorruption initiative SELDI.net published a [Policy Brief](#), and organised an [international conference](#) on 16 May 2018 in the framework of the Western Balkans Summit of the Bulgarian EU Presidency. The conference brought together the key transatlantic players for the Western Balkans with representatives of the civil society and the private sector on the eve of the informal meeting of the EU-28 and Western Balkans heads of state in Sofia. Zoran Zaev, the Prime-Minister of the Republic of Macedonia, was the guest of honor at the conference and delivered a lunch keynote address. The conference discussions focused on the key policy actions necessary for strengthening the stability and unlocking the potential of the Western Balkans and its Euro-Atlantic perspective: effective prosecution of high level corruption, utilisation of innovative tools for countering administrative corruption, streamlining EU assistance, engaging directly with civil society, development of dedicated units to track illicit transactions, stronger oversight on development funds, placing greater focus on critical sectors, such as energy, banking, and telecommunications.

### Fighting money laundering

In 2018, CSD updated the [Money Laundering Investigation Manual \(MLIM\)](#), a specialised instrument CSD first developed back in 2008 in cooperation with the key law-enforcement institutions in the country. It is aimed at supporting the operational work of investigation authorities and members of the judiciary in Bulgaria. The manual offers a detailed overview of (a) the national and international legal frameworks for



countering money laundering; (b) the specifics of the money laundering offence within the operational work of law-enforcement authorities; (c) the investigation process of money laundering; (d) the mutual legal assistance in cases of money laundering; and (e) the process for identification and confiscation of property acquired from criminal and illegal activity. Due to the sensitivity of the information, the MLIM is not intended for public use and/or distribution, and was developed for the exclusive ownership of the relevant government authorities.

### IV. Tackling the hidden economy and undeclared work in Europe

As part of the support team of the [European Platform Tackling Undeclared Work](#), in 2018 CSD developed several papers and analyses aimed at sharing good practices and experiences among the Member States: a discussion paper, a



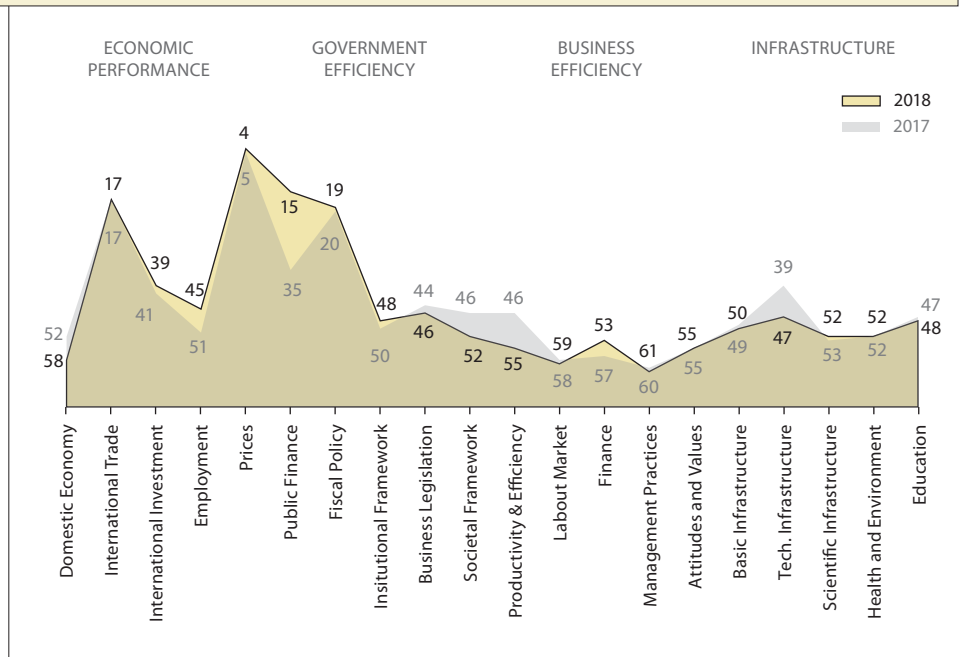
toolkit and a learning paper on *Information Tools and Approaches to Reach Out to Workers and Companies in the Fight against Undeclared Work* and on *Risk Assessments for More Efficient Inspections as Means to Tackle Undeclared Work*; a study on *Evasion of Taxes and Social Security Contributions*; a study on *Estimating Cross-Border Undeclared Work*; and two small case studies on *Belgium – Netherlands* and *France – Poland cooperation* in tackling undeclared work through joint inspections and data exchange.

## V. Competitiveness and the knowledge economy

In 2018, the competitiveness and the innovation potential of the Bulgarian economy remained in focus. The experts from the Economic Program contrib-



### Changes in the competitiveness landscape of Bulgaria 2017 – 2018 according to IMD WCY 2018



uted to the development of the annual report *Innovation.bg 2018: Smart Policies for Innovation* and the 2018 World Competitiveness Yearbook of the Institute for Management Development (IMD), Switzerland. The *Innovation.bg* report, which

has become the main policy document for regular monitoring of innovation performance in the country, was presented at the 14<sup>th</sup> National Innovation Forum, held under the auspices of the President of Bulgaria.