
INTRODUCTION

The level of corruption in Bulgaria did not change significantly in 2003. Corruption is still perceived to be one of the gravest problems of society. This is indicated by the *Coalition 2000* Corruption Indexes, which measure the spread of corruption and the perceptions of the general population, the business community and analysts.

Similar conclusions can be drawn from the country's ranking in the Transparency International (TI) Corruption Perception Index for 2003. Bulgaria ranks 54th among 133 states included in the survey, indicating that there is a considerable amount of corruption in the country with no detectable deterioration from the previous period. The decrease of the TI composite index for Bulgaria from 4.0 in 2002 to 3.9 in 2003 is within the margin of error¹, while its plunge from 45th to 54th place in the international ranking was due to the inclusion of 29 additional states in the survey. Nevertheless, Bulgaria's scores are equal to those of the Czech Republic and higher than those of some states acceding to EU in 2004, namely Poland, Latvia and Slovakia.

The steady corruption level is in contrast to the Bulgarian public's expectations for improvement. This lack of development signals that **the anti-corruption measures undertaken so far have been exhausted**. In the last few years, anti-corruption efforts have, to a certain extent, succeeded, due to certain "soft" forms of curbing corruption, i.e., by means of extensive public pressure. However, **few of the essential structural faults that breed corruption in various segments of society have been remedied**.

The corruption-friendly institutional environment is especially harmful since it fosters **broader penetration of organized crime into the economy of the country**. Informal economic actors are currently striving to migrate into the legal economy and partake in new investment projects. The legalization of dirty money continues. It is accomplished by **buying off politicians, senior magistrates, and public officials authorized to administer services of considerable public interest, including the issuance of licenses or permits**.

The main challenge of the annual assessment of corruption in Bulgaria is distinguishing actual corrupt practices from the accusations of corruption used in partisan politics. **Two divergent trends** are evident in this context. The first is **the destabilization of political life which expands opportunities for corrupt practices**. Interest groups lobbying for private economic or criminal interests are becoming ever more active. As conflicts between the

¹ This issue is described in detail in the second chapter of this report.

groups have been aggravated, various forms of political corruption have become public. Unfortunately, the main political parties have commonly used anti-corruption rhetoric to discredit political rivals. Thus, public trust in anti-corruption efforts has diminished.

A **contrasting trend** concerns the **plummeting of corruption-generating resources**. In comparison to the political sphere—where the very institutional structure promotes opacity and impunity—a sustainable positive trend has been observed in the economy. In 2003, major foreign and international corporations started to operate in the country, thereby introducing advanced standards of accountability and facilitating the adoption of international ethics norms in business. Together with the government's anti-corruption measures, this has brought about a shrinking of the grey sector. Over 300,000 people, previously employed in the shadow economy, have entered into legal employment. As a result, tax revenues have risen, not least due to positive developments in the customs administration as well. In addition, in 2003 the privatization of two state-owned banks, DKS Bank and Biochim—respectively the third and fourth largest banks in Bulgaria—was completed. Bank privatization, along with the Currency Board, was as a factor in restraining the capacity of political parties to influence economic decisions. In general, the fact that over 75% of the GDP is already produced by the private sector will curb political interference in the economy in the long run. In the short term, however, economic policy continues to be influenced by lobby groups. A telling example of that was the failure of privatization transactions for the Bulgarian Telecommunications Company and the Bulgarian tobacco monopolist, Bulgartabac Holding.

Evident in the public debate in 2003 was the continuing belief that **corrupt officials are, in effect, immune to punishment**, and the reason for that was considered to be the **low effectiveness or lack of action by law enforcement and the judicial authorities**. Corruption in the judiciary itself was widely debated, and was cited as discrediting the core ideals of justice, democracy, and rule of law. Public expectations for future reforms in the judiciary are very high, as a profound transformation is considered necessary, instead of the skin-deep measures against institutional and political corruption that have been undertaken so far.

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

The complex challenges of judicial reform, including anti-corruption measures, can be met only on the basis of an **agreement between the political parties**, on the one hand, and between **policy makers and civil society** acting in concert, on the other. **The cooperation of all units of the judiciary** is also an indispensable condition. The bipartisan *Declaration on the Reform of the Bulgarian Judicial System* of April 2, 2003, signed by the parlia-

mentary political parties, as well as the constitutional amendments, adopted almost unanimously in September, could serve as a basis for a broad consensus on the judicial reform goals. The balance between the various branches of power should be a special consideration in the process of counteracting and preventing corruption, concentration of power and abuse of office.