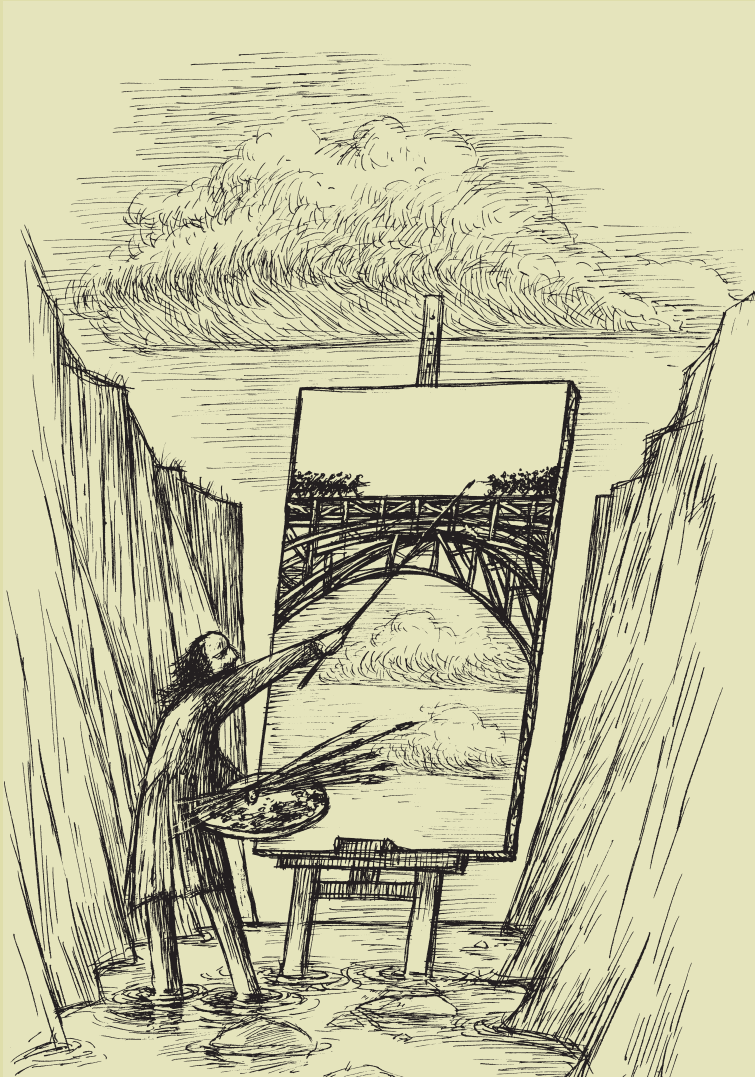


# CENTER FOR THE STUDY OF DEMOCRACY

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ANNUAL REPORT 1998



Building bridges

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**CENTER FOR THE STUDY OF DEMOCRACY  
1998 ANNUAL REPORT**



Drawing: Anri Koulev

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# 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 NGOs in Bulgaria, and reform the legal framework for their operation.

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

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## Overview of 1998

Bulgaria managed to maintain political and economic stability and consolidate further its reforms despite turmoil in the region in 1998. The crisis limitation measures of 1997 developed into longer term transition policies both domestically and as regards Bulgaria's international engagements. Although not always lacking controversy, key pieces of legislation were introduced by Parliament laying the foundation for sustained institution building in the country.

One of the hallmarks of democratic stability in Bulgaria has been the increased involvement of non-governmental organizations in the policy making process. Thus, for example, one of the undoubtedly high points of our work in 1998 was the formation of *Coalition 2000*. Launched at the Center's initiative, the *Coalition* process exemplifies CSD's "building bridges" policy at its best. The immediate and positive response to our proposal for anti-corruption cooperation from both public and private organizations was the reward of years of persistence in making public-private dialogue a priority of our reform efforts.

Since its establishment, the Center has constantly endeavored to preserve and strengthen its independence as facilitator of a democratic and efficient policy making process. Nearly ten years later, the successful launch of *Coalition 2000* and its international recognition as a model for finding consensus solutions to difficult policy issues in the context of transformation, is the apparent fruit of the Center's commitment to non-partisanship and wide public outreach.

European integration was another important field in which the Center has led the way for a more substantial NGO role in the Bulgarian polity. Long declared as a key foreign policy priority of the country, in 1998 EU accession preparations became a crucial component of domestic reforms. By publishing its pioneering analytical volume *Bulgaria and the European Union: Towards and Institutional Infrastructure* CSD made a contribution to policy formulation and priority setting in legislative harmonization at a time when the government administration was gathering strength, although still lacking the adequate policy analysis and formulation capacity. Through its analytical work, involving both public and private sector experts, combined with efforts to encourage and maintain dialogue CSD contributed to establishing a broad base in society with a stake in the success of the integration process.

The issues that dominated the agenda of our Economic Program in 1998 related to key areas of transition: the role of transparency and integrity of governance in economic development and the modernization of social policies. As regards the latter, the Economic Program adopted an integrated approach addressing privatization and social security reform, development of pension funds and health care reform in parallel.

Bearing in mind that corruption holds back development and discourages investment, in 1998 the Economic Program focused on enhancing the awareness, and encouraging the adoption and practical implementation of democratic values, such as transparency, trust, integrity, in the economy and the policy process. Capital markets was one of the



fields in which these objectives were pursued in particular through drafting of legislation, dissemination and advocacy.

Continuing its focus on the modernization of the legislation on non-profit organizations, the Law Reform Program broadened its efforts in this area with an educational aspect. The development of a comprehensive training course – covering nearly all key legal and managerial issues – for non-profit organizations was started in 1998. The course will become part of Master’s programs at some Bulgarian universities thus further ensuring the sustainability of the non-profit sector in Bulgaria.

A new area of interest for the Program in 1998 was the institution of the ombudsman. Essentially a mediator between the administration and the citizens, the ombudsman is an important element of a stable democracy. Bulgaria has been slow in introducing it, and the Law Reform Program has focused on elaborating the legal basis for its establishment.

Vitosha Research, CSD’s survey research arm, made a substantial contribution to the introduction of independent monitoring of public policy. Its *Corruption Monitoring System*, whose first results were published in 1998, is an innovative survey design measuring institutional change by way of combining quantitative and qualitative studies of the public in general and special social groups (e.g. public officials, businesspersons, etc.). The output is a set of comprehensive and uniquely analytical indexes allowing both government policy makers and independent pressure groups and NGOs to receive indispensable feedback on their anti-corruption efforts.

Sofia, March 1999



Dr. Ognian Shentov  
President

## CSD: A Retrospective of a think and action tank (1991-1997)

CSD's primary goal - to build bridges between the expert and policy making communities - has been a guiding principle in all the areas of interest to the organization since its creation: economic and legal reform, opinion and market surveying, European integration and development of the non-profit sector. The period during which the Center has established itself as a major public policy institute and a facilitator of private-public coalitions has also been a time of gradual consolidation of political and economic reforms in Bulgaria. Looking back on those years, CSD's achievements as a public policy institute have followed the main elements of the mission statement of our organization, which we have summarized below.

CSD has promoted *institutional reform and the practical implementation of democratic values in legal and economic practice.*

CSD has been one of the most active participants in the effort to reform the legal and regulatory environment for economic reform in all its main areas: mass and market-based privatization, municipal privatization, foreign investment, debt conversion, migration of laborers, and capital market development. The Center has made its contribution in these areas by way of a range of research and advocacy activities, practical assistance to institutional development and relevant legislative reform, dissemination and training.

In terms of the process of policy development, CSD has brought together policy makers, government officials and analysts to reach consensus and draft the necessary amendments in the regulatory framework of the economy. A policy recommendation

document *Strategy for Accelerating the Privatization Process 1997-1998* was submitted to the Council of Ministers and adopted in the fall of 1997. CSD provided a consensus Policy Document including the legislative agenda for the institutional development of capital markets in Bulgaria. In 1997, the policy recommendation paper *Institutional and Policy Framework for the Development of Capital Markets in Bulgaria* presented a comprehensive overview of the status of the legal and institutional framework of capital markets. It serves as an effective management and outreach tool that sets policy priorities and enables the effective tracking of the process.

In addition to the development of policy recommendations on the regulatory reform of privatization and foreign investment, the Center has sought to assist reform through the:

- organization of policy-oriented seminars and workshops on municipal privatization, investment funds, mass privatization, foreign investment, debt management and the efficiency of consulting firms;
- preparation of Reform Round Table papers exploring some of the most pressing issues of economic reform in Bulgaria: tax reform, inflation and pricing policy, agrarian reform, social security and the labor market.

Some pertinent examples of the practical assistance provided include the implementation of the program for Regional Development and Municipal Privatization in the region of Bansko in Southwestern Bulgaria, the National Mutual Fund, adopted by the Council of Ministers, and the regulations of an Agriculture Development and Assistance Fund,

adopted by the Ministry of Agriculture. In pursuit of both its role as public policy institute and facilitator, the Center developed *Recommendations to Facilitate Expanded Economic Relations Between Bulgaria and the United States*, presented at the US-Bulgaria summit in Washington, D.C. in February 1995. In 1994-1995 the Program developed a fully-fledged *Debt Conversion Program* to assist Bulgarian authorities in drafting the arrangements for Debt - Equity Swaps by combining the existing legal framework for privatization with the new regulatory framework, institutional setup and swap mechanisms.

Having implemented training projects for business associations in the past, in 1997 CSD started developing a long-term information and training program on corporate governance targeted at the general public and selected professional groups, aimed at introducing the corporate governance concept and best practices to Bulgarian experts.

Throughout the years the *Privatization and Foreign Investment Monitor* published by the Economic Program of CSD has been a digest of publications about privatization and economic reforms in Bulgarian mass media.

CSD's legal reform efforts started in 1991 primarily with the objective of establishing and supporting the contacts between the Bulgarian legal community and government agencies with foreign assistance groups, such as the American Bar Association Central and East European Law Initiative, the International Development Law Institute in Rome, the Institutional Reform and the Informal Sector (IRIS) Project and others. The initial focus was constitutional law reform. With the enactment of the new Constitution in the spring of 1991, the emphasis in the activities shifted towards commercial law reform. During the past six years, the CSD Law Reform Program gradually developed into a legal reform agent with a considerable law drafting record.

Among the major achievements of the Program were the continuing work on developing and implementing the pioneering concept for a centralized, high technological, nation-wide Secured Transactions Registry and on the creation of its computerized system, and the permanent methodological assistance to the daily Central Register practice, to the training of Registry-users and to the developing and improving of the secondary legislation on the Registered Pledges by the experts of the Program. The Registered Pledges Act was passed by the National Assembly in November 1996.

For six years now, CSD's Law Reform Program has been at the forefront of the development and promotion of a reformed, modern and comprehensive legal framework for Non-Profit Organizations including proposed reforms of the Tax Law regarding NGOs. The main ideas of the reform project have been disseminated among the expert teams, politicians and the public at large through four concept papers and a Commentary on the Draft Law on Non-Profit Organizations prepared by the CSD legal experts, through discussions, seminars and other training activities.

CSD has provided the policy makers and legislators with expert comments on more than thirty draft laws and with a series of concept papers introducing leading international concepts on the legal framework for investment funds, foreign trade regulation, government procurement, securities regulation and fighting money laundering. Aiming to facilitate the transfer of advanced legal expertise, CSD has also organized educational seminars for the Bulgarian legal community.

CSD has contributed to *strengthening the institutional and management capacity of NGOs in Bulgaria, and to reforming the legal framework for their operation.*

Encouraging the development of a viable and sustainable non-governmental sector that would guarantee the success of democratic reforms in Bulgaria has been an important priority in the activities of the Center for the Study of Democracy since its establishment. Pursuing this objective, CSD's initial efforts were directed at facilitating the enactment of new legislation, in the belief that the reform of the legal framework for the operation of non-profit organizations is the major prerequisite for building a viable civil society in Bulgaria. A six-year-long project was completed for the design and promotion of a reformed, modern and comprehensive legal framework for non-profit organizations including proposed reforms of the tax law regarding NGOs. The main ideas of the reform project have been disseminated among the expert teams, politicians and the public at large through four concept papers and a Commentary on the Draft Law on Non-Profit Organizations prepared by the CSD legal experts.

CSD has acquired considerable experience in being among the first Bulgarian non-governmental, non-profit organizations to be audited by international auditing companies (Coopers & Lybrand in 1992 and 1993; Price Waterhouse in 1994-1997; KPMG in 1998) which has provided it with unique expertise among Bulgarian non-profit organizations. This has also encouraged CSD to put a particular effort into streamlining its management process.

In order to put this to the benefit of the whole non-profit community, the Center has supplemented its legal environment reform efforts with activities at the micro-level, in particular training. Subject areas have included general and financial management, auditing, and taxation issues of the NGO draft law, as well as training of trainers. In order to summarize its experience and make it available to a wider audience, as well as to contribute to the institutionalization of training for the non-profit sector, CSD started a project in 1998

to design and test a pilot study course program in the field of non-profit organizations for Bulgarian universities.

*The Center has provided regular monitoring of public attitudes and has served as a watchdog of the institutional reform process in the country.*

The CSD Sociological Program has been at the forefront of survey research in Bulgaria since its inception as a research unit in 1990 when it conducted the first independent pre- and post-election surveys in the country. At the end of 1994, the Program was transformed into *Vitosha Research*, the survey research unit of CSD, to give new direction to its work and to deepen its concentration in the field of market research. *Vitosha Research* now specializes in ad-hoc social and marketing research and consultancy services covering a broad range of activities: monitoring privatization and economic behavior, gauging political attitudes, determining value orientations, conducting media and audience research, advertising studies and others. It is among the founding members of the Bulgarian Association of Market Researchers.

Since 1990 a national interviewer net of about 400 professional interviewers has been established. It is regionally based and consists of 28 regional teams and has been conducting about 30 research projects per year - including quantitative and qualitative surveys. The basic survey methods employed include face-to-face interviews, telephone interviews, focus-group discussions, omnibus surveys, observations and implementation of a computer-based perception analyzer system (quick-tally) for assessment of radio and TV programming, and advertising research.

*Vitosha Research* has established working relations and research cooperation with institutions including the BBC World Ser-

vice, USIA Office of Research, InterMedia Survey (USA), the World Bank, United Nations Development Program (UNDP), United States Agency for International Development (USAID) and Democracy Network Program, to name but a few.

During the last few years, CSD has aimed to provide an enhanced institutional and policy capacity for a successful European integration process.

Bulgaria's integration into European institutions has accompanied the overall process of reform since 1989. With Bulgaria's EU association status in effect since early 1995, the need emerged for expertise and policy analysis facilities to support the inauguration of a longterm accession strategy.

CSD's efforts in the field of European integration began with the launch of its project *Europe 2000: Bulgaria and the European Union* in late 1994. This project started as a pioneer analysis of issues related to the implementation of Bulgaria's EU Association Agreement under a Service Contract with the Ministry of Foreign Affairs and later evolved into a comprehensive longterm effort aimed at facilitating Bulgaria's accession to the EU. At the time, CSD produced public policy analysis and recommendations in over 20 sectors of integration based on the EU White Paper on the integration of Central and East European countries. The White Paper, a key approximation of law document for accession preparation, was itself translated by the Center shortly after its publication by the European Commission in 1995.

Following a succession of policy and outreach projects, CSD developed its European Program between 1996 and 1997. By that time, CSD had already established itself as a platform for dialogue between the policy makers and the expert community. This quality turned out par-

ticularly useful for the purposes of EU integration as the latter requires the mobilization of expert resources in a wide variety of sectors for the purposes of policy and legislative harmonization.

CSD's expert contribution to integration has taken the form of policy analysis reports, impact studies and approximation of law studies, translations. These have been produced mainly by outside specialists coming from government agencies, the business sectors and trade unions. Initial drafts of policy papers are circulated to concerned government agencies and NGOs with a request for feedback and comments. Thus, CSD not only ensures the quality of the research and recommendations, but also fosters a community of experts from both the public and private experts professionally involved in the integration process.

*{CSD} has played and continues to play an important role as a think tank in the process of Bulgaria's accession to the European Union. The studies and analyses CSD is publishing have always proved to be useful and are appreciated by civil servants, policy makers and the public opinion inside and outside Bulgaria.*

François Lamoureux  
Deputy Director General of DGIA  
of the European Commission

Since 1993, CSD has also hosted the Information Centre on the Council of Europe in Sofia. Following a proposal by the Bulgarian Ministry of Foreign Affairs for the establishment of such a Centre in Bulgaria, the Secretariat General of the Council of Europe held a competition for a host institution. The Center for the Study of Democracy was selected and the Information Centre was inaugurated at CSD on December 13, 1993. It is part of a network of information centers in the countries of Central and Eastern Europe providing assistance to the Council of Europe's activities in these countries.

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# **Part One Program Reviews**



# The Coalition 2000 Process

## I. Initial Steps: the Background of the Coalition 2000 process

*Coalition 2000* is an initiative of a number of Bulgarian non-governmental organizations aimed at combating corruption through a process of cooperation among governmental institutions, NGOs and individuals drafting an Anti-Corruption Action Plan for Bulgaria, and implementing an awareness campaign and a monitoring system. The *Coalition 2000* process was officially launched on April 7, 1998 with the support of the United States Agency for International Development and The World Bank.

The initiative, which resulted in this process, was launched by CSD in March 1997 through a series of consultations with Bulgarian institutions and, later, international partners. At the time, CSD solicited the input of a number of Bulgarian NGOs as to the possible format, scope and priorities of the development of a national anti-corruption Action Plan. The Center for Social Practices (Dr. Evgenii Dainov), the Access Association (Dr. Valeri Russanov) and the Center for Economic Development (Dr. George Prohaski) had the most substantial contributions to shaping the coalition and ensuring the representative nature of the *Coalition 2000* process.

Particular attention was also paid to the involvement of the judiciary in the development phase. The design team was able to benefit from the input of the Association of Judges in Bulgaria, particularly Ms. Kapka Kostova, Chair of the AJB Board and Chair of the Sofia Regional Court and Ms. Nelly Koutzkova, Chair of the Sofia District Court.

CSD, in cooperation with the Information Centre on the Council of Europe in Sofia (ICCES) and its Director, Mr. Boyko

Todorov, has informed and requested the opinion of the Council of Europe. The Council is a key international organization in this area and has already implemented a number of intergovernmental anti-corruption projects in the countries of Central and Eastern Europe, including Bulgaria.

*Today, the counteraction of corruption most urgently calls for society to take a common stand in protection of its own interests. I am confident that this [Policy] Forum will make a real contribution towards coordinating priorities in the anti-corruption efforts of the government, on the one hand, and of civil society, on the other. I personally do not have any doubts that a coalition of non-governmental organizations and government representatives has its place in our new social practices.*

Petar Stoyanov, President  
of the Republic of Bulgaria

Particularly important for elaborating the format and scope of the process were the discussions with the United States Agency for International Development (USAID). At the end of July 1997, CSD hosted a meeting of the USAID mission of anti-corruption experts to Bulgaria. Consultations were continued with the local office of the Agency. Building on the experience of two policy projects of a similar format carried out with the support of USAID - on SME development in November 1996 and capital markets in July 1997 - CSD was in a position to provide an enhanced institutional capacity for an anti-corruption coalition-building process focused on a public awareness effort.

A number of meetings and consultations with representatives of the World Bank



(WB) and its Economic Development Institute (EDI) were held in order to benefit from the advanced experience of the Bank in this area. In 1997, the EDI and WB provided documents and materials for the design phase and advised CSD on various sources of expertise which could be utilized during the implementation. A mission of the WB/EDI in September 1998 evaluated *Coalition 2000* as a model strategy and suggested some additional activities, including a public service delivery survey.

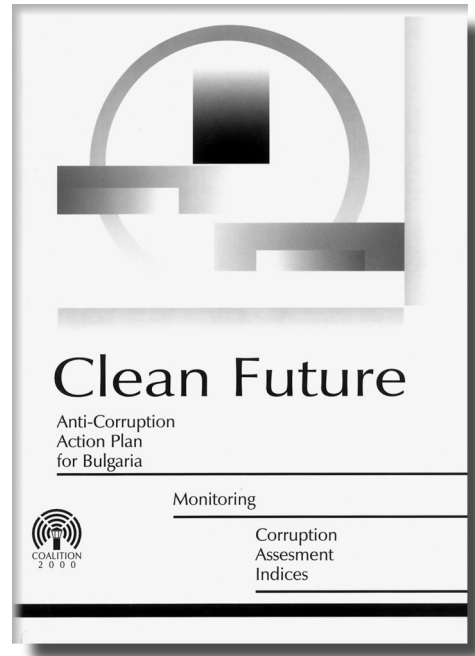
*Coalition 2000 is still the most impressive anti-corruption initiative I have come across in all the countries I am currently working with (20 countries).*

Petter Langseth,  
Senior Public Sector Management  
Specialist, The World Bank

The United Nations Development Program (UNDP) has long emphasized improved governance as a condition for sustainable development. As a result of the consultations with Mr. Antonio Vigilante, Resident Coordinator of the UN in Bulgaria, who has been very supportive of the initiative, it was agreed that UNDP's local office will invite a number of internationally renowned experts for short missions to Bulgaria to advise the initiative. The experts have been involved in a number of similar efforts in Latin America and other regions where the UNDP has programs.

Since the early stages of the formation of *Coalition 2000*, CSD and the other NGOs were active in seeking cooperation with the International Development Law Institute (IDLI) in Rome. IDLI is an intergovernmental organization with a leading record of providing legal assistance to countries in transition. IDLI's long experience in working with Bulgarian public and private institutions in the field of legal reform benefited the design of the concept and the actual establishment of partnership relations within *Coalition 2000*. In the future activi-

ties of the Coalition, IDLI's input will be crucial in the implementation of pilot projects at the local government level, in the reform of the judiciary, in law drafting,



## II. Concept and Design

The concept for structuring the activities of *Coalition 2000* rests upon several ideas which identify the focus of the process and the main target groups of the activities. The factors and circumstances which generate corrupt practices in Bulgaria make it necessary that anti-corruption efforts address several aspects of the problem: the legislative framework, the administrative setup, the existing perceptions and attitudes (public awareness), and the existing behavior patterns. In this respect the anti-corruption effort of *Coalition 2000* is parallel to the social marketing model used in anti-corruption campaigns developed by WB experts. The desired impact (curbing corruption) could be produced following a three-stage process, including: cognitive change (this involves problem diagnostics and formulation of a research-based impact strategy); inducing affect

(this is the process of converting messages into emotional/moral commitments); behavioral change (this involves inducing people to change some aspects of their actual behavior and transforming moral disapproval into a public action agenda).

*Coalition 2000 is probably the most comprehensive anti-corruption initiative in those countries where there are [Open Society] foundations.*

George Soros,  
financier and philanthropist

In terms of content the main elements/activities of the *Coalition 2000* initiative are as follows:

- *Creating a trustworthy anti-corruption agency through consensus and coalition building.* In addition to being the result of a partnership effort, it will enable a favorable environment for the establishment of future coalitions. The main component of consensus building is the Policy Forum: a policy design tool which starts at expert level with the identification of problems, and culminates in a public forum which involves representatives of all relevant institutions and organizations and which endorses a consensus policy document - Anti-Corruption Action Plan.
- *Obtaining relevant knowledge through a series of corruption assessment panels and tracking progress through process monitoring (Corruption Monitoring System).* The principal objective of the assessment and the monitoring is to analyze the scope, intensity, types, and sources of corrupt behavior in the public sector. The methodology includes both quantitative and qualitative surveys. Indicators used for corruption assessment will at later stages be used to monitor institutional progress and to produce a Corruption Assessment Index. The monitoring will serve also as a “watchdog” tool of the public policy process and as a way to

encourage public discussions.

- *Defining the impact objectives: development of an Action Plan (AP).* The AP incorporates different mechanisms enhancing trust and transparency in different sectors of public life. Involving policy-makers and representatives of the business community and trade unions in the drafting process maximizes impact in this respect. Of particular importance is the fact that the AP is a consensus document approved by the principal actors in Bulgarian society. Furthermore, based on the consensus reached, the implementation of the AP will largely be a result of the joint effort of all parties involved in the drafting process.

*Many of the steps and ideas included in the Coalition 2000 plan are at the forefront of best international practice and we can applaud that.*

Thomas O'Brien,  
Resident Representative,  
the World Bank, Sofia

- *Bringing about affective and behavioral change through dissemination and advocacy.* The effective implementation of the AP will be supported through different mechanisms: a) building awareness of corruption and its various forms in Bulgarian society by using different forms of public education, public discussions and dissemination of the research findings and policy recommendations; b) transforming public awareness into an advocacy role, keeping the issue of corruption at the forefront; c) pressing government to implement anti-corruption strategy and reforms.

### III. Implementation: CSD and the Coalition 2000 process

The implementation of the activities under the first stage of the *Coalition 2000* initiative has actively involved all CSD

programs. The role of CSD as Secretariat has brought about serious responsibilities connected with the draft Anti-Corruption Action Plan, the organization of the Policy Workshop and the Policy Forum of *Coalition 2000* and the pilot launch of the Corruption Monitoring System.

In the second half of 1998, the successful implementation of the first stage of the *Coalition 2000* initiative has become possible thanks to, along with CSD, the joint efforts of the Access Association, the Applied Research and Communications Fund, the Association of Judges in Bulgaria, the Bulgarian Association for Fair Elections and Human Rights, the Center for Economic Development, the Centre for Social Practices, the Economic Policy Institute and the European Movement - Bulgaria. The United States Agency for International Development has provided financial support whereas the United Nations Development Program, the World Bank and its Economic Development Institute, the Council of Europe, and the International

Law Development Institute, Rome have contributed with expert assistance.

The second phase of the *Coalition 2000* initiative, which is expected to last for two and a half years, must see the transformation of *Coalition 2000* proposals and ideas into new legislation that will restrict discretionary powers of public officials and establish clear rules of the game aiding both domestic and foreign investors. This should also be a period of enhanced anti-corruption awareness and of changing attitudes towards corrupt practices influenced positively by the mobilizing power of the *Coalition 2000* anti-corruption campaign.

*I would like to congratulate Coalition 2000 very much for its excellent plan and I would like to congratulate it even for the title [Clean Future], which is very beautiful and looks to the future when, one day I suppose, we will have a Clean Present.*

Antonio Vigilante, Resident Coordinator, the United Nations, Sofia



*The Coalition 2000 Policy Forum was attended by over 150 Bulgarian policy makers and experts, and representatives of international organizations.*

# Economic Program

The two major thematic accents that have dominated the work of the Economic Program in 1998 have been:

- *Extensive involvement in the Coalition 2000 initiative.* This has made it possible to explore the impact of corruption on economic growth focusing on the costs of corrupt behavior and to elaborate suggestions for amendments to the existing legislation and business practices. Anti-corruption efforts have been among the principle activities in the work on the project: “Market and Democratic Values in the Transition Period,” supported by the Center for International Private Enterprise (CIPE), Washington D.C.
- *The study of the effects of the implementation of the currency board in Bulgaria on social policy.* This effort has been based on the project “Social Implications of the Introduction of the Currency Board in Bulgaria” which is designed to explore the alternatives for social policy in the context of the restrictions of the currency board.

Overall the major facets of the work of the Economic Program in 1998 could be summarized in the following categories:

## **I. Consensus and Coalition Building: Participation in The Coalition 2000 process**

*Implementing the major elements of the Coalition 2000 initiative*

The main objective of the participation of the Economic Program in the *Coalition 2000* process has been to enhance the awareness, adoption and practical implementation of democratic values (such as transparency, trust, integrity, etc.) in the

economy and the policy process. The support of CIPE for this activity has made it possible for CSD to sustain and accelerate the *Coalition 2000* process in the first half of 1998 and to adopt the role of Secretariat for the coalition.

## **1. Elaborating the Framework of Transparency and Integrity: the Anti-Corruption Action Plan for Bulgaria**

Immediately following the official launch of the *Coalition 2000* initiative in early April 1998 a task force including more than 30 experts in the fields of political science, history, economics, business management, law, media analysis, survey research, and criminology was formed to draft the Anti-Corruption Action Plan for Bulgaria. The Plan deals with institutional, legislative, awareness, international and other aspects of corruption.

*I am pleased to forward you a copy of an innovative anti-corruption action plan developed by Coalition 2000, a group of Bulgarian NGOs including the Center for the Study of Democracy. I believe this program, which is designed as part of an important initiative to combat corruption in Bulgaria, is worthwhile and merits review. It may be helpful to each of you as you consider ways in which to address the issues of corruption and transparency in your own countries.*

George Soros,  
financier and philanthropist:  
[e-mail to Open Society  
foundations]

The draft version of the Anti-Corruption Action Plan was elaborated by the end of May 1998. Following the completion of the work by the task force, the background



document was circulated among governmental, non-governmental and international institutions in order to solicit their comments. Overall, more than 70 people have provided suggestions that have been incorporated in the Action Plan and this effort has resulted in a comprehensive anti-corruption strategy for Bulgaria.

## **2. Conducting a Policy Workshop to discuss the draft version of the Anti-Corruption Action Plan (July 7, 1998)**

On July 7, 1998 CSD hosted a Policy Workshop to discuss the Anti-Corruption Action Plan drafted by *Coalition 2000*. The Policy Workshop was convened at an expert level in order to finalize the suggestions and comments to the background document. All institutions consulted were invited and the workshop was attended by more than 50 participants.

## **3. Facilitating the Coalition-Building Process: Coordination Meeting with NGOs (October 7, 1998)**

In addition to being the result of a partnership effort, the *Coalition 2000* initiative aims to contribute to the establishment of a favorable environment for the formation of other coalitions among NGOs focusing on anti-corruption measures. At the meeting, attended by representatives of 15 Bulgarian non-governmental organizations, the general framework of the activities of *Coalition 2000* and the evolving subcontracting opportunities were presented. The participants acknowledged the importance and the timing of the initiative. A view was also expressed that *Coalition 2000* should become more active at the regional level. NGOs, which have regional branches, expressed their readiness to help *Coalition 2000* in this respect.

## **4. The Policy Forum of *Coalition 2000* (November 11, 1998)**

The Policy Forum has been designed as the major element of the *Coalition 2000* process. The main objective of the first Policy Forum, conducted with the active



(Left to right): Mr. Emil Georgiev, Coordinator of *Coalition 2000*, Mr. Michael Hager, Director of the International Development Law Institute, Rome, Ms. Ekaterina Mihailova, Chair of the UDF Parliamentary Group and Dr. Ognain Shentov, CSD President at the policy workshop.

involvement of CSD as Secretariat of *Coalition 2000*, has been to adopt an anti-corruption agenda (Anti-Corruption Action Plan for Bulgaria) supported by politicians, the business community and the public in general.

In this respect the success of the Policy Forum of November 11, 1998 has shown that the efforts of *Coalition 2000* have been widely appreciated and respected. Senior government officials, members of Parliament, diplomats and resident representatives of the international organizations, policy and opinion makers, businessmen, academics, and journalists attended the Forum.

By enlisting the support of key political figures and institutions at the Policy Forum, *Coalition 2000* has managed to build up a consensus on the actions needed for creating a favorable legal framework for the implementation of an effective anti-corruption strategy. This achievement paves the way for the coordinated

implementation of anti-corruption initiatives that would be supported by state institutions and monitored by civil society.

## II. Assisting the Social Security Reform

### 1. Drafting Social Security Legislation

The Social Security Task Force has been established as a joint initiative of CSD, the Center for Economic Development, and the Association of Private Pension Funds. Its priorities include:

- Privatization and Social Security Reform
- Development of Voluntary Pension Funds in a Reformed Social Security System
- The Role of Voluntary Pension Funds in the Accelerated Privatization Process
- Health Care Reform.

In 1998, the Task Force prepared the draft Law on Voluntary Pension Funds, which



*Mr. Kenneth Lay (second from left to right), Director of the Southern Europe Department at the World Bank, visited the CSD in January 1998.*

has been widely discussed and submitted to the Council of Ministers in April 1998. In late 1998 the Task Force started work on the Pension Reform Strategy for Bulgaria.

## **2. Social Policy Research and Analysis**

In July 1998, CSD started work on a one-year project entitled "Social Implications of the Introduction of the Currency Board in Bulgaria" to be implemented with the financial support of the SOCO Program of the Vienna Institute of Human Sciences. The implementation of the project involves experts from the Ministry of Finance, the Ministry of Labor and Social Policy, the Ministry of Health Care, the National Statistical Institute, the Agency for Economic Analyses and Forecasts, sociologists and economists from the Bulgarian Academy of Sciences and non-governmental organizations.

The main goal of the project is to analyze the changes in the social sphere and explore the alternatives of social policy in Bulgaria. A system of indicators is to be developed to measure the effect of social safety programs in the areas of labor markets, unemployment benefits, income regulation, collective bargaining, social security, health insurance and social assistance. Project results will help focus public attention on the most vulnerable social groups, who are most likely to be negatively affected by the implementation of stricter financial discipline and the cuts in government spending. Comparative analysis of the experience of other countries that have implemented currency boards (Argentina, Lithuania, Estonia, and others) will make it possible to elaborate relevant policy solutions that would improve social policy and would help overcome the social exclusion of at-risk groups.

The project envisions a series of sociological surveys, analysis of statistical information, and seminars. In 1998 the project

team completed the preliminary assessment of the effects of the currency board on labor markets, health care, pensions and income policies and has conducted the qualitative sociological surveys envisioned in the project. This has made it possible to prepare the research instruments for the quantitative surveys to be conducted in 1999.

## **III. Dissemination and Advocacy**

### **1. The Draft Law on Securities: Promoting Transparency and Rule of Law in Capital Markets**

This conference was conducted on April 16, 1998 as a follow-up to the process initiated by CSD in the summer of 1997 aimed at identifying the problems impeding the development of capital markets. It was organized by CSD in cooperation with the Securities and Stock Exchange Commission and the Economic Policy Institute. The main objective of the conference was to discuss and comment on the draft of the Securities Act. Special attention was devoted to exploring the legal regulations and practices necessary to achieve greater transparency and rule of law within capital markets.

The conference was attended by more than 40 representatives of government institutions, NGOs, the Bulgarian Stock Exchange-Sofia, brokers, investment intermediaries and bankers. Seven leading experts on capital market issues were invited as speakers. As a result of the discussion between regulators and market participants, many recommendations for amendments to the draft law ensuring fair access, confidence and openness of the capital markets have been developed and submitted to the Economic Committee of the National Assembly, the Bulgarian Stock Exchange-Sofia, the Bulgarian Association of Investment Intermediaries, foreign banks and consultancy firms.

## **2. Consultations with major credit rating agencies (February 4-5, 1998)**

At the request of the Ministry of Finance, CSD representatives participated in the consultations concerning Bulgaria's new credit rating and the forthcoming issuing of Eurobonds. CSD was the only participating policy institute in the meetings between credit rating agencies (Standard and Poor's Corporation, Fitch-IBCA, and Moody's Investors Service) and members of Parliament, senior government officials, and representatives of the IMF and the World Bank resident missions.

## **3. Introducing Corporate Governance and Capital Market Mechanisms to the General Public: Town Hall Meetings in Plevn and Blagoevgrad**

The main objective of the Town Hall Meetings was to introduce the mechanisms of capital market (privatization with investment vouchers) and corporate governance to the general public and potential investors. The two Town Hall Meetings were organized jointly with the municipalities of Plevn and Blagoevgrad, the Center for Economic Development, the Association of Securities Holders with the support of Commercial Bank "Biochim."

The meetings were attended by about 70 representatives of local authorities, state-owned and private companies, investment intermediaries, trade unions, and the public throughout the regions of Plevn and Blagoevgrad. Both Town Hall Meetings have generated considerable interest from the participants who have raised many questions concerning the forthcoming investment voucher privatization scheme, private pension funds, minority shareholders' rights.

## **4. International Business Club Meetings**

Since its establishment the International Business Club (IBC) has provided opportunities for high-ranking public officials

and policy makers to express their views on topical political and economic issues in the presence of senior diplomats, trade envoys and business leaders. In 1998 IBC organized four meetings:

- March 12, 1998. Guest-speakers were Mr. Ivan Neikov, Minister of Labor and Social Policy, on Major Aspects of the Government's Social Reform Policy and Mr. Antonio Vigilante, UNDP Representative on UNDP-Sponsored Early Warning Report and Human Security Survey for Bulgaria.
- April 30, 1998. Guest speaker: Mr. Antoni Slavinski (Chairman, Committee of Posts and Telecommunications) on Privatization of the Bulgarian Telecommunications Company: Problems and Prospects;
- On June 17, 1998 the IBC celebrated its fifth anniversary since it was founded in 1993 on the initiative of CSD and the Ministry of Trade. The guest-speakers invited on this occasion were Mr. Alexander Bozhkov, Deputy Prime Minister and Minister of Industry, and Mr. John Tennant, Resident Representative, United States Agency for International Development in Bulgaria. This joint presentation of the position of international donor organizations and the position of the Bulgarian government made it possible to compare different points of view on recent developments in the country;
- December 22, 1998. Guest speaker Mr. Yordan Sokolov, Chairman of the National Assembly on Legislative Priorities of the National Assembly in 1999.

## **5. Publication of CSD Monitor - Issues 1-3**

In 1998 three issues of CSD's Quarterly Monitor were published. The Monitor covers a wide range of topics: status of the Bulgarian economy; privatization and budget issues; corruption as a problem of market reforms and transition; prepara-



tion of Bulgaria for participation in the structural funds of the European Union; the media, and civil society.

The Monitor is published in Bulgarian and in English (1,000 copies in total) and is

available both in paper and in an electronic format at the web site of CSD. The publication has been widely distributed to policy makers, government officials, NGOs, media, municipalities, and international donors.



*Mr. Yordan Sokolov at the International Business Club.*

# Law Reform Program

In 1998, the Law Reform Program (LRP) focused on the expansion of legislative reform in Bulgaria, on the training of legal specialists, and on the education of NGO professionals. The main achievements of the LRP in 1998 were:

- Successful completion of a project aimed at designing and promoting a full set of modern principles and specific mechanisms for NGO taxation;
- Commencement of a distance learning project entitled “General and Financial Management of NGOs,” aimed at introducing best European NGO management practices;
- Commencement of the project “Citizen Participation, Public Hearings and the Development of Improved Public Policy in Bulgaria” aimed at promoting the dialogue between the public and private sector and contributing to the institutional reform;
- Implementation of a series of training and awareness-raising programs targeted at representatives of the judiciary, public administration, legal counsel, financial and accounting professionals, commercial companies and NGOs;
- Producing an extensive analysis of the third sector in Bulgaria focusing on two major topical areas: “Not-for-Profit Organizations in Bulgaria: Legal Aspects” and “Economic Analysis of the Activities of NGOs in Bulgaria”;
- Analysis and review of the European experience of the Ombudsman institution, focused on the Ombudsman’s role as a mechanism for administration and effective protection of human rights;
- Continued institution- and team-building: strengthening and deepening the integration and interaction within a diversified, highly qualified group of external legal, financial and accounting experts committed to implementing law

reform projects;

- Successful completion of an assistance project with the Central Pledges Registry at the Ministry of Justice and Legal Eurointegration, which resulted in commencement of operations on a centralized, computerized, nationwide Secured Transactions Registry.

## I. Legislative Reform

In 1998, LRP continued its efforts to facilitate the legislative reform in Bulgaria and the process of approximation of Bulgarian legislation to European Union law.

### 1. Reforming the Legal Framework for NGOs in Bulgaria

*Background: a Continued Process of Leadership and Growth*

In 1992 the LRP began a longterm project targeted at the creation of a modern and comprehensive legal framework for NGOs. A major landmark in this process was the creation of a modern Draft Law on Non-Profit Organizations. It was followed by the creation of the legislative motives supporting the expected enactment of the Draft Law. Alongside work on the legislative motives, the LRP created a body of commentaries explaining the philosophy and proper interpretation of the Draft Law’s provisions, thus, in a systematic, comprehensive and pragmatic manner, also presenting the results of the research efforts which accompanied the drafting process. Finally, the completion of the Draft Law was followed by a project for defining a modern set of taxation principles for NGOs.

Over the course of the six years preceding 1998, the LRP was able to attract, consoli-

date and develop a strong team of legal, tax and accounting experts who implemented the NGO law reform project. The team worked intensively with professionals from the judiciary, the tax administration, the Government, the bar and the NGO sector, with a view to identifying the concerns and purposes which would have to be met by the new NGO legal framework. In parallel, the team undertook an awareness raising and promotional effort, with a view to educating these target groups about the desirable modern principles which would have to be embodied in the future legal framework. In the course of the project effort, numerous publications, concept papers and other written materials were released. The LRP also carried out multiple public hearings and training seminars on topics related to modern NGO legislation.

The work of the LRP was carried out in close cooperation with, and with the support of, reputable international institutions, such as the International Center for Not-For-Profit Law (Washington, D.C.), the EU Phare Democracy Program, the Max-Planck Institute for Comparative and International Private Law (Hamburg), as well as other organizations active in the field of NGO law. That brought a strong international perspective to the LRP's efforts and contributed to importing the leading international experience in the newly developed legal framework, as well as to spreading internationally the results of the LRP team's work. The accomplishments of the LRP team received strong recognition internationally, with a number of East European, Middle East and African countries enacting NGO laws based on, or largely using, the concepts developed by the LRP.

*A Policy Impact: Proposed Amendments to Tax Laws*

In the course of 1998, teams of experts drew on the results of the research and analytic work done by the LRP in the field of NGO taxation. The modern tax principles formulated in the course of the LRP's

work were embodied in a number of proposed amendments to tax laws, with a view to causing a positive development in the taxation law framework for NGOs. The proposed amendments were reviewed in a session of the LRP's Expert Council and received various suggestions targeted at improving the language and concept of the proposals.

*Awareness Raising: Publication of the Book "Non-Profit Organizations in Bulgaria: Legal Issues"*

In 1998 the LRP experts produced written essays which were published in the book "Non-Profit Organizations in Bulgaria: Legal Issues." The book addresses two main types of issues: analysis of the current practice of Bulgarian courts on the legislation which has been in force since 1949, and a promotion of a set of modern principles which need to come to govern the legal framework of NGOs in Bulgaria.

The essay on the current court practice has been produced after intensive work targeted at collecting numerous unpublished decisions of the Bulgarian Supreme Court, as well as of two of the leading registration courts: the Sofia City Court and the Sofia District Court. The essay was also based on all published relevant decisions of the Supreme Court. The essay provides a critical analysis of the courts' interpretation of the existing legal framework. It reaches the conclusions that in a number of cases the Bulgarian courts have played a progressive role and have arrived at liberal interpretation of restrictive legal rules created during the era of communist rule. On the other hand, the essay identifies a number of cases where the courts have not been in a position to interpret the laws in the spirit of modern democratic times, which suggests that a change in the law is desirable. Apart from the conclusions intended to promote the idea for change in the current law, the essay provides NGOs and practicing lawyers with a valuable synopsis of the practical requirements which

would have to be met, in order for NGO activity to be carried out in a way compliant with the prevailing and authoritative interpretation of the laws provided by the courts.

The second essay is based on a systematic analysis of the new Constitution of Bulgaria and the Constitutional Court decisions rendered on the topics of “freedom of assembly” and non-profit organizations. The essay analyzes the fundamentals of the NGO legal framework, as defined and required by the new Constitution. It reaches the conclusion that the current laws governing NGOs diverge from the constitutional principles. The essay makes an attempt at defining explicitly those principles which should define the spirit and provisions of the future framework for NGOs.

*Awareness Raising: a Public Discussion on Modern NGO Principles*

During 1998, the LRP engaged in intensive activity for the dissemination of the results of its analytical and law-drafting work. The

final products of the drafting activity - the Draft Law on Non-Profit Organizations and the proposed amendments to tax laws - were broadly discussed with NGOs, politicians, law makers and representatives of the executive branch. Following the publication of the book “Non-Profit Organizations in Bulgaria: Legal Issues,” the LRP also organized a strong dissemination and discussion campaign, targeted at starting a public discussion on the issues raised in the book. During these discussions strong support for NGO law reform was initiated. The LRP also held a special forum at which the authors of the book engaged in a discussion with representatives of government institution and NGOs, regarding the need for NGO law reform.

*Analyzing the Economy of the NGO Sector: Identifying Economic Factors for Change*

Complementing its work on the framework for the operation of NGOs, the LRP has also been addressing the practical needs of NGOs at the microlevel, carrying out a



(from left to right) Mr. Stephan Kyutchukov, Coordinator of CSD' Law Program, Ms. Lydia Mileva, CSD Financial Manager and Judge Borislav Belazelkov, Sofia City Court

number of training seminars in the fields of management control, auditing, accounting and the financial and tax environment of non-profits. In preparing training activities the LRP also carried out analytical work. In 1998, it completed a successful project with "Ascana" Accounting Firm, which resulted in the production of a comprehensive analytical report entitled "Economic Analysis of NGO Activity in Bulgaria" covering a wide variety of relevant aspects.

The analysis of the joint team focused on the following major issues:

- status and trends of development of NGOs, with a view to identifying the need for legal change;
- statistical data and tax information;
- a poll study based on self-evaluation by NGOs which were included in the target group for the project.

## **2. Introducing the Ombudsman Institution in Bulgaria**

*Promoting the Ombudsman Concept: a European Dimension of the Protection of Human Rights*

The establishment of effective institutions to guarantee the protection of human rights is one of the criteria for membership in the European Union formulated at the meeting of the European Council in Copenhagen in 1993. Meeting this criterion has been defined as one of the short-term priorities of the National Accession Strategy adopted by the Council of Ministers in March 1998. In view of this, CSD initiated research work, discussions and drafting of a concept paper dedicated to the prospective establishment of the Ombudsman institution in Bulgaria. The activities in this field have been coordinated by the LRP, in cooperation with the Information Centre on the Council of Europe, Sofia, and the CSD European Program. As part of the project activity, a working group of LRP experts (lawyers, experts on constitutional law and human rights judges) has been composed.

*Analyzing the European Experience: Research and Analysis of the Ombudsman Institution in the European Countries*

The work started with a review and comparison of the experience of the European countries in the field of Ombudsman. The purpose of this approach is to help formulate the respective conclusions, recommendations and views for the creation, status and role of a similar institution in Bulgaria. The LRP experts produced a comparative study on the Ombudsman institution in Scandinavian and other west European countries, as well as in such Central and East European countries and former Soviet Republics where the Ombudsman institution has been established and is functioning. The study also reviewed the international (European) dimension of the Ombudsman institution, and namely the link between the national Ombudsman and the European institutions, the cooperation among the Ombudsman institutions of all member states, and the status and role of the European Ombudsman. It contains a large bibliography and will assist legislators, politicians and expert teams in their efforts to establish an Ombudsman institution in Bulgaria.

*Causing a Practical Impact: Drafting the Concept Paper "Possibilities for the Creation of the Ombudsman Institution in the Republic of Bulgaria"*

The concept paper summarized and analyzed the European and other foreign experience with the Ombudsman institution and other similar institutions. It also outlined the fundamental principles and provisions of a possible future legal framework for such an institution in Bulgaria, with a view to current needs, public attitudes, and political and constitutional realities.

The proposed concept has the following features:

- The establishment of one national Ombudsman with general competencies



(such as to review petitions from private persons, to make proposals and recommendations to public authorities, to request information), combining the characteristics of the classical Scandinavian Ombudsman model with some of the new features of its modern versions existing in the European countries, and with some adjustments according to conditions in Bulgaria;

- The establishment of the institution on the basis of a special statute (instead of by way of amending the Constitution) and possible further incorporation in the Constitution;
- The establishment of the Ombudsman institution as a new type of a guarantee for the rights and freedoms of the private persons, adding to the traditional mechanisms for protection, such as the classical parliamentary mechanisms, the constitutional justice, the judicial and administrative control, the media and non-governmental organizations;
- The establishment of the Ombudsman institution designed for monitoring the

work of the public authorities and any other exercise of public activity;

- The establishment of the Ombudsman institution as an individual elected directly by the Parliament and reporting to the Parliament, disposing of autonomy, independence and immunity;
- The establishment of the Ombudsman institution acting with a high level of publicity and transparency of its activities and the results thereof.

The concept paper regarding the possibilities for the creation of the Ombudsman institution in Bulgaria is aimed at encouraging a broader and more comprehensive discussion, which will ultimately result in finding the most effective and appropriate solution for the specific Bulgarian conditions.

*A Public Outreach: Discussions, Workshops, Presentations and Publications*

The first version of the concept paper was discussed during a workshop, organized



*CSD Ombudsman draft law task force (from left to right): Judge Borislav Belazelkov, Rositsa Elazar, Supreme Court Justice Kina Tchoutourkova, Dr. Maria Yordanova, Law Program Coordinator, Ralitsa Dimitrova, Konstantin Tanev, Siloy Tchernev, Attorney.*

by the Information Centre on the Council of Europe in May 1998. Representatives of the Ombudsman offices in Denmark and Hungary made presentations of the work of their institutions. The workshop was attended by a large audience of lawyers, Members of Parliament, experts from the Ministry of Justice and Legal Eurointegration, experts from the Ministry of Foreign Affairs, and representatives of national and international NGOs. The discussants made a number of useful recommendations for the process of drafting a concept paper which benefited the subsequent work of the CSD expert team.

The first version of the concept paper was also presented at the National Conference on Human Rights held on June 1 - 2, 1998, organized by the United Nations in cooperation with the Human Rights Committee of the National Assembly, the Information Centre on the Council of Europe, Sofia and the Friedrich Ebert Foundation. The output of the conference was a collection of papers, "Human rights in Bulgaria 1998 -

All human rights for all," which included the CSD concept paper on establishing an Ombudsman in Bulgaria.

The CSD activities targeted at the creation of the Ombudsman institution were presented at an international seminar, "Mediation and the Rule of Law," organized by the Legal Directorate of the Francophone Agency in cooperation with the Ministry of Justice and the Ministry of Foreign Affairs and hosted by the Center for the Study of Democracy at the end of September. The seminar was attended by representatives of Belgium, Bulgaria, Burkina Faso, Canada (Quebec), France, Moldova, and Romania.

The main points of the CSD concept paper on establishing the institution of the Ombudsman in Bulgaria were included as recommendations under the section on monitoring and controlling institutions in the Coalition 2000 document, "Clean Future - Anti-Corruption Action Plan for



*Mr. Daniel Jacoby (left), Ombudsman (Mediateur) of Quebec, Canada shared his experience at the international seminar "Mediation and the Rule of Law" organized by the Francophone Agency and hosted by CSD.*

Bulgaria," with the full text of the paper added as an appendix.

### **3. Improving the Quality of New Legislation and Public Policy in Bulgaria**

#### *A New Effort at Improving the Work of Democratic Institutions*

In October 1998, the LRP launched a project entitled "Citizen Participation, Public Hearings and Development of Improved Public Policy in Bulgaria." The purpose of the project is to develop a model of public hearings, in order to improve the quality of legislation and to make the legislative process more transparent and participatory, through the incorporation of public hearings as a normal component of the legislative process.

Supported by the EU Phare Democracy Program, the project is implemented in cooperation with the Santander Group - a network of 43 of the best known and most prestigious universities in Europe. Bulgarian NGOs, universities, key legislators and legislative staff will also take an active role in the project. Through the Santander Group Secretariat, based at the University of Murcia in Spain, the project benefits from the expertise and contacts of the Department of Politics and the Graduate Programme in Public Administration at the University of Exeter, the Department of Political Science (especially, the Working Group for Local and Regional Policy) at the Justus-Liebig-University, Giessen, and the many other leading schools of public administration, centers for public policy and faculties of law.

The objectives of the project will be pursued by conducting a series of public hearings. The model hearings will be held by CSD and the Santander Group with the participation of other Bulgarian NGOs, universities, and key legislators and legislative staff.

The first orientation session of the project included a visit by a Bulgarian delegation

including the Chair of the Human Rights Parliamentary Committee, the Secretary General of the National Assembly and other senior parliament staff together with representatives of major NGOs to the parliaments of Belgium and the Netherlands, as well as the European Parliament. The Bulgarian delegation met with their counterparts to exchange experience on the mechanisms for promoting citizen participation in the legislative process.

### **4. A Continued Effort in Modernizing Commercial Law**

#### *Providing Continued Assistance to Institutions: Work with the Central Pledges Registry (CPR) to Install and Put into Operation a Computerized Registry System*

After an intense effort during 1997, when LRP experts played a key role in drafting the Regulation on the Structure and the Activity of the CPR, the LRP experts continued their close cooperation with the CPR throughout 1998. LRP experts participated in numerous discussions with CPR management and staff on issues arising in the course of implementing the Registered Pledges Act. LRP experts provided ongoing assistance to the CPR in resolving practical problems in instances of complicated and unusual cases of secured transactions registrations.

The past year was also marked by a strong transition effort on the part of the CPR. While it had to start its operations in 1997 with a paper-based registry system, the major task for the CPR was to close 1998 with an operating computer-based registry system. LRP experts liaised between the administrators of the CPR and the development team of software experts, with a view to ensuring that the full scope of registration activities envisaged by the Registered Pledges Act would be adequately reflected in the computer-based registry system. As a result of the joint effort, the CPR was able to commence the process of up-loading its backlog of paper-



based files onto the new computerized registry system. Expectations are that, as of the beginning of 1999, the CPR will start entering new files on the computer platform only. Thus, the first computerized, centralized and public registry in the history of Bulgaria will start normal operation.

*Improving the Law on Registered Pledges: Monitoring and Work in the Ministry of Justice and Legal Eurointegration Drafting Team*

Almost two years after it came into effect, the Registered Pledges Act had revealed a number of technical flaws which were inhibiting economic agents' use of the modern secured transactions concepts it introduced. The LRP team of experts worked closely with the CPR on identifying omissions and problems with the Registered Pledges Act which would have to be corrected with a first round of revisions. LRP experts also liaised with commercial banks and other financing parties in identifying how the Law might be improved. This effort enabled the CPR to identify a comprehensive list of proposed revisions which, if carried out, would result in the Registered Pledges Act meeting to a high degree the expectations related to its implementation.

LRP experts were made part of a drafting committee constituted by the Ministry of Justice and Legal Eurointegration, with a view to creating a draft law, to implement the necessary revisions to the Law on Registered Pledges. The drafting team included representatives of the CPR, the Council of Ministers, the Bulgarian National Bank, the Association of Commercial Banks and the LRP. The team had a series of working meetings which resulted in the production in mid-December of an amending draft law with the legislative motives necessary for its enactment. The draft law has been introduced into Parliament, with a view to being enacted in the first quarter of 1999.

## II. Education

*Entering the Field of Education: Design and Implementation of a Distance Learning Project*

CSD, and the LRP in particular, have a long track record as providers of highquality training programs for experts in various fields. The LRP has become well-known for its continuing legal education programs on topics such as joint ventures, franchising, sale of an on-going business, arbitration and ADR, and leasing. Still, the LRP identified the need for alternative forms of education, which would provide a method different from the classic university models. Thus, the LRP made its first appearance as an agent in the field of education, in the form of developing and implementing for the first time in Bulgaria the pioneering concept of "distance learning."

The LRP Distance Learning Project is entitled "General and Financial Management of Not-for-profit Organizations." It is being implemented in cooperation with the Hellenic Management Association (Athens); Regional Distance Education Study Center, Sofia University and the Law Faculty, Skopje University (Skopje). The Project is targeted at producing the first systematic training course in NGO management in Bulgaria. The Project is financed by the Phare Program, through the European Training Foundation.

*Distance Learning: Introducing New Education Techniques and Technologies*

The distance educational method is new for the Bulgarian educational system. Distance education leads to a proactive structure of the learning process. The method chosen comprises mainly the individual work of the students participating. The teaching materials are made to follow the requirements of this kind of education. Besides the students' individual work, weekend meetings are provided for discussion of the topics of the

course curriculum and assessment of the students' work.

The course that will result from the project will be delivered through print materials and an electronic version of the exercises and the self-evaluation materials related to the course.

The Distance Learning Project envisages the development of an educational course designed for last-year students already holding a Bachelor's Degree in another field, or for practitioners working in civic organizations. It represents a Master's Program for Business Administration with a concentration in Not-for-Profit Organizations. The concept and educational tools designed during the Distance Learning Project will be provided to the distance education centers in Central and Eastern Europe. Thus, the product of the LRP effort will have an international enabling effect on the NGO sector.

#### *Distance Learning: Reaching the Benchmarks*

The LRP experts have already created the Instructional Design Model. The model provides for three teaching modules related to not-for-profit organizations' regulation and activity: Legal Aspects; General Management; and Financial Management and Control.

The team drafting the course materials includes university professors and specialists in the fields of law, general and financial management, accounting, and auditing.

### **III. Training**

#### *Training: a Continued Tradition*

The LRP continued in 1998 the tradition of providing short and practically oriented training programs. There were two main lines in the 1998 training program. The first line focused on developing the train-

ing skills of potential trainers in the implementation phase of the General and Financial Management of Not-for-profit Organizations educational project. Thus, the LRP made a link between the conceptual and practical components of a comprehensive educational project. The second line continued the tradition of training NGO practitioners in the fields of accounting and auditing.

#### *The 1998 Training Seminars*

The LRP's efforts in the field of training focused on the following topics during 1998:

- Training of Trainers Seminar for Course Developers. The seminar was attended by the authors of the course materials and future trainers participating in the Distance Learning Project, and was held in two sessions – in May and June 1998. The instructors at the seminar covered the following topics: "Distance Education — the European Standards and the Bulgarian Environment" and "Distance Education — Principles, Objectives, Methods and Techniques." The seminar ended with a discussion on the draft for the Instructional Design Model;
- Training of Trainers Seminar for Course Developers: a Follow-up Seminar in Athens. The seminar was hosted by the Hellenic Management Association in the beginning of September 1998 and was attended by five representatives of LRP's Distance Learning project partners. Representatives of the Hellenic Management Association demonstrated distance education tools elaborated by the latter, designed to work on the basis of multimedia equipment. The participants discussed the overall structure and design of the course materials for the General and Financial Management of Not-for-profit Organizations course. Special focus was given to the students' evaluation and the need for interactive communication.

A training seminar on "Accounting and Audit of NGOs" was held on November 30, 1998, jointly by the LRP, the Open Society Foundation and the International Development Law Institute (IDLI), Rome. The main instructor was Mr. Pascuale Ferraro, Deputy Director at

IDLI. The seminar was attended by 30 practicing accountants and auditors active in the field of NGOs. The topics for discussion included forthcoming changes in tax laws, internal and external financial control, and financial management of NGOs.

# Vitoshka Research

- In 1998, Vitoshka Research carried out 25 quantitative and qualitative research projects, which can be divided into four categories: public opinion surveys, social surveys, economic surveys, and media surveys. This included more than 10,000 face-to-face interviews, 60 in-depth interviews, 47 focus groups, and 4 telephone interviews.
- Within *Coalition 2000* Vitoshka Research has been extensively engaged in the development and implementation of the Corruption Monitoring System and the Corruption Indexes Report.
- Public opinion about politics and the economy;
- Elites and the changes in Bulgaria;
- Market and democratic values in the transition period

## Bulgarian Elite Survey

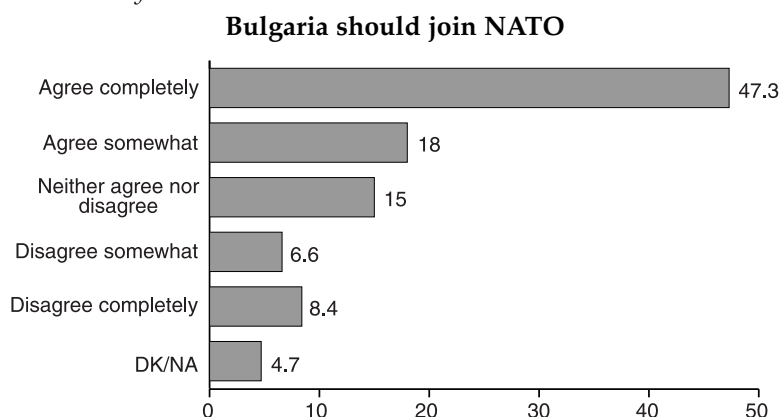
The survey is part of a longterm international project aimed at studying the opinion of Bulgarian elite on social change in the country. The main objective of this survey was to explore some of the social, economic and political attitudes of the Bulgarian elite.

The survey was carried out in the major cities of Bulgaria: Sofia, Plovdiv, Bourgas, Varna, Rousse, Yambol, Kurdjali, Lovetch, Montana. The sample included 427 representatives of the following elite groups: government, politics, the state economic sector, private business, public institutions, the police, army and security, media, culture, science and religion.

## I. Public Opinion Surveys

A total of five research projects of that type were conducted in 1998. Four of them were based on national representative samples and one of them was based on quota sample. The basic topics covered were:

*Bulgarian Elite Survey*



The attitudes of the Bulgarian elite towards NATO are definitely positive. About half of the respondents support Bulgaria's joining NATO. The moderate supporters of this policy option are 18% of the respondents, while those who oppose Bulgaria's joining NATO are about 15% of the respondents.

## II. Social Research

Social research included six quantitative and qualitative studies. Vitosha Research conducted over 2,500 face-to-face interviews, 40 in-depth interviews, and 30 focus group discussions. The surveys focused upon:

- Non-governmental organizations and their economic environment;
- Attitudes of citizens towards state officials;
- Protecting women's rights during privatization.

Social and economic research projects conducted by Vitosha Research in 1998 were commissioned by Women, Law and Development (an NGO based in Washington D.C.), Center for Economic Development, Democracy Network Program, Local Government Initiative, United State Agency for International Development, and University of Glasgow.

### Protecting Women's Rights during Privatization

The main objective of this study was to enhance the success of the privatization process in Poland, Russia, Ukraine and Bulgaria through fostering citizen participation in the privatization processes and encouraging the full utilization of existing human resources. The study included three main components: enterprise characteristic survey, indepth interviews with managers, and focus group discussions. The results of this project and the three main components identified above included:

- Increased understanding of how privatization may affect women in the workforce;
- Recommendation of target interventions for state agencies, development organizations and women's groups to undertake in each of the four countries identified: formulate country-specific advocacy strategies to confront the mar-

ginalization of women in the labor force;

- Increased awareness of the benefits of maintaining a female labor force for employers, investment and privatization issues, local, regional and international development and women's organizations.

### *Protecting Women's Rights during Privatization*

#### Women's Labor Rights

A substantial part of the surveyed women disclose various workplace discrimination practices. Most widespread are abuses, especially in the private sector, of labor legislation, like working without a proper labor contract, nonpayment of social insurance allowances, abuse of working hours, violations or delays of the fulfillment of agreements (e.g. non-payment of the agreed upon remuneration, etc.). Although these practices refer to all employed, women are perceived as most affected, especially young women with lower qualifications and little work experience, who are forced to accept such conditions because of economic hardship.

**There is a firm opinion that at present women cannot get reliable legal and social protection in cases of discrimination, abuse of their rights or sexual harassment.** The reasons for such opinions are various. First, the legal protection in this respect is estimated as insufficient. Second, there are no reliable institutional mechanisms that could ensure the enforcement of the existing rules and regulations. Third, women are not fully aware of their rights. Fourth, the judicial system is perceived to have low confidence. Fifth, the legal defense of one's rights is too costly in

terms of money, time and effort, which makes it meaningless. Sixth, the attitude predominates that personal problems could be better solved with individual efforts and the use of social networks. Seventh, public organizations (e.g. trade unions, women's NGOs, etc.) cannot effectively protect women in cases of abuse of their rights.

### Coping with Government

The project focuses on one of the most difficult and confusing problems in the post-communist development of the societies in Central and Eastern Europe: the interaction between citizens and junior public officials. The University of Glasgow commissioned CSD to conduct the Bulgarian part of a comparative study exploring the characteristics of transitional civic culture. The objectives of the project were:

- To find out whether corrupt practices are a problem in the interaction between citizens and junior public officials, or whether the old "culture of complaining" which the communist regime encouraged as a system for controlling officials is still in place;
- To identify coping strategies that citizens employ when faced with unfair treatment by officials - persistence, appeal to higher authority, to the press, to elected officials; the use of contacts, influence, and bribery; or simply citizens' attempts to minimize their interaction with officials they do not trust;
- To find out whether citizens are comfortable with a culture of bribes and influence.

The findings of the project were presented in January 1998 at the conference *Corruption as a Challenge to Reforms in Bulgaria* organized by the Political Academy for Central and Eastern Europe and the Center for Social Practices.

### Citizen Participation Projects Study

The main objective of the study was to evaluate the effectiveness of the several citizen participation projects in Bulgaria supported by the Institute for Sustainable Communities (ISC), the Local Government Initiative (LGI), and the Foundation for the Development of Civil Society, and to analyze factors which influence the success or lack of success of these projects. Ten citizen participation projects were pre-selected by ISC to be studied and evaluated in the towns of Montana, Sliven, Razgrad, Plovdiv, Pleven, Veliko Turnovo, Stara Zagora, Dobrich, and Lovech.

#### *Citizen Participation Projects Study*

On the basis of the data collected, realistic expectations from projects of the type of those evaluated would involve the active civic commitment of about 1-3% of the adult population of the municipality, involvement in specific initiatives of up to 10-15% (participation in public discussions and meetings, use of consultations and "open" telephone lines and "hotlines"), and influencing 30-40% of the citizens through the media. As a rule, the projects evaluated as most effective were those pursuing specific objectives aimed at addressing topical regional issues in a manner which was both sustainable and tangible to the public.

### III. Economic Research

The main economic research projects of Vitosha Research, including a total of about 2,000 face-to-face interviews, were:

- Bulgarian Global Competitiveness Survey, commissioned by the Center for Economic Development and conducted for the World Economic Forum at Davos

and the Harvard Institute for International Development;

- Three sections in the Early Warning Report for Bulgaria - a monthly report prepared for UNDP;
- Post-privatization development of medium and large enterprises in Bulgaria conducted for the Center for Social & Economic Research (CASE), Poland.

### **Bulgarian Global Competitiveness Survey**

The main objective of the study was to present information from managers of Bulgarian and foreign companies about their evaluation of the status of different components of the business climate in the country and to identify the level of competitiveness of Bulgarian enterprises.

The study involved interviews with the senior managers of 134 Bulgarian companies (private and state) and 21 foreign companies. The results of the survey provided valuable information about the state of the economy and the existing opportunities for export oriented growth. The survey method employed was face-to-face interviews for Bulgarian companies and mail-in survey for foreign companies.

### **Post-privatization Development of Medium and Large Enterprises in Bulgaria**

The survey was carried out in cooperation with the Center for Economic Development, the Agency for Economic Analysis and Forecasts, and the Center for Social and Economic Research (CASE), Warsaw. The objective of this survey was to trace the post-privatization development of companies which were privatized before the end of 1996. The results of the survey will be used by the government to assess the post-privatization development of enterprises and to support the effort to further accelerate structural reform in Bulgaria.

### **Early Warning Report for Bulgaria**

The system of monthly reports explores the possibility of anticipating and responding to crisis situations before they become too violent or to mitigate the effects of crisis situations as they evolve. This type of data collection combined with monthly reporting is unique for Bulgaria as it develops predictive capabilities and enhances informed judgments about possible sequences of social events and their outcomes.

The project for the development of a system of early warning reports in Bulgaria which was initiated by the United Nations Development Program (UNDP) in November 1997 has continued throughout 1998. Work on the project is being carried out by CSD, the Department of International Relations Association, BBSS Gallup, and Club Ekonomika 2000. Project activities include:

- Designing a system of interrelated indicators aimed at monthly monitoring of the dynamics of the overall economic, social, political, religious and ethnic environment in Bulgaria;
- Developing an effective frame for data gathering and communication networks. Currently, the information is based on monthly opinion polls, data from Bulgarian governmental institutions and publications in the press;
- Summarizing the findings of the monitoring system and preparing monthly Early Warning Reports;
- Dissemination of the Early Warning Reports and bringing the information to the attention of all interested parties including potentially affected actors.

## **IV. Corruption Assessment**

The basic responsibility of Vitosha Research within the *Coalition 2000* initiative has been the development and the implementation of the Corruption



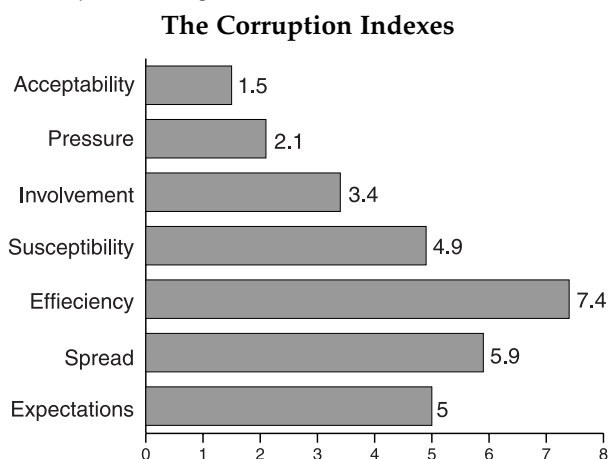
Monitoring System (CMS) of the coalition. The CMS includes a system of empirical studies and analytical reports. Its main objective is to periodically present information which would enable the drawing of conclusions about the scope of corruption in the country and about related public attitudes, assessments and expectations.

In the period July-September 1998, the first quantitative and qualitative surveys of the CMS were conducted. The *national representative survey* of June 1998 replicated some indicators that had been employed in earlier surveys. The comparative analysis outlines the structure and dynamics of public perceptions of corruption focusing on principal characteristics of corrupt behavior, the modes of reproduction of corrupt practices and the social factors generating corruption. In order to better perceive the qualitative aspects of corrupt practices, three types of *focus groups* were conducted: with public officials, with businessmen and managers and with experts. Representatives of different groups of public officials participated in the focus

groups - central and local administration, health system, education, police, judicial system, social care, tax administration and customs, etc. The qualitative research on corrupt practices also included 20 *in-depth* interviews with policy makers. Their main objective was to explore respondents' assessments of corrupt practices, the prerequisites of corruption, the mechanisms of corrupt practices, etc.

The first analytic report - *Coalition 2000 Corruption Indexes* - which is a quarterly publication summarizing the findings of the CMS surveys was prepared in November 1998 for the Policy Forum of *Coalition 2000*. It includes baseline values for the following principal aspects of corruption and corrupt practices in Bulgaria: attitudes towards corruption; involvement in corrupt practices; assessments of the scope of corruption; and corruption-related expectations. Findings reported in the *Coalition 2000 Corruption Indexes* have also been published at the web site of *Coalition 2000* ([www.online.bg/coalition2000](http://www.online.bg/coalition2000)) and have received broad public attention.

*Public Opinion on Corruption in Bulgaria, June 1998*



Corruption assessment index numbers assume values from 1-10. The closer the value of the index is to 10, the more negative is the assessment of the status of the respective dimension of corrupt practices. Index numbers closer to 0 indicate approximation to the ideal of a "corruption-free" society.



## V. Media Research

In 1998 a total of three quantitative and two qualitative media research projects were conducted. They included focus groups, face-to-face interviews and desk research. The media research projects focused upon:

- Assessment of the audience of Radio Vitosha;

- RFE programming evaluation;
- Structure and dynamics of attitudes towards media in Bulgaria.

The media research projects were commissioned by InterMedia Survey, Washington D.C. and Vitosha Radio, Sofia.

### *Attitudes towards mass media in Bulgaria*

#### **Confidence in Bulgarian media (%)**

	Bulgarian National Television	Bulgarian National Radio	Newspapers and Magazines
Completely trust	29	25	13
Somewhat trust	54	53	50
Somewhat distrust	9	10	18
Completely distrust	2	2	4
DK/NA	6	10	16

- Trust in the media is several times higher than distrust which shows that the Bulgarian public respects the “fourth power”;
- On the whole, trust in electronic media is substantially higher than trust in print media. Distrust in newspapers and magazines is two times higher than distrust in the Bulgarian National Television and Radio.

## VI. Publications

Research findings have been widely disseminated in the press. More than 15 newspaper articles have been published in the papers with national distribution. The following analytic reports and working papers were also prepared in 1998:

- Attitudes towards Social Justice, January 1998
- The Value System of Transition, January 1998
- Public Confidence in Institutions in the Period of Transition, February 1998
- Citizen Participation Projects Study, April 1998
- Corruption as a Problem of Bulgarian Society, May 1998
- Public Opinion on Corruption in Bulgaria, July 1998
- Public Opinion on NATO (September 1997 - May 1998), July 1998
- Structure and Dynamics of Attitudes towards Media in Bulgaria, July 1998
- Women's Rights during Privatization, December 1998
- Corruption Assessment Index, November 1998



*Vitosha Research staff.*

# European Program

Political and economic developments in Bulgaria in 1998 were an important contributing factor to the accession preparations of the country. In its 1997 Opinion on Bulgaria's application for EU membership, the European Commission concluded that "Bulgaria is on its way to satisfy the political criteria." In November 1998, the Commission noted: "A reform orientated majority under the leadership of the United Democratic Forces (UDF) has helped to secure support for market economy reforms and further integration of the country with the European Union and other Euro-Atlantic bodies."

In this context, as an interdisciplinary institute, CSD has been increasingly focusing on providing a link between domestic reform policies and the implementation of the EU accession strategy. The European Program has therefore sought to make an impact in assisting the latter by way of two main formats – producing analytical studies and policy recommendations and facilitating the exchange of experience in order to foster a cross-section of the expert community in European integration.

## I. Policy Studies

The main output of the Program in 1998 was the volume "Bulgaria and the European Union: Towards an Institutional Infrastructure". Developed as a result of projects with the Ministry of Foreign Affairs and the EU Integration Secretariat at the Council of Ministers, and published in both English and Bulgarian with the financial assistance of the German Marshall Fund of the United States, the book included policy analysis and impact studies in eleven areas of EU accession, as

well as policy and legislative recommendations.



The volume was the first publication of its kind in Bulgaria not only in terms of the scope and depth of its analysis and recommendations, but also in the process of its development. With over 40 experts and policy makers involved in its preparation, it was a collaboration and networking exercise in the area of accession between the public and private sectors with an impact beyond the production of the research itself.

Overall, the publication aims at preparing the groundwork – legislative, policy, etc. – for an adequate institutional setup of accession. The main purpose of the publication is summarized in the Introduction:

The accession to the European Union in particular has been accepted as the determining factor of the reform process. The key to the success of both is the development of the institutional infrastructure of political democracy and market economy.

Eleven areas of accession were covered by the studies:

- The Democratic Process and Institutions, the Rule of Law, Human Rights and the Protection of Minorities
- Central Bank and Financial Services
- Convertibility of the Lev, Liberalization of Capital Movement and Current Payments in Bulgaria
- Competition
- Company Law
- Common Foreign and Security Policy
- Customs Union
- Securities Markets Legislation
- Environmental Policy and Legislation
- Instruments for the Development of Regional Cooperation
- Telecommunications

The studies in each subject area were developed by teams of experts coming from governmental institutions, non-governmental organizations, the business community and other public and private bodies. As in other similar initiatives, this allowed the Center for the Study of Democracy to incorporate the expertise of a larger cross-section of the Bulgarian polity and to maintain the public-private dialogue on these key issues. Furthermore, the input of various institutions and stakeholders was ensured through a process where the opinion of leading Bulgarian experts and policy makers was solicited on the draft versions of the studies before their publication.

The overall editing of *Bulgaria and the European Union: Towards an Institutional Infrastructure* was done by Dr. Maria

Yordanova, CSD Law Program Coordinator, Dr. Ognian Shentov, CSD President, Mr. Stanislav Daskalov, President of European Movement Bulgaria and former Minister of Foreign Affairs and Mr. Boyko Todorov, CSD European Program Coordinator.

*Bulgaria's Participation in EU Structural Policies* was the topic of the Program's next policy analysis project. Its output was a study on the institutional, budgetary and other implications of Bulgaria's preparation for participation in the structural funds of the European Union. An updated version of the paper produced as a result of the project will be published in both English and Bulgarian in 1999. The purpose of the publication is to provide an informational and awareness background to the work of the government administration at a time when Phare assistance will be gradually phased out to be replaced by, inter alia, pre-accession structural policy instruments.

The study was developed by a team of experts from both the public and private sector and emphasized the following areas:

- Financial and budgetary aspects;
- Social policy aspects;
- Regional development;
- Transport;
- Telecommunications.

The study identified the most appropriate options for the participation of Bulgarian regions, municipal authorities, and other regional and local bodies (including NGOs) in activities within the framework of the regional policy of the EU. It emphasized opportunities for public bodies, private organizations and individuals in the sphere of social affairs (employment promotion, equal opportunities, etc.) to benefit from the social development policies of the EU. Specific emphasis was placed on the telecommunication and transport infrastructures, social policies and budgetary preparations.

A subsidiary objective was to improve the knowledge of the public authorities – both central and local – about this crucial issue relating to Bulgaria's EU membership, by providing information on their future roles and responsibilities. Thus a *Structural Funds Guide* was produced as a reference document in Bulgarian, completed with some samples of successful projects from Greece, Portugal and Spain.

## II. Facilitating Dialogue

The European Program aims, among other things, to provide a platform for public-private dialogue in the area of European integration. One way of accomplishing this is to provide a mechanism by which the expertise and technical and policy input of the private sector in Bulgaria – NGOs, businesses, the academic community - could be made available to the public institutions on matters of EU integration.

Furthermore, CSD seeks to facilitate the interface of various input in the integration process. In October, CSD held consultations with Mr. Franz Kaps, Senior Partnership Advisor at the Office of Vice President of the World Bank who is involved in the cooperation between the Bank and the European Union, on the role of non-governmental organizations in the process. As the World Bank will make a contribution to the preparation of countries of Central and Eastern Europe for EU membership, its experience in working with NGOs will be of particular significance.

The public-private interface is also sought through *Forum Europe 2000* - a series of breakfast meetings bringing together an audience of Bulgarian public and private institutions with guest speakers from the European institutions and states. Its recent guests included Ambassador Claus Grube, Undersecretary at the Danish Ministry of Foreign Affairs, Mr. Eikka Kosonen, Head of the EU Secretariat at the



Mr. Eikka Kosonen, Head of the EU Secretariat at the Ministry of Foreign Affairs of Finland at the *Forum Europe 2000*.



Ministry of Foreign Affairs of Finland, and Mr. Guy De Vel, Director of Legal Affairs and the Secretariat General of the Council of Europe. With the support of the Center for the Study of Democracy, Mr. De Vel's visit was instrumental for Bulgaria's joining the Criminal Law Convention of the Council of Europe and the monitoring mechanism of the Convention, GRECO.

\* \* \*

Integration into the wider European structures, including the EU, requires the active

participation of all sections of Bulgarian society, public and private. In 1998, there was a marked trend of increased involvement of non-governmental organizations in facilitating the adoption of European policies and legislation. Thus, while the initial stages of Bulgaria's association with the EU have been carried only through government channels, NGOs in Bulgaria already possess the capacity to produce policy-oriented and legislation compatibility research, provide training, conduct awareness activities and monitor the process of integration.



*CSD is information centre of the publications of the Assembly of the WEU. In July, Mr. Lluís Maria de Puig, President of the Assembly visited the Center.*



## Information Centre on the Council of Europe in Sofia

Since its establishment at the Center for the Study of Democracy in 1993, the Information Centre on the Council of Europe in Sofia has become a focal point for the Council activities in Bulgaria. Five years later the Information Centre is a proactive facilitator of cooperation between local institutions and the Council of Europe and a partner to many government agencies involved in Council activities. Below are some of the highlights of 1998.

In 1998, the increasing number of cases brought against Bulgaria in the European Court of Human Rights in Strasbourg necessitated that government agents be

properly trained to deal with litigation issues in the Court. In February, in cooperation with the Ministry of Justice, the Information Centre organized a training session for the office of the agent of the Bulgarian government before the organs of the European Convention on Human Rights. Guests included representatives of these offices in France, Germany, Italy and the Human Rights Directorate of the Council of Europe.

In April, the Information Centre held a seminar on the case law of the European Convention on Human Rights, with representatives of the judiciary, the prosecution and other legal experts. It was a follow-up

### 1998 Print Releases

#### *Translations*

- Human Rights and Their Protection under International Law - A Pamphlet for Police.
- Resolution (97) 10 Rules Adopted by The Committee of Ministers on the Monitoring Arrangements under Articles 24 to 26 of the Framework Convention for the Protection of National Minorities
- Outline for Reports to be submitted pursuant Article 25 of the Framework Convention for the Protection of National Minorities
- Introduction to the Framework Convention for the Protection of National Minorities
- Ethical Review of biomedical Research in Europe
- Gender Mainstreaming: Conceptual Framework, Methodology and Presentation of Good Practice
- 4th European Ministerial Conference on Equality between Women and Men (Istanbul, 13-14 November 1997). Declarations and Resolutions.
- Convention for the Protection of the Architectural Heritage of Europe and Explanatory Report. European Treaty Series No 121
- European Convention for the Protection of the Archaeological Heritage (revised) and Explanatory Report. European Treaty Series No 143
- European Charter for the Architectural Heritage

#### *Publications*

- Murdoc, J.L. Article 5 of the European Convention on Human Rights - The protection of liberty and security of person. Council of Europe Human Rights Files No.12
- Grotrean, A. Article 6 of the European Convention on Human Rights - The right to a fair trial. Council of Europe Human Rights Files No.13
- Eissen, M.-A. The length of civil and criminal proceedings in the case-law of the European Court of Human Rights. Council of Europe Human Rights Files No.16
- "The Council of Europe - Activities and Achievements"

of a conference held earlier in December 1997 which reviewed the legal practice in Bulgaria since the ratification of the Convention.

The Information Centre facilitated the input of the Council of Europe Secretariat to the workshop organized by the Law Reform Program in May on establishing the Ombudsman in Bulgaria. In coordination with the Human Rights Directorate of the Council of Europe, representatives of the Ombudsman offices of Hungary and Denmark were invited to and participated in the conference. The Council of Europe has considerable experience in facilitating the cooperation among member states' Ombudsmen as an instrument of encouraging democratic stability, particularly in the countries in transition.

Traditionally, the Information Centre is involved in the *Europe in School* competitions in Bulgaria. In May, in cooperation with the Portuguese Embassy in Sofia, the Information Centre held a meeting for

school teachers and students and presented the awards to the winners in the national competition *Europe in School* which aims to promote European values in school.

In May, Helsinki hosted the Human Dignity and Social Exclusion (HDSE) Project Conference of the Council of Europe. HDSE Project was launched by the Council of Europe in 1995, inviting governments and non-governmental organizations, other international organizations, both sides of industry, and foundations to work together in order to establish concrete principles for successful action to combat poverty and social exclusion. The Helsinki Conference provided a platform to present the first Pan-European Report on Poverty and Social Exclusion. Bulgaria was represented at the conference by MPs, officials from the Ministry of Labor and Social Policy and the Information Centre on the Council of Europe in Sofia.



*The visit in late July of Ms. Leni Fischer, President of the Parliamentary Assembly of the Council of Europe was a good opportunity to discuss the priorities in the work of the Information Centre.*



*Mr. Guy De Vel, Director of Legal Affairs of the Council of Europe was guest speaker at a breakfast meeting organized jointly by the Information Centre and the Center for the Study of Democracy.*

The Council of Europe Information Centre in Sofia was one of the coorganizers of the conference *Human Rights in Bulgaria 1998*, organized jointly with the mission of the United Nations Development Programme, the Friedrich Ebert Foundation, and the Human Rights Committee of the National Assembly. The conference discussed a comprehensive agenda of human rights from the role of the Ombudsman to corruption as a violation of human rights.

In 1998, Bulgaria was still under a monitoring procedure by the Committee on Honoring the Obligations by the member states of the Council of Europe, which monitors compliance with the European Convention on Human Rights. The mission of Mr. Atkinson, British MP and Mr. Gjelerod, Danish MP, co-rapporteurs for Bulgaria to the Committee took place in June. The Information Centre facilitated the input of non-governmental organiza-

tions to the report prepared by the rapporteurs. The report by the co-rapporteurs was published in September and generated considerable media interest.

In November, the Information Centre on the Council of Europe, Sofia cooperated with Centre Européen d'Aide à la Vie Associative (CEAVA) in organizing a training session for Bulgarian NGOs on Council of Europe and European Union assistance and cooperation programs for the non-profit sector. Due to the considerable interest among NGOs in the country, this training session will be followed up in 1999 by a training seminar in another Bulgarian city.

From the very beginning of the establishment of *Coalition 2000* (see Section I), the Information Centre on the Council of Europe in Sofia was invited to participate and provide liaison with the Council of Europe.

## Book Donation

Continuing its tradition of facilitating the donation of books to various Bulgarian institutions, in 1998 CSD received and distributed over 40,000 books from two shipments of donated titles by the Sabre Foundation with a total market value of \$1,000,000. These were the 13th and 14th donations since the beginning of CSD's cooperation with Sabre covering mostly medical science as well as economics, political science, literature, environmental

science, philosophy, technical sciences, law, history, computer science, applied sciences, and others. In January, an exhibition took place at the Main Medical Library, at which all medical titles were presented. Exhibits also took place at the Sts. Cyril and Methodius National Library, higher medical institutes across the country, and the larger hospitals and health care institutions in Sofia and other cities across the country.

*I would like to express our deep appreciation for your grant of specialized literature to our Department. The Center, and our Department in particular, provide post-graduate courses for doctors and researchers in the fields of microbiology, immunology, and other areas, and the donated books would allow us to raise the level of expertise of the trainees.*

Dr. T. Kantardjiev,  
Head of Microbiology Department  
National Center of Infectious  
and Parasitic Diseases

*The Economic Sociology Department at the University for National and World Economy would like to thank you for donating books on social psychology, con-*

*sumer behavior and other areas. These will benefit both the faculty and students at the Department.*

Prof. B. Kolev  
Head of Economic  
Sociology Department  
University for National  
and World Economy

*We thank you very much for providing us with scientific medical literature. Your donation activities are a valuable contribution to the sustainability of our library collection.*

Dr. P. Kenarov,  
Medical Director,  
"Tsaritsa Joana"  
University Hospital



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## **Part Two**

# **Administration and Management**





## Administration and Management

The institutional capacity of the Center for the Study of Democracy is, among other things, the product of a critical mass of non-resident contributors from both the public and private sectors and of a particular effort to maintain high standards of administrative and financial management. These two factors have also contributed to CSD's financial and political independence which has allowed it to become one of Bulgaria's leading policy institutes.

The Center's extensive cooperation with non-resident experts in its policy analysis projects is an important contributing factor to the credibility and, hence, impact of its research. It is an established practice for CSD's Programs to involve governmental and private sector specialists in both the production process of papers and their discussions. In addition to enhancing the quality of the analytical output, bridging this dialogue contributes to the sustainability of the reform process through the joint effort of state institutions and non-governmental bodies.

Having worked under a wide variety of reporting requirements, CSD's administration and accounting departments have accumulated valuable experience. This has made the Center a reliable partner for many international organizations and bilateral donors working in Bulgaria as it has given it the ability to implement large scale projects under the strictest account-

ing standards. For seven years now external audits by the leading international accounting firms have both developed and streamlined CSD's general and financial management. The experience and knowledge in the field of internal management and external control has translated into long term commitment to enhancing the competence and professionalism of the NGO community in the country and their public standing through various training, advocacy and legislative projects.

As regards internal control and administration mechanisms, in 1998 the Center reviewed its policy manuals in the areas of governance, financial management, accounting, personnel, outside consultants policy and information technology policy. Improvements to the management reporting system, introduced the previous year, proved quite useful in providing financial information to senior managers on a monthly basis. The implementation of a database of over 1,000 external contributors has increased efficiency and cost-effectiveness.

In 1998, CSD employed 52 staff members of which 35 were professionals, including part-time consultants, and 17 were support personnel.

The external audit for 1998 was performed by KPMG.

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**Tihomir Bezlov**, Research Fellow, Center for the Study of Democracy

**Vladimir Yordanov**, Executive Director, Center for the Study of Democracy

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Center for Democracy, Washington, DC  
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SIGMA  
Suedost-Institut, Munich  
United Nations Development Programme  
United States Agency for International Development  
United States Information Agency  
Universidad de Murcia/Santander Group, Spain  
University of Glasgow  
World Bank

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## **Part Three**

### **Financial Review**



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**Center for the Study of Democracy**  
**Organisation's Financial Statements**  
**For the year ended 31 December 1998**  
**With Independent Auditors' Report Thereon**

## **Auditors' report to the General Assembly of the Center for the Study of Democracy**

We have audited the financial statements of the Center for the Study of Democracy for the year ended 31 December 1998 set out on pages 63 to 71.

### **Respective responsibilities of directors and auditors**

The organisation's management is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the organisation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

Neither an income statement for the year ended 31 December 1997 nor a balance sheet at that date were prepared in BGL under the International Accounting Standard No 29, namely Financial Reporting in Hyperinflationary Economics. Therefore no audit of the financial statements, prepared in BGL in accordance with the International Accounting Standard No 29, for the year ended 31 December 1997 has been undertaken. No corresponding figures for the year ended 31 December 1997 and no cash flow statement for the year ended 31 December 1998 have been audited or presented as required by IAS 5 Information to be Disclosed in Financial Statements and IAS 7 "Cash Flow Statements. An audit of the financial statements has been performed by another auditor (Price Waterhouse Coopers) for the financial period ended 1997 and these financial statements have been prepared in USD.

No consolidation of the investment has been made as stated in note 1.

In our opinion, except for the matters referred to above and the adjustments, if any, to the opening balances on reserves at 1 January 1998 which we might have determined had we undertaken audit work on the financial statements for the year ended 31 December 1997, the financial statements give a true and fair view of the state of affairs of the Center for the Study of Democracy at 31 December 1998 and the excess of income over expenditure in accordance with International Accounting Standards.

## Center for the Study of Democracy

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998*Financial statements are prepared in thousands of BGL*

	Notes	For the year ended 31 December 1998
Revenue from grants, contributions and projects	2	1,222,918
Expenses on grants, contributions and projects	3	(1,153,263)
General and administrative expenses		<u>(34,269)</u>
<b>Gross excess of revenue over expenditure</b>		<b>35,386</b>
Foreign exchange gains – net	4	86,199
Interest income		52,589
Other financial expenses		(7,065)
Extraordinary income-net	5	<u>32,941</u>
		<b>200,050</b>
<b>Gain on net monetary position</b>		<b>(7,975)</b>
<b>Excess of revenue over expenditure for the year</b>		<b>192,075</b>
Accumulated excess of revenue over expenditure brought forward		<u>1,157,786</u>
<b>Unrestricted fund balances at 31 December 1998</b>		<b><u>1,349,861</u></b>

The accompanying notes on pages 65 to 71 form an integral part of these financial statements.



Center for the Study of Democracy  
BALANCE SHEET AS OF 31 DECEMBER 1998  
*Financial statements are prepared in thousands of BGL*

		<b>For the year ended 31 December 1998</b>
<b>Current Assets</b>		<b>1,474,018</b>
Receivables	6	237,525
Cash and cash equivalents	7	1,153,411
Deferred expenses	8	83,082
<b>Non-current assets</b>		<b>156,730</b>
Property, plant and equipment	9	150,548
Intangible fixed assets	10	1,176
Investments	11	<u>5,006</u>
<b>Total Assets</b>		<b>1,630,748</b>
<b>Liabilities</b>		
Payables	12	58,940
Deferred revenue	13	<u>221,947</u>
<b>Total liabilities</b>		<b><u>280,887</u></b>
<b>Unrestricted fund balances</b>		<b>14 <u>1,349,861</u></b>

The CSD financial statements are to be read in conjunction with the notes to them and form an integral part of the CSD financial statements set out on pages 65 to 71.



Ognian Shentov  
 President

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Center for the Study of Democracy  
NOTES TO THE FINANCIAL STATEMENTS

**1. Significant accounting policies**

**(a) Background**

Founded in late 1989, the Center for Study of Democracy (CSD) is an interdisciplinary public policy institute dedicated to the values of democracy and market economy. CSD is a non-partisan, independent organization fostering the reform process in Bulgaria through impact on policy and civil society.

CSD objectives are:

- to provide an enhanced institutional and policy capacity for a successful European Integration process;
- to promote institutional reform and the practical implementation of democratic values in legal and economic practice;
- to monitor public attitudes and serve as well as to monitor the institutional reform process in the country;
- to strengthen the institutional and management capacity of NGOs in Bulgaria, and reform the legal framework for their operation.

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

**(b) Basis of preparation**

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

The financial statements are presented in BGL, after taking into consideration the fact that during the last several years the fund has operated in a hyper-inflationary environment. The officially published inflation indices for 1996, 1997 and 1998 are 410.8%, 678.6% and 101% respectively. For the financial period ended 31 December 1997 no financial statements in accordance with IAS 29, "Financial reporting in hyperinflationary economies", have been prepared. Since this is the first financial year that such audited financial statements are prepared, no comparative figures are presented.

**(c) Foreign currencies**

Monetary assets in foreign currencies have been revalued on a monthly basis as required by the Accountancy Act. As a result foreign exchange differences have arisen. Deferred revenue and other liabilities denominated in foreign currencies are carried at their historical values. The exchange rate as of 31 December 1998 was BGL 1675.10 = USD 1. (Closing rate for 1997 - BGL 1765,5 = USD 1).

**(d) Property, plant and equipment**

Tangible and intangible fixed assets are inflated in accordance with International Accounting Standard 29, "Financial reporting in hyperinflationary economies". The monthly inflation indices as officially published by the National Institute of Statistics are used. Since these are computed using the month of December of the previous year as a basis, chain indices from the month of purchase to the end of the year under review, have been used to measure the cumulative effect of inflation.

The tangible and the intangible fixed assets have then been depreciated using the straight line method over their estimated useful lives. The accumulated depreciation and the charge for the current year have been inflated using the above described method.

Center for the Study of Democracy  
NOTES TO THE FINANCIAL STATEMENTS

The following annual rates have been used:

Fixtures and fittings	25%
Machines and equipment	20%
Vehicles	20%
Software	20%

**(e) Investments**

Investments classified as long-term assets which are not considered to be material as compared to the overall balance sheet value of the CSD are carried at cost, less any amounts written off to recognise a decline in the value of the investment. As the subsidiaries perform economic activity the investments in them are not included in the parent's separate financial statements because if included the statements will not give a true and fair presentation of the activity of the CSD. Due to the above mentioned reason the investments have not been consolidated.

**(f) Revenue recognition and expense reporting**

The revenue of the Center for the Study of Democracy consists of funds extended by international financing bodies for the completion of accepted projects. The amounts are carried in the balance sheet as deferred revenue at their historic values. Every project is commenced with a signing of a contract where the financing body determines the budget, payment installments and the rates at which expenses incurred in BGL are to be translated into the respective foreign currency. The amount of BGL expenses are translated at the specified rate and an expense report in foreign currency is produced. It is used to report on the progress of the project before the financing organization. These reports are prepared at a frequency determined by the contract for the project assignment.

Revenue is recognised on the basis of completed stage as reported by the CSD to the commissioning bodies.

Revenue is recognised as income for the period to match the related costs, on a systematic basis. Project contracts are denominated in foreign currency, while the related expenses are incurred in BGL. Expenses as revalued in foreign currency correspond to the revenues in the same foreign currency.

**(g) Change of the accounting policy**

There has been a change in the principle of revenue recognition as compared to the previous financial period. In 1997 revenue has been recognized in the year of the project completion, although it may not be the year when all expenses have been incurred.

In 1998 income is recognized on accrual basis at the year end for completed and continuing projects. The maximum amount of revenue that can be recognised is the amount of expenses incurred. The deferred revenue is depreciated on a project basis. The relevant amounts are recognized as income. The difference to the total amount of BGL expenses is also recognised. Since this amount must correspond to the currency amount from the expense report, which is booked at another rate, an exchange rate difference occurs.

The effect of the change of the accounting policy could not be calculated.

**(h) Cash and cash equivalents**

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

**(i) Taxation**

CSD is a non-profit organization Therefore it has no tax liabilities.

Deferred tax has not been incurred in the financial statements due to the fact that this tax could not be levied on grants.

Center for the Study of Democracy  
NOTES TO THE FINANCIAL STATEMENTS

<b>2. Revenue from grants, contributions and donations</b>	<b>For the year ended 31 December 1998 BGL'000</b>
IDLI	343,058
ETF	64,372
CE	90,503
CIPE 98	57,670
CED	57,008
IBF Pr. Str.	65,190
PHARE	50,452
IBF for Imp. Studies	67,204
NEI	48,754
GMF	40,794
BTC Institutional Development	34,882
Ministry of Foreign Affairs - European Integr.	33,857
Other projects	<u>269,174</u>
	<b><u>1,222,918</u></b>

The item Other projects includes revenue from 35 projects, and the revenue of each these projects does not exceed BGL 25 million.

<b>3. Expenses on grants, contributions and projects</b>	<b>For the year ended 31 December 1998 BGL'000</b>
Salaries and benefits	379,221
Hired services	295,381
Depreciation	66,651
Supplies and consumable	44,538
Other expenses	213,869
Decrease in deferred expenses	<u>153,603</u>
	<b><u>1,153,263</u></b>

<b>4. Foreign exchange gains</b>	<b>For the year ended 31 December 1998 BGL'000</b>
Exchange rate gains from operations	224,604
Exchange rate losses from operations	<u>(138,405)</u>
	<b><u>86,199</u></b>

Differences on exchange rates have arisen in the cases when debtors, cash and creditors denominated in foreign currencies have been revalued on a monthly basis.

Differences on exchange rates have arisen when income and expenses have been matched. Since deferred revenue is received in foreign currencies and expenses are incurred in BGL when they are matched at every reporting period foreign exchange rate differences occur.

Center for the Study of Democracy  
NOTES TO THE FINANCIAL STATEMENTS

<b>5. Extraordinary income and expenses</b>	<b>For the year ended 31 December 1998</b>
	<b>BGL'000</b>
Extraordinary income	34,768
Extraordinary expenses	(1,598)
Write down of investments	(229)
	<u>32,941</u>
<b>6. Receivables</b>	<b>For the year ended 31 December 1998</b>
	<b>BGL'000</b>
Completed Projects	32,822
Receivables from ARC Fund	134,008
Other receivables	70,695
	<u>237,525</u>
<p>Since revenue and expenses on projects are matched on a yearly basis to conform with the accruals principle, receivables consisting of expenses incurred on fully completed projects arise.</p>	
<b>7. Cash and cash equivalents</b>	<b>For the year ended 31 December 1998</b>
	<b>BGL'000</b>
At bank	1,107,152
In local currency	4,709
In foreign currency	1,102,443
In hand	46,259
In local currency	15,563
In foreign currency	30,696
	<u>1,153,411</u>
<b>8. Deferred expenses</b>	<b>For the year ended 31 December 1998</b>
	<b>BGL'000</b>
CIPE'98	39,837
SOCO	9,651
ETF	7,240
Interrights	103
COLPI	2,747
CE edition	798
OSF	157
Phare democracy (Santander)	22,549
	<u>83,082</u>
<p>Since income and expenses on projects are matched on a yearly basis to conform with the accruals principle, deferred expenses consisting of expenses incurred on projects that have not been completed yet, arise.</p>	

Center for the Study of Democracy  
NOTES TO THE FINANCIAL STATEMENTS

9. **Property plant and equipment**

	<b>Plant and equipment BGL'000</b>	<b>Vehicles BGL'000</b>	<b>Fixtures and fittings BGL'000</b>	<b>Total BGL'000</b>
<b>Cost or valuation</b>				
At 1 January 1998	345,696	122,477	193,932	662,105
Additions	41,798	62,407	664	104,869
Disposals	(230,068)	-	(93,680)	(323,748)
Inflationary adj. (+)	3,377	1,225	1,939	6,541
Inflationary adj. (-)	(2,301)	(1,625)	(937)	(4,863)
<b>At 31 December 1998</b>	<b>158,502</b>	<b>184,484</b>	<b>101,918</b>	<b>444,904</b>
<b>Accumulated depreciation</b>				
At 1 January 1998	272,958	122,191	156,017	551,166
Charge for the year	34,677	6,975	22,625	64,277
Disposals	(230,068)	-	(93,680)	(323,748)
Inflationary adj. (+)	3,010	1,222	1,771	6,003
Inflationary adj. (-)	(2,247)	(174)	(921)	(3,342)
<b>At 31 December 1998</b>	<b>78,330</b>	<b>130,214</b>	<b>85,812</b>	<b>294,356</b>
<b>Net book value as at At 31 December 1998</b>	<b>80,172</b>	<b>54,270</b>	<b>16,106</b>	<b>150,548</b>
<b>Net book value as at 31 December 1997</b>	<b>72,738</b>	<b>286</b>	<b>37,915</b>	<b>110,939</b>

10. **Intangible fixed assets**

	<b>Patents, license, trade marks BGL'000</b>	<b>Software BGL'000</b>	<b>Total BGL'000</b>
<b>Cost or valuation</b>			
At 1 January 1998	408	9,543	9,951
Additions	-	-	-
Disposals	-	-	-
Inflationary adj. (+)	4	96	100
<b>At 31 December 1998</b>	<b>412</b>	<b>9,639</b>	<b>10,051</b>
<b>Accumulated depreciation</b>			
At 1 January 1998	177	6,746	6,923
Charge for the year	81	1,782	1,863
Disposals	-	-	-
Inflationary adj. (+)	3	86	89
<b>At 31 December 1998</b>	<b>261</b>	<b>8,614</b>	<b>8,875</b>
<b>Net book value as at At 31 December 1998</b>	<b>151</b>	<b>1,025</b>	<b>1,176</b>
<b>Net book value as at 31 December 1997</b>	<b>231</b>	<b>2,797</b>	<b>3,028</b>

Center for the Study of Democracy  
NOTES TO THE FINANCIAL STATEMENTS

<b>11. Investments</b>	<b>For the year ended 31 December 1998 BGL'000</b>
Agency "Vitosha" EOOD	5,006
Radio "Vitosha"	229
Provisions	<u>(229)</u>
	<u><b>5,006</b></u>

Investments have not been inflated. CSD is a not-profit organization but the subsidiaries perform economic activity. Thus if their separate financial statements are included in the parent's separate financial statements, these will not give a true and fair presentation of the activity of the CSD

<b>12 Payables</b>	<b>For the year ended 31 December 1998 BGL'000</b>
Payables to the budget	6,225
Salaries, benefits and social security payable	10,843
Payables to suppliers	8,873
Other payables	<u>32,999</u>
	<u><b>58,940</b></u>

The payables to the budget consist of income tax levied on salaries for the month of December 1998.

<b>13. Deferred revenue</b>	<b>For the year ended 31 December 1998 BGL'000</b>
For project activities	167,188
For fixed assets	<u>54,759</u>
	<u><b>221,947</b></u>

<b>14. Funds balance</b>	<b>Accumulated fund BGL'000</b>
Balance at 1 January 1998	1,146,323
Revaluation for the period	11,463
Excess of revenue over expenditure for the year	<u>192,075</u>
Balance at 31 December 1998	<u><b>1,349,861</b></u>

**15. Contingent liabilities**

There are no contingent liabilities to report on.



Center for the Study of Democracy  
NOTES TO THE FINANCIAL STATEMENTS

**16. Related parties**

Related party	Nature of the related party relationship	Type of transaction	Transaction during the year	Outstanding balance 31 December 1998
Receivables Agency Vitosha	100% of the capital owned by CSD	Financing Financing	BGL 18,739,493	BGL 19,060,945 USD 2,007
Radio Vitosha	Significant influence	Financing Financing		USD 3,522 BGL 564,431 GBP 399
Center for the Study of Democracy	CSD and ARC Fund are both represented by the President of the Governing Board	Financing	USD 80,000	USD 80,000
Payables Agency Vitosha	100% of the capital owned by CSD	Financing		BGL 273,920

**17. Post balance sheet events**

There have been no material changes or transactions subsequent to the balance sheet date that require adjustment or disclosure in the financial statements prepared for the period ended 31 December 1998.

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