

ECONOMIC PROGRAM

In 2021, the Economic Program focused on the following topics:

- **Transition to low-carbon economy.** CSD continued to analyse the green recovery pathways to Bulgaria's carbon neutrality by 2050 in light of the ambitious targets set by the European Green Deal. The Economic Program prepared guidelines for developing a comparative evaluation framework for the Territorial Just Transition Plans (TJTPs), and underlined that carbon neutrality can be achieved through clean electrification, resilient and modern power grid, and a comprehensive strategy for tackling energy poverty. The CSD experts made an assessment of the Black Sea offshore potential for wind power generation, and warned against the energy security risks from the completion of the TurkStream gas pipeline.
- **Assessing and tackling disinformation and foreign authoritarian influence.** CSD intensified its efforts to understand and showcase the vulnerabilities of European countries to state capture power and to develop evidence-based policy responses to foreign authoritarian influence. CSD revealed the patterns of Kremlin's anti-democratic disinformation messaging in Central and Eastern Europe. CSD also developed the Chinese Economic Power Index in CEE, including an interactive visualisation of statistical data, geographical charts, and satellite photos of large infrastructure projects in the region.
- **Countering corruption and state capture.** Through the Southeast Europe Leadership for Development and Integrity (SELDI), CSD continued its work in the Western Balkans. The SELDI initiative applied the State Capture Assessment Diagnostics (SCAD) tool and outlined the anti-corruption agenda of the region for the next decade in a series of discussions. The Center reinforced anti-corruption efforts in Southeast Europe by establishing a new Regional Good Governance Public-Private Partnership Platform. CSD further piloted its SCAD methodology at economic sector level in Bulgaria, Italy, Romania and Spain, based on red-flag indicators and big data.
- **Undeclared work, constructive capital and competitiveness.** CSD continued its knowledge contribution to the work of the European platform tackling undeclared work at the European Labour Authority. It produced a series of papers, analyses and toolkits aimed at sharing good practices and experiences among EU Member States on undeclared work. Under the Three Seas Initiative, CSD developed a constructive capital agenda for Bulgaria, which put forward a proposal for increasing productive private sector investments in the country. CSD continued its cooperation on IMD's Global Competitiveness Yearbook, outlining the key drivers and barriers to Bulgaria's economic performance.

I. Transition to a low-carbon economy

In 2021, CSD established an Energy and Climate Program within its Economic Program. In this way CSD intends to strengthen and prioritise its work on climate change and energy security in Bulgaria and Southeast Europe within a transatlantic context:

- CSD's analyses informed national and European policy-making on the most effective paths to green recovery, resilience and transition in Bulgaria and in Europe.
- Using the best EU models and analytical methods, such as the Pathways Explorer tool designed by CLIMACT, CSD developed and advocated for the most efficient scenarios for net-zero transition of the Bulgarian economy by 2050.
- CSD continued its work on energy security in Europe, and how it relates to good governance, economic influence, and the green transition.

In January 2021, CSD partnered with the [Energy Futures Initiative](#) and the Oxford Energy Institute to deliver the regional European workshop in preparing the groundbreaking study on *The Future of Natural Gas in a Deeply Decarbonised World*. The study noted the importance of understanding the benefits and shortcomings of gas as a potential transition fuel to achieving a net-zero EU by 2050. Besides the still highly uncertain bet on using gas infrastructure for hydrogen transportation from 2030 on, dependence on Russia for supplies has specific geoeconomic and geopolitical risks for Europe. This is particularly true for Southeast Europe, which experienced a dramatic squeeze in the second half of 2021 due to rising gas and energy prices.

In light of the ambitious targets set by the European Green Deal, CSD has adapted



to the Bulgarian context the Pathways Explorer tool designed by CLIMACT, one of the leading European tools used to build decarbonisation scenarios. The Economic Program presented three possible scenarios for decarbonising the Bulgarian economy with a 2050 horizon at an [online conference](#) on 2 March 2021. All decarbonisation scenarios project a reduction in greenhouse gas emissions as a result of the increased use of electricity in the final energy consumption of the transport and industry sectors. CSD also published the analysis *Green Recovery Pathways to Bulgaria's Carbon Neutrality by 2050* launched at an [international conference](#) on 8 June 2021. The online discussion gathered high-level European and U. S. representatives of various government institutions, civil society and the private sector. The panelists agreed that the process of joining a Transatlantic Green Deal could be a key driver in accelerating the global energy transformation and attracting key investment in the region, making the EU a leader in green innovation and technology.

The challenges in financing energy communities in Bulgaria in the low-carbon economy transition were further discussed at a [roundtable](#) held on 23 November 2021. CSD experts underlined that including citizens in the energy transition process and encouraging the participation of local communities is crucial for achieving a carbon neutral economy by 2050. The development of new financial mechanisms combining the advantages of market-oriented instruments and non-repayable financial aid is intrinsic for advancing projects that include not only private and public entities, but also citizens. At the event, CSD presented the initiative *Consumer Stock Ownership Plans for Renewable Energy Sources Projects* applied by energy communities in Prague, Germany, and Italy, as well as a brochure on *CSOP-Financing*.

CSD published the policy brief *Carbon Neutral Bulgaria 2050: A Cheat Sheet for Policy-Makers*, which outlines the

key action vectors for Bulgarian policy-makers essential to developing a green recovery strategy, reaching the objectives of the European Green Deal, and ensuring energy security. Bulgaria can achieve carbon neutrality by 2050 through: clean electrification, resilient and modern power grid, and a comprehensive strategy for tackling energy poverty. All this also means enabling vulnerable consumers to actively participate in the transition. The groundwork of green transition, however, is making governance and rule of law more effective.

The energy crisis in Europe, in particular, has become a stark reminder that the energy policy trilemma of achieving affordability, energy security and environmental sustainability is far from solved. CSD's policy brief titled *Towards an Inclusive Green Recovery in Bulgaria* outlined the elements of a much needed new climate and energy security agen-

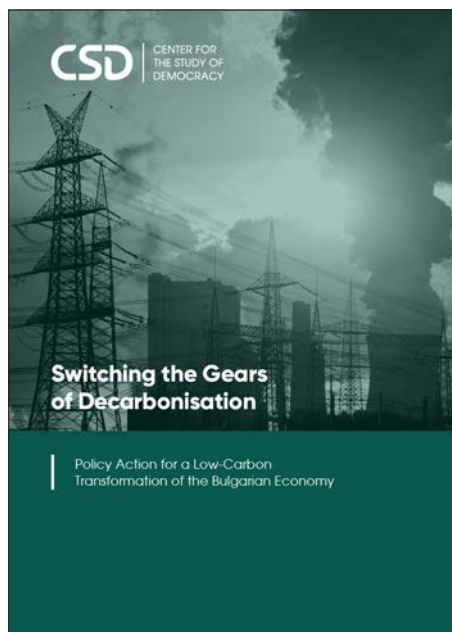


Policy Conference "The Energy and Climate Security Risk Nexus in Europe: What's Next?", Sofia, 1 December 2021

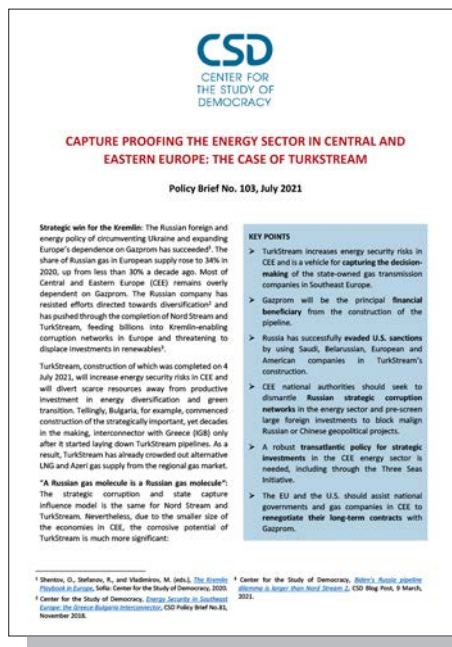
da for the country. The key steps for the solution of the current energy crisis for Europe and Bulgaria were discussed at an [international conference](#), held in collaboration with Konrad Adenauer Stiftung on 1 December 2021.

The Economic Program also held the webinar [“Long-Term Green Recovery and Decarbonisation in Southeast Europe”](#) on 16 December 2021, which delved into the possible pathways for a green economic recovery and decarbonisation of the European economy. The discussion included a comparative overview of long-term decarbonisation scenarios for selected SEE countries (Bulgaria, Hungary, Romania and Greece). During the webinar, CSD presented a comprehensive policy vision for a carbon neutral future within the context of two alternative decarbonisation scenarios for Bulgaria’s green economic transformation by 2050. CSD discussed the opportunities and challenges in the power sector of SEE EU Member States and highlighted possible pathways forward for Bulgaria, Croatia, Greece and Romania during an online conference [“On the Road to Greening Economies in Southeast Europe”](#) held on 17 June 2021. The conference focused on different options for green recovery after the devastating effects of the COVID-19 pandemic and for accelerating the renewables uptake. The discussion gathered experts from Agora Energiewende, Germany, the Energy Policy Group (EPG), Romania, the National Observatory of Athens (NOA) and the Faculty of Mechanical Engineering and Naval Architecture, Croatia.

CSD experts also took part in the [EUKI Networking Conference 2021: Fit for Climate Action – Together for a Climate-Neutral Europe](#) on 23 – 24 November 2021. The European Climate Initiative (EUKI) supports more than 150 climate protection projects and almost 300 implementing organisations.



CSD’s policy brief [Capture Proofing the Energy Sector in Central and Eastern Europe: The Case of TurkStream](#) highlighted some of the major energy and security

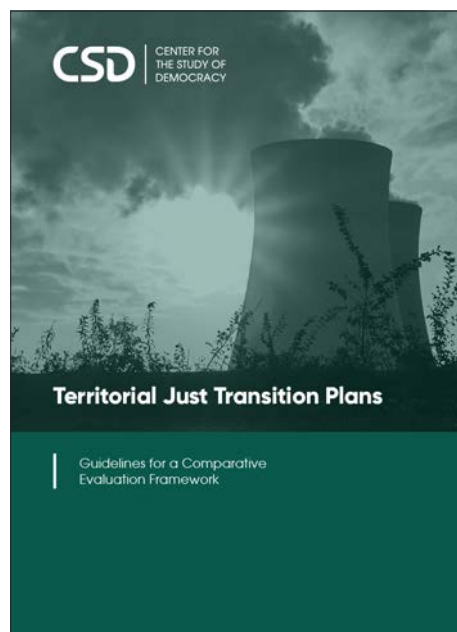
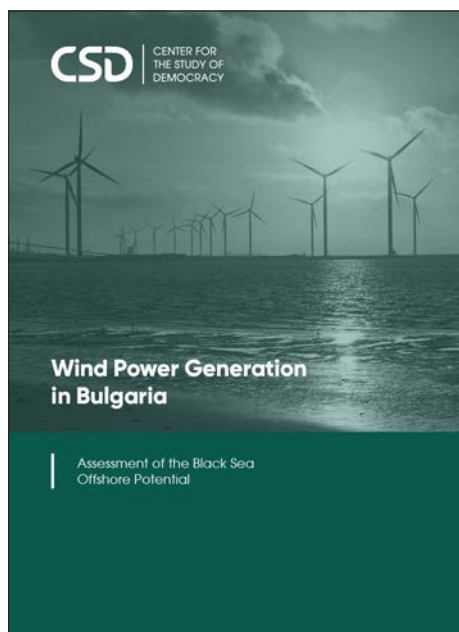


risks to the CEE region that arise from the completion of the TurkStream gas pipeline. This project increases energy security risks and diverts scarce resources away from productive investment in energy diversification and green transition. Bulgaria, for example, commenced construction of the strategically important, yet decades in the making, interconnector with Greece (IGB) only after it started laying down TurkStream pipelines. As a result, TurkStream has already crowded out alternative LNG and Azeri gas supply from the regional gas market.

Among the 2021 focus areas of the Economic Program were the green technologies as a viable source in the Bulgarian energy system. In the report *Wind Power Generation in Bulgaria: Assessment of the Black Sea Offshore Potential* CSD offers a technical and economic assessment of the Bulgarian Exclusive Economic Zone in the Black Sea, identifying favourable deployment areas for offshore wind power gener-

ation. Considering country-specific data and current technology trends, the analysis demonstrates that 26 GW out of total 116 GW technically feasible capacity could be utilised in shallow waters by a mature bottom-fix technology concept. The report touches upon important pre-conditions for developing offshore wind, such as the availability of supporting infrastructure, regional cooperation, and the co-existence between offshore wind energy and all other ecological, economic, and societal interests.

Another key issue that the Economic Program addressed was the Just Transition Mechanism launched by the EU in 2020. CSD published *Territorial Just Transition Plan: Guidelines for a Comparative Evaluation Framework* where it proposes detailed guidelines for developing a comparative evaluation framework for TJTPs that can be used by policy-makers and experts alike in the process of the plans' finalisation.



II. Foreign authoritarian influence

Interference by authoritarian states in the (social) media landscapes of European countries remains one of the main challenges faced by democracies in the digital age. Russia and China attempt to exploit political, social, economic and other weaknesses and fissures in democratic societies in order to assert and gain influence in European countries and undermine the Euro-Atlantic alliance. CSD developed specific policy solutions to the ongoing debate in Europe concerning the European Democracy Action Plan and the Digital Services Act. In addition, it engaged with other civil society organisations in the preparation and follow up of the Summit for Democracy organised by the U. S. government. CSD, further stepped up its coalition building efforts by joining the [Alliance for Healthy Info-sphere](#).

The report *Tackling Kremlin's Media Capture in Southeast Europe: Shared Patterns, Specific Vulnerabilities and Responses to Russian Disinformation* explored the scope, means and reach of Russia's sharp power influence in the media environment in Southeast Europe, including EU members Bulgaria and Croatia, as well as EU aspirants Serbia, Bosnia and Herzegovina, Montenegro, North Macedonia, Albania and Kosovo. This comparative assessment uncovers the instruments, channels and narratives of Russian disinformation, the impact of Kremlin messaging on societal perceptions and the increasing overlap of influence tactics between Russia and other authoritarian states operating in the Balkans, particularly China. The report was presented at a [roundtable](#) organised by CSD on 30 March 2021, attended by representatives from U. S. and European public organisations, think tanks, universities and the media, who pro-



vided their insights on the main challenges and possible solutions to media capture in Southeast Europe.

The report led to the development of policy recommendations on a comprehensive transatlantic response to Russia's and China's media capture influence in Southeast Europe, presented in *Policy Brief No. 98: Capture Proofing Media in Southeast Europe*. The brief proposes a framework for addressing governance gaps in the Balkans, which will help close the scope for Russia's media capture in SEE.

The analysis of media capture tactics and policy responses was further extended in *Countering Kremlin's Media Influence in Europe: Patterns of Anti-Democratic Messaging, Disinformation Responses, and Resilience Assets*. The report exposed the patterns of Kremlin anti-democratic disinformation messaging in Bulgaria, Czechia, Germany, and Poland. The disinformation resilience capacity of the four EU Member



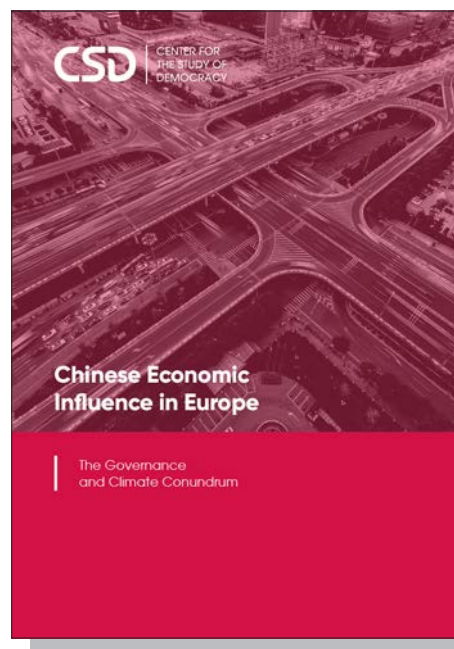
States was evaluated along three main levels: governance and policy-making; civil society action; participation in and contribution to international initiatives. Following its publication, the findings of the report were presented at the international roundtable “[Russian Media Influence in Europe: Disinformation, Hybrid Threats and Democracy](#)”, held on 20 May 2021. The forum provided a deep dive into Kremlin’s main disinformation strategies and their impact across Europe. The findings of the report and the proposed policy solutions were then presented at national briefings in Bulgaria, Czechia, Germany and Poland.

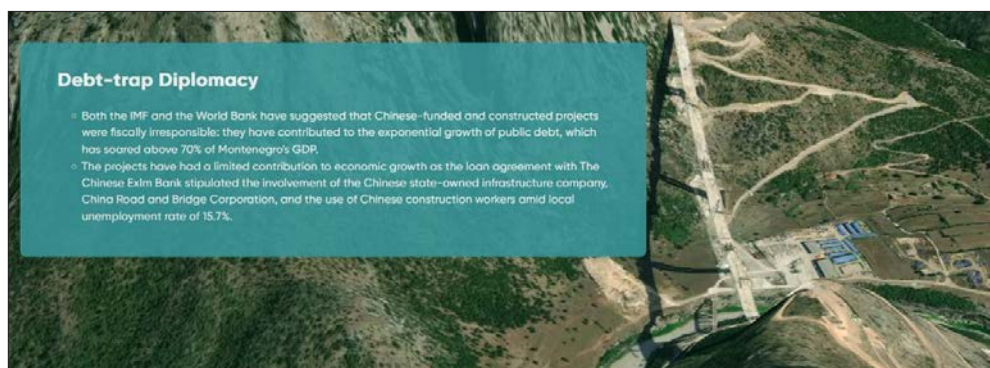
The past decade has been marked by the rise of China and its implications for Europe and the world. In a [policy brief](#), a [video](#), and an [expert workshop](#) held on 26 January 2021, CSD discussed how China has exploited domestic governance deficits in CEE to promote its foreign policy goals in the region through economic and other means.

In September 2021, CSD expanded its research on the topic, by launching the *Chinese Economic Power Index* which analysed China’s structural economic ties, and their impact on climate policies and on the overall quality of governance in CEE. The report covers Chinese economic influence in 12 Central and East European countries and provides recommendations to address the political and environmental fallout from an excessive dependence on capital from China.

CSD presented the *Chinese Economic Footprint in Central and Eastern Europe* in an interactive visualisation. Employing statistical data, geographical charts, and satellite photos of large infrastructure projects, the flow report showcases the methods that China uses to exploit state capture vulnerabilities and to catch the countries from the region in debt traps.

In 2021, CSD developed several election monitoring reports during a tumultuous year in Bulgarian politics, in which three general parliamentary elections and one





presidential election were held between April and November of 2021. In partnership with the International Republican Institute's [Beacon Project](#), a wide variety of online news sources were monitored using the Pulsar media monitoring tool in the two months leading up to the first parliamentary election of the year on 4 April 2021. The [Bulgarian Election Monitor](#) produced an interactive dashboard and a series of flash reports which assessed the key topics, narratives and sentiments appearing in online news outlets reflecting Bulgaria's relations with NATO, the EU, Russia and China.

Shortly before the general elections in April 2021, CSD published its policy brief [Disinformation Narratives in the 2021 Parliamentary Elections](#). The brief zoomed in on the prevalence and connections to the pre-election campaign of four popular (disinformation) narratives, namely:

conspiracy theories about COVID-19, support for large Russian energy projects, opposition to the European Green Deal, and growing anti-EU sentiments in Bulgarian society.

The Economic Program further released a follow-up policy brief [Disinformation Narratives in the November 2021 Bulgarian Elections Campaign: Key Actors and Amplifiers](#) shortly before the presidential and parliamentary elections which took place on 14 November 2021. Meant as a rapid reaction assessment, the brief provided an overview of the main social media communication patterns of political parties and candidates and attempted to reveal the possible influence of disinformation narratives about COVID-19 and the European Green Deal over voting patterns. The analysis was launched at a [press conference](#) held in Sofia on 12 November 2021.



Press conference “Disinformation Narratives in the November 2021 Bulgarian Elections Campaign: Key Actors and Amplifiers”, Sofia, 12 November 2021

Recognising the growing impact of social media, CSD and the Slovak think-tank GLOBSEC leveraged the AI-based Graphika tool to create two powerful social media landscape visualisations of the public Facebook space in Bulgaria. The first report, *Influence of Pro-Kremlin Public Pages in Bulgaria’s and Romania’s Facebook Ecosystem*, provided an in-depth contextual assessment of pro-Kremlin influence operations and networks, with the map of Bulgarian Facebook space covering the period from 16 September – 16 October 2020 and containing a total of 13,179 public pages.

The second report, entitled *Kremlin Influence on Bulgarian Facebook Amid a Global Pandemic*, provided an updated map of the Bulgarian Facebook information landscape (covering the period 17 February – 19 March 2021). At a press conference on 24 November 2021, CSD experts presented the results from the pilot *Vulnerability Index 2021*, coordinated by GLOBSEC, Slovakia. The Index evaluates the vulnerability towards for-

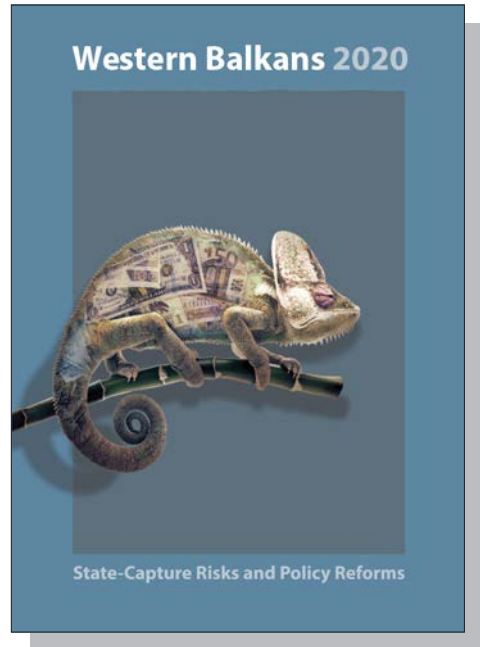
eign influence in eight countries in Central and Eastern Europe: Bulgaria, the Czech Republic, Hungary, Montenegro, North Macedonia, Romania, Serbia and Slovakia.



III. Countering corruption and state capture

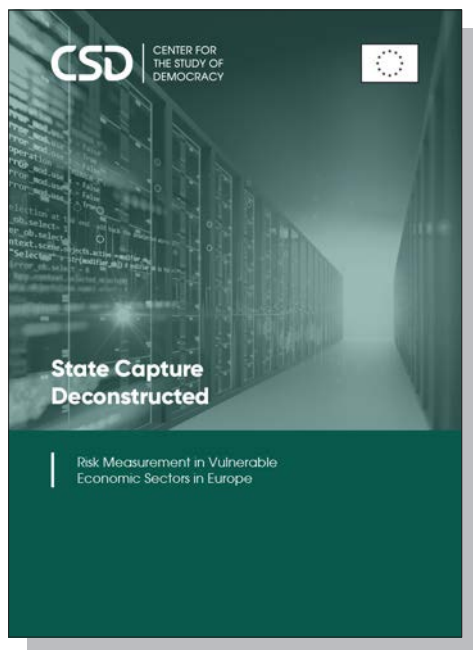
In 2021, CSD continued its work on the Western Balkans within the Southeast Europe Leadership for Development and Integrity (SELDI.net) initiative. CSD piloted in the Western Balkans its comprehensive methodology for monitoring and exposing state capture vulnerabilities – the State Capture Assessment Diagnostics (SCAD) tool. SELDI experts and panelists, among whom Members of the European Parliament and other policy-makers, discussed the anti-corruption agenda of the region for the next decade at an [anti-corruption forum](#) held on 8 April 2021. During the forum, SELDI further presented the key conclusions and policy recommendations from its regional report *Western Balkans 2020: State-Capture Risks and Policy Reforms*.

In 2021, CSD initiated the [Regional Good Governance Public-Private Partnership Platform \(R2G4P\)](#), which gathered CSO and government representatives from nine countries (Bulgaria, Croatia, Hungary, Romania, Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia). The initiative is dedicated to identifying the reasons behind the reform stagnation and democratic backsliding in the region and the potential solutions for effective enforcement and monitoring of the existing anti-corruption mechanisms. CSD, jointly with experts from the Government Transparency Institute, Hungary, shared their methodological knowledge at a [specialised regional training](#) and an [annual summer school](#). They provided step-by-step explanations on how other CSOs could assess individual public institutions' anticorruption policies through the [MACPI \(Monitoring Anticorruption Policy Implementation\)](#) tool; apply the [State Capture Assessment Diagnostics \(SCAD\)](#) and utilise [Opentender.eu](#) to detect public procurement integrity risks.



CSD further piloted its enhanced SCAD methodology for **assessing state capture and corruption at the economic sector level** based on red flags and big data. The report *State Capture Deconstructed* covers state capture vulnerabilities in the economic sectors of construction, wholesale of fuels and wholesale of pharmaceuticals in Italy, Romania, Spain and Bulgaria. CSD's [MACPI](#) tool for monitoring internal anti-corruption policies was implemented in nine public organisations that exert governance, regulatory or control functions in the same three sectors. The results were summarised in the report *Monitoring Anti-Corruption Policy Implementation in High-Risk Sectors*.

The SCAD methodology was made available in the training manual *State Capture Assessment on Sectoral Level*. The manual supported the training: "Applying Innovative Methods for State Capture and Corruption Assessment" held on 26 August 2021. Furthermore, the results of the *State Capture Assessment Diagnostics* were presented at a [policy con-](#)



ference on 29 April 2021, which focused on the key analytical priorities and policy actions necessary for effective monitoring and evaluation of corruption at the sectoral level. CSD also created two videos explaining the methodological premises and processes comprising the [Assessment of State Capture Risks and Vulnerabilities in Public Procurement](#) and [State Capture Risk Assessment Tool on Sectoral Level](#).

IV. Hidden economy and undeclared work

CSD continued its knowledge contribution and support to the work of the [European platform tackling undeclared work](#) with a series of papers, analyses and toolkits aimed at sharing good practices. Since 2016, the European platform has functioned as an EU-level forum that allows different actors, including social partners and enforcement authorities, such as labour inspectorates, tax and social security authorities, to engage

in closer cross-border cooperation and joint activities. In October 2019, the platform became part of the working groups of the [European Labour Authority](#).

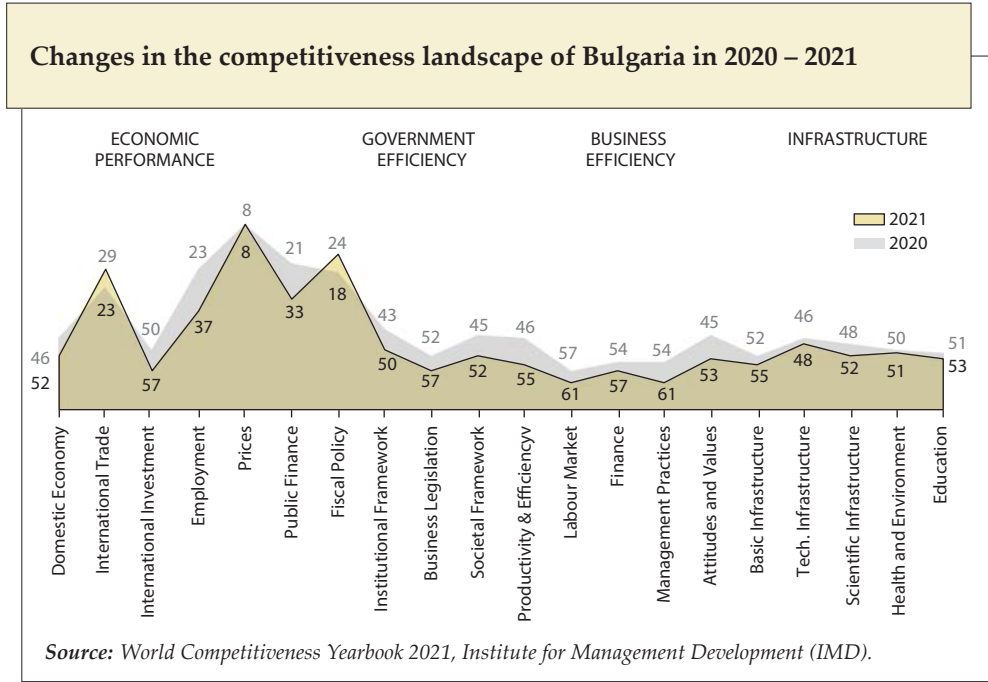
In 2021, CSD co-authored a learning resource paper on *tackling undeclared work among seasonal (including mobile) workers: developments, trends and good practices*. CSD also elaborated the studies *Counteracting undeclared work and labour exploitation of third-country national workers*, *Tools and approaches to tackle fraudulent temporary agency work, prompting undeclared work* and *Different forms of cross-border undeclared work, including through third-country nationals*. CSD experts further supported the thematic review workshop: “[Successful approaches of cooperation between labour inspectorates and social partners](#)”.

V. Competitiveness and innovation

In the last twelve years, CSD has partnered with the [IMD World Competitiveness Center](#), Switzerland, to compile the *IMD Global Competitiveness Yearbook*. In 2021, [Bulgaria ranked 53rd](#) out of 64 countries, which is a deterioration of five positions compared to 2020, and 15 positions compared to 2009.

Zooming in on the results for Bulgaria in the 2021 yearbook reveals the major challenges and opportunities for improving Bulgaria’s competitiveness:

- political instability and slow rate of COVID-19 vaccination;
- limited diffusion of the e-government solutions;
- slow energy transition and high energy costs for businesses;
- lagging quality of university education, brain drain and low R&D spending;
- persistent governance and corruption issues.



CSD further worked to implement specific reforms on the ground in Bulgaria to help the country’s competitiveness. EU’s Recovery and Resilience Facility (RRF) provides the largest ever public funding instrument to address current challenges up to 2027. However, to achieve lasting change the Bulgarian government needs to leverage the EU funding resources to attract constructive capital from the private sector, i.e. investments that are transparent, accountable, and market-oriented.

Taking into account this need, experts from the Economic Program developed the report *Promoting Constructive Capital in Bulgaria: Unlocking Bulgarian Regions’ Potential for Private Sector Innovation and Development*. Bulgaria needs to tackle first and foremost rule of law gaps to unlock constructive capital investments for economic growth and technological transformation. The Action Agenda pays special attention to recommendations and reforms in the field of digital-

isation, green growth, innovation and entrepreneurship, which are key priority areas of RRF.





*Policy Forum “Promoting Constructive Capital in Bulgaria”,
Sofia, 28 September 2021*

As part of the Bulgarian presidency of the Three Seas Initiative, on 28 September 2021 CSD and the Applied Research and Communications Fund held the policy forum “Promoting Constructive Capital in Bulgaria” with the participation of Mr. Rumen Radev, President of the Republic of Bulgaria. The speakers discussed the *Action Agenda* and the opportunities for unlocking the innovative potential of Bulgaria.

The experts from the Economic Program also contributed to the development of the annual *Innovation.bg* report. The focus of *Innovation.bg 2021* was placed on the unique set of opportunities which emerged with the new EU priorities, the recovery from the COVID crisis and public attitudes favouring an overhaul of the political status quo which Bulgaria can use to overcome its innovation gap through smart digital and green transformation.

The key recommendations outlined in the report *Innovation.bg 2021* were as follows:

- Setting a **consensual political vision** with clear priorities and national funding for the development of innovation, technology and talent by 2050. The target levels of such funding, given the experience of CEE countries, should be around EUR 250–500 million per year.
- A profound **reform of the public institutional infrastructure** for science, technology, innovation and economic support, based on an integrated solution similar to Innovation Norway and introduction of competitive appointments for all positions.
- An **annual political cycle of budgetary evaluation** introduced for the entirety of the innovation investment opportunities and services that the public administration provides (taxes, regulations, legislation, etc.).

The *Innovation.bg* report, which has become the main policy document for regular monitoring of innovation performance in the country, was presented on 7 December 2021 at the *17th National Innovation Forum*, held under the auspices of the President of Bulgaria.

