

REPORT
**on the Implementation of the Strategy for Transparent Governance and for
Prevention and Counteraction of Corruption**

The main goal of the Strategy for Transparent Governance and for Prevention and Counteraction of Corruption is to limit the corruption in the state, to improve the governance and to raise public confidence in the institutions.

The implementation of the anticorruption strategy in 2006 was directed to the establishment of guarantees for transparency and accountability, to regulate clear and effective rules for interrelations between the citizens and the administration officials and to limit the high-level corruption.

The present report presents the main results achieved in 2006. Detailed information about the overall implementation of the Programme for the implementation of the Strategy for Transparent Governance and for Prevention and Counteraction of Corruption can be found in the annex.

The following has been achieved in 2006 under the formulated strategic goals:

I. Prevention and Counteracting High-level Corruption

- The amendments of the Law on the Publicity of the Property belonging to Persons, Occupying Higher Public Positions entered into force on 01/01/2007. The main amendments regulate the following: access to the data set in the public register through the National Audit Office website; publishing the National Audit Office conclusion on the examination of the credibility of the declared information; publishing a list of bodies and institutions, failing to fulfill their obligation to present the wanted information; publishing the results of the examination held by the National Revenue Agency. A list of persons who have not declared their property and the measures undertaken against them are also published in the public register.

With the amendments of the law the circle of the persons obliged to declare their property through the rules stipulated by this law is expanded, covering all the bodies within the executive power; the order for submitting declaration for all the persons has been unified, including those for whom other laws stipulates the obligation for declaring property to the National Audit Office.

In cases of non-filing of declarations, and also when an assessment of inconformity has been issued, the Chairperson of the Audit Office notifies the Executive Director of the National Revenues Office about undertaking of actions pursuant to the procedure of the Tax Insurance Procedure Code.

- For providing information from the state and municipal bodies, from judicial authorities and other institutions before which the declared

information is subject to entering, announcement or certification, cooperation agreements were signed between the National Audit Office and the National Revenue Agency, the Ministry of Agriculture and Forestry, the Ministry of the Interior, the Ministry of Regional Development and Public Works, the Ministry of Transport, the Registry Agency and the Central Register for Special Securities at the Ministry of Justice. The agreements regulate the exchange of information on persons subject to checks by the National Audit Office on documents concerning the authenticity of the facts declared.

- A project of the Law on the Transparency of the Lobbying Activities has been designed, regulating the registering, revealing and averting the conflict of interests in realizing lobbying practices. The project is elaborated by a working group, coordinated by the National Ombudsman after having been consulted with the interested parties.

II. Transparent Party Financing

- With the amendment of the Law on the Political Parties, entered in force on 05/09/2006, the following requirements are established: explicit requirement for declaring before the National Audit Office the property, incomes and expenses of the governing and controlling bodies of the political parties made in the country and abroad; transparency of the financing from political foundations; transparency of the donations, both in terms of donors and in terms of donation type and amount; requirement for the political parties to present to the national Audit Office a list of nonprofit legal entities, in which founders and/or members of the managing or control bodies are members of the managing or control bodies of the respective political party, their children or spouses.

A new requirement is established, according which the reports of the political parties, obtaining state subsidy, must be sent to the National Revenue Agency for carrying out inspections following the procedure of the Tax-insurance procedure code. A possibility for carrying out inspections is stipulated by the law also regarding the political parties which have not submitted their reports.

- All political parties which obtain state subsidy submitted their reports for 2006. The National Audit Office did not found infringement of the law in the expenditure of these funds.

III. Preventing and Counteracting Corruption in the Central and Local Administration

- On the basis of clearly regulated functions of the inspectorates, stipulated in the Law for administration, entered in force in March 2006, the inspectorates have to analyze the efficiency of the performance of the administration; to check that the internal rules for organization of the work of the administration be observed; to perform inspections of the signals,

appeals and requests against illegal acts or acts of omission and commission of employees in the administration.

- “Chief Inspectorate” Directorate has been established in the CoM administration being directly subordinated to the Prime-Minister. The Chief Inspectorate coordinates and assists the activities of the inspectorates; it proposes to the Prime-Minister to approve methodical guidelines in relation with the functions and the procedures for the performance of the inspectorates; it considers filed signals for corruption of authorities within the executive power and civil servants at managerial positions.

The inspectorates perform their control activities according to methodical guidelines developed by the “Chief Inspectorate” Directorate to the Council of Ministers.

- A Directorate “Inspectorate for the public administration” has been established within the Ministry of the State Administration and the Administrative Reform to analyze and summarize the information for the state-of-the-art and the problems related to the observance of the civil servants legislation. For the period April – December 2006 the Inspectorate has performed 210 inspections.
- The possibilities for signalling for corruption have been expanded in 2006. The signals for corruption could be forwarded electronically through specially designed sections of the internet sites of the administrations and through particular designated e-mail addresses. The signals forwarded electronically are registered in the records office and are being considered following the requirements, regulated in the internal rules and the normative acts.

Automatic telephone centres for signals for corruption (call centres) are created and are functioning. In some administrations, for example the Ministry of Finance, the Ministry of Interior, the Ministry of Education and Science, the Ministry of Agriculture and Forests, etc. the signal telephone for counteraction of corruption could be approached 24 hours from all digital and analogous linea at the territory of the country. The registered signals for corruption are processed by experts, in whose job description a duty for processing of signals for corruption is introduced.

In the reception-rooms of the administrations there are signal boxes. The boxes are being opened once weekly by employees who have this duty in their job descriptions.

In order to make all these possibilities popular among the citizens a broad media campaign has been realized – through video clips broadcasted in the tree national televisions, billboards and brochures with anticorruption contents.

- The mobility mechanism was introduced by the amendments of the Civil Servants Law, entered in force on 25/03/2006. For the period April-

- December 2006 nine ministries have used the possibility to move servants from one institution/position to another.
- 274 servants are trained in the Institute for Public Administration and European Integration in the developed training module “Prevention of Corruption”, other 263 managers and experts are trained in the obligatory module “Prevention of the Corruption in State Administration”.

IV. Transparent and effective governance of the healthcare system

- • With the amendments of the Law on the Professional Organizations of the Physicians and Doctors in Dental Medicine, entered in force on 01/01/2007, more severe penalties for professional ethics violation are introduced. The amount of the imposed fine is increased – from five to ten minimum wages. The law also envisages deletion in the register of the college for a period of 6 months minimum for non-observance of the rules of the good medical practice.
- A system for assessment of the directors of the national centers and regional inspections for protecting and monitoring of the public health and of the regional centers for healthcare is also introduced. The attestation of the directors is performed on the basis of indicators of professional qualification, managerial skills, organization of the activity, fight against corruption, volume, quality and effectiveness of the activity of the state body.
- For improving the financial and medical control, as well as the coordination and the relations between the institutions within the healthcare system in December 2006 the Council of Ministers adopted a Strategy for the introduction of the electronic healthcare in Bulgaria.
- A system for accountability, monitoring and control of the health insurance payments is developed and is functioning. Analysis of the payments funded by the Regional health insurance fund is made every month. On the basis of this analysis a controlling procedure is effected on the contractors where there are prerequisites and risk factors for infringements. Thematic inspections are also made aimed to establish the expediency of the payments as well as planned inspections of the huge recipients of funds.
- The Ministry of Healthcare has developed criteria for assessment of the medical surveillance on the quality of the given medical activities and services and on the access of the medical help.
- Analysis of the corruption risk in the healthcare system is made on the basis of a sociological inquiry. The structures subject to corruption pressure have been identified and the rules and procedures for the risk control are included in the developed system for corruption risk assessment of the structures connected to the public health system.

V. Transparent and effective governance of the education system

- On the basis of independent expert analysis of the corruption risk in the education system made by nongovernmental organizations, the risk assessment of the system is worked out, suggestions and recommendations for optimization are offered, 20 of which addresses the higher education.
- Special programmes for counteracting corruption function in 17 universities. Concrete measures referring to the fight against corruption are implemented in all of the universities – inquiries about the existing corruption practices, projects referring to the anticorruption education and civil counteracting of the corruption, distribution of anticorruption brochures and guidelines about the fight against corruption. A moral code of the lecturers is developed.
- For achieving a higher level of transparency in the education system a lot of public internet-based registers were developed in 2006:
 - register of the universities;
 - register of the students in Bulgaria;
 - register of the secondary school diplomas;
 - register of the university diplomas.

The Ministry of education and science publishes information about the students in the state universities comprising their professional direction and the amount of the subsidy for their allowance. The ministry publishes also information about the results of the admission examination of the students after VII class and the final positioning after the examinations.

- The “corruption” subject is introduced in the obligatory schooling programmes as well as in free eligible schooling programmes in the secondary school. Reference books are developed together with the nongovernmental organizations.

VI. Providing qualitative public and administrative services

- The submitted from the Council of Ministers to the National Parliament Law on the Electronic Governance passed first reading on 31/01/2007. The draft law regulates the performance of public services through internet and sanctions the automatization of the administrative processes. The electronic governance orientates the public services to the citizens and business, guarantees transparent governance, eliminates the basic prerequisites for corruption, increases the effectiveness and reduces the expenses for the administration.
- In September 2006 the Council of Ministers adopted Ordinance on the general rules of the public performance organization (State Gazette, Nr. 78/26.09.2006). The ordinance regulates the general rules and principles of the good administrative, performance, quality management, the

organization of the activities of the structures for public performance and the feedback mechanisms. The establishment of unified approach introduces good practices of anticorruption conduct in public performance.

VII. Strengthening the capacity of the institutions for independent control and curbing on political and administrative corruption

- A contact committee has been set up to deal with fight against money laundering and financing in the field of gambling.

The Financial Intelligence Agency and State Committee on Gambling apply common methodology in the course of performing their control functions. The Financial Intelligence, the Committee for Financial Supervision, the State Committee on Gambling and Bulgarian National Bank exchange information about risk groups of clients, transactions and deals and conduct joint checks of financial institutions.

- The Draft Act amending the Measures against Money Laundering Act was submitted by the Council of Ministers to the National Assembly on 5 December 2006 and is being discussed at the committees of the National Assembly.
- A mechanism for interaction has been established between the national Ombudsman and local social intermediaries by which the efforts for protection of the rights of citizens and fight against corruption are coordinated. The Association for the local intermediaries was set up in October 2006.

VIII. Efficiency of the criminal policy against corruption

- UN Convention against corruption was ratified by the National Assembly on 3 August 2006. The analysis of the provisions of the UN Convention against corruption shows that Bulgarian legislation and institutional framework are to a bid degree in compliance with the standards laid down in the Convention. The ratification of the Convention in line with the comprehensive police pursued by the Bulgarian state for prevention and countering corruption in all its forms and rendering wide international cooperation for the purposes of prosecution and punishment of corruption.
- Programs have been introduced within the judiciary to judicial cases managements, documents management and issuance of certificates showing no previous conviction. The system for random distribution of cases has been introduced in more that 90% of the courts, the system for issuance of certificates showing no previous conviction от съдилищата is in operation in 80 of district courts. The system for case management will provided for the monitoring of the corruption cases from the moment of the registering of the crime until the final entry into force of the conviction and the enforcement of the respective punishments.

- The National Institute of Justice has included a training module on the application of the provisions of the Law on Administrative penalties and sanctions within the framework of the training for magistrates and court officials. The focus is on administrative legal sanctions against legal persons and sole proprietors in cases of benefiting from criminal activities, including corruption.
- Training on ethics and anti-corruption is included in the curricula for newly recruited junior magistrates, on the program for obligatory initial qualification of newly appointed judges and public prosecutors, at the seminars for judges, public prosecutors and investigators as well as for the programs intended for the court officials.
- An analytical report on the application of the regulations of the Penal Code has been drawn up concerning the section for corruption (Art. 301-307a of the Penal Code) covering a 15-year-period. As many as 52.7% of the cases of the distinct and regional courts concerning the above stated Articles have been reviewed. The information has been discussed at a roundtable held on 24 November 2006.

IX. Transparency and prevention of corruption in the field administration of tax and customs revenues

- Five specialised mobile teams have been set up to monitor the movement of excise goods as well as the sites for duty-free trade. The said teams comprise officials from the Border Police Chief Directorate, the Customs Agency and Chief Directorate for Combatting Organised Crime. Checks are being performed at warehouses, as well as of declared goods, imported or exported from the country, and the use of accompanying documents and excise labels.
- The cooperation between the Customs Agency and the Ministry of Interior, the Financial Intelligence Agency, the National Investigative Service, the Chief Cassation Prosecutor's Office and the Commission for Identification of Criminal Assets is improved.
- In July 2006 the National Assembly adopted amendments to Law on Value Added Tax. In view of preventing abuse and tax fraud the amendments introduced joint liability for the person who is recipient under a taxable delivery, for the tax that is due but not paid by other registered person, who has enjoyed the right of a tax credit and knew or must have known, that the tax will not be paid, irrespective of the fact that concrete benefit has derived from the non-payment of the tax or not. Joint liability is envisaged under the same terms and conditions for a preceding supplier to the person who owes the unpaid tax. In this way joint liability is regulated among persons who knew or were obliged to know that they are part of a "chain" for VAT drainage.

- In August 2006 the National Assembly adopted amendment to the Penal Code by which another five methods for causing damages to the state budget by means of VAT concealing of drainage have been criminalized: – non-issuance of invoice or other accountancy document; destruction, concealment or non-keeping of accountancy registers; keeping or allowing the keeping of accountancy in breach of the requirements of the accountancy legislation; drawing up or use of document with untrue content, false or forged document in the course of performing economic activity, accountancy keeping, or while providing information to the revenue authorities or public enforcement agents; deduction of non-due tax credit. The sanction for similar crimes have also been increased – the imprisonment is increased from three to five years, and the fine – from BGN 500 to BGN 2 000. In cases when tax liabilities are in significant large amounts, the punishment is imprisonment from three to eight years and forfeiture of part of all the assets of the guilty. For the implementation of state policy in the field of taxation and budget, qualified *corpus delicti* are provided for in cases of involvement of certain public officials (from Border Police, Customs Administration, the National Revenue Agency, the Agency for State Collectibles or certified accountants).
- VIES information system for exchange of VAT information on deliveries within the EU was introduced to the National Revenue Agency. The system is entirely automated. Each member of the staff has a pre-set role with a limited access to the system. There is an option to trace the actions of each official, which reduces to the minimum extent the risk of corruption.
- In order to fight more effectively against VAT frauds and to reduce the number of cases of tax evasion, coordinating groups were formed involving the bodies of National Revenue Agency, the Prosecution and the Ministry of the Interior.

A specialized sector “Special Cases Investigation” was set up with the National Revenue Agency in 2006 in relation to the counteraction of tax and insurance frauds. The powers of the sector include collection and analysis of information relating to tax and insurance frauds, taking measures for administrative counteraction of the detected frauds and providing interaction between the revenue authorities and the law-enforcement authorities.

- A “Risk” information database was established at the National revenue Agency in order to perform timely and effective control and prevention while administering the tax and insurance revenues. The database includes data for possible and proven committers of frauds. The program uses data from the submitted information, declarations, purchase records and sales records.

X. Transparency and prevention of corruption when providing public procurement and concessions

- In 2006 changes were introduced to all the legislation concerning the public procurement – the Law on Public Procurement, the Rules Implementing the Law on Public Procurement and the Ordinance for Assigning Small Public Procurement. The changes entered into force as of 01 July 2006. They introduced a number of mechanisms for countering corruption in public procurement. The Public Procurement Agency maintains a Register of Public Procurement, the access to which is free and unlimited. All the announcements, decisions and information on signed contracts by the ordering party are published in the register, so as to guarantee maximum publicity and transparency. On its Internet site the Agency also publishes information on the definitions, decisions pronounced by the Commission on Protection of Competition, as well other information on appealed public procurement procedures. Mandatory and standard samples of announcements were introduced, which are identical with the ones use in the EU and include the necessary minimum of information to provide publicity and transparency of the procedures. It was banned to include in the decision, the announcement or the documentation terms or requirements, which give advantage or unreasonably restrict the participation of persons in the public procurement. The specifications should be elaborated in a way, which would not pose unreasonable impediments to the competitors. The violations of these bans are penalized by fines and property sanctions imposed to the offenders. Two independent control bodies were established to perform checks and audit of the lawfulness of the conducted procedures for assigning public procurement, namely the Audit Office, which is an entirely independent body for control over the budget funds and is directly subordinate to the National Assembly, and the State Financial Inspection Agency, which is a secondary dispenser of budget credits to the Minister of Finance. There is a possibility for each concerned party to appeal the procedure for assigning public procurement before an independent administrative body – the Commission on Protection of Competition, the decisions of which may be appealed before the Supreme Administrative Court. Each action or inaction of the assigning party is subject to appeal. A “temporary measure” of suspending a procedure can be applied until the identified violations are eliminated. The temporary measures are imposed by request of a concerned party from the Commission on Protection of Competition. If the procedures exceed the European limits, an option is envisaged for independent observers to attend, such as representatives of the Public Procurement Agency, in order to guarantee the lawful implementation of the procedure. The observers are identified by the executive director of the Public Procurement Agency. There is an option for the executive director of the Public Procurement

Agency to interfere to protect the public interest by approaching the competent bodies controlling the adherence to the law. The executive director can also appeal before the Commission on Protection of Competition procedures with discriminating terms and can attack legally public procurement contracts signed in breach of law. The public procurement procedures are by must conducted by low-staffed commissions – persons who have material stake in assigning the procurement or are related to some of the applicants or the participants are prohibited to be a part of the commissions. A ban was introduced to change public procurement contracts, which have already been signed, so as not to allow for changing their provisions afterwards. Exceptions are admitted only in cases when more favorable prices are negotiated for the assigning party, when changes are introduced to state regulated prices or when, by force major, changes should be introduced in the terms, but not in the prices.

- In order to increase the transparency of the public procurement procedures and to prevent corrupt practices in this area, an Agreement on cooperation was signed among the Public Procurement Agency, the Audit Office, the State Internal Financial Inspection Agency and the Commission on Protection of Competition. Joint procedures were adopted for preliminary coordination for solving issues of particular importance, including with regard to measures, which should be taken in terms of countering corruption in the area of public procurement.
- In May 2006 the National Assembly endorsed a completely new Law on Concessions, which entered into force as of 01 July 2006. On 29 June 2006 the Council of Ministers adopted new Rules Implementing the Law on Concessions. The new legislation introduced a uniform approach when providing concessions in the country (including state and municipal concessions). The law clearly states the topic, the objects and the subjects of concession and along with the Rules Implementing the Law stipulates in detail all the steps for providing state and municipal concessions. In order to establish an effective control mechanism, a new order was introduced for appealing the procedures for providing concessions.

This procedure is identical to the newly developed procedure for appeal against public procurements and gives opportunity to all interested parties (regardless of the fact whether or not they've participated in the procedure) to appeal at the Committee for Protection of Competition against discriminatory provisions or actions or inactions of grantors illegally favouring some of the candidates participating in the procedure for granting concessions. The control over the implementation of concession agreements is also reinforced. The control is divided into: overall, preliminary and current control over the conduct of concession procedures and current control over the implementation of the concession

agreements. Each type of control is performed by a certain body or persons. The law guarantees public access to information about granted concessions as well as information about implementation of concession agreements. For guaranteeing transparency in concession procedures, an internet based public register is created – National Concession Register. Standard templates for calls on procedures for award of concession are elaborated.

XI. Civil control and promoting cooperation with civil society

- The active cooperation with non-government organizations has started even at the elaboration of the Strategy for Transparent Governance and Prevention and Counteraction to Corruption and the Programme on its implementation. Representatives of three non-government organizations participated in the working group which elaborated the anti-corruption strategy and programme for the year 2006.
- In May 2006 the Centre for the Study of Democracy will develop a system of indicators for assessment of the effectiveness of the measures taken to restrict corruption and enhance transparency of government.
- Public Anti-Corruption Boards have been established in all spheres. Members of the boards are representatives of the local executive and judicial bodies, non-government organization, local business and regional media. Anti-corruption programmes reflecting the regional specifics were elaborated and adopted in compliance with the Strategy for Transparent Governance and Prevention and Counteraction to Corruption. Rules of procedure for the work of the boards were adopted. The meetings are held on a monthly basis.
- Under the initiative of the Bulgarian Industrial Association a survey of the impact of the regulatory regimes on business was conducted with the participation of the chairmen of anti-corruption committees from the legislative and executive authorities, Court of Auditors and the National Ombudsman. The survey results with specific recommendations were submitted to the minister of the state administration and administrative reform. It was agreed that the control over the information from the Administrative Register will be performed jointly by the Ministry of State Administration and Administrative Reform and the Bulgarian Industrial Association.

The pursued anti-corruption policy set by the Strategy for Transparent Governance and Prevention and Counteraction to Corruption has led to a decreased level of corruption in Bulgaria. In January 2007 the Centre for Study of Democracy presented the results of the first study among Bulgarian business regarding the level of corruption in the country after the accession of Bulgaria to the European Union. The study provides several important results on the basis of which

conclusion on the changes of the corruption environment by January 2007 and on the effectiveness of the governmental anti-corruption policy can be drawn:

- In comparison to November 2005 the level of corruption victimization in the business has decreased in half.
- The corruption pressure of the administration against business companies for informal payments has decreased significantly. The decrease of the corruption pressure is registered practically in all professional administrative groups (customs, police, tax and other officials) with which the surveyed business managers were in contact.

The findings of a survey carried out by Transparency International Bulgaria in the period 15 - 30.11.2006 showed mostly positive evaluations of the state administration work on services and information to society and business.

A significant progress in fight against corruption in 2006 was reported by a number of international organizations. According to the reports of the World Bank corruption in Bulgaria has decreased significantly in the period 2002-2005. Just for one year Bulgaria has gained five places – from 59th in 2005 to 54th in 2006 as regards to business environment. The report points out a decrease of bribes in many areas, including customs, tax administration and different inspections. The consolidation of functions of tax and insurance payments in Bulgaria has increased the collections and decreased the possibilities for corruption. According to the Annual Corruption Index of Transparency International, Bulgaria has changed its place from 55th to 54th out of 145 countries.