

Bulgaria

Status Index (Democracy: 4.0 / Market Economy: 3.7)		7.7	Management Index		6.4
System of Government	Parliamentary Democracy		Population	8.0 Mio.	
Voter turnout	67.03 (2002)		GDP p. c. (\$, PPP)	6,890	
Women in Parliament	26.3 %		Unemployment rate	19.5 %	
Population growth	-0.3 %		HDI	0.795	
Largest ethnic minority	9.4 % (1992)		UN-Education Index	0.91	
			Gini-Index	31.9	
<small>Figures for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UNDP: Human Development Report 2003.</small>					

1. Introduction

The beginning of the period under study coincided roughly with the formation of the Union of Democratic Forces (SDS) government under Ivan Kostov in early 1997. The previous Bulgarian Socialist Party (BSP) government under Zhan Videnov had run Bulgaria's economy to ruin during its short mandate from January 25, 1995 to December 28, 1996, and was forced out by popular demand.

Ivan Kostov's SDS-led government, in power from May 23, 1997 to July 24, 2001, is, to date, the only government since 1990 to have completed a full term of office. Although it was able to bring stability to the country and its macroeconomic situation, the SDS-led government was ousted in the June 17, 2001 elections by former czar Simeon II Saxe-Coburg-Gotha and his three-month-old party the National Movement for Simeon II (NDSV). The SDS lost the election because it had been unable to improve economic conditions for the average person and because voters had placed unrealistic hopes in the former czar.

This report concludes that, despite all apparent political and macroeconomic stabilization since the 1997 crisis, severe deficiencies remain in regard to the rule of law; administrative efficiency; and the fight against organized crime, corruption and mafia structures (Bulgaria ranks 45th in the Corruption Perception Index with a score of 4.0). There are also shortcomings in the decentralization process and efforts to improve average living standards. The GDP in 2001 was still only 78 % of the 1989 GDP, and with just 24 % of average EU income, Bulgaria is at the bottom of the table of accession candidates.

The new government, which won 119 of 240 parliamentary seats, is working hard to bring about reform but its efforts are being undermined on all fronts. The International Monetary Fund (IMF); powerful and often dubious economic structures; insufficient funding, clashes of opinion within its own parliamentary

faction (ten NDSV MPs established their own faction in early February 2003); and the party's consequent increased dependency on the ethnic Turkish party, the Movement for Rights and Freedoms (DPS) all contribute to thwart real reform. More recently, the judicial branch has hampered reforms by blocking important legislation such as the Budget Act and the Judicial Reform Act, which would amend the Judiciary Act, as well as critical government decisions over the privatization of Bulgartabak and the Bulgarian Telecommunications Company (BTC).

Finally, with its October 2, 2002 decision on the Kozloduj nuclear power plant, Parliament has put Bulgaria's EU accession at risk. The decision contradicts promises made by the Kostov and Simeon II governments to shut down reactor units 3 and 4 in 2006 by making the plant's closure contingent on EU accession, meaning the plant would close in 2007 at the earliest. The country's quest to join NATO has been jeopardized by a number of issues, including: the Terem affair, in which Bulgaria delivered weapons to Iraq; the government's attempt to appoint Brigo Asparuchov, a former Communist, head of the National Intelligence Services; and the Supreme Administrative Court's February 5, 2003 decision that struck down legislation to create a state commission for information security. These difficulties were exacerbated by American bitterness over the judiciary's handling of the Filčev case and the obstruction of the US firm Advent's acquisition of BTC by the Supreme Administrative Court. At the moment, though, it appears that the Bulgarian and US governments have reconciled their differences as a result of agreement over the Iraq issue.

2. History of transformation

The process of transformation to date can be characterized as follows:

- Since 1990, extreme political and ideological polarization between post-Communists and the opposition has hampered all reasonable attempts to join forces to facilitate an efficient transformation.
- Since 1989, constant infighting and divisions between opposition players has rendered it unable to effectively neutralize the ex-Communists, who are armed with discipline, experience and money. The opposition has lacked and continues to suffer from a dearth of honest, competent personalities since the Communists systematically liquidated the old conservative governing class through the People's Court beginning in 1944 and effectively destroyed the entire middle class by sending its members to camps.
- The BSP and the shady economic groups with which it is associated may have both money and experience, but they continue to think in old ways. However, these elites have been successful in imitating "Manchester capitalism" and have also made efforts to transform their financial and organizational prowess into political power. Their network permeates all areas of public life—

including the opposition. The BSP is making every effort to keep foreign competition out of the Bulgarian market.

- The creation of democratic institutions, though often highly praised by the international community, is merely a façade behind which many old structures, attitudes and personalities are skillfully hidden.

Bulgaria has thus taken one step forward and two steps back, losing valuable years of development. The conclusions of this report are hardly optimistic. The often positive, sometimes euphoric assessments of Bulgaria's transformation achievements made by the IMF, the EU Commission and other visitors result in part from political considerations, and in part because they are usually based entirely on hard-to-verify figures from the Bulgarian National Statistical Institute rather than actual field research. They have neglected the everyday reality in which most Bulgarians have to struggle in order to secure their livelihood.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

3.1.1 Political regime

(1) *Stateness*: In territorial terms, the state has a monopoly on the use of force throughout the country. In actual terms, however, this monopoly is compromised by the influence of powerful economic groups, many of which were established with money from the old nomenklatura and/or have enriched themselves illegally from the privatization process. The state's monopoly on the use of force has also been weakened and compromised by organized crime elements that were created by or are in some way affiliated with these same economic groups. Recently, even high ranking state officials have been assassinated in broad daylight, including the chief of tax investigations, a military prosecutor and Multigroup CEO, Ilija Pavlov. Multigroup constituted the largest Bulgarian industrial group, and its capital stock comes from shady sources.

There are no serious separatist movements in Bulgaria. Even its Turkish minority, Bulgaria's largest at 9.4 % of the population in 1992, has been reintegrated after persecution during the "rebirth process" of forced assimilation in the 1980s. The Turkish party (DPS) is now part of the governing coalition for the first time and holds several cabinet posts. This is to the credit of Simeon II, who appointed a member of the Jewish community as Minister of Foreign Affairs (Pasi). Since inclusion in the government coalition, the Turkish minority has ceased demands for recognition as a constituent people of Bulgaria; however, at its party conference on February 16, 2003, demands were made for reparations for the damage and suffering inflicted during the "rebirth process". However, no person belonging to a minority is denied Bulgarian citizenship.

Article 13 of the constitution and the new Religion Act of December 20, 2002 establish separation of church and state. However, the Orthodox Christian Church is assigned an enhanced status in public life. Religious dogma has no influence on policy or the law; nevertheless, the church is often used as “decoration” at secular events such as grand openings for new stores. Throughout the entire country, the state is present with a differentiated administrative structure.

(2) *Political participation:* There are no laws restricting free and fair elections. And—with the exception of the controversial first elections of 1990—there have been few instances of fraud in the past years. However, elected officials are often dependent on mafia-like economic groups. For example, rumor has it that Prime Minister Simeon allowed Multigroup to finance his election campaign.

The constitution guarantees unlimited freedom of association and assembly. The one exception to this rule is the prohibition of ethnicity-based political parties under article 11(4) of the constitution. In the case of the Turkish DPS, the constitutional court found an acceptable interpretation and courageously ruled on April 21, 1992 to allow its formation. The Macedonians in Pirin have been denied this same right, and the Sofia municipal court recently rejected their petition once again. Two Roma parties and the radical Turkish Democratic Party of Adem Kenan (an offshoot of the DPS) inhabit a gray area.

Full freedom of speech and press—within the usual constraints such as common decency—prevails both by law (through articles 39 and 40 of the constitution) and in practice. Unfortunately, the general quality of journalism is not very high. This problem is exacerbated by the media empire of the German WAZ Group, which bought up many of the tabloids. One of the few readable, well-informed weeklies that is at least trying to be objective is Kapital, now affiliated with the German Handelsblatt.

(3) *Rule of law:* Article 8 of the constitution provides for a separation of powers that may actually be excessive, as demonstrated by the recent dispute between the judiciary and the other branches which threatens to paralyze the country. By law, the judiciary is independent and differentiated. In reality, poor pay has left the judiciary open to political and financial manipulation and inadequate funding weighs down this branch of the government. To date, the Constitutional Court has been the exception as it has sought to uphold the rule of law, particularly during the period of BSP rule. However, decision 13 of December 16, 2002 regarding the Judiciary Act—and the fact that it was opposed by three members—indicate that it too may be giving undue consideration to political concerns.

Abuse of authority is rarely punished, and higher officials are never punished. At the same time it seems no transgression escapes public attention. Civil liberties are established by the constitution in article 25, among others, but no provision has been made to address complaints against infringements of constitutional rights. According to article 149, only government bodies may file such complaints. However, articles 56 and 120(2) provide for basic rights to be asserted in the courts. On the other hand, article 120(2) allows the government to pass laws excluding certain state acts from challenge, an option it uses excessively though the constitutional court has tried to limit the practice. Because of financial constraints and a deep mistrust of the courts, only a very few citizens actually turn to the courts to resolve civil cases; instead, most prefer to settle disputes themselves.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: Institutional functionality is limited with respect to funding and personnel and due to a lack of intra- and interorganizational stability and continuity, and poor pay makes it susceptible to corruption. Public administration continues to be characterized by many deficiencies, despite a new civil service law and other efforts of administrative reform. The cyclic rotation of civil servants after every election does little to promote stability. And though the Civil Service Law prohibits the outright firing of employees, civil servants down to the lowest levels are replaced after each election. It is also not uncommon for files to disappear or entire computer hard drives to be purged. On the whole, all relevant political and societal actors regard the democratic institutions as legitimate.

Recently, parliament and government have found themselves in a confrontation with the judiciary; this conflict has been exploited by economic interest groups and the SDS in order to fight the government. The judiciary is moreover afraid to lose its unreasonable privileges, above all the constitutionally guaranteed immunity and the job (and transfer) protection of higher ranking officials.

(2) *Political and social integration*: The party system is fragile and characterized by a large number of parties—sometimes more than 140. There is, however, a 4 % electoral threshold for parliamentary representation, which keeps most parties out of the legislature. Seventeen parties are represented in the current parliament grouped into four coalitions and parliamentary groups: the NDSV (with two partners), the United Democratic Forces (ODS, consisting of the SDS and four partners), the Coalition for Bulgaria/KB (BSP and five partners) and the DPS (with two partners). Recently, ten NDSV MPs left the party and formed their own parliamentary faction. Most of the parties are patronage-based with more or less charismatic leaders and generally lack platforms meaningfully different from the

other parties. They are also rarely open to new blood and on the whole, the same faces are seen today that were seen ten years ago.

There is neither a true social democratic party nor a true liberal party. The history of the opposition since 1989 up to now has been characterized by permanent splits that, with the help of discipline and embezzled funds, allowed the former communists to remain important. The degree of polarization has diminished to some degree since the formation and election victory of the NDSV. Voter volatility is high among the BSP, SDS and NDSV. Only the ethnic Turkish party, the DPS, is stable with about 7 % to 8 % of votes.

There are two chambers of commerce and two unions, the Confederation of Independent Trade Unions (KNSB) and *Podkrepa* (Confederation of Labor). In addition to socio-economic interest groups, there are also a number of intermediary foundations and NGOs: the Open Society Foundation; A. Željazkova, active in minority policy; organizations such as Krasen Stančev's institute which conduct economic research and consulting; and Želez, Ivan Krāstev, and Ognjan Šentov and his Center for the Study of Democracy (CSD), etc., all three of which carry out political research and liberal lobbying. Remarkably, extreme ethnic, religious and nationalistic tendencies are almost nonexistent in Bulgaria. This could change if the economic situation does not improve.

In abstract terms, support for democratic principles is apparently very high. Despite any nostalgia for the security and stability the country knew under Živkov, no one wants to return to Communist Party rule. However, the tangible development of Bulgarian "democracy" has led to general disaffection with the state, apathy, contempt for those in power, extreme election results (as in the election of Simeon II), emigration, and a retreat into family and clan groupings. Many well-educated, young Bulgarians have left the country (177,000 since 1992 and as many as 500,000 since 1989). Bulgarians have been disappointed by their politicians too often since 1989, most recently by the current head of government. The prevailing opinion is that those who go into politics are not really interested in the good of the country, but rather in providing for themselves and their clan. There are numerous smaller NGOs, but they are not very deeply rooted in society and have little influence.

3.2. Market economy

3.2.1 Level of socioeconomic development

Social exclusion due to poverty and poor education is a significant problem. According to the World Bank, more than a million Bulgarians, that is 12.8 % of the population, lives in poverty (less than 31 euros per month) although

Bulgarians say this figure is too low. The Roma who live in slums at the outskirts of the cities and who are completely marginalized in society, in the educational system as well as in the labor market, constitute a particular problem group.

The prices of electricity, heating, fuel, water, and other basics continue to rise as a result of the IMF's pressure on the government to reduce subsidies and allow cost covering prices. The growing armies of the unemployed, welfare recipients and the retired (reflecting the superannuation of the population) do not stand a chance in a brutally competitive economy. The Roma, at about 4 % of the population, have been completely marginalized to the bottom rung of the social ladder. On the other hand, women enjoy equality to a great extent, perhaps a positive legacy of socialism.

3.2.2 Market structures and competition

In theory—or at least according to article 19 of the constitution and laws such as the anti-trust legislation passed in 1999 and amended in 2002—free market competition exists. In reality there are numerous monopolies and oligopolies; and, the dimension and financial strength of companies varies widely. This, combined with unscrupulous politicians, authorities and courts, means that large-scale enterprises always have the advantage. In light of the fact that many large, state-run companies still exist (and still operate at a loss) the anti-trust law is applied only sporadically. The same holds true for the country's bankruptcy law.

Foreign trade is deregulated, and the old Foreign Trade Act was repealed in 1989. It was replaced by numerous regulations in compliance with WTO and GATT rules (including no. 233, regulating foreign trade transactions; no. 300, concerning protective measures; and no. 287, regarding protection from dumping and subsidized imports). Most state-run banks have by now been restored to profitability, liquidated or privatized, and several were sold to foreign investors. Bank insolvency is now regulated, which marks a considerable improvement.

3.2.3 Stability of currency and prices

The Bulgarian currency was pegged to a basket of foreign currencies in July 1997 with the introduction of a currency board. This circumscribed the – comparatively independent – Central Bank's scope for action with respect to monetary and exchange rate policy. However, even before then the Bank had consistently sought to pursue a stable, anti-inflationary and appropriate exchange rate policy to the extent political circumstances allowed. Banking supervision, on the other hand, was inadequate. The International Monetary Fund and the currency board have forced the government to pursue a state stabilization policy and, so far, the government has toed the line.

3.2.4 Private property

Private property rights are defined in article 17 of the constitution and in other legislation. However, the usual problems arise with regard to enforcing property rights in court. To make matters worse, there is still no universal system of land registries and obtaining a mortgage remains a laborious and time-consuming task. Article 22 (1) of the constitution still bars foreigners from acquiring land unless they form a legal entity defined under Bulgarian law as a commercial company with 100 % of its capital in foreign hands. The private sector accounts for about 60 % of Bulgaria's GDP, and that figure is growing very slowly (57 % in 1997 and 61.3 % in 2000). In April 2003, the privatization of Bulgartabak and the Bulgarian Telecommunications Company failed.

3.2.5 Welfare regime

Social welfare legislation is in place, but the benefits are minimal and not sufficient to live on. State health care is inadequate and there is a chronic shortage of medications. Without the hidden economy, clan or family support, and either a garden of one's own or relatives with a farm, most Bulgarians could not survive. Equal opportunity is guaranteed in the legal system, but increasingly difficult to harness due to the widening social discrepancies.

3.2.6 Strength of the economy

On the whole, the macroeconomic data have been stable since 1997. There is economic growth (4 % in 1998, 2.3 % in 1999, 5.4 % in 2000, 4 % in 2001, and 4.2 % in 2002) but it hasn't been sufficient to raise living standards for the majority, in part due to the unfair distribution of this growth. The level of employment is low at 19.5 % by official figures, though in reality it is probably higher. Indebtedness is high at \$9.9 billion and the debt ratio runs at 131.5 % of exports. The balance of trade and current accounts deficit is growing: it rose to -6.8 % in 2001 from -5.9 % in 2000.

3.2.7 Sustainability

There are many environmental laws on the books but the government lacks the funds to either observe them itself or enforce them in the private sector; corruption plays a part here as well. Environmental awareness is not very developed and environmental pollution is widespread. There are good state-sponsored educational institutions, including college preparatory schools with

Western teaching languages. The quality of research is very high in some areas but funds are lacking everywhere.

4. Trend

(1) *Democracy*: Bulgaria has made definite progress in transforming its political system when measured against its nadir in 1996–97. However, considerable deficiencies remain with respect to the rule of law, the state's ability to exercise control over powerful groups with illegal ties, the fight against corruption and the widening income and wealth gap. Wretched social conditions make for a potentially explosive situation.

Some areas have remained stable, such as elections and political participation, while others, such as the rule of law, have deteriorated considerably. Para-governmental, mafia-style corruption and violence are becoming more prevalent, and the state can no longer guarantee the safety of its citizens. Bulgaria's state identity is also at risk from another angle. The "rebellion of the judiciary" threatens to paralyze the state in such critical areas as budgeting, privatization, foreign investor confidence and accession to NATO and the EU. Democratic consolidation has not taken place. Although the formal democratic process continues to function, it loses meaning when the legislature adopts laws only to see them ignored, evaded or thwarted by para-governmental forces.

(2) *Market economy*: The level of development in Bulgaria with respect to the HDI has not changed in the last five years as can be seen in the following figures: 0.778, 1995; 0.772, 1998; 0.779, 2000. Economically, the country is worse off than it was before the fall of the iron curtain. Current GDP is 78 % of the GDP from 1989 and, at 24 % of average EU income, Bulgaria is at the bottom of the table among the candidate countries. Growth slowed in 2001 to 4 % as compared to 5.4 % in 2000. During the same period, the current account deficit increased from 5.9 to 6.8 % of GDP. Institutional conditions have technically improved as a result of efforts to match EU standards but in reality this effort has had little impact.

Table 2: Development of socioeconomic indicators of modernization

	HDI	GDI	GDP index	Gini index	UN education index	Political representation of women ^a	GDP per capita (\$, PPP)
1998	0.772	0.769	0.65	-	0.90	10.8	4809
2000	0.779	0.778	0.68	26.4	0.90	26.3	5710

^a Percentage of female members of parliament following the parliamentary elections of 1997.

Sources: UNDP, Human Development Report, 2000, 2002,

<http://undp.org/hdr2000.english/FAQs.html>, <http://undp.org/reports/global/2002> [accessed 05/03/2002].

Table 3: Development of macroeconomic fundamentals (1998–2002)

	1998	1999	2000	2001	2002
GDP growth, in %	4.0	2.3	5.4	4.0	4.2
Exports, in m US \$	4193.5	4006.4	4824.6	5106.5	5687.8
Imports, in m US \$	4574.2	5087.4	6002.2	6674.4	7897.0
Inflation, in %	18.8	2.6	10.4	7.5	7.5
Unemployment, in %	16.0	17.0	16.4	19.6	16.3
Budget deficit, in % of GDP	0.9	-1.0	-1.1	-0.9	-0.7
Current account balance, in millions of \$	-61.4	-651.7	-701.6	-887.5	-

Source: Osteuropa-Institut München, Working Papers No. 242, July 2002, *Wachstum in schwierigem Umfeld*, pp. 45 f.; data for 2002: Kapital 29 February 2003, www.mi.government.bg.

5. Transformation management

5.1 Level of difficulty

The baseline economic situation at the ouster of the Videnov government in late 1996 was catastrophic. In 1997, GDP fell 5.6 % in real terms, and inflation soared to a staggering 1082.3 %. According to the income levels used by the World Bank, Bulgaria's \$5,000 GNP per capita, PPP ranks in the middle of the field.

According to the UN education index, education levels are relatively high. Religious conflicts are only present within the church (between Maxim and Innokenti sects), and there are almost no ethnic conflicts; conflicts with the Roma are more social in nature. However, there are bitter social conflicts between the extremely rich and the poor.

There are no civic traditions, and no such traditions emerged even under the semi-authoritarian inter-war regime of Czar Boris III. Civil society is developing at a snail's pace. A survey conducted by the ministry of justice in December 1999 revealed the public's strong interest in legal issues. The survey also indicated a high degree of willingness to accept laws as binding norms; 87 % of those asked held the opinion that laws need to be complied with, even if they are inconsistent with usual legal conceptions.

5.2 Reliable pursuit of goals

The government seeks to increase living standards and to lay the groundwork for joining the EU and NATO. As a result, the currency board and IMF requirements limit the government's freedom to act. For this reason, there is now discussion in Bulgaria on whether or not to do away with the currency board in order to attract investors. Recently, the government's privatization policy has been fettered by the judiciary.

The government is trying to pursue a consistent, coherent reform policy, but the factors mentioned above continue to hamper its progress. For the time being, the government's attempt to reform the judiciary has failed. The poor quality of laws and the constant need for amendments and alterations also need to be mentioned as they further intensify the legal uncertainty; this situation is also criticized by Bulgarians, most recently by the speaker / president of the parliament Prof. Gerdžikov. One is under the impression that many times laws are passed in order to conform to the EU's *acquis communautaire* and thus accommodate Brussels, even if the political will and the preconditions to carry them through are not existent. An example was the civil service law.

By now, Prime Minister Simeon II. has disappointed many of his voters. Though he did succeed at representing Bulgaria's interests abroad¹, for a long time the Prime Minister lacked an essential understanding of the political circumstances in Bulgaria and, above all, lacked the ability to assert himself within his own government and party. He would be a good 'Tsar' or president – perhaps he will yet attain this office. He has, however, acquired some time for his country and he will perhaps be able to do more, if he is not abandoned by his supporters. The reliability of expectations is low. After more than twelve years of experience, Bulgarians expect nothing good from either their government or their politicians. Their skepticism is confirmed daily by reports of murder, blackmail, corruption and other crimes. The young and well educated who can leave the country do so.

¹ He has been received twice by President Bush; In early March 2003, President Putin visited Sofia on the occasion of the 125th anniversary of the Peace of San Stefano.

5.3 Effective use of resources

The public administration is overstaffed and lacks continuity. Every change of governments brings a turnover of the entire civil service and recruitment divorced from politics is almost unheard of. The national budget deficit is restricted by the IMF, it was 0.9 % in 2001. National debt remains high. In all likelihood, auditing controls are also not free of external influence. Spending in excess of the budget is the norm leading to supplementary and amended budgets. With respect to reform implementation, the current government shows good intentions, but continues to run up against obstacles including a shortage of funds, para-governmental influences and, at present, the hypertrophy of the judiciary. The government does not offer sufficient public services for development.

An effective check on corruption is barely perceptible and corruption remains a key feature of government and administrative cultures. Despite legislative efforts and verbal commitments to change, no goals have been achieved, and none of the indicators have been fulfilled. The many authorization requirements that –so far unsuccessfully– are meant to be reduced constitute a permanent source of venality. The parliament recently debated a legal amendment which grants an authorization request, if it has not been rejected after a certain amount of time.

In order to clean up the particularly corrupt customs authorities, the government has hired a British company (Crown Agents). The police is a big problem, as it often cooperates with organized crime. The judiciary is also subject to financial and political influences; incomes are low and there is no tradition of impeccable judges or civil servants.

Bulgaria's history and social development provide few positive memories. Five hundred years under Turkish rule from the 14th century to 1878 were followed by independence from Russia, but then important territories were lost at the Treaty of Bucharest in 1913. Bulgaria fought on the losing side in both World Wars, and the inter-war period saw the VMRO murders of the 1920s and the authoritarian regime of Czar Boris. Bulgaria became a Soviet satellite from 1944-1989 and suffered the concurrent destruction of its entire upper class. For lack of alternative political role models, a cult has developed around the Treaty of San Stefano, commemorated by a national holiday on March 3, even though it was undone three months after its signing by the Congress of Berlin. Only the three Bulgarian Empires prior to Turkish rule, the "Apostles" of the Turkish liberation prior to 1878 (Levski and others), and the great writers of Bulgarian literature are seen in a positive light. The deeply rooted European identity, however, constitutes an important cultural resource in the transformation process and the preparation for accession to the EU.

5.4 Governance capability

The leading political actors do react to failures with political changes, however, politics often stay in the same old groove. The current government lost much of its post-election influence when it became clear that it could not fulfill its exaggerated campaign promises, although the government's authority has since stabilized at a lower level. As a result of a group of parliamentarians' decision to leave the leading government party NDSV, the government has become increasingly dependent on compromises with both the DPS, the coalition's junior partner, as well as the opposition parties, even though it continues to have a parliamentary majority. Since its assumption of office in July 2001, the government has been confronted with a total of four motions of no confidence. The government considers allocative effects of its policies, but makes little effort in order to improve the allocative efficiency of the markets. The scope for investments, however, is strongly limited due to the fiscal and monetary self-restraint in the form of the currency board. Within this scope of action, the government acts appropriately, even though it does not make the most of all development opportunities.

5.5 Consensus-building

Most political actors agree in establishing market economy and democracy. However, this does not apply to certain economic corporations who use deficiencies of democracy and the rule of law to maximize profits and political influence. They are also doing everything they can to keep foreign competition out of Bulgaria even though they block foreign investment essential to economic development. It appears, though, that the tides may be changing ever so slowly, for the tycoons are looking to become respectable, to make their booty legal and may then become interested in the rule of law. It will hardly be possible to eliminate these actors with anti-democratic veto powers, as they have become too powerful. It remains to be seen how the situation will develop following the murder of the Multigroup CEO.

One of the Prime Minister's more intelligent policies has been to avoid irreconcilable lines of conflict. He has involved the DPS in his government and has tried in vain to win over the SDS. Further, he has put two BSP ministers and one BSP deputy minister in his cabinet, although one of these ministers stepped down recently. Simeon II appears to have a good relationship with President Parvanov, a member of the BSP. After ten years of polarization, Simeon has sought to unify Bulgaria's divided society so that it can finally begin the process of development. When he returned after 55 years in exile, he probably knew little about actual conditions in Bulgaria and apparently had no good advisors. For example, his first cabinet chief was the shady ex-Foreign Minister, Stojan Ganev. Fortunately, he "imported" two economists who had been educated in the West—

his Finance Minister, Milan Velčev, and Economics Minister, Nikolaj Vasilev. He seems to want the best for the country, but he often gives the impression of resignation. In any case, he is not the strong man the people had dreamed of.

Solidarity is practically an unknown word in Bulgaria, networks of mutual assistance are largely limited to family and kin relations. No reconciliation has taken place between perpetrators and victims and the perpetrators have so far gone unpunished. Crimes are frequently swept under the carpet. Nor has there been reconciliation between the Communists and their victims. Tentative attempts to bring Živkov and others to trial or to keep the nomenklatura out of senior positions through the Panev law have failed. As late as 2000, the MP Panev saw a law through parliament that declared the Communist regime criminal, though it has in fact been inconsequential. Today, no one is even trying to make progress in this area anymore; the resistance is too high and the demands of current issues are too great.

There is also no critical analysis and discussion of the time before 1989, presumably because too many elderly people had been involved and profited from the regime. At least, the DPS threatened to sue for compensation at its party convention on 16 February 2003 because of the injustice that had been committed during the persecution of the Bulgarian Turks between 1982 and 1989, i.e. the so-called “rebirth process”.

5.6 International cooperation

Cooperation with foreign donors is something the government wants very much, but has not been very successful in achieving due to flaws in the government and administration. Accession to the EU and NATO are seen as a panacea, but the sacrifices involved are ignored. Bulgaria is a member of almost every regional organization, including the Black Sea Economic Cooperation Organization, SECI, CEI, CEFTA and the Stability Pact. The government is trying to project some reliability of expectations to the international community, but it has been unsuccessful. Recently, contradictory behavior over the Kozloduj matter, privatization of the Bulgarian tobacco and telecommunication companies, sale of weapons to Iraq in the Terem affair, and the judiciary’s megalomaniac attitude have once again lead to increased annoyance abroad. Clear words from both US ambassador Pardew and Bruce Jackson, who spoke at the Conference on Security Policy in Munich on February 10, 2003, demanded that chief public prosecutor Filcev be replaced and former Communist Asparuchov not be appointed chief of the National Intelligence Services.

Bulgaria is now cooperating with its neighbors at the behest of the international community. Before this cooperation can be viewed as successful, historic prejudices must first be overcome. School textbook reform would be extremely

helpful in this respect. In addition, many in Bulgaria fear that too much regional cooperation would slow or block the country's path to the EU and NATO, which is why the Greek Foreign Minister's alleged suggestion to form a Balkan Federation fell on deaf ears in Bulgaria. Bulgarian NGOs have established active contacts to neighboring countries and advocate the creation of so-called Euroregions.

6. Overall evaluation

The baseline conditions were extremely unfavorable. The positive achievements made by Filip Dimitrov's SDS government in the one year from the end of 1991 to the end of 1992 were completely undone by the subsequent Berov and Videnov governments, and by 1997, the country was on the brink of economic ruin. With the help of the currency board and the IMF, the Kostov government was at least able to bring about macroeconomic stability. However, he was not able to remedy the country's social ills. Since 1998, Bulgaria has made much progress on her way to establishing a modern, competitive market economy.

Governance in Bulgaria is still first and foremost a matter of crisis management and compliance with donor constraints, particularly the IMF and the EU. There is little room for independent initiatives. The Kostov and Saksoburggotski administrations did elaborate a multitude of new laws for adjustment to the EU's legal framework, great deficiencies exist in the implementation, however. Compared to the dynamism in Albania, Kosovo and in the Albanian territories of Macedonia, the political development in Bulgaria is more characterized by stagnation, retrograde steps and apathy.

However, in light of the difficult circumstances it is remarkable that the Prime Minister did not throw the towel in long ago and that the government continues to fight on despite its dwindling majority, as another 5 members of Parliament left the party on February 10, 2003. The NDSV is down to 109 MPs (from 119), but combined with the 21 DPS seats, it still has a majority in the 240-seat parliament. However, the situation is making the NDSV increasingly dependent on Ahmed Dogan, the leader of the DPS. It is difficult to understand why the SDS still refuses to cooperate with the government.

7. Outlook

In light of the gloomy picture painted above, the international community should take care to ensure that Bulgaria does not slip further into ruin. The government should be given back its freedom to stimulate the economy with tax and other incentives. More and more voices in Bulgaria are calling to dismantle the

currency board. The government urgently needs support in its fight for judiciary reform and against the mafia structures and organized crime.

For all its shortcomings, the Simeon II government is the best government Bulgaria has to offer right now. Neither the SDS nor the BSP has completed their internal consolidation processes and there are no other alternatives in sight. Additionally, the current government's popularity has recovered somewhat since an abrupt drop in 2002. The SDS is utterly divided, with the party's leader, Michajlova, pitted against ex-Prime Minister Kostov. The BSP has not yet reformed, and the new party leader, the young Stanišev, is still trying to assert himself against the hardliners surrounding Videnov. So, there is currently no reasonable alternative to the present government. It will be interesting to see what happens in the local elections this fall. It is likely that the conservative right of the NDSV, Sofia's mayor Sofijanski, ex-SDS member Bakardžiev and others will join forces, but it is questionable whether it will be possible to finally bring the SDS on board.

One should be thankful that the transition, though rocky, has so far been without bloodshed. However, the potentially explosive social problems that have been festering for so long should not be underestimated. Bulgaria needs a strong hand—even from an external party even, such as Brussels—to make cooperation, discipline and the rule of law possible once and for all.