

Bulgaria 2015



Total: 63.92

Political Freedom

Free and Fair Elections : 8.93

The legal framework governing the conduct of elections in Bulgaria includes the Constitution, the Electoral Code, and the Law on Political Parties. Provisions of other laws, including the Law on Assemblies, the Criminal Code and the Law on Media play also a key role. The combination of these acts provides a sound basic for conduct of free and fair elections in the country. A number of international observers, however, have been reportedly criticising the practical implementation of the electoral legislation. In October 2014, early parliamentary elections were held, after the Socialists-led government of Plamen Oresharski was forced to resign by a wave of massive street protests demanding better living standard and improved accountability in the country's politics. The elections were held against the backdrop of a political crisis provoked by the resignations of two consecutive governments, lack of political consensus among the parliamentary forces, scandalous public appointments and a number of cases of alleged corruption practices. These circumstances withdrew public confidence from the elected institutions, leading to a record low election turnout – 48.8%. These were the first general elections, held after the adoption of a new Electoral Code. The endorsement of the Code followed a large set of public debates, initiated by the Head of the Parliament. The deployed OSCE/ ODIHR election observation mission, however, reported on a number of continuing and inefficiently addressed irregularities, which account for a substantial lack of confidence in the elections, and in the country's politics in general. Widespread practices of controlled voting and vote-buying continued to be a part of the electoral landscape. Traditionally, the strongly marginalised minority groups in the country have been a subject of vote-buying practices.

Absence of Unconstitutional Veto Players : 6.67

The institutional and legal framework of Bulgaria guarantees the independent functioning of the government and restricts the existence of traditional unconstitutional veto players. Powerful interest groups, however - most of them originating back to the very first years of the regime change after the fall of communism in 1989 - wield soft powers. Such groups intervene in the judiciary, economy and public policies. The army is under the shared control of the country's President and Minister of Defence. Bulgaria became a NATO member in 2004.

Freedom of Press : 6.2

Despite the fact that the constitution of the country provides for basic protection of media freedom

and freedom of expression, Bulgaria's ranking, with regard to press freedom, has been deteriorating and is currently far below the rest of the EU member-states. The 2015's "Press Freedom Index", published by the "Reporters without Borders", takes the country to the place 106 out of the 180 countries worldwide, which is a drop of 6 places as compared to the previous year. The reasons for the ever deteriorating media environment are manifold. Following the bankruptcy of Corporate Trade Bank, one of the largest banks in Bulgaria, and under the pretext to preserve public confidence in the banking system, the National Parliament discussed, in July 2014, an amendment to country's penal code, which envisaged 2-5 years of imprisonment for circulating false or misleading information about banks in the country. Under a pressure from journalists' associations and citizens, the parliament modified the provision, making it difficult to apply in practice. Yet, in January 2015, the Bulgarian Financial Supervision Commission imposed a fine of 80.000 Euro to the Economedia publishing group which manages a few of the largest newspapers in the country, for disclosing sensitive information about the banking sector. Individual journalists were also fined in this attempt to impose media censorship. The media ownership remains highly concentrated and non-transparent. Despite the large number of print, TV and radio outlets, the media environment is by and large obstructed by interest groups. Investigative journalism is on the rise, but it rarely meets the support of media, or by the state prosecution. Regardless of the high volume of manipulative web sites, Internet remains the most preferable source of accurate and unbiased information. The role of the social media - as a place of a free information flow - constantly rises.

Rule of Law

Independence of the Judiciary : 3

Since last year Bulgaria has regressed in the field of judicial independence. Judiciary is corrupt, and as citizens perceived it in the Global Corruption Barometer 2013 it is the most corrupt part of public life. Political influences are multiple. Several court or prosecutors' decisions lately were widely perceived as politically motivated. For instance, in May 2014, the Sofia Prosecutor initiated an investigation against the state President Rosen Plevneliev for alleged treason, even though it was not in his scope of responsibility. Backlog of cases and their allocation, itself suspected to be politically motivated, are often a matter of dispute. In their latest report in the framework of the Cooperation and Verification Mechanism for Bulgaria, as of January 2015, the European Commission wrote that the overall progress was slow during the preceding year. By mid-2015, the discussion on a proposed new reform of the judiciary was under way, with lots of heated debate between institutions and between individual politicians, mutual calls for resignations and accusations of undermining the reform efforts.

Corruption : 4.3

Prior to 2007, an argument against Romania's and Bulgaria's entry to the EU was widespread corruption. In the case of the former, a tiny improvement has thereby been made in the meantime, while the latter actually regressed in relative terms. According to Transparency International's Corruption Perception Index, Bulgaria fell from the place 64 of 180 in 2007 to the place 69 of 175 in 2014. The 2014's score of 43 was, true, a bit higher than the one for the two previous consecutive years: 41. According to the Freedom House reports 2006-2015, Bulgaria worsened also in absolute terms, from 3.75 to 4.25. During the past 8 years, all the anti-corruption regulation

was put in place according to average EU standards, yet due to the poor implementation of (not just) those (but many other) laws the result was a state still captured by the alliance of political and corporate oligarchy, organized crime, just partially reformed secret services and biased traditional media. As a player in this corruption game, foreign authoritarian regimes are also present, through special intelligence operations, facade companies and aggressive propaganda through their satellite TV channels or corrupted local journalists. Even though not the only one, corruption was one of the important motives for almost a year of – ideologically diverse - street protests in front of the Parliament between July 2013 and July 2014. Another, interconnected motive was popular discontent over the attempts by the government to appoint a media mogul Delyan Peevski as the head of the secret service DANS. In January 2015, the European Commission has invited Bulgaria “to accelerate progress on its recommendations on the reform of the judiciary and the fight against corruption and organized crime.”

Protection of Human Rights : 6.67

There have been very few fields of human rights where Bulgaria has achieved uninterrupted progress during the past 6 years. According to Maplecroft's Human Risk Atlas data, during the past two years there has even been a decline in the overall score for human rights. Constant improvement has lately been observed in suppressing child, forced or involuntary labour and human trafficking of various kinds. Also, women's and girls' rights, struggle against domestic violence and minority rights showed signs of progress. But in those fields the starting points were extremely low, hence the current state of affairs is nevertheless still bad. Minority rights stumble in many areas. The rights of linguistic minorities are even limited by the Constitution. An improper use of a minority language, e.g. Turkish, at a public (even political party or civil society) event might and in some cases did lead to paying fines. Ethnic Romany and Macedonians are generally worst protected. Homophobia is resistant. As a new challenge, an increased number of war refugees, asylum seekers or other migrants from Syria or other Middle Eastern or African countries have been arriving to Bulgaria since 2013. The official answer was, in 2014-2015, the building of a barbed wire fence on the border with Turkey. Additionally, conditions and treatment of refugees in collective shelters were bad. So was, occasionally, their treatment by the police or other authorities. Xenophobic (sometimes including Islamophobe) attitude was spread among the broad population, mainly due to irresponsible political speeches delivered by the far right.

Economic Freedom

Security of Property Rights : 4.73

Private property is not adequately protected in Bulgaria. Similarly to other countries in the region, the main problems arise from the weakness of the judicial system – partial courts that can be influenced by external factors, which greatly lowers the integrity of the entire system of justice. Furthermore, court procedures are numerous, and time consuming and costly, leading to overall long processes which undermine the possibility to protect one's property in front of the court. This leads to inefficient contract enforcement. Insolvency resolving is characterized by extremely long processes and low recovery rates. Low reliability of the police in the country is another weakness, coupled with high levels of corruption, which is prevalent to such an extent that the European

Commission froze pecuniary transfers to Bulgaria in order to assure embezzlement prevention. All those factors combined lead to relatively low score regarding property rights. In order to improve the situation, major reforms of the legal system should be undertaken. However, the political will for tackling this very important question in Bulgaria is lacking.

Size of Government: Expenditures, Taxes, and Enterprises :

7.78

Public sector in Bulgaria is smaller than in other European countries, consuming only 38% of GDP. Public debt is low, reaching 27% in 2014. But it almost doubled from the pre-crisis level. In order to contain it due to medium term financial obligations (mostly future rising expenditures for pensions and healthcare) and to build fiscal buffers, another set of fiscal measures is necessary. Stagnant low level of growth after the 2009 recession is a major issue – only did in 2014 the GDP reach its pre-crisis peak, and Bulgaria remains one of the poorest EU countries, with very slow income convergence. State subsidies are present for state owned companies, albeit in a smaller amount than their pre-2012 level. However, the financial stability of some of those companies (especially the performance of the national energy company) is dubious, with possible risks to the public finance. The level of public consumption left room for the lowest taxes in the European Union, standing flat at 10% for both personal income and corporate tax. Although the bulk of public revenue is coming from VAT (set at standard 20% or preferential 9%) and excise duties, the low share of the direct taxes is steadily increasing. However, even with low personal income tax, tax wedge on labour is relatively high, at 34.6%, due to high social contributions, paid both by the employer and by the employee. The grey economy is widespread, reaching one third of the GDP.

Regulation of Credit, Labour, and Business :

6.84

The regulatory framework for conducting business operations in Bulgaria is a mixture of modern liberal and restrictive regulations. Another very important trait is inconsistent application of laws, fostering favouritism by state officials and enabling the high level of corruption. Regulations regarding credit and labour are Bulgaria's strong points. Collective bargaining in the tripartite social dialogue does not incur significant cost to private enterprises and is mostly limited to public sector employees. The minimum wage is not considerably high relatively compared to the average salary (approximately 34% in 2013). It was increased in January 2015 to 360 BGN, with further plans for its increase, which is not aligned well with the government's plans for decreasing the level of shadow economy. On the other hand, hiring and firing procedures, with their redundancy notification period and severance pay rules, may need improvement. Red tape and complicated administrative requirements are not so favourable, whereas they are incurring high costs on businesses. Obtaining a construction permit, or electricity, are both very much time consuming and expensive procedures. Taxation legislation is complicated to comply with, although with low numbers of annual payments. On the other hand, starting a new business venture is faced with little difficulties, the process being fast and cheap.

Freedom to Trade Internationally : 8.8

Bulgaria fosters freedom to trade internationally. As a member of the EU, it tries to abide by the EU common trade policy, which is mostly liberal. Therefore, Bulgarian foreign trade is generally liberalized, with generally low tariffs. But, regulatory barriers to trade are present in the form of complicated and expensive standardization requirements for imported goods. The bad shape of the transportation infrastructure, most notably of the railways, is associated with higher freight costs, limiting the scope of international trade. Bulgaria's main export markets are fellow EU member countries (Germany, Italy, Romania, France and Belgium), followed by Turkey. Similar patterns are there also in imports, but with the more prominent role of the Russian Federation, which is the main energy supplier. The South Stream, a pipeline project that was envisaged to provide more energy security to Bulgaria and revenue from transportation tariffs, was cancelled in December 2014 by the Russian investors, due to non-compliance with the existing EU regulation, finally resolving a long debated issue.