

# Bulgaria 2017



**Total: 63.72**

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## Political Freedom

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### **Free and Fair Elections : 8.93**

Citizens in Bulgaria are able to choose government in free and fair elections, while political parties and politicians are free to operate, compete among themselves and express wide variety of opinions. Although the legal framework is generally conducive to holding democratic elections, the regularly deployed OSCE ODIHR election observation missions warn of a number of drawbacks in the Bulgarian election process. This applies both to certain legal provisions such as the restriction for the conduct of the campaign in Bulgarian language only, the campaign financing, and the use of media during campaigns on the one hand, as well as to procedural irregularities on the voting day on the other. The long standing issues of vote buying and controlled voting, campaign ethics etc. remain unaddressed. Political life in the country during the period under review was very turbulent. Law provision which sanction citizens who do not cast their vote in two consecutive elections by deleting them from the registry, was annulled by the Constitutional Court in February 2017. In November 2016, presidential elections were held, whereby an independent candidate Rumen Radev, supported by the opposition Bulgarian Socialist Party, won against Tsetska Tsacheva, a candidate of the ruling party Citizens for European Development of Bulgaria – GERB. Bulgaria entered another political crisis after the elections, since Prime Minister Boyko Borissov resigned. Early parliamentary elections were held in March 2017, with GERB party - which is dominating the political life since 2009 in Bulgaria - winning 95 out of the 240 seats in the Parliament. Borissov continued his ruling by building a government coalition with United Patriots, itself an electoral fusion ticket consisted of three populist far-right parties.

### **Absence of Unconstitutional Veto Players : 6.67**

Bulgaria doesn't have unconstitutional veto players. Democratically elected government has effective power to rule the country without interference. System of checks and balances is set in place, although corruption cases question independency of each of the branches. Problems with wealthy business people with close ties to politicians remained. They represent a possible undermining factor for democratic procedures and democratic decision-making. Besides having a long-standing problem with high level corruption, there is also a problem with organized crime in the country, as permanently addressed by the Control and Verification Mechanism of the European Commission. Bulgaria is ranked on 75th place in the Transparency International's 2016 Corruption Perception Index.

## **Freedom of Press : 5.8**

Freedom of both traditional and online media outlets in Bulgaria is limited to a certain extent. There is wide variety of media outlets that operate in the country, but partisan reporting by most of them remains an issue. The biggest threat to pluralism is coming from the unclear media ownership, as well as from growing concentration of media ownership, with only few companies controlling majority of the media market. Thus, in order to be properly informed, citizens should seek for information from various sources. Journalists practice self-censorship due to strong political and editorial pressure, as well as defamation charges which are brought against them. There is a strong dependence of media on the state, while the process of state advertising and subsidizing of media is often done in non-transparent ways. Cases of verbal and physical violence against journalists do occur. Reporters without Borders ranked Bulgaria on the 109th position in 2017 World Press Freedom Index - the lowest among all EU countries.

## **Rule of Law**

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### **Independence of the Judiciary : 3.92**

Judiciary in Bulgaria, despite constitutional guarantees and EU-membership requirements for its independence from politics, is still implementing the most basic EU standards. Freedom House, in its Nations in Transit 2017 report, noted that “nontransparent and uncompetitive appointment procedures in the highest judicial bodies, as well as alleged corruption, have continued to tar the judiciary’s reputation at home and abroad”. Luke-warm judicial reforms as of late 2015 have, as expected, produced meagre results in 2016. There was, actually, “no major improvement”. Additional changes were made in July 2016, by separating the process of judicial and prosecutor appointment, increasing salaries in judiciary, etc, which is expected to provide for somewhat more autonomy of judges. Prosecutors` sector is yet to be seriously dealt with. Corruption and impunity in police and its inefficiency and/or deliberate neglect to protect citizens and companies from the organized crime remain a serious problem.

### **Corruption : 4.1**

In the Transparency International`s Corruption Perceptions Index 2016, Bulgaria shares the place 75 (of 176) with Kuwait, Tunisia and Turkey, following several years of lack of progress in anti-graft struggle. It lags behind the otherwise comparable Hungary, Romania, Greece, Montenegro or Serbia, albeit being better than Macedonia, Albania or Kosovo. It is the worst corrupted member of the EU. TI also noted that lobbying was poorly regulated which opened door to high level corruption. Since accession in 2007, in spite of EU-compatible laws, the state remained captured by the alliance of political and corporate oligarchy, organized crime, partially reformed secret services and biased traditional media. Foreign actors also participated in corruption, including through proxy politicians or facade companies. Freedom House has noticed a continuation of the most troublesome trends in 2016. Bribery is widespread at all levels. GAN portal noted (in autumn 2015) that the informal economy was further facilitated by the corruption in tax administration and market inspectorates. Anti-graft protests in Sofia in February 2017 were in the form of the support

to similar rallies in Romania.

## **Protection of Human Rights : 6.76**

There was a rise in xenophobia and related hate speech and violence. Amnesty International noted in 2017 that Bulgaria “failed to provide all required services and access to proper procedures for the rising number of migrants and refugees arriving in the country and failed to address the allegations of summary push backs and abuse at the border.” Vigilante migrant hunters, often coming from far right or ultranationalist milieu, sometimes also accused of abuse of the captured, face divergent response of the state. Some are praised by the police for “active citizenship”. The most notorious among them had been put under house arrest in April 2016, where after he was found not guilty in March 2017, despite self-produced video evidence of a torture of migrants. Treatment of Roma is further on discriminating. The share of Roma children in “special schools” is still disproportionate to their share in child population. Hate speech against Roma was uttered even by some MEPs. Ethno-linguistic minorities on one hand have lots of opportunities to develop their identity through education, culture and media, while on the other in some walks of life the use of their languages is banned (such as in political campaigning, with even proposals, albeit unlikely to be accepted, to spread the ban onto religious services). Positive developments in Bulgaria include academic freedom, huge operational space for foreign and domestic NGOs, freedoms of speech, assembly and movement and, due to June 2017 successfully and so far most peacefully held Sofia Pride, a glimpse of hope that issues of LGBT discrimination and strong and persistent homophobia might start to resolve.

## **Economic Freedom**

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### **Security of Property Rights : 4.87**

Private property rights are not firmly protected in Bulgaria. Although legal framework is mostly in line with other EU countries, adequate implementation is often lacking. Weak judiciary that could be under out of court influences during the decision making undermines the rule of law. Judiciary is still one of the least trusted institutions in society. Perceived levels of corruption are high. Inefficient legal processes` results lead to long legal proceedings, as well as to significant backlog of cases, limiting the right to a legal proceeding within a reasonable timeframe. Enforcement of contracts is slow and inefficient, incurring high costs. Resolving insolvency is even more so, with a very low recovery rate and very long procedures. Property registration is burdened with many unnecessary procedures and high notary fees. Registration of property has been upgraded with the introduction of notaries, but the local tax administration is often slow - however, there is an expeditious procedure for a higher fee. There is no general discrimination against foreign companies in Bulgaria. Recent amendments in the Offshore Company Act stipulated that entry and operation was restricted for companies that had more than 10% registered offshore equity participation in 28 specific industries (such as mining, banking, etc.). That was one of the measures against money laundering and corruption, but its influence has been diluted by the fact that it did not apply to Bulgarian nationals or businesses whose parent companies were publicly traded. Private property can be expropriated by the Cabinet of Ministers or local governors, but at a market price, and court litigation against these acts is possible.

## **Size of Government: Expenditures, Taxes, and Enterprises :**

### **7.47**

Government expenditures in Bulgaria are very moderate in comparison to other European countries, reaching only 34% of GDP in 2016. Economic growth has picked up (reaching 3.4% in the previous year). Unemployment has fallen to its lowest level - due to improvement in the labour market conditions but also due to emigration to other EU countries. But Bulgaria still remains one of the poorest countries in the EU, with approximately 50% of the EU purchasing power average. Fiscal stabilization program that was implemented during 2016 positively affected the government finance, leading to a budget surplus. Public debt is low by European standards, reaching 28% of GDP in 2016. The financial system started to recover from the KTB bank closure: the non-performing loan (NPL) stood high at 14.5% at the end of 2016, double the EU average, but banks are currently stable. Investment level has been stable in recent years, yet low. However, fiscal threats stemming from low performance of major state-owned enterprises are still significant, while indirect government subsidies to inefficient SOEs remain significant. Apart from public utilities, SOEs operate in various industries, but are mostly notable in energy sector and transportation. Another privatization attempt of the Bulgarian freight railroad company was cancelled because there were no interested parties. The Sofia airport concession was cancelled, but it is now under new consideration. Relatively low level of public spending leaves a room for lower taxation: both personal income and corporate tax are flat and are set at 10%. VAT stands at the standard rate of 20% and the preferential one of 9%. However, high social contributions make the labour tax wedge significant. Shadow economy is widespread, creating up to one third of the GDP.

## **Regulation of Credit, Labour, and Business : 6.5**

Bulgarian regulatory framework is mostly business-friendly, but there are many problems in the field of regulation application which can in some cases be biased. Corruption in public services and administration is present, corroborated by government policy instability arising from frequent regulatory changes, and inconsistent application of laws. Starting a new business is inexpensive

but not very expedient, mostly due to slow VAT registration process. The minimum paid in capital is symbolic, only one euro. Obtaining electricity connection is very expensive due to high cost of the utility company and also is a lengthy procedure, due to inefficiency of the public utility provider. Tax regulations are overly complicated and burdensome, requiring long hours to comply, but overall number of payments is not high. By introducing an automatic energy management system to monitor outages, Bulgaria has recently increased reliability of its power supply. Labour regulation in Bulgaria is flexible. Fixed term contracts are not prohibited for permanent tasks and could last for 36 months. Redundancy notification period and severance pay stay flat, not increasing with the number of years in tenure, which is coupled with the lack of reassignment obligations in case of redundancies. Collective bargaining is mostly limited to public sector employees, through the tripartite social dialogue, and is quite rarely present in private sector. The minimum wage has been increased since the last year for almost 10% nominally, reaching 460 BGL. Corruption and inadequately educated workforce are perceived as the most critical areas for doing business in Bulgaria.

## **Freedom to Trade Internationally : 8.7**

Freedom of international trade is generally upheld in Bulgaria, which implements the common EU trade policy, which is mostly liberal, with overall low tariffs. Average applied tariff rate stands at 5.3%. However, agricultural products are on average more protected than the industrial ones. Although trade tariffs have been generally liberalized, complicated and expensive standardization requirements for imported goods often create regulatory non-tariff barriers to trade. On the other hand, customs office documentation compliance procedures are quick and inexpensive. Low quality of transportation infrastructure - both railways and roads - increases freight costs, thus burdening international trade. Bulgaria's main export markets are fellow EU member countries, such as: Germany, Italy, Romania, France and Belgium, followed by Turkey, with similar patterns in imports. Bulgaria, alongside Romania, Croatia, Ireland, Cyprus and United Kingdom, is still not a part of the Schengen area. Not being a euro-zone country is mitigated by the fact that Bulgaria has for almost two decades been using a currency board, previously to the German mark, and now to euro. Controls on capital inflows and outflows, implemented by the Bulgarian National Bank, are still prevalent.