USAID
FROM THE AMERICAN PEOPLE

USAID in Bulgaria: 1990–2007
Seventeen Years Hand in Hand

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Seventeen Years Hand in Hand

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LETTER FROM PRESIDENT BUSH

THE WHITE HOUSE

WASHINGTON

September 12, 2007

His Excellency
Georgi Parvanov
President of the Republic of Bulgaria
Sofia

Dear Mr. President:

On behalf of the American people, I congratulate you and the people of Bulgaria on the successful conclusion of the assistance program administered by the United States Agency for International Development. Since 1990, the American people have provided over $600 million dollars in development assistance to Bulgaria to increase prosperity and economic growth, promote the rule of law, and improve local governance. Throughout these years, we found a spirit of cooperation and friendship in Bulgaria, and we are pleased that our partnership has contributed to Bulgaria's full integration into the Euro-Atlantic community as a member of NATO and the European Union.

In June, Laura and I had the honor of visiting Bulgaria, and we were grateful for the warmth and hospitality of the Bulgarian people. Your path to freedom was not an easy one, but we saw first-hand how Bulgaria's remarkable achievements can serve as an inspiration for other countries striving for a similar transformation.

Although we are concluding this phase of government assistance, the American people will continue to support the strengthening of your institutions and economy. I am proud of the role the United States has played in Bulgaria's progress toward a brighter future and look forward to our continued partnership.

Sincerely,

George W. Bush

President of the United States George Bush and his wife Laura Bush were greeted by Bulgarian President Georgi Parvanov and his wife Zorka Parvanova at an official ceremony held at Sofia's Saint Alexander Nevski Square on 11 June, 2007.

Press photo: BTA

LETTER FROM PRESIDENT PARVANOV

Република България
Президент

Sofia, October 3, 2007

Dear Mr. President,

On behalf of the people of Bulgaria I express my most sincere gratitude to you and the American people for the assistance rendered to our country by the United States Government through the U.S. Agency for International Development during our seventeen years of transition to market-oriented democracy. The programs of USAID began in 1990 with support for democratic institutions and environmental protection initiatives. They then subsequently encompassed the most important problems in the economic, social, and civil sectors and became a significant factor in the country's preparation for full European Union membership. The investment of over $600 million in these programs, the financial and technical assistance, the joint efforts of thousands of American and Bulgarian experts had an impressive impact on the development of local governance, economic restructuring and growth, improving the business climate, and assuring the rule of law.

Bulgaria has become a factor of stability in Southeastern Europe, a reliable and predictable partner, and a full-fledged participant in peacekeeping initiatives.

His Excellency
Mr. George W. Bush
President of the
United States of America
Washington

Fulfilling the criteria for NATO and EU accession would not have been possible without the support of the U.S. Government, channeled through the numerous projects and programs of the U.S. Agency for International Development.

The most significant result, however, is the establishment of a solid, long-term relationship between the American and Bulgarian people, founded on shared democratic principles and values.

In addition, our personal meetings have always been a step in the process of strengthening trust, widening and deepening the bilateral relationship. Your visit to Bulgaria in June this year outlined the new horizons of our partnership and friendship, and new forms of cooperation in the framework of our country's full EU membership. We are confident that the recently established America for Bulgaria Foundation and the network of civil partnerships will continue successful USAID initiatives and will broaden the basis of our traditional interaction.

I highly value the U.S. contribution to the reforms in our country during the transition years, the sincere partnership and friendship that we established, and I believe that together we will contribute to building a better, freer, and more democratic world.

Yours sincerely,

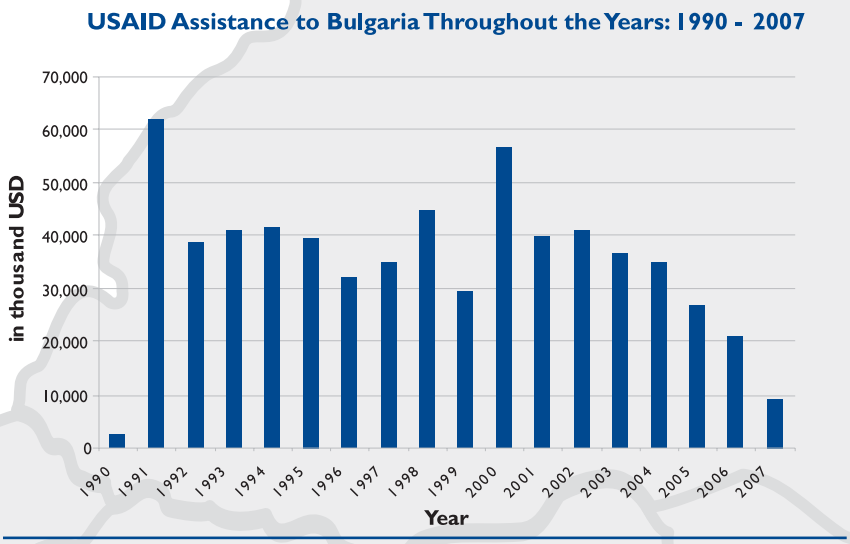
Georgi Parvanov

* *Translation from Bulgarian*

INTRODUCTION

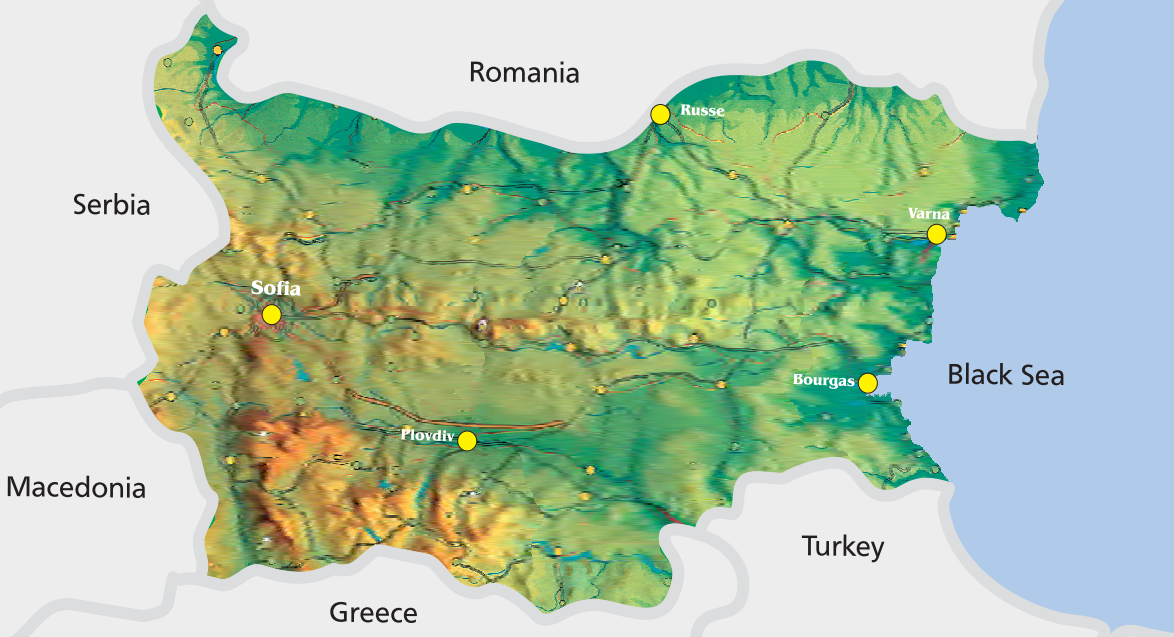
From our vantage point in 2007, it is striking how far Bulgaria has come since 1989. The march from a highly centralized communist state to a democratic, free market member of NATO and the European Union (EU) has been long and often uphill. The U.S. Agency for International Development (USAID) is proud of the partnership role it played in helping Bulgaria make this momentous journey. To commemorate the closing of the USAID program in 2007, this publication gives a short historical summary of that role and the accomplishments along the way.

USAID, the U.S. Government's foreign assistance agency, began to support Bulgaria's transition to a democracy and free market economy in 1990. It continued its program over the next 17 years with more than $600 million in assistance. During that period the USAID program evolved almost as dramatically as Bulgaria's own transition. Starting as a modest program of emergency food and medical aid and support for democratic political processes including free and fair elections, it quickly grew into a broad spectrum of activities supporting many key components of the transition. Throughout its history, USAID worked closely with the Bulgarian government and indigenous counterparts, the World Bank, International Monetary Fund (IMF), EU, and other donors to accomplish mutual objectives. The accomplishments were the result of the tireless efforts of dedicated and visionary Bulgarians whom USAID has partnered with throughout the years.



While its programs changed considerably over time, the USAID commitment to the basic foundations of democracy and free markets did not waver. USAID made significant contributions to a vibrant civil society, effective and accountable local governments, independent media, the rule of law, free market systems, and sustainable private enterprise growth. USAID provided consistent support to help establish and strengthen many important Bulgarian institutions in these core areas. USAID also helped to reduce the social and economic costs of the transition, with activities targeted to help the unemployed, improve health care, support ethnic integration, and preserve Bulgaria's rich environmental diversity. In addition, USAID provided millions of dollars of recovery assistance during the financial crisis in 1996–97, the disruptions from the Kosovo crisis in 1999, and the extensive flooding in 2005.

USAID closes its program in 2007 with Bulgaria solidly grounded as a new member of the EU and with bright prospects for the future. Recognizing that the transition process remains fragile, USAID is establishing two legacy mechanisms that will provide funding for private organizations to help ensure Bulgaria's continued progress: the Bulgaria Fund and the America for Bulgaria Foundation.



USAID PROGRAM PRIORITIES IN BULGARIA SINCE 1990

In 1989, the U.S. Congress passed the Support for East European Democracy (SEED) Act. The SEED Act and its amendments authorized funding for countries of Eastern Europe that took substantive steps towards institutionalizing political democracy and economic pluralism. USAID administered SEED funds in close coordination with other relevant U.S. Government agencies. Assistance to Bulgaria was focused on three broad goals:

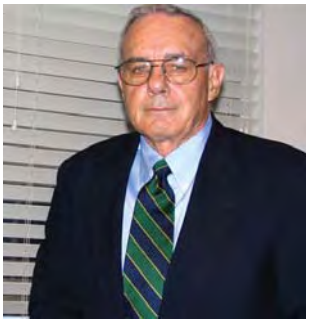
- Fostering a competitive market economy led by the private sector;
- Supporting the transition to transparent and accountable governance, and the empowerment of citizens through democratic structures and processes; and
- Strengthening the management of the human dimension of the transition, and improving the quality of life.

USAID assistance can be divided into three separate periods during the transition:

(1) In the ***early years*** between 1990 and 1997, Bulgaria was wracked by political instability and a lack of political consensus on transition priorities. This resulted in delayed reforms, declining GDP growth, macroeconomic instability and increasing unemployment. Unable to maintain a consistent strategic approach with the Bulgarian Government, USAID initially directed assistance to targets of opportunity to support private enterprises and non-governmental organizations (NGOs) that were willing and able to contribute to Bulgaria's transformation. After 1993, the assistance strategy focused on developing small enterprises, local government capacity, public participation, and support for the American University in Bulgaria. USAID also helped ensure the preservation of Bulgaria's rich environmental heritage during the transition.

(2) The instability and lack of serious reform led to rapidly declining economic conditions and a financial crisis in 1996–1997. These conditions in turn resulted in the early demise of the non-reformist government and the election of a new reform government that ushered in an era of political stability from 1997–2001. During these ***years of rapid reform***, USAID productively engaged the government and supported a broad development agenda with objectives such as banking reform and privatization, developing capital markets, improving the pension system, improving energy efficiency, supporting social safety nets and anti-corruption programs, strengthening independent media and NGOs, and improving the rule of law.

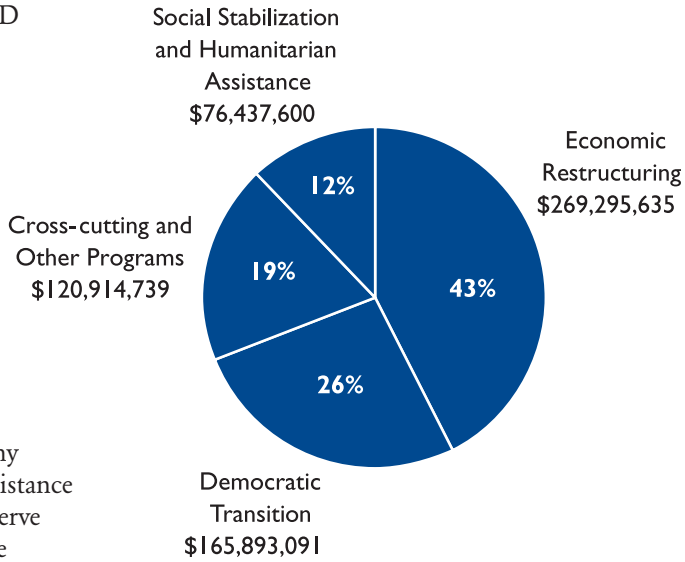
(3) In 2002, USAID developed a close-out strategy that set final objectives for the program consistent with Bulgaria's expected EU accession in 2007. The main objective during these ***accession years*** was to leave Bulgaria on a sustainable path towards democratic governance at all levels with a successful market economy integrated with international markets. This phase of assistance consolidated and enhanced successful programs to preserve past investments, and established mechanisms to ensure sustainable efforts into the future.



Ken Hill
U.S. Ambassador to Bulgaria
(1990–1993)

"USAID Bulgaria and SEED provided substance to the stated USG policy of support for Bulgaria's transition to democracy and a market economy. We welcomed Bulgarians as new members of the family of democratic nations."

USAID Assistance to Bulgaria by Area 1990–2007



DEMOCRACY AND GOVERNANCE

Zhelyu Zhelev
President of the Republic of Bulgaria (1990–1997)

"...USAID initiatives gave us our first lessons in civic education, and they helped prepare representatives of the government, municipal authorities, and citizens to join the countries of the democratic world."

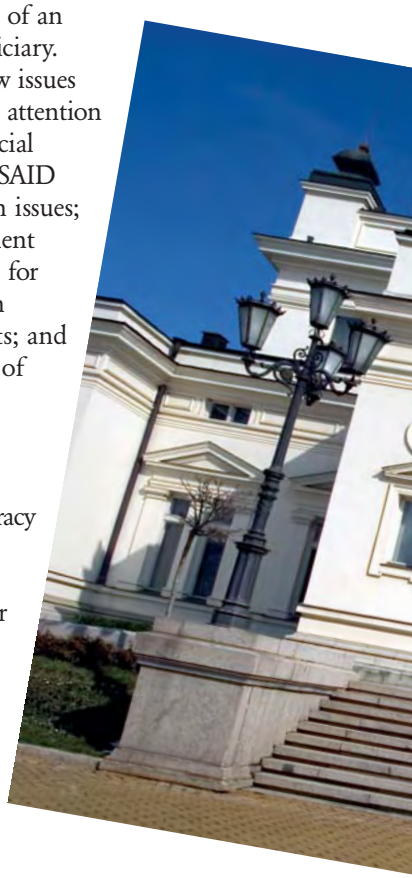
OVERVIEW

Bulgaria's democratic institutions and processes had been repressed for more than 40 years when the country's transformation began in 1989. Between 1990 and 2007, USAID allocated approximately $165 million to help Bulgaria meet the challenges of its democratic transition. These funds helped establish and nurture many of Bulgaria's fragile democratic processes and institutions. USAID initially focused on helping Bulgaria move from a single party political system to a multi-party political system and on establishing free and fair elections. USAID also provided early (and continuing) support for Bulgaria's nascent civil society organizations including trade unions, human rights groups, environmental groups, and a broad range of other NGOs. Support for NGOs included helping to establish a supportive legal environment as well as substantial funds for training and small grants.

Another early initiative, USAID support for strengthening and empowering Bulgaria's local governments, gradually grew to be one of the most important and successful USAID programs in Bulgaria. USAID was the primary donor to develop many pioneering improvements in local government operations, to support municipal associations, to establish a major local government think tank, and to build the basic policy and legal framework for fiscal decentralization.

USAID supported another key element of a sustainable democracy by helping ensure public access to independent information. USAID assisted in the establishment of independent radio stations, an independent regulatory body for electronic media, media associations, and a training center for journalists to improve professionalism.

Perhaps the most difficult challenges during the democratic transition concerned the rule of law, and especially the institution of an effective, transparent, professional and accountable judiciary. Although USAID provided some support for rule of law issues throughout its tenure in Bulgaria, it devoted increasing attention and resources to legal reform, anti-corruption, and judicial strengthening during the latter stages of its program. USAID financed programs to monitor and publicize corruption issues; improve transparency and internal controls of government processes; help create and strengthen training programs for judges, attorneys and court clerks; establish mediation programs; improve the enforcement of legal judgments; and advance the effectiveness, efficiency and transparency of courts.



By 2005, Bulgaria had consolidated its democratic institutions and processes. USAID leaves Bulgaria as a politically stable country with a strong, pluralistic democracy and an active civil society. Although past achievements must be maintained and enhanced, and backsliding is always a concern, Bulgaria has shown it can prevail under the most challenging conditions. The following sections summarize the USAID programs and results that contributed to Bulgaria's democratic transition.

POLITICAL PROCESS AND PARLIAMENTARY SUPPORT – ESSENTIAL UNDERPINNINGS OF DEMOCRACY

USAID provided support to develop a pluralistic political party system and other key political institutions and processes throughout its tenure in Bulgaria. The initial years of the transition proved particularly critical in the development of a multi-party political system within a parliamentary democracy and the establishment of a free and fair electoral system where parties could compete. USAID played a vital role in this process by providing grants both through the National Endowment for Democracy, and directly to such organizations as the International Republican Institute and the National Democratic Institute for International Affairs. USAID also provided funds to the Free Trade Union Institute to support independent labor unions. To help Bulgaria's new democratic parliament, USAID supported a U.S. House of Representatives initiative to improve the National Assembly's information systems and library.

USAID gave progressive political groups the tools and know-how to compete in elections, and supported civil society actors involved in the struggle for democracy. Key civil society organizations included the Bulgarian Association for Fair Elections and Civil Rights and the independent trade union confederation, Podkrepa. USAID supported such activities as: pre-election assessments, strengthening the Union of Democratic Forces and its newspaper, election training and civic education, and international and domestic election observation efforts. Early support for Parliament helped it to jump start its automation process and provided a useful resource for early legislative changes.

After these early initiatives, USAID continued to strengthen the major political parties, assisted public opinion polling activities and campaign development, and helped to get-out-the-vote and involve civic groups in elections. USAID also launched a small parliamentary intern program to help improve the quality of Bulgarian legislation and broaden public participation in the legislative process. USAID parliamentary support included training and institutional development. USAID allocated more than $11 million for political process support between 1990 and 2005, and another $3 million for parliamentary programs.

Philip Dimitrov
Bulgaria's first democratically elected Prime Minister (1991–1992)

"The assistance we received from the U.S. was extremely important in the early 1990s....Particularly, building a political culture was absolutely needed because the political party system had been abolished for many years."

The National Assembly of the Republic of Bulgaria

Concrete results of these activities over the years include:

- The Bulgarian Association for Fair Elections and Civil Rights, a network of civil society clubs, monitored elections until 2001 to ensure they were free and fair.
- A vibrant multi-party system became a mainstay of Bulgarian democracy.
- Get-out-the-vote activities resulted in increased participation of young and minority voters in local and parliamentary elections in 2003 and 2005.
- The parliamentary internship program continues to support the National Assembly's research needs on a sustainable basis.

Venelin Uzunov
Mayor of Razgrad (1991–2004), Chair of National Association of Municipalities in the Republic of Bulgaria (2001–2004), and Member of Parliament (2005–present)

"When something happened in local government in Bulgaria, it was because of USAID experts. I would say that the reason that fiscal decentralization laws were passed was because USAID raised the agenda with the government. It was 80% due to USAID, 20% due to bottom up pressure from local governments."

LOCAL GOVERNMENT DEVELOPMENT – EFFECTIVE AND ACCOUNTABLE MUNICIPALITIES

Local government under communism was simply an extension of the central government. Local governments were dependent on the central government for resources and had extremely limited local fiscal authority and weak administrative powers and capacities. USAID provided almost $50 million between 1991 and 2007 under a series of Local Government Initiatives to reform and decentralize Bulgaria's local government system to make it effective and accountable. USAID assisted selected municipalities as well as municipal organizations and associations.

Intensive training programs and study tours, twinning of Bulgarian municipalities with U.S. counterparts, technical advice, and small grants all helped local governments strengthen their capacities and develop new models for better serving their constituents. These models included the highly successful "one-stop shops" to improve service delivery, data systems to manage municipal information needs, local economic development offices, and public-private partnerships for developing infrastructure. All of these and other models were widely replicated by other municipalities.

With USAID support, progressive municipalities formed highly successful regional associations and an influential national association. These associations strengthened members' ability to lobby for and to manage authorities decentralized to the local level. USAID also supported the establishment and operation of the Foundation for Local Government Reform, an active think tank dedicated to resolving local

USAID supported the creation of effective local public institutions that are accountable and responsive to citizens' needs. Stara Zagora's municipal Information and Service Center offers citizens a convenient way to fill out forms and pick up information.

Stara Zagora: A Catalyst for Development

Stara Zagora is a city of firsts. Its city hall became the site of the first "one-stop shop," an information and service center offering citizens a convenient way to fill out forms and pick up information, as a result of its "twinning" with Durham, North Carolina through the USAID-supported CityLinks program. More than 100 Bulgarian municipalities followed the example and established such centers. Benefitting from USAID energy programs, Stara Zagora Hospital adopted one of the first municipal energy efficiency projects in Bulgaria, and established a partnership with energy companies to convert to more efficient gas heating in public buildings such as schools. Working closely with USAID programs as a partner "pilot city," Stara Zagora proactively accelerated local economic development by promoting investments and innovative public-private partnerships, such as the private development of a new municipal building at no cost to the municipal treasury. City leaders were among the first in Bulgaria to embrace modern public management practices.

Stara Zagora was a forerunner in the field of local economic development and established the first Regional Economic Development Agency (REDA) in 1995 with USAID technical assistance. Stara Zagora REDA has aggressively pursued partnerships with businesses and potential investors and has demonstrated the importance of economic development in solving community problems.

Current Mayor Evgeni Zhelev notes that the partnership between USAID and Stara Zagora worked because "USAID focused on what was important to the municipality." His predecessor, Tzanko Yablanski, says that USAID was "systematic, persistent, and strong" in its efforts to assist reform. The first post-communist mayor of Stara Zagora, Anton Andronov, cites as critical the early USAID work to promote municipal privatization.

Matt Brown was a Peace Corps Volunteer in Stara Zagora from 1991–1993 and continued to work in Bulgaria with the USAID Participant Training Program. "It seems to me that this town has been a particularly good place for new ideas to take root and blossom," he says. "I think this is due to a combination of good leadership, receptiveness to new ideas and partnerships, and a collective belief in local potential."

U.S. and Bulgarian Cities Mark 10 Years of Partnership

The year 2007 marked the 10th anniversary of city-to-city partnerships in Bulgaria.

The USAID-supported Technical Twinning Program provided technical assistance to Bulgarian municipalities by matching each Bulgarian participant with an American municipal twin to share expertise on technical and management issues. The goals of the program were to initiate economic and community development; improve local government operations; and increase community participation.

The USAID Technical Twinning, Resource Cities, and CityLinks programs implemented by the International City/County Management Association (ICMA), in partnership with the Foundation for Local Government Reform, had a tremendous impact on the cities in which they worked. Cities across the U.S. volunteered their staff and resources to provide technical assistance, humanitarian assistance, and share cultural experiences and camaraderie. The original three partnerships expanded to include nearly 40 Bulgarian municipalities and over 15 American cities.

Veliko Turnovo and Golden, Colorado, for example, focused their attention on infrastructure improvements by creating a financial plan and implementing a policy of preventative maintenance that has since been replicated in 10 nearby municipalities. Veliko Turnovo continues to update the infrastructure management plan, now a critical element of the city's financial plan, and has saved millions of dollars.

Composting and improved solid waste management were also identified as areas in need of improvement. Sarah Phillips, village manager of Johnstown, Ohio, has worked in 13 Bulgarian municipalities to provide training and to assist with the creation of composting sites. Educational campaigns implemented by each city have increased public awareness and supported the cities' composting efforts. In 2006, five new cities established composting sites and deposited over 200 tons of biodegradable waste.

Many of the partners have grown to include not just technical but humanitarian assistance. West Bend, Wisconsin, shipped seven 40-foot containers of donated computers, school equipment, books, clothing, blankets, and firefighting equipment to their counterparts in Pazardjik.

government issues. USAID support evolved to ensure sustainability of key local government institutions and to focus on the devolution of fiscal authority to the local level. The associations and Foundation continue to work to modernize local government processes and services as well as to champion steady progress toward greater local fiscal authority. By 2007, all elements of the legal framework for fiscal decentralization (local taxes and fees, municipal budgets, municipal debt) were passed by Parliament.

Concrete results supported by the local government program include:

- Municipalities established 140 "one-stop shops" by 2007, serving two-thirds of the population and saving citizens' time and reducing opportunities for corruption.
- Municipalities established nine regional associations that serve as support organizations providing training and other services to members.
- The National Association of Municipalities emerged as one of the most influential Bulgarian advocacy and membership organizations, institutionalizing an avenue for dialogue between local governments and the central government on all major local government issues including fiscal decentralization.
- The Foundation for Local Government Reform was established as a highly reputable think tank that provides training and assistance on municipal best practices and issues such as citizen participation, transparency and development.
- Municipal revenues increased by more than $100 million between 2000 and 2006, and own-source municipal revenues doubled to 35 percent.

Krassimir Kanev
Chairperson of Bulgarian Helsinki Committee (1994–present)

"The assistance we received from the [USAID-funded] German Marshall Fund in the beginning was probably the most essential in the Bulgarian Helsinki Committee's entire history. It allowed us to establish an office, recruit staff, organize programs and start basic activities."

CIVIL SOCIETY DEVELOPMENT – ACTIVE AND INFORMED CITIZENS

Unlike many other countries in the region, Bulgaria started its democratic transition in 1989 with almost no civil society experience or infrastructure. A vigorous civil society was only a dream. Recognizing that citizen participation is a key component of a sustainable democracy, USAID provided more than $27 million to support the development of NGOs.

USAID supported civil society organizations under each of its sector programs. It also provided more specific support under the Democracy Network (DemNet) programs I and II from 1995 through 2002, and through small grants under the Democracy Commission program managed by the U.S. Embassy. The DemNet I program helped build the capacity of NGOs through training and provided small grants to NGOs to carry out their activities in building democracy, supporting social issues, protecting the environment and supporting economic development. DemNet II focused on building the capacity of intermediary support organizations such as think tanks, training providers, and grant makers so that they could continue to provide assistance to Bulgaria's NGO community after DemNet closed. The Democracy Commission complemented DemNet by providing small grants for activities and NGOs outside the scope of DemNet. Other USAID NGO programs worked to establish local community funds and social enterprises, and to improve the legal framework for NGOs.

Specific results of these programs include:

- The Bulgarian non-governmental sector's capacity and effectiveness was improved and its institutional infrastructure established by directly supporting 111 grass-roots NGOs and training over 900 NGO representatives.
- Bulgaria now has a modern legal framework supportive of the NGO sector, including favorable tax treatment.
- Ten pilot local community foundations and an Association of Community Foundations were established and raised $800,000 for grassroots community projects such as hospital and school renovations, and support for social services.
- Partners Bulgaria Foundation promoted and institutionalized models for inter-ethnic cooperation in 13 municipalities.

This playground in one of Stara Zagora's residential areas was renovated with donations from the local Community Foundation.

USAID funded a seven-year effort with Partners Bulgaria Foundation to implement a conflict resolution and ethnic integration program in Bulgaria. The project included leadership and diversity training, small grants and technical assistance on cooperative planning on economic development, and support for educational access and advancement.

USAID was the first major donor to address civil society development. USAID assistance helped to create an independent capacity to monitor economic and democratic constraints and changes, and ensure that communities had a mechanism for mobilizing resources for development and ethnic integration. Very importantly, many NGOs also provided a vehicle for public participation and a voice for citizens, including ethnic minorities and various professions, to advocate for reforms.

Mediation Keeps Lights on in Roma Neighborhood

Gizdova Mahala is not only the largest Roma area in the Bulgarian city of Dupnitsa, it is also the poorest. Local leader Georgi Georgiev worries about the future for the neighborhood's young people. Almost 2,000 people live in the community, 90 percent of whom receive government social assistance.

Nonpayment of electricity bills by residents in the neighborhood was a growing problem. The electrical utility was frustrated by their inability to collect back payments and control illegal usage. Roma residents were frustrated by a payment system that made it difficult for them to pay back debts and current bills. Total electricity debts in the neighborhood exceeded $120,000.

An active participant in the USAID Ethnic Interaction Program implemented by Partners Bulgaria Foundation, Georgiev identified the electricity issue as a potential source of conflict. Tensions ran so high that the electricity company brought police when they came to cut off the power of delinquent clients. Bulgarian neighbors were also growing increasingly resentful of non-paying Roma.

In 2005, Georgiev and Nikolina Nikolova of the PBF Mediation Center in Dupnitsa decided to organize a roundtable with all interested parties. This included neighborhood representatives, the mayor's office, and electrical utility representatives.

Mladen Krastev, head of the local office of the electrical supply company, says he was "absolutely skeptical" that an agreement would be reached. Georgiev says he expected officials to reject his suggestions. All parties were surprised when a solution emerged: individual payment plans for more than 100 households that allowed small payments to be credited towards past debt as well as current bills.

"It was difficult in the beginning. People paid irregularly," Krastev says. "Then the mediation center organized a meeting in the neighborhood. In the last three or four months, there has been a significant increase in people making regular payments." He estimates that 5 percent of the original debt has been collected under the agreements, which allow debtor households to pay amounts as small as $5–$10 a month over periods up to 10 years.

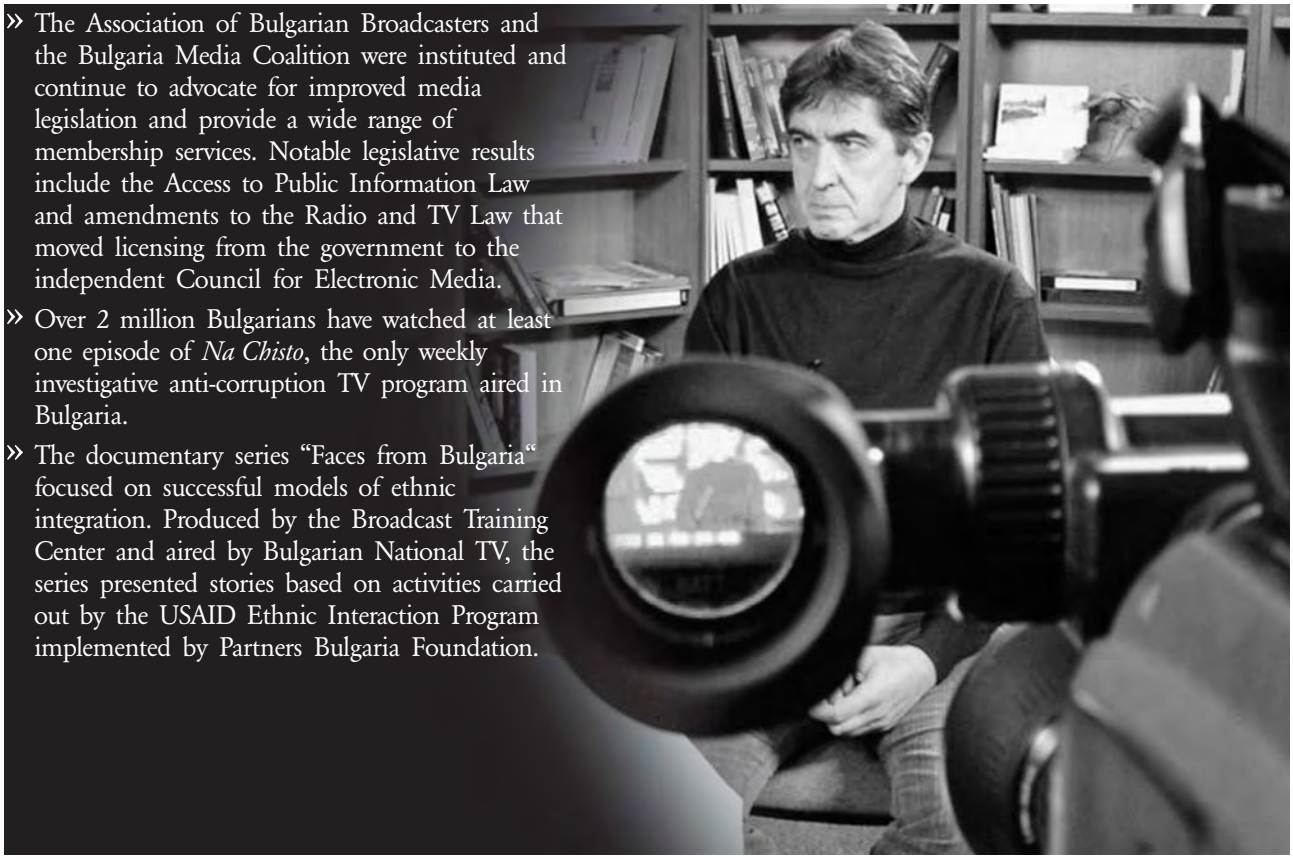
MEDIA STRENGTHENING – INDEPENDENT SOURCES OF INFORMATION

Under communism, state-controlled media lacked objectivity and independence. USAID provided more than $6 million to support independent media and media professionals to help ensure the public had access to multiple sources of information. Early media support through the U.S. Information Service helped develop independent radio stations, providing citizens with access to information alternatives early in the transition. Later, USAID, through the ProMedia program, helped to establish and develop major media associations. After 2000, USAID fostered a number of ground-breaking media laws and training support for media professionals through the Broadcast Training Center. The Center also trained judges on effective communication with the media and produced two acclaimed TV series, one on anti-corruption (*Na Chisto*) and another on ethnic integration (*Faces*).

Concrete results of USAID media support include:

- Five independent radio stations and the first independent newswire service (Leff) were established to improve public access to independent information.
- The Broadcast Training Center serves as the primary facility promoting the highest standards in professional TV training. The Center trained more than 500 TV journalists by 2007 and was instrumental in the launch and professional development of such key broadcast media outlets as bTV, Evropa TV, TV Roma, and InfoRadio.
- The Association of Bulgarian Broadcasters and the Bulgaria Media Coalition were instituted and continue to advocate for improved media legislation and provide a wide range of membership services. Notable legislative results include the Access to Public Information Law and amendments to the Radio and TV Law that moved licensing from the government to the independent Council for Electronic Media.
- Over 2 million Bulgarians have watched at least one episode of *Na Chisto*, the only weekly investigative anti-corruption TV program aired in Bulgaria.
- The documentary series "Faces from Bulgaria" focused on successful models of ethnic integration. Produced by the Broadcast Training Center and aired by Bulgarian National TV, the series presented stories based on activities carried out by the USAID Ethnic Interaction Program implemented by Partners Bulgaria Foundation.

Na Chisto's former anchor Boyko Stankushev interviewing a guest on one of the many corruption investigations.



LEGAL AND JUDICIAL REFORM – FOUNDATIONS FOR THE RULE OF LAW

Rule of law is critical to Bulgaria's democratic transition, but it has long been hobbled by a weak and politicized legal system. USAID allocated more than $25 million in assistance over 10 years targeted primarily at reforming and strengthening the judiciary and other elements of the legal system.

USAID provided early support to legal reform through the American Bar Association's Central Europe and Eurasian Law Initiative (CEELI). CEELI placed resident liaisons and short term advisors in Bulgaria to work with legal and judicial institutions and to provide commentary on and to draft laws. In later years, CEELI focused on professional development of private attorneys. USAID placed increasing emphasis on the rule of law after 1999 through the Judicial Development Project. Rule of law became a top USAID priority with the launch of the $9.5 million Judicial Strengthening Initiative in 2004.

Both of the USAID judicial projects worked on improving court administration and case management, assisting with legal and procedural reforms, training magistrates, and providing organizational and development assistance to the Supreme Judicial Council, the governing body of Bulgaria's judiciary. The Commercial Law Reform Program from 2003–2007 helped improve enforcement of judgments by instituting a system that delegates enforcement to private professionals; replaced the judicial system for registering companies with a business-friendly administrative system; and helped to resolve disputes outside the courts through commercial mediation.

Strengthening the rule of law has been one of Bulgaria's most difficult democratic transition issues and the reform process will take many years. Support from USAID and other donors such as the EU, however, are helping Bulgaria make real progress.

Miglena Tacheva
Minister of Justice (since July 2007), former Deputy Minister of Justice (2001–2005), former Head of the Attorney's Training Center (2005–2007) and founder of the Legal Initiative for Training and Development (PIOR)

"I am confident that Bulgaria would have not made it on its European path without USAID support. Under the USAID programs we designed the model courts and courts in partnership; implemented the court case management system; strengthened the NGO sector and professional organizations; wrote ethics codes for judges, prosecutors, investigators, court clerks, law enforcement agents; set up press offices in the courts; and helped reform the Bar. I am proud to have been part of this and am grateful to my USAID partners!"

Vladislav Slavov
Constitutional Court Judge,
Head of the Union of Jurists
(2005–present)

"USAID's work positively impacted and strengthened the judicial system in the areas of court automation, and monitoring the performance of the courts, prosecution and the bar."

Concrete results from USAID rule of law support include:

- The National Institute of Justice (NIJ) was established under the auspices of the judiciary to train magistrates: 2,844 magistrates and 5,217 clerks were trained since 2000. The NIJ is recognized as the premier judicial training center in Central and Eastern Europe.
- The capacity of the Supreme Judicial Council improved to provide better oversight and management of the judiciary.
- Thirty-two model courts improved efficiency and transparency. Public perception of service quality was 15 percent higher in USAID-assisted courts compared to non-assisted courts in 2007.
- More than 160 trained private enforcement agents collected more than $60 million in enforceable claims in the first year of operation.
- Continuing legal education for attorneys was institutionalized through an Attorney's Training Center under the country's Supreme Bar Council.

With USAID support verbatim recording systems were installed in many Bulgarian courts. Verbatim equipment ensures a more accurate transcript of court hearings and increases transparency and accountability in trial proceedings.

Bulgarian Courts Go on the Record

Contrary to practice in the United States and many European countries, the Bulgarian civil and criminal procedure codes do not require a verbatim transcription of court proceedings. In the Bulgarian court system, the official record of the testimony and motions during a trial (known as the "protocol") consists of notes taken by a court secretary or summaries of testimony dictated by the judge. This process produces inconsistent and sometimes inaccurate records.

A study funded by USAID endorsed the use of audio recording as a cost-effective system for the Bulgarian courts to facilitate drafting more accurate protocols. In 2004, USAID piloted a personal computer digital audio recording system in two Bulgarian courtrooms. In 2005 and 2006, the USAID Judicial Strengthening Initiative expanded the recording system to six additional courtrooms in Bulgaria. By 2007, a total of nine courts were using verbatim recording, including the Sofia Regional Court.

Judges of the pilot courts report that the system provides a more complete, accurate and transparent record of court proceedings, and even improves the behavior of participants in court cases, who know that their statements are recorded. Accurate and reviewable witness statements enable judges to resolve cases more quickly. The ability of judges, court staff, and attorneys to verify the accuracy and completeness of the protocols also protects litigants' rights. The number of complaints and requests for modification of protocols dropped drastically, a sign of increased public confidence in the transparency of the court process.

ANTI-CORRUPTION – ENSURING A TRANSPARENT AND ACCOUNTABLE GOVERNMENT

Bulgaria has grappled with corruption problems for many years. Weak and bureaucratic administrative systems, insufficiently developed oversight mechanisms, poor enforcement, and a lack of accountability and transparency in government all contributed to corruption. USAID began supporting specific anti-corruption programs in Bulgaria in 1998, well before the issue became a major concern for other donors. USAID initiated its support through Coalition 2000, a unique public-private partnership against corruption led by the Center for the Study of Democracy. The Center focused on policy reform, awareness and public support, and created a Corruption Monitoring System. Realizing the critical importance of reducing corruption, USAID expanded its efforts and launched the Open Government Initiative in 2002. Initially a broad-based effort, the Open Government Initiative narrowed its focus to improving public procurement and government auditing, areas where it could have significant impact. Almost $12.3 million was provided for these anti-corruption programs.

Complementing specific anti-corruption efforts were a host of activities integrated into the programs for local government, rule of law, media, and financial sector integrity that also worked to reduce corruption through improving transparency, government effectiveness, and accountability.

While corruption remains a major concern, USAID assisted in mobilizing public and private support for anti-corruption and helped install a credible system of independent monitoring and a more transparent public procurement process, all of which helps Bulgaria to address critical corruption issues.

Some specific achievements supported by the USAID anti-corruption program include:

- The Coalition 2000 anti-corruption action plan led to the government's first National Anti-Corruption Strategy in 2001 and to a national ombudsman to act on corruption complaints.
- The Center for the Study of Democracy's internationally recognized Corruption Monitoring System tracks progress on reducing corruption and reports results. Reports showed a 50 percent reduction in the prevalence of administrative or petty corruption between 1999–2007.
- The government's public procurement system was strengthened by an electronic Public Procurement Register in 2005, the training of 300 officials in procurement practices, and the new Public Procurement Law in 2006.
- A new Act on Internal Audit was passed in 2006, and the National Audit Office received help in fraud detection and awareness through training in techniques used by the U.S. Association of Certified Fraud Examiners.
- The revised Political Parties Act made political parties' finances more transparent.
- Amendments to the Assets Disclosure Law resulted in sanctions for non-disclosure and expanded the number of government officials covered by the law.

USAID supported the development of several important electronic public registers such as the Register of Persons Occupying Senior Government Positions.

FREE MARKETS AND PRIVATE ENTERPRISE

Alexander Bozhkov
Deputy Prime Minister and Minister of Industry (1997–1999)

"When we started the real reforms in early 1997 Bulgaria was still at the very bottom after the crisis of 1996. USAID ...provid(ed) ...consultancy and expertise on the spot for some of the most important requirements on the International Monetary Fund and World Bank agenda including privatization, SME development, banking privatization, capital market development, and pension reform."

OVERVIEW

USAID devoted more than $269 million for developing Bulgaria's free market economy, representing almost half of its total resource allocation since 1990. Early assistance focused on helping Bulgaria reform outmoded economic policies and privatize collective farms, bloated and inefficient state enterprises, and the power generation sector. Starting in the early 1990s, USAID provided technical and financial support for private entrepreneurs. USAID also launched energy efficiency programs to assist businesses and local governments to reduce costs from energy-intensive equipment and buildings.

As Bulgaria's reform process accelerated after 1996, USAID targeted new assistance toward strengthening financial markets. This included restructuring and privatizing the banking system that had largely failed during the 1996 financial crisis, and developing a capital market system, including a stock exchange and regulatory systems to mobilize capital for growth. USAID also supported the reform of Bulgaria's pension system, which was inadequate for Bulgaria's rapidly growing population of pensioners. Assistance to private enterprises shifted toward developing and strengthening business support organizations. Small entrepreneurs continued to face major obstacles in accessing credit from banks. In response, USAID broadened its financial programs in the late 1990s to include micro-enterprise lending and credit guarantees.

Starting in 2003, the USAID strategy focused on improving private sector competitiveness. It addressed remaining constraints in the enabling environment for the private sector, job creation, and access to financial services. USAID provided significant funding through the U.S. Department of Agriculture to upgrade Bulgaria's agricultural productivity and export potential. These issues represented major concerns for private sector growth and prosperity as Bulgaria approached the challenges of competition within the EU.

At the end of 2006, Bulgaria's economy showed stable growth at more than 6 percent with less than 10 percent unemployment and modest inflation. The private sector represented 75 percent of GDP (compared with 10 percent in 1990) and small enterprises comprised 99 percent of Bulgarian businesses and generated 80 percent of private employment. While problems remained in strengthening Bulgaria's competitiveness, the country clearly made the transition to a sustainable free market economy led by the private sector. USAID programs that contributed to this successful transition are summarized in the following pages.

PRIVATIZATION AND RESTITUTION OF ASSETS – REVITALIZING A MORIBUND ECONOMY

One of the first challenges that Bulgaria faced was how to quickly and fairly privatize its economy, which was virtually all state-owned and state-run in 1989. Agricultural land was almost entirely collectivized and urban land and commercial properties were also owned by the state. Bulgaria's new Constitution in 1991 provided for private ownership of land, and legislation was quickly passed to allow for land restitution and privatization.

USAID provided $10 million in commodities to the government in 1991 to generate funds for administering agricultural land restitution. USAID support for agricultural land restitution was relatively minor compared to the overall needs, but by funding initial needs, USAID helped the government to begin the process that eventually returned tens of thousands of rural land parcels to former owners.

Bulgaria faced formidable obstacles to privatizing state-owned assets in the early and mid-1990s, including political instability, a lack of foreign investor interest in most of the large and outmoded industries that were offered for sale, and a weak institutional, legal and regulatory framework for the privatization process. USAID allocated more than $7 million for USAID advisors to help Bulgaria develop sound processes for privatization. Advisors worked with the government to develop early models for large privatizations and were effective in helping municipalities implement simple and transparent methods for privatizing municipal assets. USAID was the major donor helping the government to develop and manage a voucher privatization process for medium-sized government assets in the mid 1990s, which distributed to all citizens vouchers that entitled them to bid on shares in various state enterprises. USAID support for enterprise privatization ended in 1997, although the impact of USAID assistance continued for years thereafter.

USAID support to the government privatization program in the early 1990s yielded the following concrete results:

» Internationally accepted models developed for market privatization of large state-owned assets contributed to more than $4.6 billion in privatization revenue by the end of 2006.

» The framework and process for voucher privatization was developed in which more than 1,000 medium-sized state-owned firms were privatized by 1997.

» USAID provided training and design assistance for municipal level privatizations that led to more than 650 small privatizations by 1997.

Bozhidar Danev
Chairman and CEO, Bulgarian Industrial Association (1993–present)

"... Many USAID projects supported private-public partnerships, thus improving efficiency of a number of public services and activities. A good example is the introduction of the private bailiffs, which we hope will enhance enforcement and positively influence the issue of unpaid debts between many companies. USAID projects were also fundamentally important for the establishment of a more transparent and open environment for entrepreneurs – such as improved public procurement tender procedures, commercial law reform, judicial strengthening, intellectual and industrial property copyright and innovation."

PRIVATE ENTERPRISE DEVELOPMENT – THE ENGINE OF GROWTH

As private entrepreneurs gradually assumed ownership of Bulgaria's economy, they were faced with many serious constraints. These included a general lack of expertise in private business management, a poor enabling environment for private enterprises, and major problems in accessing credit, particularly for small enterprises. USAID provided significant support to address these issues during its 17 years in Bulgaria.

FIRM – LEVEL ASSISTANCE

Small and medium enterprise (SME) growth was a key USAID objective because of its great potential for stimulating employment and economic growth, and because smaller entrepreneurs did not have the resources or know-how to adequately address business constraints. USAID provided more than $40 million in firm-level business support and training to help small entrepreneurs plan and develop their businesses. Funds financed hundreds of volunteers and experts from a broad range of U.S. organizations including the International Executive Service Corps, Citizens Development Corps, and the MBA Enterprise Corps which were part of the Firm Level Assistance Group (FLAG). The technical support from these programs was supplemented with local training from the University of Delaware and training in the United States and other countries through the USAID Participant Training Program and the Entrepreneurial Management and Executive Development Program. Starting in 2004, a new organization, the Volunteers in Economic Growth Alliance, emphasized strengthening business support organizations. USAID also supported Junior Achievement Bulgaria from 2003–2007 to develop the entrepreneurial spirit in school-age children. All these programs brought the benefits of American know-how to Bulgarian entrepreneurs.

Concrete results for USAID-assisted firms and groups include:

- Between 1998 and 2002, exports increased by 10 percent per year; sales per employee increased by more than $500 per year; and firms' employment increased by more than 24,000.
- Between 2002 and 2004, 848 USAID-assisted businesses increased exports by more than $471,000 and increased domestic sales by almost $6 million.
- Examples of support organizations for the private sector established with USAID assistance include the Institute for Market Economics and the Agency for SMEs.
- Seventy-two small hotels and guesthouses received the "Authentic Bulgaria" quality mark and were certified as quality establishments for tourism by June 2007.
- Modern laws on investment and taxation were passed, and key government strategies to promote investments and SME development were established.
- Over 44,000 students from 292 schools in 115 cities participated in Junior Achievement programs to develop the entrepreneurial spirit.

Happy Food – The Bulgarian Franchise

Happy Food started in 1992 as a croissant bakery and small restaurant in the coastal city of Varna. As a result of a USAID-funded International Executive Service Corps franchise seminar, the company realized the advantages of modernizing its business. After receiving additional USAID technical assistance, including study tours to the United States, and a loan from the Bulgarian-American Enterprise Fund, the company successfully developed a modern franchise restaurant system. By 2007, Happy Food has over 25 outlets with 2,000 employees. Apart from Happy restaurants, the company caters to industrial and resort clients, thus feeding almost 100,000 people daily. Happy is currently taking on a new challenge – becoming international. It has already opened its first outlet in Spain. The entrepreneurial spirit and managerial potential of Happy manager Orlin Popov, combined with USAID expertise and loan support, have produced remarkable results and happy stomachs throughout Bulgaria.

FINANCIAL SUPPORT FOR ENTREPRENEURS

Without adequate financing, Bulgaria's entrepreneurs could not grow or even operate effectively. Smaller entrepreneurs had particular difficulties in securing financing. To help ensure smaller entrepreneurs had funding for their companies, USAID provided $58 million to the Bulgarian-American Enterprise Fund (BAEF) and $7 million to the CARE Small Business Assistance Corporation, and its successor, the Small Enterprise Assistance Fund. These funding entities channeled financial resources to SMEs well before Bulgaria's banking system began to serve them and were at the forefront of lending and investment programs. One example is the Bulgarian American Credit Bank, which was created by the BAEF in 1996. The Bank pioneered mortgage loans to individuals and households and has been a particularly effective lender to SMEs.

To further enhance credit outreach efforts and to reach the smallest entrepreneurs, USAID allocated almost $10 million for micro-enterprise programs and $2.7 million for an innovative development credit guarantee program to mobilize resources to support development priorities through the banking system. USAID micro-enterprise programs through the World Council of Credit Unions, Catholic Relief Services' Ustoi, and Opportunity International's Nachala, reached many of Bulgaria's smallest entrepreneurs, including many women and disadvantaged minorities. Ustoi and Nachala have become self-sustaining and will continue to provide loans to micro-businesses after USAID is gone. The development credit program stimulated lending by sharing with private Bulgarian financial institutions 50 percent of the risk of lending to small entrepreneurs and agriculture sector organizations.

Vyara Company: Success One Stitch at a Time

Vyara Yotova from the city of Pleven started the sewing company Vyara in 1998. Two years later she obtained her first Nachala loan of $2,000 to purchase equipment so she could expand her operations from 5,000 to 6,500 pieces per month. She subsequently obtained seven more Nachala loans ranging from $2,500 to $15,000 to purchase equipment and open a new workshop. From 2000 to 2005, Nachala provided loans to Vyara totaling more than $75,000. All of the loans have been properly serviced to date. The Nachala loans enabled Vyara to purchase 65 additional sewing machines and other equipment as well as to improve the factory's facilities and to purchase a delivery van. Vyara hired 76 new workers since 2000, more than doubling its workforce. The company exports much of its production but also serves the local market. Thanks to Yotova's hard work and long relationship with Nachala, the company has become a significant success.

Some concrete results of financial support programs include:

- The Bulgarian American Credit Bank provided mortgages for more than 5,000 apartments and lent more than $380 million to almost 5,000 companies by 2006, creating some 4,000 jobs in the process. More than $3 billion of mortgage loans were made from all sources by 2007.
- The Small Business Assistance Corporation and the Small Enterprise Assistance Fund made 23 investments averaging $300,000 and generated more than $10 in the local economy for every $1 invested.
- USAID guaranteed almost $100 million in loans for enterprise development between 1999 and 2006.
- More than 53,000 loans worth $68 million were made to micro-enterprises that supported more than 78,000 jobs.

Meeting of the First Ladies Laura Bush and Zorka Parvanova with clients of the USAID-supported microfinance institution Ustoi.

Djavit Beytula
Turkish minority farmer from Karapelit, Dobrich region, Year 2000 Farmer of the Year and one of Bulgaria's 10 largest farmers

"...Through my participation in many training courses here in Bulgaria and especially the training I received in the USA, I completely changed my views and thinking on how to organize my farming activities....This wouldn't have been possible without USAID assistance which was well designed and focused on farmers' specific needs exactly at the right time when land privatization and private farming began in Bulgaria."

AGRICULTURAL DEVELOPMENT – CREATING A MODERN AGRICULTURAL SECTOR

Bulgaria traditionally has been an agricultural country, but many changes were needed after 1989 to make Bulgarian agriculture competitive in Europe. USAID devoted almost $30 million for technical assistance and training to help improve Bulgaria's outmoded agricultural practices and institutions. USAID provided technical support to farmers and food processors through U.S. organizations such as Agricultural Cooperative Development International, Land O'Lakes, and Volunteers in Overseas Cooperative Assistance. These organizations tapped American expertise by mobilizing U.S. volunteers and technical experts to help improve productivity and management in the agricultural sector. Bulgarian crop and livestock farmers benefited from training and technical assistance from U.S. experts as they learned modern management techniques. U.S. advisors also helped Bulgarians form agricultural associations, such as the Dairy Processors and Meat Processors Associations, to pursue agricultural policy reform and to provide technical support to members.

USAID additionally transferred some $8 million to the U.S. Department of Agriculture (USDA) for technical assistance and training. Early USDA support was successful in helping the government establish an agriculture economics and statistics service, which provided essential information to agriculturists and government officials. Later, USDA helped to improve food safety, animal genetics, farmers' access to loans, and agricultural trade and investment.

Some illustrative results of USAID support to agriculture are:

- Bulgaria's first professional private business associations for dairy and meat processors were established and strengthened. Improvements were made in the standards, management and marketing for many food processors including for meat, dairy, fruit and vegetables.
- The legal and institutional basis of a warehouse receipt system was put in place, allowing farmers to borrow funds from banks by using their stored grain as collateral. The program helped establish 48 participating warehouses that enable farmers to access more than 1,000 bank loans each year.
- USDA programs helped to improve Bulgaria's food export potential, the quality of dairy and beef herds, and facilitated $10 million in U.S. agricultural investments in Bulgaria.

Bulgarian Association of Dairy Processors –Protecting and Improving the Dairy Industry

In 1998, the same year it was formed with USAID support, the Bulgarian Association of Dairy Processors led the food industry in a lobbying effort that resulted in the revocation of a harsh turnover tax. This initiative alone saved the food industry an estimated $20 million a year. In 2006, the Association helped to set up eight regional boards and a national dairy board with the Dairy Farmers Association and key government ministries to discuss and agree on EU dairy quota issues. In 2004 and 2005, the Association helped in drafting and vetting key amendments to the animal husbandry law to meet EU requirements.

With USAID assistance through Land O'Lakes, the Bulgarian Association of Dairy Processors quickly grew into one of the most effective business associations in Bulgaria. USAID provided comprehensive technical and training support over the years in almost every area of operation, including the development of a newsletter that now provides 30 percent of the Association's revenue. The Association's members include 120 of Bulgaria's most active and reputable dairy processors, representing more than 60 percent of all processors in the country.

The Association has developed a good partnership with the government, and it teamed with the government in working groups to meet EU accession criteria. The Bulgarian Association of Dairy Processors has also served as a model for other countries, helping to train staff from sister associations in almost all countries in the region.

MODERN FINANCIAL INSTITUTIONS – PILLARS OF A MARKET ECONOMY

Weaknesses in Bulgaria's financial and regulatory institutions were major factors in the 1996 financial crisis. USAID helped to restructure and upgrade these institutions, and today Bulgaria has a sound financial system of which it can be proud.

Yordan Hristoskov
Governor of the National Social Security Institute (2000–present)

"USAID support for the creation and development of Bulgaria's three pillar pension system was timely, comprehensive and effective....USAID support was doubly effective because it helped to establish a viable public-private sector partnership, supported public education and a strong regulatory mechanism, and helped to create good linkages to Bulgaria's growing capital markets. The result is a pension system that is a model for the region and that is being copied by almost all of our neighbors."

THE BANKING SECTOR

Starting in 1997, USAID devoted more than $15 million to reform and privatize the banking sector with excellent results: all government banks were sold to reputable European banks in a well-managed process supported by the International Monetary Fund and World Bank. USAID strengthened the banking sector through improved bank supervision and a new Deposit Insurance Fund. USAID also helped build the integrity of banks and non-banking financial institutions (insurance, pensions and capital markets) by strengthening oversight systems.

CAPITAL MARKETS

USAID had a major role in developing Bulgaria's capital markets, providing more than $11 million to establish a central depository, stock exchange, a professional cadre of brokers and dealers, and a sound regulatory system. USAID programs left behind a small but well-regulated and rapidly growing capital market system.

THE PENSION SYSTEM

USAID was the sole bilateral donor to reform Bulgaria's crippled pension system, providing approximately $10 million to help establish the modern "three pillar" pension system that combines both public and private provisions. Comprehensive support developed the pension reform strategy, legal and regulatory framework, and public information program, and built the capacity of agencies and private companies to implement and regulate pensions. Today the system helps mobilize funds for Bulgaria's capital market, and the three-pillar approach is a model for the region.

Apostol Apostolov
Chairman of the Financial Supervision Commission (2003–present), Former Executive Director, Bulgarian Stock Exchange (1998–2001)

"...The Bulgarian capital market has become one of the fastest growing sectors of the economy. These results were achieved in great part due to the valuable technical assistance provided by the professionals of the projects sponsored by USAID. Their efforts...led to setting higher standards and to achieving a higher stage of market development."

U.S. TREASURY PROGRAMS FOR FISCAL SOUNDNESS AND ENFORCEMENT

Between 1992 and 2006 USAID provided more than $13 million to the U.S. Treasury for advisors in tax reform, administration, and enforcement.

Advisors helped Bulgaria reform its tax code and improve enforcement measures in a wide range of areas.

Concrete results of financial reform assistance include:

- Seven government banks were privatized for more than $1.1 billion.
- The banking system is soundly-managed and regulated, and assets have grown more than 500 percent since 1997 to $31 billion in 2007.
- A modern and well-regulated capital market system was established and today has $11 billion in assets.
- A supplementary private pension system is managing assets in excess of $1 billion, covering more than 90 percent of the working age population.

ENERGY RESTRUCTURING – RELIABLE AND EFFICIENT POWER

During communism Bulgaria's centrally planned economy operated with subsidized energy that did not reflect actual costs of producing or distributing power. As a consequence, little attention was paid to structural issues or energy efficiency before 1989. These issues burdened the government and became costly for consumers as Bulgaria restructured its economy. In addition, an inefficient energy sector was a key impediment to private sector competitiveness.

USAID provided almost $15 million for energy restructuring programs over 15 years. Extensive USAID technical assistance and training, combined with financing and policy level support from the World Bank and International Monetary Fund, contributed to a modern energy law, regulatory framework, and tariff methodologies. This assistance also helped establish an autonomous energy regulator. These key accomplishments, for improved transparency, competition and efficiency led to the restructuring and privatization of much of the energy sector. In addition, USAID funding through the U.S. Department of Energy and the U.S. Nuclear Regulatory Commission helped to upgrade nuclear safety at the Kozloduy Nuclear Power Plant and to strengthen the Bulgarian nuclear regulator.

Beside structural reforms, USAID promoted energy efficiency with more than $4.5 million for a variety of programs. In the early 1990s USAID trained and supported small private energy engineering companies to do energy audits of industries and to identify cost efficient investments for companies. In 1992, USAID helped establish and support an NGO, EnEffect, which continues to promote energy efficiency and expand public awareness. To finance municipal energy efficiency improvements, USAID launched a special development credit guarantee program. These initiatives helped to overcome the legacy of inefficient energy usage in industry and public buildings.

Selected results of USAID programs in the energy sector include:

- USAID helped establish a sound legal and regulatory framework, and assisted the subsequent privatization of seven electricity distribution companies and a major generation utility, resulting in more than $1.1 billion in revenues for Bulgaria.
- Energy efficiency projects in hospitals resulted in average savings of 20 percent.
- A $20 million credit guarantee facility supported loans for 33 municipal energy projects such as energy efficient street lighting and school and district heating. These projects resulted in better living conditions and hundreds of gigawatts of annual electricity savings, and were important demonstrations for other municipalities that followed these examples.

Milko Kovachev
Minister of Energy and Energy Resources (2001–2005), Minister of Economy (2005)

"...The support of USAID was crucial for the energy reforms in Bulgaria. We received fast, focused and competent assistance in... drafting energy reforms legislation, developing a municipal energy efficiency network, supporting the establishment of the South East European energy market and very importantly, we received strong and invaluable support for the development of a professional and independent energy regulator....Together with the European Commission and the International Financial Institutions like the EBRD and the World Bank, USAID made the changes happen by backing our dedicated efforts to overcome all difficulties in making these complex reforms. Even more, USAID was the main vehicle to disseminate our results throughout the whole South East European region. Of course as one Bulgarian proverb says, USAID was able to 'help those who are willing to help themselves'."

Energy Investments Bring Health Benefits to Gabrovo

The Gabrovo Hospital Energy Efficiency Project demonstrated to local mayors and hospital administrators the financial and health benefits possible through energy savings. The project focused on upgrading heating, ventilation, and energy management control systems, as well as improving lighting, windows, water heating equipment, and combined heat and power systems.

Hospital heating costs were slashed by 20 percent, a savings of $35,000 a year. Due to the heat recovery system, which maintained high air quality standards in the surgical rooms, the hospital reported a significant reduction in secondary infection rates, which in turn led to shorter hospital stays and lower health care costs.

The hospital energy efficiency project introduced an innovative shared savings financing approach: 70 percent of the savings were retained by the hospital and 30 percent went to the municipality to finance other energy efficiency projects in Gabrovo. The hospital was able to use its savings from reduced energy purchases to buy medicine and equipment, to implement other energy efficiency projects, and to pay off its debt to the municipality. The success of this project led to similar projects in the municipalities of Plovdiv, Stara Zagora and Varna.

QUALITY OF LIFE

OVERVIEW

The transition process was not without costs, and there were significant disruptions to people's lives as old systems were abandoned and new ones adopted. Unemployment was virtually unknown under communism, but it increased rapidly as Bulgaria's economy restructured and state employment decreased. To address these issues, USAID funded programs to reduce the impact of mass layoffs and unemployment. In later years, as shortages of skilled employees began to constrain business growth and employment, USAID launched an initiative to improve employment prospects.

Beside employment issues, there were a number of humanitarian crises during the transition. These events occurred at the beginning of the transition in 1990–91, during the financial meltdown in 1997, during the Kosovo crisis in 1999, and in 2005 when flooding impacted more than 3 million people. The U.S. Government's humanitarian assistance during these crises totaled $66 million, including $59 million for food aid. Quick and responsive USAID assistance helped to save many lives and supported recovery efforts. In addition to these emergency programs, USAID programs improved health care and Bulgaria's preparedness for a potential outbreak of Avian Influenza.

In the early 1990s, despite most Bulgarians' strong appreciation for the natural environment, Bulgaria possessed neither the institutional capacity to assess the true state of the country's environment nor the legal infrastructure to protect it. Decades of industrial build-up in the absence of environmental legislation left the country years behind in developing environmental safety and preservation standards. Moreover, as Bulgaria transitioned to a market economy, developers began to construct new facilities for an expanding business sector. This created increasing needs for waste disposal, electricity generation, and new housing. Recently, rapid real estate development in various tourist destinations has jeopardized some of Bulgaria's most beautiful and fragile areas. This new threat to Bulgaria's environment is a growing issue. USAID assistance to the Ministry of Environment and Water, coupled with aid to environmental NGOs, provided important assistance for better water management, pollution control, and environmental protection activities after years of neglect.

Bulgaria paid a heavy social and environmental cost during its abrupt transition from communism. The following section describes how USAID helped Bulgarians endure the hardships while assisting to build the foundations for a better quality of life.

INCREASING EMPLOYMENT – SHARING THE BENEFITS OF GROWTH

The transition caused major disruptions to employment as state-owned factories and businesses collapsed or were restructured. Unemployment rates remained over 10 percent after 1991, reaching a high point of 18 percent in 2000. In 2006, unemployment declined to 9.6 percent due to the demands of Bulgaria's accelerating economy and also due to emigration. With this decline a new problem emerged: ensuring that Bulgaria's rapidly growing private business sector could find workers with the proper skills.

USAID transferred some $3.5 million to the U.S. Department of Labor, which supported the Ministry of Labor and Social Welfare from 1992 to 1997 to improve employment and welfare services in Bulgaria. This social safety net program aimed to moderate the social impacts of industrial restructuring and to help maintain the political will for reform. From 1998 to 2004 USAID provided $3.75 million for Partners in Local Economic Development and Government Effectiveness (PLEDGE), a local economic development program jointly funded by USAID and the U.S. Department of Labor to increase employment in particularly poor communities.

In a subsequent activity, the Labor Market Project, USAID provided assistance totaling $2.4 million from 2004 to 2007 to help upgrade the ability of universities to develop the skills sought by employers, to improve the quality of training and certification programs in key economic sectors, and to improve the capacity of Bulgarian Government institutions to deliver enhanced customer services to employers and the unemployed. The project set up vocational training programs and a national internship program, increased the capacity of employment offices to improve their services, and addressed major labor market constraints to economic growth.

Results from employment programs include:

- In 54 of the poorest and most neglected municipalities, more than 5,200 jobs were created and almost 1,000 jobs were saved through the PLEDGE program.
- Thirty-six Career Development Centers were established at universities and vocational schools around the country by 2007, providing access to counseling for more than 170,000 students.
- More than 10,000 internships were facilitated through the Career Development Centers, university internships, career fairs and the staj.bg website.
- Approximately 130,000 jobs were directly created from USAID projects since the USAID program began in Bulgaria.

Nikolay Vassilev
Minister of State Administration and Administrative Reform (2005–present), Deputy Prime Minister and Minister of Economy (2001–2003)

"In 2001 no Bulgarian university had a career center. Basically the universities did nothing about helping their students to develop good careers. To meet this need we joined with USAID and BAEF's Job Tiger to organize career fairs and career centers at all universities in Bulgaria. The program has been a great success.... Over the past five years more than 65,000 students have attended the career forum we organize every year. Today most students are able to find a good job quickly, unlike the situation five years ago."

HUMANITARIAN ASSISTANCE – HELPING PEOPLE COPE WITH CRISES

To meet emergency needs at the outset of the transition, the U.S. Government sent to Bulgaria 300,000 metric tons of grain. In addition, USAID provided medicines and supplies to Bulgarian hospitals through Project HOPE and other channels, launched a hospital twinning program with American hospitals, and established the Center for Sight to improve eye care. These humanitarian programs, totaling about $50 million, helped to ease the difficult situation in Bulgaria at the time.

During the 1996 financial crisis USAID provided over $14 million for emergency medical supplies for hospitals and feeding programs for vulnerable populations. USAID granted Project HOPE $2.1 million to provide lifesaving pharmaceuticals to 12 regional hospitals. To help address the serious social impacts of the 1996 financial crisis, USAID made grants to Catholic Relief Services and the American Red Cross under the Food for Peace Program. More than 19,000 metric tons of food aid was distributed to pensioners and to unemployed workers and their families under this program.

The Bulgaria Crisis Recovery Program in 1999 was a two-pronged effort to help Bulgaria cope with the impact of the Kosovo crisis, which limited Bulgarian access to the Danube River. Assistance included activities to accelerate the recovery of communities along the Danube, and training opportunities for young Kosovars at the American University in Bulgaria. In conjunction with this program, USAID granted the Government of Bulgaria $25 million for emergency balance-of-payments support to help redirect local currency resources to support major social and economic welfare programs.

From May through September 2005, Bulgaria experienced several periods of torrential rain that caused heavy flooding throughout the country. The damage proved extensive, affecting over 3.2 million people (about 40 percent of the Bulgarian population). The U.S. Government allocated some $1.7 million for equipment for immediate recovery efforts and assistance to affected populations.

Situated in the path of migration and trade routes, Bulgaria is at risk for the highly pathogenic strain of Avian Influenza, and has already experienced some limited outbreaks. In 2006, USAID disbursed more than $900,000 through four organizations to improve Bulgaria's preparedness for dealing with Avian Influenza.

Some illustrative results of these programs include:

- More than 160,000 pensioners and 50,000 unemployed workers and their families benefited from food aid from 1997–1999.
- Thousands of people benefited and hundreds of jobs were created under the 1999 Bulgaria Crisis Recovery Program.
- Flood assistance supported more than 10,000 victims.
- More than 430 veterinarians were trained and other measures put in place to deal with a possible Avian Influenza outbreak.

ENVIRONMENTAL PROGRAMS – PROTECTING A PRICELESS HERITAGE

USAID provided more than $22 million for environmental programs in Bulgaria. USAID support before 1996 was mostly for advisory assistance and training to improve the analysis of environmental problems, industrial environmental efficiency, industrial health safety, pollution prevention, and management of natural resources. Highlighting environmental concerns for the Bulgarian Government's overall economic growth agenda was an important objective. The following specific projects formed the core of the USAID environmental portfolio during this period: a center for environmental support in the region; U.S. Environmental Protection Agency assistance for training, policy analysis and reform, and information systems; a biodiversity program that later became the main environmental focus for USAID; a project to address the most pressing issues affecting the Danube River basin; World Environment Center activities to reduce industrial waste; and a pilot activity in the city of Stara Zagora to convert municipal energy use from oil to clean-burning natural gas.

Perhaps the most important USAID contribution to the environment was helping Bulgaria preserve its rich biodiversity heritage. From 1995 to 2000, USAID implemented the Global Environmental Facility Biodiversity Project which was designed to strengthen the Bulgarian Government's environmental management capacity and create sound management plans for biodiversity conservation. During the last phase of USAID environmental assistance which ended in 2004, environmental initiatives further strengthened biodiversity conservation, fostered ecotourism, and stimulated trade with the United States in environmental products. After USAID assistance, Bulgaria's national parks and other nature reserves experienced a marked increase in visitors.

USAID programs were successful in helping improve management of protected areas, increasing conservation through the creation of national parks, fostering ecotourism, and providing market-based solutions to pollution control.

Some important accomplishments that USAID supported were:

- USAID biodiversity programs helped Bulgaria establish and manage approximately 1,800 square kilometers of protected areas. Visitors to the Central Balkans National Park increased from 45,700 in 2003 to 64,000 in 2006.
- A successful USAID program to minimize industrial waste and pollution was sustained by the Bulgarian Industrial Association.
- A pioneering program in Stara Zagora to convert municipal energy sources from oil to clean-burning natural gas was replicated in other cities throughout Bulgaria.
- Bulgaria benefited from more than $180 million in increased trade with the United States in environmental technologies, including an important program to protect ground water supplies from a large copper smelter and refinery operation near the Black Sea.

Valentin Bosevski
Former Minister of Environment (1992–1995), Chairperson of National Trust Eco Fund

"One of USAID's first contributions was to help save Bulgaria's Sreberna bird reserve in the very early 1990s. The reserve was dying from fresh water incursion, but with USAID support we managed to rebuild this wonderful reserve, and it survives to this day. The most impressive feature of the USAID assistance during the transition period was that in the course of the partnership, Bulgaria received not only models for environmental policy but also instruments for applying this policy....The culmination of this assistance was the establishment and initial funding for Bulgaria's National Parks System that is vital for protecting Bulgaria's rich biodiversity heritage now and into the future."

Nella Ratchevits
Director of the Central Balkans National Park

"USAID... help(ed) us to establish and manage the protected areas network in Bulgaria. Key accomplishments... supported by USAID included the development of the National Strategy for Biodiversity,...development and enforcement of the Protected Areas Act,... development of the first management plans for the National Parks, and development of a National Ecotourism Strategy and Action Plan....Bulgaria today has one of Europe's finest and most valuable systems of national parks and protected areas with extremely diverse biodiversity."

TRAINING AND EDUCATION

Daniela Dimitrova
Director, Association of Community Funds (2006 – present)

"The assistance we received from USAID through these training programs gave a strong boost to the development of the community fund model in Bulgaria. The opportunity to see in person the work of community funds elsewhere was exceptionally important. This led us to believe in our own abilities and inspired us to work even harder."

PARTICIPANT TRAINING – OPENING MINDS TO NEW HORIZONS

Training was a cornerstone of the USAID program in Bulgaria. It helped instill new ideas and build the capacity of individuals and organizations to lead Bulgaria during the transition and into the future. Although most USAID programs provided at least some training directly to target groups, the USAID Participant Training Program (PTP), which began in 1993, formed the main foundation of USAID training efforts. World Learning, the PTP implementer, supported virtually all USAID programs and arranged training activities in the United States and 30 other countries. USAID provided more than $18 million for training, seminars, conferences, and study tours for almost 4,000 Bulgarians from 1993 to 2007, and awarded 66 small grants for participants to implement ideas developed during their training.

Initially, PTP exposed Bulgarian policy makers and leaders to U.S. models for reform and stimulated new ideas. PTP later emphasized appropriate European training as Bulgaria approached EU accession. In recent years, PTP conducted most of its training activities in Bulgaria as USAID emphasized building local training capacity. PTP provided a lasting legacy of more knowledgeable and skilled professionals and organizations throughout Bulgaria.

Eyes on Four Paws

"We started with nothing but an idea and a list of goals," says Albena Alexieva, chairperson of the "Eyes on Four Paws" Foundation. The five Lab puppies sleeping peacefully in the room across the hall are evidence of how that idea has become a reality.

In 2001, the Foundation was established with the aim of creating a Bulgarian school for guide dogs for blind people. The school was officially opened in Sofia in 2007 and two trained dogs were handed over to their new owners in Plovdiv and Harmanli for a symbolic one leva (about 75 cents).

"Eyes on Four Paws" participated in the first grant competition for social enterprises sponsored by the USAID Community Fund and Social Enterprise Program. They received support for their plan to offer training courses for dog owners as a way to raise money for the school. Under a USAID Participant Training Program study tour for fledgling social enterprises, the NGO visited a school for seeing-eye dogs in Prague, Czech Republic, and acquired practical experience in organizing a social enterprise and interacting successfully with businesses.

"The organizational and theoretical knowledge we received through USAID was extremely valuable for the development of our activities," remarks Mihail Nedkov, coordinator of the socialization program at "Eyes on Four Paws." The NGO has since attracted business sponsors such as MTel, one of the largest mobile phone operators in Bulgaria.

Today the school is a busy place, with two dogs preparing to start training after their host family stay and three dogs preparing to begin their new lives as companions to the blind. Seven blind people are on the waiting list to receive a guide dog.

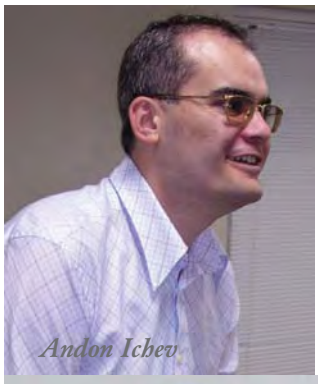
AMERICAN UNIVERSITY IN BULGARIA (AUBG) – EDUCATING LEADERS

AUBG was founded in 1991 in Blagoevgrad, Bulgaria as a four-year, liberal arts undergraduate educational institution with technical support from the University of Maine and financial support from USAID and the Open Society Institute. AUBG's mission is "to educate future leaders committed to serving the needs of the region by promoting the values of an open, democratic society." The curriculum is based on the U.S. liberal arts model and is taught in English. AUBG benefited from almost $60 million in U.S. assistance, including more than $8 million in grants under the American Schools and Hospitals Abroad program, and is now financially sustainable.

AUBG has achieved a great deal since its founding. It has a solid record of preparing the next generation of leaders committed to democratic principles in a rapidly changing region. AUBG produced some 2,000 graduates from more than two dozen countries by 2007. Approximately 35 percent of graduates went on to post-graduate study in some of the best American and European universities. The remaining 65 percent found meaningful professional positions in their home countries or other countries around the world. Other achievements include: full accreditation in Bulgaria and the United States; an executive MBA program at a new facility, the Elieff Center in Sofia, that has graduated more than 100 students; and growing enrollment at AUBG from only 208 students in 1991 to over 1,000 in 2007. Many alumni already occupy key professional and leadership positions in business and government, and AUBG's impact can only grow as more students graduate.

Dimi Panitza
AUBG Founding Board Member, Founder and Chairperson, Free and Democratic Bulgaria Foundation

"I am convinced that from its beginning AUBG has played a key role in instilling essential democratic values and ideals in students from Bulgaria and throughout the region....AUBG has been a unique melting pot for the future leaders of the region. Here they study, live and play together and learn that their neighbors are not enemies, but are friends and colleagues. Such a benefit cannot be quantified, but I am convinced that AUBG will become an ever growing contributor to regional peace and stability."


Andon Ichev

Khulan Enkhbold

Elvin Guri

Georgi Iliev

AUBG GRADUATES MAKE THEIR MARK

The impact of AUBG is apparent in its highly successful graduates, the majority of whom start their careers in their home countries or abroad almost immediately after graduation. AUBG grads work in a wide variety of spheres and in many cases advance rapidly up the career ladder. We highlight here a few of the AUBG graduates who are making an impact on their fields and in their countries.

"At AUBG I learned that nothing is impossible as long as you keep an open mind for new ideas, look for opportunities, take some risks, and don't give up," says **Andon Ichev,** Class of 1995. Andon is the Country Manager of General Electric for Bulgaria and the founder of EON Advisors, a business advisory company providing services to Bulgarian and foreign companies in business development, equity investment, and infrastructure.

Another high achiever from the first graduating class is **Stefan Ivanov,** Country Officer for Citibank Bulgaria. After AUBG, he earned his MBA at Cornell University. Experience on the floor of the American Stock Exchange paved the way for a career in banking; first at Banque Paribas, and then Citigroup.

Novelist, playwright, actor, radio host and journalist **Georgi Iliev** of the Class of 1996 sums up the influence of AUBG on his multifaceted artistic career: "AUBG is everything to me. Without it, I would probably be a cook now." It was at AUBG that he first began to write and stage plays, which led him to study playwriting at the University of California in Los Angeles. He returned to Bulgaria in 2004 and wrote and published his first novel, *The Life and Death of Mr. Iliev*.

Elvin Guri left Albania to attend AUBG and to seek a better future. After his graduation in 1996, he worked with the European Bank for Reconstruction and Development (EBRD) in London and then returned to Bulgaria to start his own company, JetFinance International. The company is now one of the largest non-banking institutions in Bulgaria and employs 1,300 people.

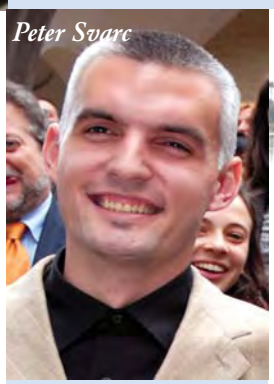
An AUBG alumnus of 1997, **Nikolay Nikolov** has enjoyed a rising career in finance and venture capital. Today he is an Executive Director of the largest Bulgarian wireless telecommunications operator, Mobiltel. Prior to his appointment at Mobiltel, Nikolay was a member of the Bulgarian Parliament and Deputy Minister for Transport and Communications.

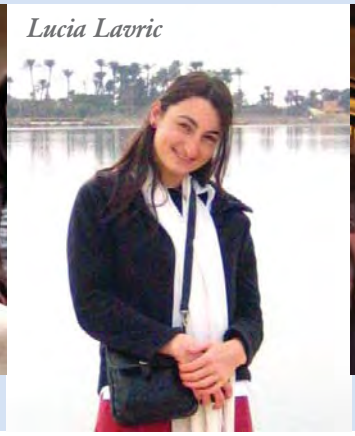
Traveling around the world to pursue natural gas projects in Africa and the Middle East is a normal year in the life of **Lucia Lavric**, Class of 2001. Based in Edinburgh, UK with an energy consultancy company, she builds on the experience she acquired doing independent study projects on environmental protection while at AUBG.

Experience in student government and theatre prepared **Petar Svarc,** Class of 2002, to pursue fields as diverse as web-site design, theater acting and short-movie creation. He is multimedia team leader at Melon Technologies Inc., a Sofia-based software development and new media company established and developed by a group of AUBG alumni.

One of the most recent AUBG grads, **Khulan Enkhbold** of the Class of 2007 returned to her native Mongolia to take a senior position at Future Leader NGO. "AUBG has been a great preparation for my professional career, since I have learned tremendously important skills essential for success. Moreover, I am deeply grateful for my professors, who have taught me not only academic, but also practical skills, which are vital for any young professional entering the 'real world.'"

Stefan Ivanov


Peter Svarc


Lucia Lavric

Nikolay Nikolov

MAJOR LEGACIES

Perhaps the most important USAID contribution to Bulgaria's successful democratic and free market transition was support for the development of institutions that made a lasting impact in Bulgaria's transformation. Many of these institutions continue to support Bulgaria's progress toward a bright future. Some of the keys ones are listed below.

ORGANIZATIONS FOR DEMOCRATIC REFORM AND DEVELOPMENT

- The American University in Bulgaria
- The National Institute of Justice
- The National Association of Municipalities in the Republic of Bulgaria
- The Foundation for Local Government Reform
- Nine Regional Associations of Municipalities
- The Broadcast Training Center
- An active network of civic advocates, including the Bulgarian Center for Not-for-Profit Law, the Bulgarian Institute for Legal Initiatives, legal clinics, and the Attorneys' Training Center

ORGANIZATIONS FOR ECONOMIC REFORM AND DEVELOPMENT

- The Bulgarian American Credit Bank
- Nachala and Ustoi micro-credit organizations
- The Institute for Market Economics
- The Center for Energy Efficiency (EnEffect)
- A network of Career Development Centers (36 in 2007)
- A network of support organizations including the Center for Entrepreneurship and Executive Development, the Bulgarian Center for Training and Development, Voca Consult, e-FLAG, FLAG APEX, and the Agency for Small and Medium Enterprises

ENVIRONMENTAL LEGACY

- A managed system of protected areas, including two major national parks and the Rila Monastery Nature Park.

LEGACY MECHANISMS FOR THE FUTURE

USAID is establishing two funding mechanisms to help ensure that important but still fragile reforms and organizations receive support after USAID closes its Mission. The main mechanism will be the America for Bulgaria Foundation. The Foundation will provide funding to business groups and NGOs to help ensure Bulgaria's continued transition and progress. To meet immediate needs until the Foundation is operational, USAID with the German Marshall Fund established a Bulgaria Fund for grants to NGOs working in designated reform areas.

AMERICA FOR BULGARIA FOUNDATION

The America for Bulgaria Foundation will utilize the significant resources (estimated at $200 million) to be generated from the liquidation of Bulgarian-American Enterprise Fund assets. The Foundation will aim to make a major contribution to Bulgaria's continued transition and progress, serve as an important continuation of the Fund's accomplishments to date, and represent an enduring legacy and symbol of U.S. commitment to an important ally. The Foundation is expected to become operational in 2008. Due to the substantial resources that will be channeled to the new entity, projections are that it will continue to function in perpetuity. The priority areas of the Foundation are:

- Private sector development, entrepreneurship and business education
- Leadership development
- Support for NGOs
- Support for key competitive business sectors

BULGARIA FUND

The Bulgaria Fund will give targeted grants of approximately $25,000 each to NGOs. USAID will provide approximately $3 million to the German Marshall Fund to establish the Bulgaria Fund. The two goals of the Bulgaria Fund are:

- To continue the USAID reform agenda in specified program areas where reforms are ongoing and incomplete; and
- To help ensure the sustainability of local USAID partner organizations that will continue working towards the completion of important reforms.

ACKNOWLEDGEMENTS – IN APPRECIATION OF USAID BULGARIA STAFF

Front row, L-R: Plamen Katzarksi, Tamika Cameron, Adela Delcheva, Kalina Vanova, Jennifer Croft, Rumiana Iotova, Deliana Dineva. Second row, L-R: Michael T. Fritz (Mission Director), Ivanka Tzankova, Milen Peev, Rayna Dimitrova, Svetozara Petkova, Emilia Yoncheva, Vesselina Goleminova, Dessi Bijeva, Nikolay Yarmov. Last row, L-R: Katherine Ingmanson, Ivanina Beleva, Kiril Kiryakov, Gene Gibson, Nora Ovcharova, William Cherry. (Picture taken in April 2007)

USAID Bulgaria employees since 1991:

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Assia Alexieva
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Diana Arnaudova
Antoaneta Arsova
John Babylon
Doncho Barbalov
Ivanina Beleva
Desislava Bizheva
Mihail Boyadzhiev
Tamika Cameron
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Jennifer Croft
Adela Delcheva
Krassimir Dimitrov
Kostadin Dimitrov
Rayna Dimitrova
Zornitsa Dimitrova
Deliana Dineva
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Susan Fritz
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Evgenia Georgieva
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