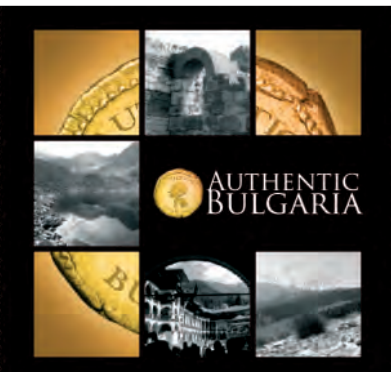




USAID
FROM THE AMERICAN PEOPLE

USAID/BULGARIA ASSESSMENT REPORT Seventeen Years of Partnership in Transition: 1990–2007



July 2007

**USAID/BULGARIA
ASSESSMENT REPORT
Seventeen Years of Partnership
in Transition: 1990–2007**

July 2007

CONTENTS

A. SNAPSHOT OF BULGARIA	10
PREFACE	11
I. EXECUTIVE SUMMARY	13
II. OVERVIEW OF BULGARIA'S TRANSITION	23
A. BACKGROUND AND EARLY TRANSITION YEARS, 1990–1996	23
B. STABILITY AND RAPID REFORM, 1997–2001	25
C. CONSOLIDATION AND INTEGRATION WITH THE EURO-ATLANTIC STRUCTURES, 2002–2007	26
D. EU MEMBERSHIP, 2007	26
III. EARLY TRANSITION 1990–1996	29
A. INITIAL PROGRAM STRATEGY AND PRIORITIES	29
1. Initial USAID Assistance Strategy	30
2. 1994–1996 Strategy	31
B. MAJOR ACTIVITIES AND LESSONS LEARNED	32
1. Support for Free Markets and Private Enterprise Growth during the Early Transition Period	33
a. Financial and Economic Policy Reform	33
(1) Financial Reform	34
(2) Collateral Law	34
(3) Lessons Learned in Implementing Economic Policy Reform	35
b. Land Restitution	35
c. Agriculture Support Programs	36
(1) Direct USAID Support	36
(2) Support through the U.S. Department of Agriculture (USDA)	37
(3) Lessons Learned from Agriculture Programs	38
d. Privatization	38
(1) Market Privatization	38
(2) Municipal Privatization	38
(3) Mass Privatization	39
(4) Lessons Learned from Privatization Programs	39
e. Housing	40
f. Small and Medium Enterprise (SME) Support	40
(1) Firm-Level Technical Assistance and Training Support	40
(2) Lessons Learned from Firm-Level Assistance	41
(3) Financial Support for SMEs	42
(4) Lessons Learned from Implementing Financial Programs	43
g. Energy Sector Reform	43
(1) Power Sector Reform	43
(2) Energy Efficiency	44
(3) Lesson Learned from Implementing Energy Efficiency Programs	45
(4) Nuclear Energy Safety	45
h. Support for the Labor Market Transition	46
i. Summary Assessment of the Free Market and Private Enterprise Program in the Early Transition Period	46

2. Support for Democracy and Governance during the Early Transition Period	47
a. Political Process Support	48
(1) International Republican Institute	48
(2) National Democratic Institute/Bulgarian Association for Fair Elections and Civil Rights (BAFECCR)	49
(3) Lesson Learned in Implementing Political Process Programs	50
b. Civil Society Strengthening (including ethnic integration and labor unions)	50
(1) Minority Issues	51
(2) Democracy Commission	51
(3) Trade Unions	52
(4) Environmental NGOs and Grassroots Community Participation	53
(5) Democracy Network I (DemNet I)	53
(6) International Center for Not-for-Profit Law (ICNL)	55
(7) National Forum Foundation/Freedom House	56
c. Local Government Assistance:	57
(1) University of South Carolina	57
(2) Environment, Housing and Municipal Privatization Activities	58
(3) Lessons Learned in Implementing Local Government Support Programs	59
d. Media Strengthening:	59
(1) USIA and the International Media Fund	59
(2) ProMedia I	61
(3) Lessons Learned in Implementing Media Programs	61
e. Legal and Judicial Reform:	62
(1) American Bar Association Central and East European Law Initiative (ABA CEELI)	62
(2) Lessons Learned Implementing Legal and Judicial Reform Programs	63
f. Parliamentary Strengthening:	63
(1) Special Task Force on the Development of Parliamentary Institutions in Eastern Europe	63
(2) Lessons Learned in Implementing Parliamentary Strengthening Programs	65
g. Summary Assessment of the Democracy and Governance Program during the Early Transition Period	65
3. Support for the Environment during the Early Transition Period	65
a. Strategy and Approach	66
b. The Regional Environmental Center	66
c. Environmental Protection Agency Activities	67
d. Biodiversity Support Program	67
e. Water for Sanitation and Health (WASH) Program	69
f. World Environment Center (WEC) Waste Minimization Project	70
g. Central and Eastern Europe Environmental Economics and Policy (C4EP) Project	72
h. Environmental Action Program Support (EAPS) Natural Gas Conversion Project	73
i. Summary Assessment of the Environment Program during the Early Transition Period	74
4. Humanitarian and Social Sector Assistance during the Early Transition Period	76
a. Medical Supplies through Catholic Relief Services (CRS)	77
b. Young Men's Christian Association (YMCA) of the USA	77
c. International Eye Foundation (IEF)	78
d. Hospital Partnerships	79
e. Summary Assessment of Humanitarian and Social Sector Assistance during the Early Transition Period	80
C. SUMMARY OF OVERALL PROGRAM RESULTS DURING THE EARLY TRANSITION PERIOD	81
1. Support for Free Markets and Private Enterprise Growth	82
2. Support for Democracy and Governance	82
3. Support for the Environment	82
4. Humanitarian and Social Sector Assistance	82
D. THE PROGRESS OF THE TRANSITION DURING THE EARLY YEARS	83

IV. POLITICAL STABILITY AND RAPID REFORM 1997–2001	85
A. PROGRAM STRATEGY AND PRIORITIES	85
1. 1998–2002 Strategy.....	86
2. Revisions of 1999.....	87
B. MAJOR ACTIVITIES AND LESSONS LEARNED	88
1. Support for Free Markets and Private Enterprise Growth during the Rapid Reform Period.....	88
a. Bank Restructuring and Reform.....	88
(1) Results.....	89
(2) Lessons Learned from the Bank Reform Program.....	90
b. Capital Markets.....	90
c. Pension Reform.....	91
(1) Results.....	92
(2) Lessons Learned from Implementing the Pension Reform Program.....	92
d. Support to SMEs: Firm Level Assistance.....	93
(1) Results.....	95
(2) Lessons Learned from Firm Level Assistance.....	96
e. Support for Policy Reform.....	97
f. Financial Support for SMEs.....	97
(1) BAEF/BACB.....	97
(2) CARESBAC/SEAF.....	99
(3) Microfinance.....	101
(4) Development Credit Guarantees.....	102
(5) Lessons Learned from Financial Support Programs.....	102
g. Energy Programs.....	103
(1) Power Sector Reform.....	103
(2) Lessons Learned in Power Sector Reform.....	103
(3) Energy Efficiency.....	103
h. Health Finance Reform.....	104
i. Summary Assessment of the Free Market and Private Enterprise Program during the Rapid Reform Period.....	105
2. Support for Democracy and Governance in the Rapid Reform Period.....	106
a. Local Government Assistance.....	106
(1) Local Government Initiative (LGI).....	106
(2) Support to Municipal Associations and Think Tanks.....	108
(3) International City/County Management Association Technical Twinning Program.....	108
(4) Partners in Local Economic Development and Government Effectiveness (PLEDGE).....	109
(5) Lessons Learned From Implementing Local Government Support Programs.....	110
b. Civil Society Strengthening (including labor unions).....	110
(1) Democracy Network II (DemNet II).....	110
(2) International Center for Not-for-Profit Law (ICNL).....	113
(3) Trade Unions — Free Trade Union Institute/American Center for International Labor Solidarity (FTUI/ACILS).....	113
(4) Lessons Learned in Implementing Civil Society Programs.....	113
c. Political Process Support.....	114
(1) International Republican Institute (IRI).....	114
(2) National Democratic Institute (NDI).....	114
(3) Lessons Learned in Implementing Political Process Programs.....	115
d. Media Strengthening.....	115
(1) ProMedia I.....	115
(2) ProMedia II.....	116
e. Legal and Judicial Reform.....	116
(1) East-West Management Institute’s Judicial Development Project.....	116

(2) American Bar Association Central and East European Law Initiative (ABA CEELI)	119
(3) Lessons Learned in Implementing Legal and Judicial Reform Programs	120
f. Parliamentary Strengthening	121
(1) Parliamentary Internship Program	121
(2) Parliamentary Information Center	122
(3) State University of New York (SUNY), Center for International Development	122
(4) Lessons Learned Implementing Parliamentary Strengthening Programs	123
g. Summary Assessment of the Democracy and Governance Program during the Rapid Reform Period	123
3. Support for the Environment during the Rapid Reform Period	124
a. The Global Environmental Facility Biodiversity Project	124
b. Lessons Learned	125
c. Summary Assessment of the Environmental Program during the Rapid Reform Period	126
4. Humanitarian Assistance during the Rapid Reform Period	127
a. Medical Supplies through Project HOPE and the American Red Cross (ARC)	128
b. Feeding Programs through the International Federation of the Red Cross and Catholic Relief Services (CRS)	128
c. \$25 million Balance-of-Payments Support	129
d. Bulgaria Crisis Recovery Program (BCRP)	129
(1) American University in Bulgaria (AUBG)	130
(2) Danube River Initiative (DRI)	130
e. Summary Assessment of Humanitarian Assistance during the Rapid Reform Period	131
C. SUMMARY OF OVERALL PROGRAM RESULTS DURING THE RAPID REFORM PERIOD	132
1. Support for Free Markets and Private Enterprise Growth	132
2. Support for Democracy and Governance	133
3. Support for the Environment	133
4. Humanitarian Assistance	133
D. PROGRESS OF THE TRANSITION DURING THE RAPID REFORM PERIOD	134
V. CONSOLIDATION, SUSTAINABILITY AND EU ACCESSION 2002–2007	137
A. PROGRAM PRIORITIES AND FINAL TARGETS	137
B. MAJOR ACTIVITIES AND RESULTS WITH LESSONS LEARNED	140
I. Support for Free Markets and Private Enterprise Growth During the Consolidation and EU Accession Period	140
a. Improving the Business Enabling Environment	140
(1) Policy Reform Activities	141
(2) Commercial Law Reform Project (CLRP)	142
(3) Lessons Learned from CLRP	143
(4) Airport Concessions	144
(5) Lesson Learned from the Concessions Activity	144
b. Accelerating Job Growth	144
(1) Business and Trade Development (BTD)	145
(2) Lesson Learned from the BTD program	145
(3) Labor Market Project (LMP)	145
(4) Young Entrepreneurial Spirit (YES)	147
c. Energy Sector Programs	148
(1) Power Sector Reforms	148
(2) Lessons Learned from Power Sector Assistance	149
(3) Energy Efficiency	149
d. Improving Access to Financial Resources	150
(1) Financial Sector Integrity	150

(2) Credit Guarantees	151
(3) Lessons learned from the Development Credit Authority Program	152
(4) Providing Credit for Disadvantaged Minorities	152
e. Agriculture Programs	152
f. U.S. Treasury Programs	153
g. Summary Assessment of the Free Market and Private Sector Growth Program during the Consolidation and EU Accession Period	153
2. Support for Democracy and Governance in the Consolidation and EU Accession Period	154
a. Local Government	154
(1) Local Government Initiative III	154
(2) Municipal Associations and Think Tanks, including ICMA Citlinks Program	156
b. Legal and Judicial Reform	158
(1) Judicial Strengthening Initiative (JSI)	158
(2) American Bar Association Central Europe and Eurasian Law Initiative (ABA CEELI)	161
(3) Bulgarian Institute for Legal Initiatives (BILI)	162
(4) U.S. Department of Justice/Office of Overseas Prosecutorial Development, Assistance and Training (DOJ/OPDAT)	162
(5) International Organization for Migration (IOM) Anti-Trafficking Initiative	163
(6) Lessons Learned from Implementing Legal and Judicial Reform Programs	163
c. Civil Society Strengthening (including ethnic integration and labor unions)	164
(1) Post DemNet Civil Society Programs	164
(2) International Center for Not-for-Profit Law (ICNL)/Bulgarian Center for Not-for-Profit Law (BCNL)	167
(3) Trade Unions	168
(4) Partners Bulgaria Foundation	169
(5) Chitalishte Community Development and Participation Project	171
(6) Balkan Trust for Democracy	172
(7) Lessons Learned from Implementing Civil Society Support Programs	172
d. Political Process Support	173
(1) National Democratic Institute	173
(2) International Republican Institute	174
(3) Lessons Learned From Implementing Political Process Programs	175
e. Media Strengthening	175
(1) ProMedia II	175
(2) Broadcast Training Center (BTC)	176
(3) Lessons Learned From Implementing Media Programs	176
g. Summary Assessment of the Democracy and Governance Program in the Consolidation and EU Accession Period	177
3. Support to the Environment during the Consolidation and EU Accession Period	177
a. Biodiversity Conservation and Economic Growth (BCEG)	177
(1) BCEG I	178
(2) BCEG II	179
b. EcoLinks	180
c. Training	181
d. Summary Assessment of the Environment Program in the Consolidation and EU Accession Period	182
4. Humanitarian Assistance during the Consolidation and EU Accession Period	183
a. Floods	184
b. Avian Influenza	184
c. Summary Assessment of Humanitarian Assistance in the Consolidation and EU Accession Period	185

C. SUMMARY OF OVERALL PROGRAM RESULTS

IN THE CONSOLIDATION AND EU ACCESSION PERIOD 185

I. Support for Free Markets and Economic Growth	185
---	-----

2. Support for Democracy and Governance	185
3. Support for the Environment	186
4. Humanitarian Assistance	186
D. PROGRESS OF THE TRANSITION DURING THE CONSOLIDATION AND EU ACCESSION PERIOD . .	186
E. THE RISKS OF BACKSLIDING	189
VI. CROSS-CUTTING AND SPECIAL INITIATIVES	191
A. AMERICAN UNIVERSITY IN BULGARIA (AUBG)	191
B. PEACE CORPS SMALL PROJECT ACTIVITIES	193
C. ANTI-CORRUPTION	194
1. Coalition 2000	194
2. Open Government Initiative	196
a. Results	196
b. Lessons Learned in Implementing Anti-Corruption Programs	197
D. TRAINING	197
1. Georgetown University’s East Central European Scholarship Program	197
2. World Learning’s Participant Training Program	198
3. Lessons Learned From Implementing Training Programs	202
E. PUBLIC OUTREACH ACTIVITIES	202
F. SUMMARY OF RESULTS FOR CROSS-CUTTING AND SPECIAL INITIATIVES	204
VII. THE ROLE OF USAID ASSISTANCE SINCE 1989	205
A. THE EVOLUTION OF ASSISTANCE	205
B. DEVELOPMENT PIONEER	205
C. USAID AS INNOVATOR	205
D. ESTABLISHING SUSTAINABLE INSTITUTIONS	207
E. TIMELY SUPPORT FOR EMERGING NEEDS	207
VIII. SUMMARY OF OVERALL LESSONS LEARNED	209
A. POLITICAL WILL IS NECESSARY FOR REFORM AND MUST BE APPROPRIATELY ADDRESSED	209
B. SERIOUS REFORMS TAKE SERIOUS TIME AND RESOURCES — TO ENGAGE OR NOT TO ENGAGE? . .	210
C. SHORT-TERM UNCOORDINATED EFFORTS YIELD FEW RESULTS	211
D. COMPARATIVE ADVANTAGES SHOULD BE CONSCIOUSLY EXPLOITED	211
IX. USAID LEGACIES AND MAJOR ACCOMPLISHMENTS	213
A. USAID LEGACIES IN BULGARIA	213
B. MAJOR ACHIEVEMENTS (SUCCESSSES) RESULTING FROM USAID SUPPORT IN BULGARIA	217
1. Indigenous Organizations Created and Sustained	217
2. Sector Achievements	219

X. FUTURE PERSPECTIVES	225
A. WHAT REMAINS TO BE DONE: PRIORITIES FOR FOLLOW-UP AND OPTIONS TO ADDRESS	225
B. LEGACY SUPPORT MECHANISMS	230
Long-term Legacy Support Mechanism — America for Bulgaria Foundation	230
Short-term Legacy Support Mechanism — the Bulgaria Fund	231
XI. ANNEXES	233
ANNEX A: USAID PROGRAM TABLES	233
ANNEX B: USAID ASSISTANCE IN NUMBERS	253
ANNEX C: BIBLIOGRAPHY	257
ANNEX D: GLOSSARY OF ACRONYMS	277
ACKNOWLEDGEMENTS — IN APPRECIATION OF USAID BULGARIA STAFF	282

LIST OF TABLES

Table 1. Country Development Indicators: 1989–2006	29
Table 2. USAID Assistance to Bulgaria: 1990–1996	31
Table 3. Country Development Indicators: 1997–2001	85
Table 4. USAID Assistance to Bulgaria: 1997–2001	87
Table 5. Country Development Indicators: 2002–2007	137
Table 6. USAID Assistance to Bulgaria: 2002–2007	140
Table 7. Government and Donor Funding for Judicial Training	159
Table 8. Economic Targets and Progress	187
Table 9. Democracy Targets and Progress	188

LIST OF FIGURES

Figure 1. USAID Assistance to Bulgaria: 1990–1996	30
Figure 2. Economic Indicators: 1990–1996	83
Figure 3. Democracy Indicators: 1990–1996	83
Figure 4. USAID Assistance to Bulgaria: 1997–2001	86
Figure 5. Asset Share of Privately Owned Banks in Bulgaria: 1990–2005	88
Figure 6. Economic Indicators: 1997–2001	134
Figure 7. Democracy Indicators: 1997–2001	134
Figure 8. USAID Assistance to Bulgaria: 2002–2007	138
Figure 9. Economic Indicators: 2002–2006	187
Figure 10. Democracy Indicators: 2002–2006	188
Figure 11. Share of Municipal Own Revenues of Total Revenues	189
Figure 12. Dynamics of the Involvement in Corruption Transactions and Corruption Pressure	194

A SNAPSHOT OF BULGARIA

GEOGRAPHY

Location:	Southeastern Europe, bordering the Black Sea, Romania, Greece and Turkey, Macedonia, and Yugoslavia.
Area:	110,993 sq. km (42,672 sq. miles)
Climate:	Continental-Mediterranean
Terrain:	Mostly mountainous with lowlands in the north and southeast. Rila and Pirin are alpine mountains exceeding 2,900 m above sea-level. Stara Planina, also called <i>the Balkan Range</i> and origin of the namesake <i>Balkan Peninsula</i> , is the longest mountain range, dividing the country into Northern and Southern Bulgaria.
Highest peak:	Mussala (2,925 m), Rila Mountain

POPULATION

Population, total:	7,358,367 (July 2006 est.)
Population growth (annual %):	-0.5 (2005)
Capital City:	Sofia (1.2 million)
Large Cities (population):	Plovdiv (712,702 as of 2002), Varna (346,000 as of 2004), Bourgas (422,458 as of 2004), and Rouse (162,131 as of 2006)
Ethnic Groups:	Bulgarian 83.6%, Turk 9.5%, and Roma 4.6% (2001)
Religions:	Christian Orthodox 83.8%, Muslim 12%, Roman Catholic 1.5%, and Jewish 0.8% (1998)
Life expectancy at birth, total (years)	72.6 (2005)
Mortality rate, infant (per 1,000 live births)	12.0 (2005)



PREFACE

This Assessment has multiple objectives. First, it documents the history of the USAID program as an historical record of its contributions to Bulgaria's transition to a market based democracy. Second, it is meant to help development practitioners in other countries to avoid pitfalls and to benefit from USAID Bulgaria's successes over the years. And third, it identifies remaining development issues for those who will plan for Bulgaria's future.

The Assessment discusses the USAID program over its entire 17-year history in Bulgaria, but it also recognizes the very different political, social and economic environments over the course of this history. The early years prior to 1997 were characterized by a hunger for new ideas, but also by political instability and vacillating government commitment to serious free market and democratic reforms. After the financial collapse of 1996, a new and stable government embarked on a series of major reforms in close cooperation with the International Financial Institutions (IFIs). By 2002 Bulgaria was clearly on a path toward EU accession, and USAID drafted its strategy for closing the program. These three periods (*early transition, stability and rapid reform, and consolidation and accession*) are discussed separately in the Assessment in order to highlight the substantially different environments and the different USAID developmental approaches in each period. Each section of the text is introduced by a table of development indicators to show the status of the transition and results achieved during that period.

Regarding the order of presentation of programs within each section, certain programs were highlighted by presenting them early in a section if they had special importance during a particular period. No other attempts were made to present the programs in any special order.

The Assessment uses a number of complementary approaches to tell its story. It traces the history and evolution of Bulgaria's transition to a free market economy and stable democracy and describes how the USAID program contributed to this process. It evaluates the various programs and projects that USAID launched over the years to determine their appropriateness, impacts and "lessons learned." It presents specific statements from knowledgeable sources and "success stories" to provide insights into the USAID role over the years. It also identifies a number of issues and concerns that remain for Bulgaria's future. Finally, it describes USAID legacies that will continue to contribute to U.S. and Bulgarian shared objectives.

Although many USAID staff were involved in the preparation of the Assessment, USAID Bulgaria would like particularly to acknowledge the key role of the following persons who made major contributions: John Tennant (consultant and team leader), Susan Fritz, Vanya Tzankova, Robert Archer, Tamika Cameron, Kalina Vanova, Jennifer Croft and Vesselina Goleminova.

Compiling the 17-year history of the USAID program in Bulgaria presented many challenges. Not all activities had clear records or had final evaluations of their results. The USAID assessment team made many judgment calls on how to interpret available data. Whenever possible, information was cross checked with multiple sources, but some gaps and errors no doubt remain. USAID Bulgaria regrets any errors or omissions that may detract from the usefulness of the Assessment.

I. EXECUTIVE SUMMARY

PROGRAM OVERVIEW

Bulgaria has come a long way in its 17-year march from a highly centralized communist state to a democratic, free market member of the European Union and NATO. USAID can be proud of the key role it has played since the first democratically elected body, the Grand National Assembly, started work on Bulgaria's Constitution in 1990. Since 1990, USAID provided over \$600 million for a broad array of activities to support Bulgaria's transition.

THE EARLY TRANSITION PERIOD (1990–1996)

USAID support evolved during these early years as dramatically as Bulgaria's own transition. USAID assistance started in 1990 as a modest regional program managed from Washington. It initially comprised only critical emergency aid and support for the political process including free and fair elections. The program quickly grew to a broad spectrum of USAID field-managed activities that — in the absence of a consistent political will or clear governmental reform priorities — supported the transition by addressing “targets of opportunity” during most of the period before 1996. Assistance to and through the central government was particularly difficult during these politically unstable years. USAID consequently directed most of its support to strengthening local governments and the non-governmental sector. Some of these latter programs did garner significant results, but most early programs did not immediately affect reform. However, with continuing support from USAID, many of these early educational and institution building efforts had important impacts in later years.

THE YEARS OF STABILITY AND RAPID REFORM (1997–2001)

By 1996 Bulgaria's poor reform progress precipitated an economic collapse, and GDP plunged by 11% in one year. While economic and social conditions declined dramatically in 1996–1997, the collapse heralded a true commitment to reform by a new and more stable government. USAID support also progressed to a more refined and strategic program that considered USAID strengths and that addressed key democratic and free market priorities as they evolved. A major focus was on building capacities of indigenous organizations as partners to support reform objectives. Results for almost all USAID programs improved significantly after 1996, and USAID worked hand in hand with the government, International Financial Institutions and the EU in many key areas to implement the reform agenda.

CONSOLIDATION AND EU ACCESSION (2002–2007)

The final years of USAID support were focused on consolidating successful programs to preserve past investments and helping to ensure

**CONSISTENT
“BOTTOM UP” FOCUS
WAS A USAID HALLMARK**

sustainable reform. Earlier USAID institution building efforts helped create highly capable local partners, and USAID also developed and maintained strong relations with many state agencies. The program during these years addressed some of the toughest challenges facing Bulgaria as it prepared to join the EU, with particular emphasis on enhancing the rule of law.

In the early years, from 1990 through 1996, Bulgaria’s transition proceeded in “fits and starts” — sudden bursts of activity followed by malaise and even backsliding, depending on the political environment. Five different governments held power, and political instability and lack of consensus on how best to proceed were major constraints to consistent reform efforts at the national level. Based on early results, USAID determined during this period that it could make its most productive contributions by promoting a “bottom up” reform process. The development of strong local governments, non-governmental organizations, independent media, a vibrant small enterprise sector, and the American University in Bulgaria took priority. The period after 1996 provided new opportunities to work with the central government that USAID quickly seized, but USAID continued to focus on grassroots efforts throughout its tenure in Bulgaria and this set USAID apart from other donors.

**LOCAL GOVERNMENT
INITIATIVE WAS
AN IMPORTANT SUCCESS**

One of the greatest USAID successes was the support to develop strong and responsive local governments after the 40 years of communist centralization. USAID allocated more than \$50 million to this flagship program from 1991 to 2007, and it was by far the largest bilateral donor to local government reform. Intensive training programs and study tours, twinning of Bulgarian municipalities with U.S. counterparts, and technical advice all helped local governments develop new models for better serving their constituencies. These models included the highly successful “one-stop shops” to improve service delivery (the number of one-stop shops had grown to 140 by 2007), a transparent and fair system for privatizing municipally owned companies that resulted in more than 650 privatizations, and public-private partnerships for developing infrastructure that were widely replicated.

With strong USAID support, progressive municipalities established informal groups that eventually led to highly successful regional associations, an active think tank dedicated to resolving local government issues, and a national association with all 264 municipalities that strengthened members’ ability to lobby for and to manage authorities decentralized to the local level. By 1998 the key structures for promoting local government reform were in place. USAID support subsequently evolved to ensure sustainability of these key local government institutions and to focus on the devolution of fiscal authority to the local level. Thanks in part to many years of funding and support from USAID, these local government institutions are self sustaining and in 2007 continue to modernize local government processes and services as well as make steady progress toward greater local fiscal authority. As an

NON-GOVERNMENTAL PROGRAMS SUPPORTED PUBLIC PARTICIPATION

example of progress, municipal revenues increased by more than \$100 million between 2000 and 2006, and the percentage of own-source municipal revenues had doubled from 17% to 35%.

Other “bottom up” programs included more than \$27 million in support for the non-governmental sector that played an important role in Bulgaria’s transition. Support to non-governmental organizations (NGOs) helped ensure that there was an independent capacity to monitor economic and democratic constraints and changes and that communities had a mechanism for mobilizing resources for development. It also provided a venue for public participation and a voice for ethnic minorities and professions such as judges in advocating reform. In addition, almost \$6 million of support through the Free Trade Union Institute to Bulgaria’s labor union movement developed union management and promoted democratic and free market principles. The NGO sector, and especially the “watchdog” segment, is still relatively weak in Bulgaria and depends largely on external funding to survive. However, hundreds of NGOs benefited from USAID training and support, and are much better prepared for the more competitive period ahead as USAID and other donors phase out.

FREE ELECTIONS AND INDEPENDENT MEDIA ACTIVITIES UNDERPINNED DEMOCRACY

USAID support through the National Democratic Institute and the International Republican Institute helped establish a credible system of free elections and strengthened Bulgaria’s multi-party system. Early USAID media support through the U.S. Information Service helped develop several independent radio stations. Later, USAID helped to establish and develop the Association of Bulgarian Broadcasters and several associations of journalists. After 2000, USAID fostered a number of ground-breaking media laws and the development of a Broadcast Training Center to provide training to media professionals. The Broadcast Training Center also trained judges on effective communication with the media and produced two acclaimed TV series, one on anti-corruption and the other on ethnic integration. More than \$6 million was provided for media.

THE AMERICAN UNIVERSITY BECAME A MODEL LIBERAL ARTS INSTITUTION

Founded in 1991, the American University in Bulgaria benefited from more than \$60 million in U.S. assistance. It developed into a model university that promotes the ideals of a free and democratic society throughout the region. More than 2,000 students graduated by 2007. Many alumni occupy key professional and leadership positions in business and government, attesting to the excellence of the program. While the university’s financial sustainability is still a question, it has a sound plan to mobilize adequate resources for the future.

PRIVATE ENTERPRISE DEVELOPMENT WAS A CENTRAL USAID OBJECTIVE

Assistance for private enterprise development was always an important USAID program component in Bulgaria. Privatization was an early focus, and USAID provided more than \$7 million for Bulgaria’s privatization efforts in the early 1990s. However, these efforts had only modest success. USAID efforts to assist market-based privatization of large assets were constrained by vacillating government commitment,

and only 10% of Bulgaria's assets were privatized through this program by 1997. USAID support for mass (voucher) privatization was more successful and helped Bulgaria privatize some 25% of its public assets.

Small and Medium Enterprise (SME) growth was a key USAID objective because of its great potential for stimulating employment and economic growth. More than \$40 million was devoted to these efforts. USAID promoted SME growth primarily by channeling resources through U.S. organizations that provided training, volunteers and experts to work directly with Bulgarian entrepreneurs. Early efforts to support SMEs were impeded by the poor enabling environment in Bulgaria. By the mid-1990s USAID built on direct support to entrepreneurs by helping to establish and sustain a number of successful trade associations and other business support organizations. These organizations provided technical support and successfully advocated for key legislation to improve the enabling environment for their members. Policy reform to support the private sector was enhanced with several years of USAID consultant support. As the private sector developed, USAID focused on high growth sectors such as tourism and technology. In later years it emphasized ensuring the sustainability of business support organizations, including a viable private business consulting sector, and on assisting government programs that supported SMEs.

USAID programs to promote SME growth had significant impact. Exports from USAID-assisted companies increased by more than 10% annually, and sales per employee increased by more than \$500 each year between 1998 and 2002. From 2002 to 2004, USAID assisted 848 businesses, resulting in an increase of \$471,500 in exports and a \$5,909,700 increase in domestic sales.

In addition to technical and policy support programs for SMEs, USAID provided \$58 million to the Bulgarian-American Enterprise Fund and \$7 million to the CARE Small Business Assistance Corporation. These funding entities channeled financial resources to SMEs well before Bulgaria's banking system began to serve them, and they were on the forefront of many new lending and investment programs. Although these financial programs struggled during the early years of Bulgaria's transition, they later achieved remarkable successes. For example, the Bulgarian American Credit Bank, created by the Enterprise Fund in 1996, made loans and investments totaling more than \$380 million to almost 5,000 companies creating some 4,000 jobs by 2006.

To further enhance credit outreach efforts, USAID allocated more than \$11 million for three micro-enterprise programs and an innovative development credit guarantee program to mobilize resources for small enterprises through the banking system. Micro-enterprise programs provided support for more than 78,000 jobs by 2007 and continue to provide funds for micro-entrepreneurs on a sustainable basis. The credit guarantee program guaranteed 540 loans for almost \$100 million mostly to SMEs by 2007. It is clear that thousands of small firms benefited from USAID technical and financial assistance and from the improved enabling environment for private enterprise.

AGRICULTURAL PROGRAMS HAD LIMITED SUCCESS

USAID agricultural programs had mixed results. Early efforts to support land reform with a \$10 million grant and to modernize agriculture with more than \$15 million in technical assistance faced a host of major structural and political challenges and were only marginally successful. USAID ultimately focused agricultural support on food processing (through the SME program), and these programs made important contributions to the development of the meat processing, fruit and vegetable processing and dairy processing industries among others. Beside directly funded USAID programs, more than \$4 million of funding channeled through U.S. Department of Agriculture programs between 2002 and 2007 helped improve food safety, animal genetics, farmers' access to loans, and agricultural trade and investment. However, structural issues remain and agricultural productivity in Bulgaria still lags behind most other countries in Central and Eastern Europe.

USAID SUPPORT HELPED MODERNIZE THE FINANCIAL SECTOR

To help modernize Bulgaria's financial sector after the collapse of 1996–1997, USAID devoted more than \$15 million to reform and privatize the banking sector with excellent results: seven government banks were sold for more than \$1.1 billion in a well-managed and transparent process. The entire banking sector was strengthened and better regulated after USAID support to establish a Deposit Insurance Fund and improve bank supervision. These efforts were accomplished in close coordination with the IMF and World Bank and helped Bulgaria meet its international obligations for reform.

USAID also had a major role in developing Bulgaria's capital markets. More than \$11 million of USAID support was devoted to establishing a central depository, stock exchange, a professional cadre of broker/dealers, and a sound regulatory system. USAID programs left behind a small but well-regulated and growing capital market system that was capitalized in 2007 at \$11 billion.

USAID was the sole bilateral donor to reform Bulgaria's crippled pension system. It provided approximately \$10 million to help establish the modern "three pillar" pension system that combines both public and private provisions. USAID comprehensive support assisted in developing the pension reform strategy, legal and regulatory framework, public information program, and built the capacity of the agencies and private companies that implement and regulate pensions. By 2007 Bulgaria's supplementary private system managed assets in excess of \$1 billion which covered more than 90% of the working age population and was a model for the region.

One financial area where USAID was largely unsuccessful was health financing reform. USAID allocated some \$4.5 million for initiatives to improve the financing and provision of health services in Bulgaria from 2000 to 2005. The USAID-supported strategy to reform Bulgaria's inadequate health care financing system was never fully adopted by the government largely due to political and internal management issues. Bulgaria's poor health care system remains an important concern.

USAID PROVIDED KEY SUPPORT FOR ENVIRONMENTAL, SOCIAL SECTOR, AND HUMANITARIAN CONCERNS

Early USAID assistance to the Ministry of Environment coupled with aid to environmental NGOs, continued for more than 10 years and provided more than \$20 million for important water management, pollution control, and environmental protection activities after years of environmental neglect. Support for national conservation had arguably the biggest impact. USAID was the primary bilateral donor to this vital area. It helped Bulgaria put in place strategies, laws and systems to establish and manage vast National Parks and protected areas totaling some 1,800 sq. kilometers, thus helping preserve Bulgaria's rich biodiversity and environmental heritage. Economic interests in Bulgaria in recent years have begun to aggressively seek areas to exploit for tourism and industry. This new threat to Bulgaria's environment is a growing issue.

Little attention was given to improving social safety net programs by the donor community or the government in the early and mid 1990s. However, two USAID-supported programs provided \$8 million through the U.S. Department of Labor to address several safety net concerns. They helped ameliorate the effects of mass layoffs, produced a successful job skills program for minorities, and established a highly successful local economic development program that created thousands of jobs in over 50 municipalities.

In 2004 USAID launched a final labor program for \$2.4 million that targeted constraints to job creation in Bulgaria as economic growth accelerated. It established a system of career development centers in Bulgarian universities, colleges and vocational schools coupled with a national internship program that developed and strengthened the linkages between employers, educational institutions and potential employees. More than 170,000 students had access to counseling and guidance through 36 career centers by 2007, and more than 10,000 internships were facilitated. Although successful, this was a narrowly focused program, and Bulgaria's education sector still needs much modernization. In retrospect, much more donor support was clearly needed throughout the transition period to adequately address the social ramifications of Bulgaria's dramatic changes from communism.

Quick and responsive USAID assistance during crises helped to save many lives and supported recovery efforts. Humanitarian assistance totaled \$66 million, including \$59 million for food aid. Programs included the emergency humanitarian aid and disaster assistance at the beginning of the transition in 1991, emergency medical and food aid support in 1997 during the financial meltdown, and emergency assistance in 2005 when flooding impacted more than three million people. More than 300,000 disadvantaged people benefited from food aid in 1997–1999 period, and almost 3,000 households affected by floods in 2005 received USAID recovery assistance.

In addition to these emergency humanitarian programs, USAID funded partnerships between U.S. and Bulgarian hospitals to improve health care in the early years, supported a program to improve eye care, and helped improve Bulgaria's preparedness for a potential outbreak of Avian Influenza.

ENERGY PROGRAMS ADDRESSED SAFETY, STRUCTURAL, AND EFFICIENCY ISSUES

USAID provided more than \$17 million for energy programs over 15 years. This assistance helped to upgrade nuclear safety; develop a modern legal-regulatory framework and independent regulator for power and heating; and restructure and privatize much of the energy sector for improved transparency, competition and efficiency. Privatization of energy generation and distribution companies alone resulted in more than \$1.1 billion in revenues. In addition, USAID strongly promoted energy efficiency to overcome the communist-era legacy of inefficient energy usage in industry and buildings. Working most productively at the local level with municipalities and through a local NGO, USAID improved energy efficiency awareness and reduced municipal energy costs in a variety of areas. Hospitals particularly benefited from energy efficiency improvements and often saved more than 20% in energy costs and registered health improvements from cleaner air. Progress accelerated in 2000 after USAID established a Development Credit Authority program that partially guaranteed loans for municipal energy efficiency projects. The first phase of the credit facility provided loans for 33 projects such as energy efficient street lighting, schools, hospitals and district heating resulting in hundreds of gigawatts of annual electricity savings for municipalities. Long USAID involvement in the energy sector, despite poor progress in the early years, was a major factor in the energy program's eventual successes.

ANTI-CORRUPTION AND DEMOCRACY PROGRAMS RESPONDED TO BULGARIA'S PRIORITIES

Pioneering USAID anti-corruption support began in 1997 before there was any effective effort underway to limit the high levels of corruption in the country. Initially, USAID helped to increase awareness of corruption through support for monitoring and public awareness. After 2000, USAID began to focus on reducing opportunities for corruption within the government. By the final years of its program, USAID activities broadened to support improvements in the government's accountability mechanisms and to establish better systems of internal control and public procurement. Almost \$12.3 million was provided for these efforts. While corruption (exacerbated by organized crime) continues to be a major concern, the USAID anti-corruption program assisted in establishing a credible system of independent monitoring and a more transparent public procurement process that is helping the country move in the right direction.

USAID support for the democratic elements of the transition increased in both magnitude and relative emphasis as the program responded to evolving needs. One \$6 million initiative from 2000–2007 fostered interethnic tolerance and helped ensure that Bulgaria's transition did not leave its disadvantaged minorities behind. It resulted in new structures and processes for inclusion in community planning and development in a number of Bulgaria's most ethnically mixed towns. Hundreds of new jobs were created and new mediation centers established to address interethnic problems. Another \$4.5 million grassroots program resulted in 10 community foundations that have raised more than \$500,000 from local sources for local needs.

RULE OF LAW BECAME A TOP PRIORITY

Rule of law was critical to Bulgaria's transition, but it was also one of the weakest reform areas by the mid 1990s. USAID accordingly placed increasing emphasis on the rule of law after 1997, and by the final years

of the program it became a top priority. USAID provided more than \$25 million in assistance over 10 years targeted primarily on reforming and strengthening the judiciary and other elements of the legal system. This assistance helped to: establish and support a National Judicial Training Institute to train magistrates (more than 2,844 magistrates and 5,217 court clerks trained by 2007), found an Attorney’s Training Center, institute a national association of judges and of court clerks, improve court administration, and develop a National Strategy for Judiciary Reform. It also helped develop a number of judicial and court reform laws, and it strengthened the capacity of the Supreme Judicial Council to provide oversight of the judiciary and to ensure an acceptable level of independence. A Commercial Law Reform Initiative from 2003–2007 helped create a system of private enforcement of legal judgments (168 trained enforcement agents by 2007), a system of registering new companies without a judge, and a commercial mediation program to mediate disputes outside the courts. Although these accomplishments are impressive, Bulgaria will have to address weaknesses in the judicial system for many years.

LESSONS LEARNED

There were important lessons learned from less successful USAID initiatives in Bulgaria. These initiatives included early support for national level reforms such as early land reform and privatization, agricultural reform, energy sector reform, economic and financial reform, and sporadic attempts at health care reform. Early democracy initiatives to strengthen civil society and strengthen the judiciary also had few immediate results. An exception was support for civil society election monitoring that contributed to an institutionalized system of free and fair elections.

Many early efforts (and even some later ones) faltered due to the lack of government commitment and complications from the transition’s social impacts. Ameliorating these social impacts clearly needed more donor attention. In addition, early USAID expectations were overly-optimistic considering the difficult development environment at the time. Hindsight shows that many more years and resources were required to build a foundation for complex reforms than was expected. USAID found that its training and institution building work established and nurtured many reform “champions” who later played an important role in Bulgaria’s transition. The consistent USAID strategy to promote “bottom up” development was a winning one, although it likely would have had more limited results without central government support in later years. Working with international institutions such as the World Bank and IMF helped to leverage success in many cases. USAID technical assistance was often used to meet their loan conditions and the “carrot” of the loan helped to stimulate political will. Finally, the agenda that the EU required Bulgaria to follow for EU accession was a driving force for many USAID-assisted reforms. The EU accession process is seen by many as critical to focusing and accelerating Bulgaria’s transition.

There are a number of factors cited by many Bulgarians as key to the most outstanding USAID successes. These include quick and flexible

responses to emerging and unforeseen situations, willingness to take risks and support new ideas and organizations, and an emphasis on collaboration with counterparts in program development and implementation. Also cited was the USAID strategic, long-term and comprehensive support to resolve difficult development challenges and to ensure the sustainability of programs and institutions. All of these factors were enhanced by the provision of highly qualified technical and management expertise and by the USAID on-the-ground presence in the country. These success factors and lessons learned are detailed in the body of the Assessment and should provide useful guidelines for assistance efforts elsewhere.

LEGACY MECHANISMS FOR THE FUTURE

USAID is establishing two mechanisms to help ensure that important but still fragile organizations and transition processes receive support after USAID closes its program. The main mechanism will be the America for Bulgaria Foundation which will be endowed with some \$200 million from the liquidation of the Bulgarian-American Enterprise Fund. The Foundation will provide funding to private organizations and NGOs to help ensure Bulgaria's continued transition and progress. To meet immediate needs until the Foundation is operational, approximately \$3 million is being provided to the German Marshall Fund to establish a Bulgaria Fund for grants to NGOs working in designated reform areas.

IN THE END...

USAID can take credit for many important achievements and legacies of its program. USAID support was critical for many sustainable institutions that will continue to contribute to Bulgaria's progress in finance and banking, capital markets, pensions, small enterprise growth, energy, environmental protection, education, local government, media, civil society development, anti-corruption, rule of law and judicial development. The USAID target for closing the program was to leave behind a Bulgaria that is securely grounded on a sustainable path toward democratic governance at all levels, and with a successful market economy integrated with international markets. These goals were substantially met, and USAID leaves Bulgaria as a successful new entrant into the EU. However, despite Bulgaria's successes, its reform work is far from complete. It must ensure that the momentum for reform does not dissipate or "backslide" now that it is an EU member. It will need to devote strong and consistent efforts to address several critical issues. These include reforming the education and health care sectors, ensuring and sustaining a competitive private sector, maintaining a vibrant civil society, completing its reform of the judiciary, reducing still pervasive corruption and the influence of organized crime, and ensuring that its disadvantaged minorities and environmental treasures are not swept aside in the rush for economic growth.



II. OVERVIEW OF BULGARIA'S TRANSITION

A. BACKGROUND AND EARLY TRANSITION YEARS, 1990–1996

Bulgaria joined Eastern Europe's march to democracy in 1989 with arguably the most "soviet" style government and economy in the region. Forty years of communist rule left Bulgaria with an inflexible top-down command structure with power concentrated at the center. Bulgaria had very weak local governments with almost no authority over resources or administration. Democracy was hobbled by a weak and politicized legal system, a barely emerging NGO community functioning under outmoded laws, and state-controlled media that lacked objectivity. Agricultural land was almost completely collectivized and virtually the entire business sector was state-owned. Bulgaria's economy was almost fully integrated with its COMECON (Council for Mutual Economic Assistance) partners, and economic ties with the West were tenuous at best. Adding to Bulgaria's structural problems, attempts in the 1980s to modernize its economy left Bulgaria with a huge external debt of more than \$10 billion, more than 80% of its GDP.

But the people's thirst for democracy was not to be denied. In early 1989, the first environmental protests and the establishment of the Club for Publicity and Democracy — a civil society organization — marked the beginning of the dissident movement in Bulgaria. On November 10, 1989, the Communist Party replaced Todor Zhivkov as a party and state leader, thus opening up the transformation of the political system. The first opposition parties were registered in December 1989. After the June 1990 elections for the Grand National Assembly, Bulgaria's new democratic Constitution was adopted in July 1991. The first democratic elections for parliament were held in October 1991, and the opposition coalition, the Union of Democratic Forces (UDF), won a plurality of seats and formed a government with the support of the ethnic Turkish party, the Movement for Rights and Freedoms (MRF).

Freedom House (FH) indicators (see Table 1) reflected the dynamics of the transition, registering "partly free" and "free" status for the general state of freedom in 1990 and 1991, respectively. While this was an impressive achievement in a relatively short period of time, political party machinery, like the central government itself, continued to be highly centralized. Political representation and democratization required building grassroots party structures. Local governments remained dependent on the central authorities, with a weak revenue base and unclear powers. As a result, local institutions and municipalities were unable to provide the services the people needed and demanded.

Although non-governmental organizations (NGOs) and professional associations were growing in strength and number, a vigorous civil society remained a dream.

The shift in Bulgaria's economic policy was dramatic during the initial two years of transition. In anticipation of, and as a pre-condition to, an IMF Standby Arrangement, the Bulgarian Government passed sweeping legislation that created a liberalized legal framework for wages and prices, foreign exchange transactions, as well as national monetary and fiscal policies. The new constitution established the right to private property and guaranteed private economic initiative. In response, 150,000 small firms were registered. Legislation governing land restitution was established. A new law on the Bulgarian National Bank confirmed the two-tier banking system established in 1989, provided banking authorities with full independence, and established the framework for the development of a modern banking system. The government's energy reform program significantly reduced state subsidies for energy consumption.

In spite of these encouraging reforms, in late 1991 when USAID opened its office in Sofia, Bulgaria was still very much in the throes of transition from the communist era. While externally-oriented policies, such as trade liberalization, investment codes and freeing up of exchange controls were in place, establishing a modern business environment and effective regulatory regime were lagging behind. Energy prices were still well below market levels, and waste was endemic. Delayed structural reforms and erratic macro-economic policies led to high and variable inflation and dramatic exchange rate movements. These conditions discouraged foreign investment. As a result, real GDP growth dropped by 17.5% during 1990 and 1991 from its pre-transition levels. The economy was shrinking while the share of trade in GDP reached 98.4% in 1991. Private sector share of GDP was only 20%. Unemployment quickly jumped from close to zero in 1989 to 9% in 1991 and to 15% in 1992. Living standards dropped accordingly, although civil liberties and political rights as measured by Freedom House did show marked improvement.

Throughout the first half of the 1990s, Bulgaria was wracked by political instability and labor unrest. Five governments held office during the first six years of democracy. The political instability was coupled with a lack of political consensus on the economic priorities at the macro and micro levels. This resulted in a stop-and-go transition to a market economy, which caused the GDP to shrink by 40% by late 1996, while consumer prices soared almost 20 times relative to 1990. Despite international pressure, the socialist government failed to carry out critical reforms in energy pricing, privatization and the banking sector.

The rise of organized crime was another difficult issue for Bulgaria that exacerbated other problems. Declining economic conditions combined with a class of powerful former communist officials and weak civil institutions and law enforcement encouraged the formation of organized crime groups. Moreover, Bulgaria's close ties with the Soviet Union before 1989 fostered a natural connection with post-

Soviet Russian criminal groups, and Bulgaria's position as a transit route between the Middle East and Europe made it an attractive target for international criminals. Organized crime facilitated a deluge of narcotics and arms smuggling, money laundering, trafficking in women, and other forms of criminal activity after 1989. These issues continue to impact Bulgaria to this day.

By 1996 the economy began to unravel. The government responded to substantial fiscal deficits by printing money, hence fueling inflation, and by accumulating an unsustainable external debt burden. Growing corruption aggravated the unstable economic environment. Bank runs and failures ensued. The Bulgarian currency, the lev, plummeted in value, which triggered hyperinflation in January 1997, and a further collapse of the lev. This in turn led to a decline of real incomes and wealth, and a jump in poverty.

Thus, Bulgaria's transition started under more difficult circumstances than in most other CEE countries. In part this reflected its legacy of stricter central planning and a larger external debt burden. One could say that Bulgaria had farther to go and carried a greater burden on the journey than most of its peers in the region.

B. STABILITY AND RAPID REFORM, 1997–2001

The year 1997 was pivotal for the transition of the country to a free market economy and stable democracy. The Socialist cabinet was no longer able to govern the country. In early 1997, Bulgarians participated in 30 days of demonstrations against declining economic and social conditions, and demanded pre-term parliamentary elections. The outburst of public dissatisfaction was unprecedented in modern Bulgarian history. People across the political and economic spectrum took joint action, forcing politicians to recognize their accountability. The people's efforts succeeded in removing the Socialist Party from power, cutting short its four-year parliamentary term by 22 months. The April 1997 elections resulted in the UDF obtaining a parliamentary majority, and a new reform government took office in May. With widespread support and recognition of the historic opportunity it possessed, the new parliament endorsed the introduction of a currency board, anti-corruption measures, EU and NATO membership, alleviation of the social cost of reform, and a program of economic revival.

The currency board arrangement (CBA) along with economic reforms was crucial for stabilizing the economy and placing it on a sustainable growth path. Underpinning the CBA, a conservative fiscal policy was adopted as well as a sharp acceleration of structural reforms encompassing agriculture, energy, privatization, further price and trade liberalization, and reform and restructuring of the social sectors. Prime Minister Ivan Kostov's UDF government was the first to serve a full mandate and is recognized for having achieved macro-economic and financial stability for Bulgaria following the catastrophic financial crisis in 1996–1997. However, the inability of the UDF government to address social hardships, crime and corruption and other issues contributed to a landslide electoral defeat in 2001.

C. CONSOLIDATION AND INTEGRATION WITH THE EURO-ATLANTIC STRUCTURES, 2002–2007

II

The year 2001 was another year of historic change to Bulgaria's political landscape. At both the June parliamentary and November presidential elections, the UDF reformist government was ousted by Bulgarians dissatisfied with the hardships of the transition. Corruption, low salaries, and high unemployment fuelled a drive for new leadership. With 67% voter turnout, the newly-formed political party, the National Movement Simeon II (NMS) headed by former King Simeon, won the parliamentary elections with nearly 43% of the vote. The NMS formed a coalition government with the mainly ethnic Turkish Movement for Rights and Freedoms (MRF), and Simeon Saxe-Coburg accepted the role of Prime Minister.

The coalition government attained some key foreign policy objectives but lost much of its public support by the end of its mandate. Perhaps the government's most significant achievement was joining NATO in 2004. This event reflected Bulgaria's progress in political and economic reforms as well as its contributions as an ally in the war against terrorism. Bulgaria started to evolve as a leader in Southeast Europe, rapidly moving ahead with its foreign policy priorities and making considerable progress in establishing a viable democracy. With NATO membership a reality, the country continued to focus on EU accession and accelerated its efforts to align its legislation and administration with EU directives and requirements. Despite these impressive developments and the irreversibility of the transition, the majority of the population still did not feel adequate change for the better. Corruption, the continuing prevalence of organized crime, low salaries, high unemployment, and growing income disparities were major issues for ordinary Bulgarians. Weakened by a steady decline in public confidence and fierce attacks against the Prime Minister, the NMS lost the 2005 parliamentary elections to a leftist coalition led by the Bulgarian Socialist Party (BSP). A new coalition government was ultimately formed under the BSP with the NMS and MRF.

D. EU MEMBERSHIP, 2007

A major force for much of Bulgaria's reform, especially after 1996, was the drive toward European Union membership. Indeed, it can be said that the accession process was the glue that kept together the coalition governments since 2001, as well as the carrot that drove reform efforts in the country for the final ten years leading to EU accession. The history of Bulgaria's relationship with the EU is summarized here because of its great importance for reform.

Bulgaria established diplomatic relations with the European Community in 1989, and in 1993, signature of a far-reaching Association Agreement called the "Europe Agreement" confirmed Bulgaria's goal of EU membership. This agreement, which liberalized trade between Bulgaria and the Member States, was part of the EU strategy to prepare Bulgaria for accession, and also included substantial financial and technical assistance to improve Bulgaria's competitiveness and to harmonize its institutions and legal/regulatory framework with EU requirements. The magnitude of EU assistance gives some indication of how important this support was. According to the

European Commission (EC) in Bulgaria, almost 3 billion Euros in technical and financial assistance was made available between 1990 and 2007, although Bulgaria was only able to absorb some 65% of this.

Bulgaria clearly stated its commitment to EU membership by submitting its application in 1995. In its first “Opinion on Bulgaria’s Application for EU Membership” in 1997, the EC concluded: “Bulgaria’s progress in the creation of a market economy has been limited by the absence of a commitment to market-oriented economic policies; it would not be able to cope with competitive pressure and market forces within the Union in the medium-term.” This finding helped to galvanize the reform process, as Bulgaria realized it still had a long way to go to obtain its coveted EU membership.

Negotiations on EU accession were opened in February 2000. The negotiation process became a major factor influencing Bulgaria’s commitment to the reforms needed for its transition to a free market economy and stable democracy for the next several years. Accession negotiations were closed in December 2004 with the objective of welcoming Bulgaria as a Member State in January 2007, although many tough conditions were attached to this target date.

The EC rigorously monitored Bulgaria’s preparations for accession in order to ensure that the country met all duties and requirements of a Member State. The EC also submitted annual reports on Bulgaria’s progress towards accession together with recommendations as appropriate. These reports helped stimulate Bulgaria’s progress, especially on legislative needs, whenever they uncovered major deficiencies. On September 26, 2006, six years after accession negotiations were opened, the EC recommended Bulgaria’s EU entry in 2007.

The cherished dream that signified Bulgaria’s acceptance as a European Union member was finally achieved on January 1, 2007. For the previous 10 years the accession process had driven Bulgaria to accelerate and consolidate reforms. Indeed, without the EU-imposed requirements, and the strong support from the international community, it is very doubtful that many difficult reforms would have been accomplished when they were, if at all. Within this context USAID also played a very valuable role as will be seen throughout this Assessment.



III. EARLY TRANSITION 1990–1996

TABLE I. COUNTRY DEVELOPMENT INDICATORS 1990–1996

Economic Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unemployment Rate ¹ , %		1.7	9.0	15.0	15.8	14.1	11.4	10.8	14.0	12.2	14.0	18.1	18.1	17.7	14.3	12.7	11.5	9.6
Per Capita Income as Percentage of European Union Average (EC 25) ² , %									25.6	26.0	26.0	26.5	28.1	28.4	31.1	32.4	33.7	35.0(f)
Private Sector Share of GDP ³ , %	10	10	20	25	35	40	50	55	60	65	70	70	70	70	75	75	75	75
Asset Share of Privately Owned Banks ³ , %	na	na	na	na	na	na	na	17.8	34.0	43.6	49.5	80.2	80.1	85.9	97.5	97.7	98.3	
GDP per capita, current prices, in current US dollars ⁴ , %	5,321	2,365	234	959	526	934	1,580	1,204	1,270	1,585	1,612	1,581	1,713	1,979	2,550	3,127	3,459	3,683
Real GDP Growth ⁵ , %		-9.1	-8.4	-7.3	-1.5	1.8	2.9	-9.4	-5.6	4.0	2.3	5.4	4.1	4.9	4.5	5.6	5.5	6.0
Democracy Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Civil Liberties ⁶	7	4	3	3	2	2	2	3										
Political Rights ⁶	7	3	2	2	2	2	2	2										
Civil Society Score ⁷								4.00	3.75	3.75	3.50	3.50	3.25	3.25	3.00	2.75	2.75	2.50
Democracy Score ⁷								3.90	3.55	3.58	3.42	3.42	3.33	3.38	3.25	3.18	2.93	2.89
Corruption Perception Index ⁸										2.9	3.3	3.5	3.9	4.0	3.9	4.1	4.0	4.0

¹ Sources: Data for 1991 to 1996 was obtained from the State Department's Country Reports on Economic Policy and Trade. Data for 1997 to 2006 was obtained from the website of the Bulgarian Employment Agency.

² Source: Eurostat.

³ Source: EBRD.

⁴ Source: World Economic Outlook Database.

⁵ Source: National Statistical Institute.

⁶ Source: Freedom House. Freedoms in the World Country Ratings which survey Civil Liberties and Political Rights, rates countries on a scale from 1 to 7, with 1 indicating the greatest degree of enjoyment of political rights or civil liberties, and 7 representing the worst.

⁷ Source: Freedom House. The ratings of Freedom House Nations in Transit are based on a scale from 1 to 7, following a quarter-point scale, with 1 representing the highest and 7 representing the lowest level of democratic progress. The Democracy Score is an average of the ratings for all categories covered by Nations in Transit. Ratings are shown for the year covered rather than the year of publication.

by Freedom House (which covers the previous calendar year). Nations in Transit was not published in 2000, thus the score shown for 1999 is the same as 2000.

⁸ Source: Transparency International. The ratings of Transparency International are based on a scale from 0 (highly corrupt) to 10 (highly clean).

A. INITIAL PROGRAM STRATEGY AND PRIORITIES



Ken Hill

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

“The USAID Mission to Bulgaria began in 1990 when Congress approved Support for Eastern European Democracy (SEED) funds for Bulgaria. USAID Bulgaria and SEED provided substance to the stated USG policy of support for Bulgaria’s transition to democracy and a market economy. Together with other American assistance, (e. g., PL-480, Peace Corps, Fulbright Exchanges...) and other national and international assistance, we welcomed Bulgarians as new members of the family of democratic nations.”

The Support for East European Democracy (SEED) program was established in Fiscal Year (FY) 1989 as a regional program, without specific country allocations. This allowed the Agency the flexibility to shift resources quickly to address the fast changing situation in the region. Due to the regional nature of the programs, Bulgaria received support for its

first steps towards democracy just several months after it started. In early 1990–1991, the most important task for USAID was to get programs up and running as quickly as possible in Bulgaria. The revolutionary character of the transition and the unique task of dealing with mis-development rather than under-development necessitated rapid delivery of assistance. The establishment of the new political, economic and social structures required new approaches and a diverse set of new skills. Hence, the transfer of knowledge and expertise was the overwhelming need for Bulgaria in the initial years of the transition to a market-based democracy.

After USAID established its Office of the AID Representative in Sofia in 1991, planning and management gradually shifted to the field. By the mid-1990s, most assistance was provided through country-specific programs that were developed and managed directly from Sofia with support from USAID/Washington. In 1997, USAID Bulgaria became a fully delegated Mission.

Since many sectors needed assistance immediately after the demise of communist systems and structures, and because there was little time to develop a carefully considered strategy to address immediate needs, USAID adopted a rather unfocused “shot gun” approach, with assistance provided to a broad range of sectors and recipients in the early years of the program. Emphasis was placed on rapid response to meet the most outstanding needs in order to register quick impacts so that the country could rapidly solve its most significant problems and quickly integrate with the Euro-Atlantic community. In the very early years, few thought that Bulgaria’s transition would be so long and painful. USAID programs supported three broad areas:

- Development of a market-based economy and strong private sector — through the removal of legal and bureaucratic constraints to entrepreneurship, the advancement of privatization and enterprise restructuring, the provision of capital and technical assistance to new entrepreneurs, and support for the development of the financial sector. Agriculture and agribusiness were the central focus of the USAID program in Bulgaria. Energy assistance focused on restructuring the electric power sector, increasing the efficiency of energy in industry and buildings, and improving the safety of Bulgaria’s nuclear plants;
- Development and strengthening of institutions necessary for sustainable democracy — through supporting the transformation of the public sector to better support democratic development, including technical assistance and training to improve public administration and promote reform of the social benefits and tax systems; as well as support for parliament, local governments, independent media, and other key institutions; and
- Improvement of the basic quality of life in selected areas — through assistance to build cost-efficient health care and housing systems, labor retraining and unemployment services, and regulations and policies conducive to responsible environmental management and improvement.

Food aid and humanitarian assistance were important in the early 1990s when the old economic system was falling apart and the new one was emerging slowly and painfully.

I. INITIAL USAID ASSISTANCE STRATEGY

FIGURE I. USAID ASSISTANCE TO BULGARIA: 1990–1996

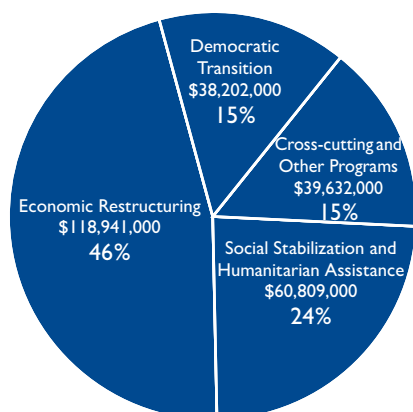


TABLE 2. USAID ASSISTANCE TO BULGARIA: 1990–1996

Financial Year*	1990	1991	1992	1993	1994	1995	1996
Year Total (in thousand USD)	2,567	62,028	38,876	40,777	41,738	39,477	32,121
Economic Restructuring	270	16,995	24,944	14,939	25,231	23,998	12,564
Democratic Transition	2,297	6,593	7,558	3,944	6,292	8,425	3,093
Cross-cutting and Other Programs	0	1,228	3,745	4,995	7,482	6,318	15,864
Social Stabilization and Humanitarian Assistance	0	37,212	2,629	16,899	2,733	736	600

* The U.S. financial year begins on October 1 and ends on September 31

2. 1994–1996 STRATEGY

In early 1994 it was very clear that the reform process in Bulgaria that started so encouragingly had slowed dramatically and this in turn seriously reduced the effectiveness of many USAID programs. In general, programs dependent for successful implementation on government agencies had very limited success. This was due to the unwillingness of the involved state entities to accept the recommendations of USAID advisors or to implement planned programs aggressively. For central, “top down” programs to succeed, a real commitment of Bulgarian Government resources to the program and a major commitment of time and attention on the part of senior Bulgarian Government officials were required. In many cases, that was definitely lacking. At that time, the programs that were most successful were those involving individuals and/or organizations at the local or “grassroots” level.

The 1994–1996 strategy recommended a two-pronged approach: (1) support for “bottom up” development that focused on local governments, public participation, and local economic development and (2) a more critical, restrained funding of activities at the national level to concentrate on important areas such as environment and energy where the assistance was achieving results. In the first area, assistance was focused on building local government capabilities, supporting public participation at the local and national levels, and private sector development. At the national level, U.S. assistance targeted the sectors which had an appropriate policy environment as well as active governmental support. The four priorities were:

- democratic initiatives,
- private entrepreneurship (including privatization),
- environment and biodiversity, and
- energy restructuring.

Various new pressures became more apparent in late 1994 that suggested the need for more refinement and focus in the Bulgaria program. Perhaps most significantly, national elections in 1994 gave the Bulgarian Socialist Party the majority in parliament. The new government had the political strength to continue the reform process, but its political will was questionable. The new government’s proposed amendments to the land law moved the country backward toward collectivization of the agricultural sector. The government did not have the will to raise electricity prices to be more in line with costs, and continued to subsidize the energy sector. Privatization remained bogged down and

Bulgaria fell out of compliance with IMF conditionality and could not access World Bank Financial and Enterprise Sector Adjustment Loan (FESAL) funding because of poor progress on structural reform.

The Mission conducted a series of analyses in 1994–1995 that reevaluated the four key funding priorities set in the 1994 strategy in view of the major changes in the political environment. The revised strategy for 1996–2000 proposed a renewed effort to focus the assistance program, reflecting these developments.

- **In the democracy area**, the Mission embraced two strategic objectives: local governance and civic participation, while developing competitive and fair political processes as a supporting objective. Strengthening local government to make it effective, responsible and accountable to its citizens was the flagship of the USAID democracy program. This objective built upon the Municipal Development Strategy that USAID initiated in late 1995 for a more focused approach to local government assistance.
- **In the economic area**, one major objective was improving the environment for private sector growth through support for appropriate laws, fiscal reform, and a more realistic price for energy. A second objective was to stimulate private enterprise development with financial and technical support. The strategy focused support on those small enterprises which had the most promise for economic growth and employment. Privatization was dropped as an objective.

A major “special objective” was continued support for the American University in Bulgaria (AUBG). AUBG was considered one of the USG’s top priorities in Bulgaria and a key program for building a free and open civil society.

B. MAJOR ACTIVITIES AND LESSONS LEARNED



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

“It would be hard to list all the effective initiatives, seminars, and training that USAID sponsored during the 1990–1997 period of dynamic political changes. These 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. From the very beginning the attention of USAID was focused on decentralization and encouraging local initiative. One result of this focus was the establishment of the National Association of Municipalities which has become an effective mediator between local government and the State. The many analyses that USAID conducted were valuable assessments of the transition process and were the starting point for numerous legislative changes. Without privatization real democracy would not be possible, and USAID made significant contributions to the mass and municipal privatization process. Other major contributions during these early years included support for small and medium enterprises, local economic development and the foundation of the Bulgarian Capital Market. If I had to list any weaknesses in USAID assistance, I would say it was in underestimating the difficult political environment and the level of Bulgaria’s democratization at the time. One example is USAID support for the presidential primary election in 1996. The primary intended to unify the opposition behind a single candidate, but it was never fully accepted by the parties and was not repeated again.”

I. SUPPORT FOR FREE MARKETS AND PRIVATE ENTERPRISE GROWTH DURING THE EARLY TRANSITION PERIOD

Between 1991 and 1997 USAID focused much of its assistance on supporting the establishment of many of the key pillars of a private sector-led free market economy. Assistance targeted major constraints to private sector growth. These included removing policy constraints to a competitive economic environment, transferring state-owned and municipal land and other assets to the private sector, addressing technical and financial constraints to private sector growth, and restructuring Bulgaria's highly inefficient energy sector. The potentially destabilizing impact from reform as workers lost their jobs was also targeted. These objectives were carried out through USAID activities in financial and economic policy reform, land restitution, agricultural reform, privatization, housing market reform, small and medium enterprise development, energy sector reform, nuclear safety, and labor market transition.

a. FINANCIAL AND ECONOMIC POLICY REFORM



Krasen Stanchev
Executive Director IME (1995–2007)

After a flurry of legislation and reforms between 1990 and 1992, economic reform efforts in the years between 1992 and 1997 were not very productive due in large part to the lack of firm commitment from the government. However, in 1993 USAID assistance was instrumental in setting up and supporting a key economic policy think tank: the Institute for Market Economics (IME). IME has played an important role over the years in supporting policy and legislative reform. The role and history of IME, a true success story, are described below.

"In my view, there are three pillars of the USAID approach to working in Bulgaria that have made its mission more effective than similar programs of other donors: the focus on substance, pragmatism and an understanding of local partners' capabilities and reputation. A pragmatic attitude is paramount. There are times in new democracies when governments aren't reliable. When this happened to Bulgaria in the early to mid-1990s, the U.S. Embassy and USAID gave priority to working with reliable non-government players who were able to continue progress toward reforms."

Success Story

INSTITUTE OF MARKET ECONOMICS

The Institute of Market Economics (IME) was established in 1993 with USAID support of only \$56,000 through Chesapeake Associates. IME was the first independent economic think tank in Bulgaria. Led by Krasen Stanchev until 2007, it played a major role over the years in providing independent economic advice and research on free market systems to policy makers, the press, private businesses and business associations. One of IME's greatest early contributions was the research and support in 1994 and 1995 for securities legislation that formed the basis of Bulgaria's capital markets. IME worked with the U.S. Securities and Exchange Commission (SEC) and Stock Exchange in this endeavor, as well as with the World Bank. Other important IME contributions included research and public information on the "pyramid schemes" that drained millions of dollars of savings from many Bulgarians from 1993 to 1995. In 1996 IME convened a conference and supported efforts to create Bulgaria's Currency Board that was so important to providing economic stability after the economic collapse that year. It did ground breaking research on the "grey economy" in Bulgaria and other Balkan countries. Its research on the impact of the Western embargo of Serbia during the Milosevic regime led to the establishment of the "Balkan Network" of think tanks in the region. IME has been fully independent of U.S. financial assistance since 1995, but it continues to receive retainers and support from a broad range of donors and private sector groups.

(1) Financial Reform

Short- and medium-term U.S. Treasury and International Revenue Service advisors provided advice to the Ministry of Finance and the Bulgarian National Bank on financial reform. Advisors worked in a difficult operating environment and were comparatively isolated within these institutions. Overall results from these early efforts generally were not recorded, but the SEED Act Implementation Report for FY 1994 credits these advisors with helping Bulgaria design a Value Added Tax (VAT) and related implementation manuals. This effort benefited from IMF pressure for increased fiscal soundness. The VAT, adopted in 1994, conforms to European standards. Particularly important to Bulgaria's fiscal stability, it has been maintained as a key tax component ever since it was established.

(2) Collateral Law

In a related reform area, USAID provided \$400,000 in 1995–1997 through the University of Maryland's Institutional Reform for the Informal Sector Center (IRIS), to help Bulgaria develop a modern collateral law system that allowed lenders to take and to register a secured lien on a debtor's assets. Before this was done, lenders had no reliable system to register assets that were pledged by borrowers, and borrowers could even pledge the same assets multiple times to different lenders. This situation constrained loans, particularly to smaller firms, and thus growth. The 1996 Registered Pledges Act gave lenders a sound system for recourse in case of default. USAID followed up on earlier support to develop the law by financing software and hardware for the central pledge registry. IFI requirements for such a system underpinned the success of the USAID project, one of many examples where donor coordination helped ensure the success of reforms.

A review¹ of the pledge system in 2004 by a U.S. bankruptcy judge indicated that the system was registering more than 120 transactions each day and had effectively registered over 121,000 pledges. Moreover, registrations were increasing by 25% or more each year. The review found that the system was quick, easy to understand and affordable. However, users did complain of lax law enforcement, because the public enforcement agents in many cases were unable or unwilling to carry out judgments. The issue of enforcement of judgments continued to be an issue until 2006 when a private enforcement system was established with USAID assistance (see Commercial law reform on p. 143 of this report).

Another issue emerged in 2007 regarding the pledge registry. Staff at the registry reported that the continuing growth of the number of pledges increased workload at the registry dramatically. However, the number of staff (31) remain at substantially the same number as in 1997 when the registry was created. Facilities also needed to be upgraded and staff trained. Clearly, the government needs to ensure that the institution is properly funded if the registry is to be sustainable. With the benefit of hindsight, it seems clear that the pledge system would have benefited

¹ Charles G. Case, "Commercial Law Reform Project Trip Report," (Sofia, Bulgaria: Bearing Point, February 2004).

from having an enforcement system developed at an earlier date, perhaps in conjunction with the development of the system itself, and the Registered Pledges Act should have been structured to ensure adequate funding for the registry.

(3) Lessons Learned in Implementing Economic Policy Reform

There are a few important lessons learned from the early USAID foray into policy reform support: (i) strong government commitment is essential for policy reform, (ii) policy reform efforts work best when they are supported with IFI conditionality in loans, and (iii) to have real impact, policy reform efforts should be supported by a range of other interventions that develop the legal and institutional framework as well as ensure funding to implement and sustain the reform.

b. LAND RESTITUTION

The legal framework for land restitution was in place by 1991, and USAID assisted initial restitution efforts of agricultural land with a \$10 million commodity import grant in 1992 to support Bulgaria's balance-of-payments and to generate local currency for operational expenses of agricultural land reform. The process started slowly, and by 1993 the Bulgarian National Statistics Institute (NSI) estimated that less than half of the 51,000 applications had been serviced. A major lesson noted by evaluators² of the program was that objectives should have been more realistic in view of the constraints resulting from institutional weaknesses, planning deficiencies, and insufficient resource levels.

Although not supported by USAID, the restitution process for urban land was generally successful, and there were few issues related to returning land for residences, shops, etc. to former owners. But for agricultural land there is some question whether the restitution program should have proceeded at all in the way it was conceived. It resulted in restitution of agricultural land to many absentee landholders who knew nothing about farming, and who were unable to properly utilize the land. Land was fragmented and there was little investment in farming or infrastructure such as irrigation. Moreover, there were restrictions on the sale of land and this prevented the landowners from selling their property to farmers who could have put it into production. In addition, there was no agricultural credit system that could support investments and purchase of inputs in the 1990s.

The above factors contributed to a sharp decline in agricultural productivity after 1990. European Bank for Reconstruction and Development (EBRD) reports show that agriculture's share of GDP fell from 18% in 1990 to 9% in 2005. At the same time, in contrast with other new EU member states, Bulgaria's share of employment in the agricultural sector increased from 18.5% in 1990 to 25.5% in 2003. Looking back, it is clear that the restitution of agricultural land in Bulgaria proved very complex, and would have benefited from more planning and institutional support. Improving agricultural productivity remains an unfinished task for Bulgaria.

2 Derek C. Jones and Charles Rock, "Privatization in Bulgaria," (College Park, Maryland: Center for Institutional Reform and the Informal Sector, University of Maryland, February 1994).

c. AGRICULTURE SUPPORT PROGRAMS

One of the issues that emerged in the early years for USAID was how to most effectively target support for agriculture. Farmers faced a host of problems derived from Bulgaria's land restitution program (see previous section on Land Restitution). Other issues such as the lack of agricultural credit, and marketing and supply deficiencies also impeded agricultural development.

(I) Direct USAID Support

USAID provided funding of approximately \$12 million for technical assistance and training programs to the agriculture sector in the early years through groups such as Agriculture Cooperative Development International (ACDI), Land O'Lakes (LOL) and Volunteers in Overseas Cooperative Assistance (VOCA). Under the VOCA program, U.S. volunteers in agriculture were sent to Bulgaria to work directly with farmers and food processors for short periods, and they contributed what they could from their expertise. LOL provided training and technical support to the dairy sector and also worked with a number of farmers in the early 1990s, some of whom became very successful, including Djavit Betula, the Ministry of Agriculture's "Farmer of the Year" in 2000.

Djavit Beytula

Farmer from Karapelit, Dobrich region,
Year 2000 Farmer of the Year
and one of Bulgaria's 10 largest farmers

"I was involved in Land O'Lakes assistance programs since 1995. 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. After seeing the practices in the U.S., I focused my efforts on securing the most modern U.S. farm equipment and high quality animal genetics which proved to be important keys for my success. 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. Although I started with almost nothing, I now have 350 dairy cows and more than 1,000 sheep, cattle and water buffalo, and I farm more than 3,500 hectares of land using modern equipment mostly from the U.S."

In one specific example of an early USAID agricultural project, in 1992–1993 ACDI assisted poultry producers in Bulgaria to improve operations under a regional program — the Agribusiness Exchange Program — that included all of Central and Eastern Europe (CEE). The efforts in Bulgaria were described as "not reaching full potential" because of the failure by producers to obtain commercial financing³ for restructuring poultry operations. This review also noted problems that private producers had in obtaining needed supplies and access to markets, largely because inputs and the market were still controlled by public sector companies. As a result of the evaluation and further review of the agriculture sector, ACDI subsequently targeted most of its training and technical assistance on the meat processing sector. ACDI trained more than 170 meat processors in the United States and Bulgaria between 1993 and 1996. ACDI also contracted with VOCA to provide follow-up technical assistance to the meat processors. A survey⁴ by ACDI in 1995 found the impact on the meat processors

³ Agricultural Cooperative Development International, "Bulgaria Assistance for Private Poultry Producers Final Report," (Washington, D.C.: July 1993).

⁴ Cathy Silverstein, "Final Report on ACDI's Agribusiness Exchange Program for Central and Eastern Europe 1991–1995," (Washington, D.C.: ACDI, August 1995).

was substantial. Almost all of the 19 meat processors surveyed reported improvements in quality standards and marketing. Moreover, the ACIDI training and VOCA support helped the meat processors to organize a Meat Processors Association in 1994.



Kiril Vatev

Owner and Manager of “Tandem”
Meat Processor (1993–present),
President of the Bulgarian Meat
Processors Association (1999–2004)

“We have many reasons to be thankful for assistance from ACIDI/VOCA over the years. ACIDI/VOCA volunteers trained many of us new entrepreneurs in all the important fundamentals of meat processing and business management and marketing. They worked directly with us rather than through the government, and this was very important to their effectiveness. In 1994 they helped to organize the first exhibition of Bulgarian meat processors and this led to the formation of our Meat Processors Association which ACIDI/VOCA also supported with training, volunteer consultants and site visits in the United States. As a whole the assistance was excellent, and it made a big difference to our industry.”

(2) Support through the U.S. Department of Agriculture (USDA)

Significant funds were also transferred to USDA to support programs to restructure agriculture. More than \$3.7 million of SEED assistance was channeled through USDA from 1991 to 1995 for activities such as sector assessments and training in fruit and vegetable production, processing, and marketing. Training was provided at the farm, intermediate and policy levels. USDA programs also included support to the Ministry of Agriculture to reform the agriculture extension service, to develop an economic research service and to improve the agriculture statistics service. While still a work in progress, overall efforts were evaluated⁵ in 1993 as “having formidable obstacles” for achieving a competitive agriculture sector. These obstacles included the dominant position of large state-owned food processing enterprises that hampered the achievement of a competitive, cost efficient and progressive marketing system as well as the unstable policy environment caused by “continual changes in the leadership of the Ministry.” The evaluation concluded that Bulgaria had far to go to reform its agricultural economy. No further evaluations were done for this program.



Agricultural Plot in Central Bulgaria

Recent discussions with USDA local staffers who were knowledgeable about the history of the program indicated that, although USDA appeared to have only very limited impact in the early years, the work to develop the agriculture economics and statistics service in the Ministry did achieve significant results. The services are still publishing regular data bulletins on agriculture that are being used for policy inputs. Staffers attributed the difficulties with other agriculture programs to the lack of a privatized agriculture industry in the early years and also to the lack of a stable government.

Ultimately, in view of the major structural difficulties in the agricultural sector, USAID concentrated on the emerging private food processing industry as the entry point for agriculture. Additional transfers to USDA were not made between 1995 and 2002 except for the Cochran Fellowship program that provided short-term training in the United

⁵ Stephen R. Sposato and Thomas Pomeroy, “Evaluation of the USDA-USAID Restructuring Agriculture and Agribusiness Project,” (Washington, D.C.: USAID/EUR/ER and Chemonics International, 6 June 1993).

States. Results from the Cochran program are difficult to evaluate, but it seems likely that it had the same sort of beneficial impact in the long run as other U.S. training programs documented elsewhere in this Assessment.

(3) Lessons Learned from Agriculture Programs

As in many early programs, the institutional, policy and political environments were not sufficiently developed for rapid changes. Privatization of the sector was needed as a first step, and a stable political environment was also a precondition for most changes. Careful analysis of needs and targeting support on one sub-sector, the meat processors, did achieve some results in the early years. Helping the meat processors to establish a trade association to pursue reform was also an effective way to empower a local group to pursue change over the longer-term.

d. PRIVATIZATION

Advisors from Barents Group, Deloitte & Touche, Coopers and Lybrand, and KPMG were funded by USAID to support early privatization efforts. More than \$7 million was provided for privatization between 1992 and 1997. Such support included assistance for “market” privatization (essentially a competitive tendering for large public assets), support for municipal privatization (usually a public bidding process for small assets), and assistance for mass privatization (privatization done through vouchers issued to the public) through the Center for Mass Privatization. In general, privatization results in the early years were less than expected, particularly for market privatization: less than 10% of state assets had been privatized by 1997.

(1) Market Privatization

A number of issues impeded the market privatization process, including early political instability and the lack of political will after the fall of the UDF Government in 1992. Also missing was an appropriate legal framework including clear bankruptcy regulations, a weak structure to finance privatization, lack of cooperation from state-owned firms, and a lack of transparency.⁶ Although early USAID support did help to privatize three chemical firms which served as a model for later market based privatization, USAID determined in 1994 that the environment for market privatization was not yet ripe for technical assistance. USAID subsequently left the heavy lifting to stimulate political will and policy reform to the IFIs, and retargeted assistance on areas more amenable to achieving results. In hindsight, this appears to have been the right decision. Market privatization languished until strong IFI conditionality and a new government began to accelerate the process in 1997.

(2) Municipal Privatization

Early USAID support for privatization at the municipal level was in direct response to requests from progressive municipalities. USAID helped in the design and demonstration of an auction and other simple

⁶ Deloitte Touche Tohmatsu International, “Bulgaria Food Industry Privatization Phase II Final Report,” (Washington, D.C.: 31 July 1995).

methods of privatizing municipal assets in 1993–1994 that resulted in more than 650 privatization transactions by 1996. Although these were small transactions, they did help support municipal budgets with more than \$30 million from sales of assets, and they transferred a significant number of assets to small businesses. The success at the local level was to be replicated again and again in the USAID program over the years, and it demonstrated the advantages of grassroots, “bottom up” development particularly in the absence of strong central government commitment.

(3) Mass Privatization

The BSP Government in power from 1994 until 1997 was more inclined to support a system of voucher privatization or “mass privatization” than market driven privatization, and emphasis shifted during this period accordingly. Mass privatization involved the equitable distribution of vouchers to the public who then could choose to use them to bid on shares in various state enterprises that were being privatized. Voucher privatization was successfully implemented in the Czech Republic and elsewhere, and USAID demonstrated its ability to seize emerging opportunities by quickly responding to the government’s request for assistance in 1995. As virtually the only donor able to respond to this request in a timely manner, USAID consultants helped to establish the mass privatization process including the legal and technical framework, the format and voucher design, tender specifications and criteria for enterprise selection. Donor coordination resulted in the EU PHARE program supporting the public outreach in support of mass privatization, although results proved weaker than planned.

The launch of the actual privatization process was much slower than expected. Setting up the necessary structures and maintaining political will were increasingly taxing for the government as the economic situation deteriorated. The first wave of mass privatizations finally occurred in 1997 when more than 1,000 firms were transferred to the private sector. In all, about 25% of Bulgaria’s state-owned enterprises (mostly the small to medium sized ones) were privatized through mass privatization.

Mass privatization was a controversial process. It did not bring in strategic investors or outside managers, and many Bulgarians relinquished their vouchers to individuals and groups who took advantage of the public’s relative ignorance of the true value of the vouchers. On the positive side, the process did remove loss-making assets from state control and placed them in the private sector, an important objective when loss-making state-owned companies were a major drag on the economy.

(4) Lessons Learned from Privatization Programs

Difficult structural reforms like privatization require that the government take full ownership of the process, with strong conditionality support from the World Bank or other major IFIs to buttress government commitment. A well-structured and integrated

public education component is important to avoid misunderstanding and maintain public support.

e. HOUSING



Bulgarian apartment building

Like privatization efforts, USAID support for a private housing market was initiated relatively early in Bulgaria's transition process. Although private ownership of housing existed in Bulgaria before 1989, the housing system had to be taken out of state control and a market-based approach developed for marketing, buying and selling real estate. USAID supported this process through a regional program involving PADCO, ICMA, the Urban Institute, and the Eastern European Real Property Foundation. The results of this early assistance were mixed. Efforts to support private realtors and real estate associations were fairly successful, and many of the realtor associations continue to function in 2007. However, attempts to develop a housing finance program were judged premature by an evaluation⁷ done in 1994. Indeed, the very poor condition of the state-owned banking sector by 1995, with the large number of loss making loans and poor bank management and supervision, made it almost impossible to proceed with a mortgage program until the whole sector was restructured and privatized after 1997.

In the absence of viable options at the national level, assistance in the urban/housing area gradually became more focused on supporting municipal budgeting and analysis of housing issues, as well as helping municipalities test public-private housing relationships. These latter efforts had better results, and a pilot program to allow private developers to build on municipal land in exchange for a portion of the completed units proved to be a successful model for Bulgaria and was replicated widely. As in other programs, refocusing efforts from the national to the local level produced the best results in the early years of USAID assistance.

f. SMALL AND MEDIUM ENTERPRISE (SME) SUPPORT

One of the earliest USAID objectives in Bulgaria was to stimulate the development of private enterprise growth, especially in the SME sector where more than 200,000 mostly very small new companies were registered by 1992. The environment for newly formed private SMEs in the early 1990s was quite difficult, as they faced unfair competition from subsidized state-owned companies, difficulties in accessing credit, and a general lack of expertise on business management. State enterprises dominated the economy, and only about half of GDP came from the private sector until the late 1990s, mostly from small traders and reclaimed shops. USAID provided firm-level technical assistance and training as well as financial aid to support SME development.

(1) Firm-Level Technical Assistance and Training Support

Firm-level business support for SMEs was provided by a number of programs that placed U.S. volunteers and experts with SMEs to help them with business planning and development. Some \$5 million in USAID grants were provided for this assistance between 1991 and

⁷ Abt Associates, Inc., "Final Report: Mid-term Evaluation of the Eastern Europe Housing and Urban Program," (Washington, D.C.: April 1994).

1997. The funds financed volunteers and experts from the International Executive Service Corps (IESC), Citizens Democracy Corps (CDC), and Master of Business Administration (MBA) Enterprise Corps to provide a broad spectrum of assistance to foster firm level enterprise development and growth. Technical support for SMEs was supplemented with local training from the University of Delaware. The USAID Participant Training Program provided training and study tours in the United States and the region as did the Entrepreneurial Management and Executive Development (EMED) program. In addition, a number of U.S. Peace Corps Volunteers (PCVs) supported business development over the years. USAID provided financial support for these efforts through the Small Project Activities Program (SPA) which helped to finance small PCV projects at the local level (See “Cross-Cutting Initiatives” on p. 193 for more on SPA grants).

Results from early firm-level business support are hard to evaluate, because of the short-term nature of the assistance and the difficulty of attributing impacts to these efforts. However, there is evidence that at least some of these interventions — notably ones that involved sustained support from repeat visits from volunteers — did contribute to successes. For example, IESC fielded more than 80 volunteers by 1995 and supported numerous new businesses including successful franchises for McDonalds and Kentucky Fried Chicken and a local food services group, “Happy.”

Success Story

HAPPY FOOD—THE BULGARIAN FRANCHISE

Happy Food started in 1992 by operating a croissant bakery and a small restaurant. As a result of an IESC franchise seminar in Varna, the company realized the advantages of modernizing its business. In the course of several subsequent IESC assistance interventions and study tours in the United States, and a loan from the USAID-funded Bulgarian-American Enterprise Fund (BAEF), the company successfully developed a modern franchise restaurant system.



One of Happy Food's Bar and Grills

By 2007 Happy Food had over 25 outlets with 2,000 employees and two master kitchens. Apart from their own restaurants, they cater to industrial and resort clients, thus feeding almost 100,000 people every day. 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's manager, Mr. Orlin Popov, combined with expertise and guidance from IESC and a loan from BAEF, have produced remarkable results indeed.

(2) Lessons Learned from Firm-Level Assistance

A 1995 review of these programs indicated that more focus and coordination, as well as more rigorous screening and evaluation for activities, would make the SME programs more effective and measurable. This prompted USAID to restructure its SME support efforts accordingly as discussed on p. 80 in the Rapid Reform section. A lesson learned from this experience is that a general screening and evaluation system probably should have been established earlier to improve impacts and to capture the overall results of this diverse program.

(3) Financial Support for SMEs

To address the need for SME financing, USAID channeled funds through the Bulgarian-American Enterprise Fund (BAEF) beginning in 1991, and through the CARE Small Business Assistance Corporation (CARESAC) beginning in 1993. Both of these programs faced many problems in the early years, including an unfavorable legal/regulatory environment and a fragile private sector that was not familiar or even comfortable with the requirements for obtaining private capital. The financial crisis of 1996 had a major negative impact on the entire financial sector.

The Bulgarian-American Enterprise Fund (BAEF): BAEF arguably has been one of the most successful of the 10 enterprise funds created by Congress. However, BAEF's achievement was not without its difficulties, particularly in the start-up years. BAEF's grant of \$58 million of SEED funds was designated for loans, investments and technical assistance. The Fund, which operated under a grant from USAID and under the supervision of a voluntary Board of Directors, was largely independent of USAID oversight, except for annual progress reviews. Early BAEF results were mixed, in part reflecting an extremely difficult working environment. An independent evaluation⁸ of the overall Enterprise Fund program done in 1995 indicated that BAEF's investments up until then had lagged behind expectations. Initially, BAEF's strategy was oriented towards larger venture capital investments, but it found few. The first two large BAEF investments failed, resulting in \$2 million in losses. BAEF subsequently reoriented its program toward the small loan market with better results. Evaluators concluded that administrative costs were higher than justified by early results. Lessons learned from the evaluation indicated that BAEF, as well as other enterprise funds in CEE, would have benefited from more advance planning, a greater focus on smaller loans, and a better understanding of local conditions, as well as a stronger cadre of local staff.

The financial "meltdown" of 1996 actually proved beneficial to BAEF in some ways. BAEF's competitors were severely weakened, and BAEF was able to capitalize on its strong financial position to capture many prime clients. By 1997 BAEF had approved more than 300 loans for almost \$19 million, but its real successes were to come in later years (discussed in the Rapid Reform section of this report beginning on p. 97).

BAEF also provided funds to a micro-credit program launched by Opportunity International. Funding was channeled through a local foundation, Nachala, beginning in 1993, when there was virtually no other institutional channel for small loans. Despite a legal environment that prevented Nachala from taking deposits in the local market, by 1996 the program had developed a loan portfolio of more than \$1.4 million in small loans (average size less than \$5,500). However, rapid inflation and currency devaluation during 1996–1997 undermined the ability of Nachala's clients to repay their dollar denominated loans. As a result, BAEF suspended making new loans through Nachala in July of

⁸ Neal W. Nathanson, Elliot J. Berg, Mary M. Miller, Steve Warner, Maureen H. Berry, Michael Sipos and Barbara M. Wheeling, "Program Evaluation of the Central and Eastern Europe Enterprise Funds," (Bethesda, Maryland: Development Alternatives, Inc., April 1995).

1996. When the financial situation stabilized in 1997, Nachala restarted its program as a cooperative with USAID support. A major finding of a 1996 program evaluation⁹ was that a stable macro-economic situation is a *sine qua non* for the functioning of any credit program. Unfortunately, the situation prior to 1997 was far from stable.

CARESBAC: Launched in 1993 with incremental USAID grants totaling \$7 million as well as EBRD support, CARESBAC was a venture capital fund that focused exclusively on SMEs. CARESBAC reached many rural clients, and more than 70% of CARESBAC investments were in agribusinesses. Two thirds of all investments were outside of Sofia. CARESBAC was an important initiative, as it combined the availability of equity capital with operational and business support assistance to entrepreneurs by local professionals, thus helping clients to better manage their businesses. CARESBAC also assisted firms to attract debt capital by helping them structure their financial statements and positions in a disciplined way, and by introducing them to BAEF and other financial institutions. Several CARESBAC investments took advantage of support from USAID-financed business volunteers and consultants under other programs (e.g., IESC).

Most Bulgarian SMEs struggled during the difficult early years of transition, and CARESBAC's clients were no exception. However, because CARESBAC primarily made equity investments and not dollar denominated loans, the companies were not burdened by heavy debt payments, and most were able to recover in the late 90s.

(4) Lessons Learned from Implementing Financial Programs

The results of these two financial programs indicate how risky it is for financial credit programs in an early transition country, and particularly for programs targeted at SMEs. While such programs fill important gaps, they should be sure to incorporate careful planning and analysis into their start-ups and have access to good technical support for their clients.

g. ENERGY SECTOR REFORM

USAID was the lead bilateral donor in energy sector reform from 1991 to 1996. USAID initially addressed the communist legacy of a highly subsidized and inefficient energy sector by improving energy production management and operations and by helping to rationalize the tariff system. Secondly, USAID launched an initiative to improve the energy efficiency in industrial and public buildings. This two pronged approach would take many years to fully mature, but even early efforts produced some notable results. A consistent focus of USAID efforts was the establishment of sustainable institutions. A third area of USAID support was for nuclear safety at the nuclear power plant at Kozloduy.

(1) Power Sector Reform

A new corporate power monopoly was established by the Bulgarian Government in 1992, the National Electric Company (NEK). Price reforms were needed to reflect the true cost of power, but political

⁹ Stephen C. Silcox, "Mid-term Evaluation USAID/Opportunity International Matching Grant Final Report," (Washington, D.C.: Management Systems International, 15 March 1997).

will was inadequate to increase costs to consumers. While tariffs were increased, they were so low that even large percentage increases did not recover costs. NEK was left with persistent financial problems mixed with deep cross subsidies from the power sector to the heat and coal sectors via the state budget and passed on to consumers, including industrial consumers. This pattern of the power sector subsidizing others was common throughout former communist countries.

Early USAID assistance included training on tariff and pricing development which was the first introduction to commercial market oriented methods for utility operators. This enabled NEK and Committee of Energy (CoE) to develop modern tariff approaches. The principles established initially continued to be imbedded in tariff reform efforts for the next 15 years.

Assistance also focused on NEK operations and structure. A NEK-Central Maine Power (CMP) Electric Utility Partnership allowed NEK and CMP to exchange experience on business practices leading to NEK adoption of financial management and investment planning reforms (and CMP to undertake some organizational changes). Initial USAID assistance and discussions began in the early years on de-monopolization options for NEK. The initial discussions did not have any concrete results, because separate power plants would not be financially sustainable due to the low tariffs in place at that time (and would impose hard budget constraints that did not have political support). Consequently the monopoly was maintained to allow continued cross-subsidies. De-monopolization was ultimately implemented in subsequent years once the financial situation stabilized and political will coalesced around IMF and World Bank conditionality.

During this period, only basic reforms such as improved financial management were implemented. However, through training, key technocrats gained an understanding of tariff, pricing and organizational restructuring that allowed them to advocate and implement more dramatic reforms in later years. The NEK-CMP Partnership allowed NEK to see how such reforms work in practice so they could begin to plan for them. The increasing technical and commercial losses in the latter part of the early years accelerated the need for reforms. Although there was very little serious reform during this period, early work by USAID was important to starting the reform process and in strengthening the institutions that ultimately would carry it out.

(2) Energy Efficiency

The legacy of the Communist era included extremely inefficient use of energy in industry and buildings resulting in significant financial and environmental costs. Increased tariffs and competitive pressures on industry created the incentives to begin to apply modern energy management and efficiency measures to reduce costs. The first USAID energy assistance in Bulgaria addressed the industrial energy efficiency problem. USAID consultants from John Brown, Inc., and the International Resources Group (IRG) worked with emerging small

private energy engineering companies to do “audits” of industrial plants that identified waste and cost-effective investments; procure and install \$50,000 of U.S. energy efficiency equipment in each plant; and train private Bulgarian engineers on financial and business practices. This work fostered the creation of a mini-industry of energy efficiency engineering firms and establishment of a chapter of the Association of Energy Engineers (AEE). Both the firms and the chapter remain active with many of the firms maintaining representational relationships with U.S. energy efficiency equipment companies.

Because there was limited public recognition of the need for energy efficiency, USAID provided three years of support through the U.S. Department of Energy’s Battelle National Laboratory to foster development of an indigenous Bulgarian non-governmental organization to promote energy efficiency. In 1992 EnEffect was established to promote energy efficiency and expand public awareness and adoption. EnEffect benefited from excellent leadership from its founder, Zdravko Genchev, throughout its existence. It has become the central organization in moving energy efficiency to a mainstream activity in Bulgaria.

(3) Lesson Learned from Implementing Energy Efficiency Programs

Like IME, EnEffect demonstrated the advantages of establishing a strong NGO advocate for reform at an early stage.



Zdravko Genchev
Director, EnEffect

“Being a witness to most of the developments in the field of energy efficiency since the beginning of the 1990s, I find that the USAID support in those years had a critical impact to the progress made on the national and the local level. The USAID emphasis on municipalities in the mid 90s was a winning strategy. It rapidly led to tangible results. Among the main results of that time I would mention are the first energy efficiency hospital projects in Gabrovo, Stara Zagora and Gorna Oryahovitsa, the introduction of municipal energy planning, the support for the establishment of the Municipal Energy Efficiency Network EcoEnergy, and the impact of innovative financing instruments for energy efficiency projects.”

(4) Nuclear Energy Safety

In 1991, Bulgaria’s Russian-designed nuclear reactor at Kozloduy was ranked by the International Atomic Energy Commission as one of the higher risk nuclear power plants in Eastern Europe.¹⁰ To improve safety, the USG joined in a multilateral effort to reduce risk by improving operational safety at the plant while upgrading the capabilities of Bulgaria’s safety regulation agency. Funds were transferred from USAID to the U.S. Department of Energy and the Nuclear Regulatory Commission for this work which involved over \$1,000,000 for safety equipment, training for regulators and plant operators, and limited support for plant upgrades. The overall effort was successful in reducing the risk of a nuclear accident to acceptable levels, although long-term safety issues later became an important concern for Bulgaria’s accession to the EU.

¹⁰ Department of State, SEED Act Implementation Report Fiscal Year 1993, (Washington, D.C.: January 1994).

h. SUPPORT FOR THE LABOR MARKET TRANSITION

The U.S. Department of Labor (DOL) provided support to the Ministry of Labor and Social Welfare (MOLSW) from 1992 to 1997 to improve employment and welfare services in Bulgaria as structural reforms caused disruptions to employment. This “social safety net” program was meant to moderate the social impacts of industrial restructuring and to help maintain the political will for reform. As part of a regional program, USAID transferred more than \$3.5 million to the DOL for Bulgaria under an inter-agency agreement covering three areas: (1) strengthening employment services for dislocated workers involved in mass layoffs, (2) a special employment program for ethnic minorities, and (3) supporting improvements in Bulgaria’s social insurance programs.

According to a 1996 evaluation of DOL’s activities in Bulgaria, Poland and Hungary,¹¹ the program in Bulgaria had mixed results. The support for building a national employment service that effectively provided benefits for workers affected by mass layoffs largely succeeded in its efforts. MOLSW staff was trained and manuals were developed for the mass layoff response program and the program was well accepted by the government. The program to support employment for minorities, where unemployment was estimated at more than 50%, had mixed results. One element to provide job skills and to match the graduates with employers was deemed a success, and it was incorporated into the MOLSW’s overall program. Another component to improve literacy had little impact and was not replicated, reportedly because it had little support within the MOLSW.

The final element, a program to help develop a strategy for social insurance reform, provided support, study trips and training to employees of the new National Social Security Institute. This program helped seed new ideas and develop consensus on the need for reform. USAID followed this element with a major initiative to support pension reform (see the Rapid Reform section on p. 91).

The evaluators noted that little data was collected under this program and project management and monitoring were inconsistent. It is thus not possible to document full impacts from the program.

The evaluators suggested that closer coordination and more clarity on roles between DOL and USAID would have improved overall management and increased the understanding of impacts.

i. SUMMARY ASSESSMENT OF THE FREE MARKET AND PRIVATE ENTERPRISE PROGRAM IN THE EARLY TRANSITION PERIOD

There were clearly a number of programs to promote private sector-led growth that had reasonably good results in the early years and some that had more problematic results. Looking at the total picture, the most successful programs were those that could proceed without major policy reform or central government commitment (e.g., support for municipal level privatization, technical support for SMEs and associations, support for the Institute of Market Economics and EnEffect) or that were able to find areas of common interest with the government at the time (e.g., mass privatization, mass layoff response). Almost all programs faced major difficulties during the instability of the early years, but USAID

¹¹ Edward Glaeser, Bruce Grogan and Mary Ann Radebach, “Evaluation of DOL’s Labor Market Transition Program in Poland, Hungary and Bulgaria,” (Arlington, Virginia: BHM International, 6 September 1996).

2. SUPPORT FOR DEMOCRACY AND GOVERNANCE DURING THE EARLY TRANSITION PERIOD

continued to support those with potential. Many of these promising programs made major contributions in later years as can be seen in the next sections of this report. One can also persuasively argue that USAID training, technical and financial assistance programs in the early years provided a solid base for many later successes when the environment was more conducive to reform and private sector growth.

The U.S. Government provided critical support early in this period to two particular democratic institutions: civil society organizations and political parties. Civil society organizations were important in mobilizing citizens; informing voters before elections; observing elections to ensure that they were free and fair; and performing parallel vote tabulations to instill citizen confidence in the election results. This was also a critical period in the development of a multi-party political system and the establishment of a free and fair electoral system in which these parties could compete. Old parties were revived; new parties were formed; and the Union of Democratic Forces (UDF) played an essential role in galvanizing a disparate group of interests to advocate for democracy. USAID assistance in this early period, implemented through an umbrella grant to the National Endowment for Democracy (NED) and sub-grants to the International Republican Institute (IRI), the National Democratic Institute for International Affairs (NDI), the then Free Trade Union Institute (FTUI) and others, provided the UDF with the tools and know-how to compete in elections, and supported civil society actors involved in the struggle for democracy, including the Bulgarian Association for Fair Elections and Civil Rights (BAFECR) and the independent trade union confederation, Podkrepa. NED allocated its own resources in addition to funds it received from USAID for a range of electoral assistance programs in Bulgaria in 1990–1991. NED reports that, combined with its USAID funding, it granted over \$2.5 million for such activities as: pre-election assessments, support to the UDF and its newspaper, *Demokratsia*, infrastructure support to the Federation of Independent Student Associations, election and civic education including through Podkrepa and BAFECR, pre-election assessments and international election observer missions. Because many initiatives and organizations were jointly funded using both USAID and NED funds, it is impossible to disaggregate the impact of each. Taken together, it can be concluded that U.S. Government assistance was critical in ensuring that these early elections were a positive step in the transition to democracy in Bulgaria.



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. So the help we received from U.S. groups like IRI, NDI, and NED as well as foundations in the UK and Germany on the basics of party functioning, political campaigning and electoral processes was very valuable."

After the rush of activities to meet immediate needs related to these early elections, USAID began long-term democracy and governance assistance expanding to include local government, media, parliament and legal reform, in addition to continuing political process and civil society programs.

a. POLITICAL PROCESS SUPPORT

Political process activities in Bulgaria were implemented primarily by two organizations, the International Republican Institute (IRI) and the National Democratic Institute for International Affairs (NDI). There was also an early program through The Atlantic Council which ran seminars on civilian oversight of the military for representatives of the parliament, the Presidency including the National Intelligence Service, the Bulgarian Atlantic Club and others. Given the short timeframe of the program as well as the limited program activities (basically a few seminars), it is difficult to discern the impact of The Atlantic Council in Bulgaria. However, a letter from Dr. Solomon Passy, President of The Atlantic Club of Bulgaria at that time, credits a 1993 Atlantic Council seminar funded under this cooperative agreement for the legislation which established the Bulgarian National Security Council.

Moving to the key political process programs implemented in Bulgaria through IRI and NDI, initially a “push-pull” strategy was developed. Political parties, parliament and local government officials were “pushed” or encouraged in their efforts at public outreach and constituency servicing while non-governmental organizations, especially non-partisan citizens organizations, were “pulled” or encouraged to raise their voice and participate in the political process between election cycles. IRI addressed the institutions involved in the “push” component of the strategy, and NDI worked with those involved in the “pull” component. Project documentation for these two cooperative agreement recipients is sparse; thus, a comprehensive review of their activities is not possible. Much of the information provided here is taken from a 1996 evaluation of IRI’s and NDI’s activities in four countries, including Bulgaria.¹²

(I) International Republican Institute

Through September 1995, USAID had granted almost \$1.5 million to IRI for a political party building program in Bulgaria. By 1996, the program had evolved to include three main objectives:

- To strengthen political parties at the local level through training in campaign tactics, constituency building, issue identification, candidate recruitment, organizational structure, and communication strategies.
- To assist the democratic opposition parties to select a joint candidate for the presidential elections slated for fall 1996 (previous objectives were to assist local political parties in their non-election year activities and in building strong relationships with their party representatives in parliament).
- To increase participation of women and youth in the political process.

In pursuit of these objectives, IRI conducted training seminars and conferences, worked both formally and informally with political figures on the local and national level, and involved women and youth in its activities.

The April 1996 Management Systems International (MSI) evaluation, which was fairly positive, concluded the following: “IRI’s program in Bulgaria

¹² Lawrence C. Heilman and Steven Voien, “Evaluation of the Activities of the International Republican Institute and the National Democratic Institute in Albania, Bulgaria, Ukraine and Lithuania,” (Washington, D.C.: Management Systems International, April 1996).

has been most effective during two key periods: the early days in 1990 and 1991 after the fall of Communism, and more recently during 1995 and 1996. In large part this is a reflection of the overall environment... the progress toward achieving IRI's objectives was marginal despite a strong effort on their part... IRI has done a good job choosing its current two representatives, and in focusing their activities on a narrow set of achievable goals." The assessors judged less favorably, the "push-pull" strategy the party institutes were using to describe their integrated approach in Bulgaria.

Although IRI's work with the democratic opposition to select a candidate is mentioned above, it did not come to fruition until after the assessment had been completed. Thus, it is worth taking a more in-depth look at this activity and its results. IRI worked with the UDF, the People's Union Coalition (PU) (consisting of the Democratic Party (DP) and the Bulgarian Agrarian National Union (BANU)), and the Movement for Rights and Freedoms (MRF), to organize a primary on June 1, 1996 to select a presidential candidate for the democratic opposition. While the Ambassador and USAID Mission were fully behind the effort, some in USAID/Washington were concerned that IRI could be seen as meddling in Bulgaria's political system. The 1996 assessment warned that this was a potentially risky activity, but more so due to the chance of it not coming off, or of the possibility that all parties would not fully endorse the winning candidate. Fortunately, that did not happen. Peter Stoyanov won the primary, and became Bulgaria's second democratically-elected President since 1989. His UDF-led government restarted the economic reform process that ultimately led Bulgaria into the EU. The primary, along with the assistance provided by IRI, can be seen as a success, particularly given how the democratic opposition fell apart after that, and the fact that the winner of the primary also won the general elections. However, perhaps too much was read into the success of that primary, and its long-term impact on Bulgaria's political system. IRI reported that "the process of constructing a primary, supported and galvanized by IRI, transmuted itself into a coalition building exercise which, as one political commentator noted, 'has transferred the political landscape of Bulgaria, consolidating it.... Never again will serious candidates be proposed without going through some sort of primary process.'" ¹³ Zhelyu Zhelev, Bulgaria's first democratically-elected President who ran and lost against Stoyanov, deemed the primary as a failure precisely because it was never repeated. ¹⁴

(2) National Democratic Institute/Bulgarian Association for Fair Elections and Civil Rights (BAFECR)

The Bulgarian Association for Fair Elections and Civil Rights (BAFECR) was an independent, non-partisan organization dedicated to strengthening civil society and transparency in government. Founded in the spring of 1990 on the eve of Bulgaria's first multi-party elections, BAFECR fostered transparency and accountability at all levels of government. While the organization began as an election monitoring

¹³ International Republican Institute, "IRI Report on Bulgarian Primary Election," (Washington, D.C.: 1 June 1996).

¹⁴ Letter from President Zhelev to USAID Mission Director Michael Fritz dated January 30, 2007.

body, it evolved into a civic organization and conducted programs in a wide variety of areas including anti-corruption, civic education, and public opinion research. At its zenith, the Association had a nationwide network of civic clubs in 26 regions and had more than 5,000 members.

From 1990–1998, the National Democratic Institute for International Affairs (NDI) assisted BAFECR to develop its civic education and election monitoring programs. NDI enhanced BAFECR’s non-electoral efforts as a government watchdog, its programs to develop civic organizing skills of other Bulgarian civic groups, its election-related activities and its organizational management and fundraising capacities. Between 1994 and 1996, NDI placed a resident advisor in Bulgaria to provide hands-on technical assistance to strengthen the Association’s financial and organizational sustainability. BAFECR’s Sofia Office as well as six regional offices or clubs also received financial and other support under DemNet I, DemNet II and the Democracy Commission (see Civil Society section below for more information on these programs).

The 1996 MSI evaluation positively assessed NDI’s impact on BAFECR and BAFECR’s performance. “BAFECR has enhanced citizen confidence in the election process... NDI has made timely and valuable contributions that have directly resulted in capacity building of BAFECR in terms of its organizational structure, its management practices, and civic education programming capacity.” However, the report was also skeptical of BAFECR’s ability to sustain itself. “A major concern is the recurring costs necessary to sustain the BAFECR operation. BAFECR’s outreach mechanism with 25 Regional Offices to interface with 55 local clubs may not be the most efficient solution to address the desire on one hand to decentralize decision-making in BAFECR and on the other hand to seek least-cost solutions as BAFECR strives to break its dependency on USG funding.” BAFECR continued as a national organization until 2001. More information on BAFECR’s work during the next time period is provided starting on p. 173.

(3) Lesson Learned in Implementing Political Process Programs

IRI’s experience organizing and supporting a primary to unite a group of parties behind one candidate was a useful undertaking, though also risky. Perhaps, expectations for the impact of such a primary to be felt beyond the election for which it was organized should have been more modest.

b. CIVIL SOCIETY STRENGTHENING (INCLUDING ETHNIC INTEGRATION AND LABOR UNIONS)

USAID support to civil society in the early years was somewhat diffused, with support to specific NGOs provided through technical programs — for example, human rights NGOs were supported under a German Marshall Fund small grants program, the Confederation of Independent Trade Unions was assisted under the Free Trade Union Institute program, BAFECR was a centerpiece of the National Democratic Institute’s program in Bulgaria, various professional and membership-based organizations related to local government and legal reform were supported under local government and rule of law programs described elsewhere in this paper, and environmental NGOs were supported through environmental training and community action programs. While useful for furthering reforms and developments in specific technical areas,

this approach did not address civil society as a sector. Beginning in 1995, the USAID approach to civil society strengthening changed with the start of the Democracy Network I (DemNet I) program, which provided grants for NGO project activities and institutional development, as well as technical assistance and training to improve their management and sustainability. Many of the NGOs included in DemNet I were previously involved in the activities described in more detail below. A parallel small grants program managed by the U.S. Information Service (USIS), the Democracy Commission, began in 1994.

(1) Minority Issues

In 1992 USAID began a four-year small grants program through the German Marshall Fund (GMF) to address minority issues and to strengthen democratic practice and citizen participation in Central and Eastern Europe. A series of small grants totaling almost \$300,000 were made to six human rights organizations in Bulgaria. In its own final report, the German Marshall Fund evaluated the grants to the Bulgarian Human Rights Project, the Bulgarian Helsinki Committee and Citizens for Religious Tolerance as most successful. GMF described the Human Rights Project's accomplishments, primarily working on Roma issues, in legal advocacy, documenting abuses, networking with other Bulgarian human rights organizations, and advocating for and raising awareness about minority issues. The Bulgarian Helsinki Committee addressed broader human rights issues and its activities focused mainly on monitoring, legal defense and awareness raising. Citizens for Religious Tolerance, which later became the Tolerance Foundation, mainly advocated for religious freedom, particularly related to non-traditional churches. Although all three organizations would later receive funding under the Democracy Network I Program, only the Bulgarian Helsinki Committee would survive as an organization. (See Case Study chronicling what happened to these three organizations on p. 55).

"The assistance we received from the 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. The core funding from the German Marshall Fund was key."



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

(2) Democracy Commission

The Democracy Commission was a U.S. Embassy small grants window managed by USIS — now the Public Affairs Office — established in 1994. The objective of the Democracy Commission was to support the development of democratic institutions and civil society in Bulgaria, with an emphasis on projects targeting the rule of law/administration of justice, free and equal access to information, civic education and citizen participation, awareness and observance of human rights, and ethnic/political harmony. The maximum grant was \$24,000 with grants averaging between \$12,000 and \$15,000. In the early years, the Democracy Commission's annual budget was around \$250,000.

The Democracy Commission's annual budget grew significantly over time to an average of \$500,000 over the last three years. About a quarter of the organizations supported through Democracy Commission grants

were also supported by, or involved in implementation of, USAID programs. For example, in 1996, the Democracy Commission made a \$4,000 grant to the Helsinki Committee to provide bridge funding for two months between the closing of the USAID German Marshall Fund small grants program and the start-up of the Democracy Network I program, both of which supported the Helsinki Committee. In other cases, the Democracy Commission provided critical grant support to nascent organizations being nurtured and developed by USAID such as the Legal Initiative for Training and Development (PIOR), whose founders were given a \$2,000 Democracy Commission grant to organize legal seminars out of which PIOR was established; and the Foundation for Local Government Reform (FLGR), which received an \$18,000 Democracy Commission grant to publish the first twelve issues of its bulletin. In other cases Democracy Commission grants allowed USAID local partners to expand into other areas or to continue working after USAID support had ended. For example, in 2005, the Democracy Commission made a \$15,000 grant to the Bulgarian Media Coalition to enable it to provide legal aid to journalists. The Media Coalition, which continues to be an important media advocate, was a key USAID partner under the media program which closed in 2004 and DemNet II, which closed in 2002. More information on USAID support for the Bulgarian Media Coalition can be found starting on p. 115 and p. 175.

Many Bulgarian NGOs appreciated the fact that the Democracy Commission was a long-term, transparent and reliable avenue for small grant funds (unlike other donor civil society programs, including USAID programs, in which parameters for small grants were set for a short period of time, and then changed when then next phase of programming or implementing partner arrived). However, the very structure of the Democracy Commission also had weaknesses, resulting in too many grants for “targets of opportunity,” rather than a more strategic approach to civil society development.

(3) Trade Unions

Both via a pass-through to the National Endowment for Democracy, and directly from USAID, the Free Trade Union Institute (FTUI) began working with and providing financial support to the Confederation of Labor Podkrepa in 1990. FTUI also implemented joint programs with the U.S. Department of Labor. A full time FTUI country representative arrived in Bulgaria in June 1992, and in the early days, the person in this position changed from year to year. Early programs consisted mainly of seminars for trade union members and leaders on democratic trade union management and free market economies. Later, the program educated labor union membership and included a considerable train-the-trainers effort to strengthen Podkrepa’s education department. Podkrepa, which continues to exist today, was an important advocate for democracy and economic reform, particularly in the early days of the transition when the democratic opposition was a weak coalition of parties and organizations fighting against the entrenched socialist system run by the very powerful Bulgarian Communist/Socialist Party. Thus the program was not seen purely as a trade union/labor program, but more importantly, as a

program to support democratic activists promoting democratic ideals and free market reforms in Bulgarian society. More information on USAID support for Podkrepa can be found on pages 113 and 168.

(4) Environmental NGOs and Grassroots Community Participation

The Institute for Sustainable Communities (ISC) implemented a number of environmental activities in the early to mid 1990s that involved both environmental NGOs and developing grassroots community participation. Its Community Environmental Action Project, active from 1992–1994, replicated successes in the demonstration community of Troyan on water conservation, environmental audits of local industries and enhanced public understanding of environmental problems, in five additional communities working with the National Movement of Ecoglasnost. ISC's Environmental Training Project, active from 1992–1997, trained government, NGO and business representatives on environmental management issues and techniques, including implementing community environmental action projects. (More details on USAID environmental programs are provided starting on page 65). ISC became the implementing partner for the USAID main civil society development program, Democracy Network I and II, a seven-year civil society support effort.

(5) Democracy Network I (DemNet I)

In 1995, USAID began a \$3.5 million, comprehensive technical assistance and grants program specifically focused on civil society development implemented by the Institute for Sustainable Communities (ISC). Over the life of the 3 ½ year program, in addition to significant NGO institution-building through training and technical assistance, 124 grants were made to 111 Bulgarian NGOs, totaling more than \$1.2 million. DemNet I was to support NGOs to help citizens understand important issues by organizing public meetings, bulletins, trainings and media campaigns. Additionally, NGOs were to serve as catalysts and channels for citizens to express their views in the development of policies that affected their lives by establishing citizen committees and conducting surveys whose results would be shared with decision makers. An important facet of DemNet I was promoting NGOs' ability to influence public policy making — from the village to the national level — in four priority sectors: democracy, social safety net, economic development, and environmental protection. Overall, 52% of the grants were made for democracy building, 30% for social safety net, 10% for environment, and 8% for economic development. Grants were made for project activities, partnerships to promote collaboration, institutional strengthening and training. DemNet was unique in that the U.S. Embassy, through the Democracy Commission, played a key role in setting the direction of and approving grantees under the program. Thus, although the cooperative agreement with ISC was signed in February 1995, the program did not get under way until October of that year, due to delays in obtaining Democracy Commission approval of the work plan, but also due to slow start-up by the implementing partner. The Democracy Commission and USAID specifically designated the focus of the program to be grassroots

initiatives outside of Sofia, although it appears that a good number of Sofia-based NGOs benefited from the program as well

In addition to grants, DemNet I devoted considerable resources to NGO training. ISC designed and delivered approximately 100 seminars on 25 different topics covering a wide range of organizational development issues. Over 900 NGO representatives (from NGOs that received DemNet I grants and those that did not but showed potential) were trained using a core group of 60 Bulgarian trainers. ISC's summary of DemNet I's impact on the NGO sector includes:

- 98 NGOs' organizational capacity strengthened;
- 132 cases of public participation in NGO activities to influence public policy;
- More than 2,000 instances of positive media coverage of NGOs during the period of the program;
- 64 joint activities between various partners; and
- 55 documented cases of NGOs contributing to changes in policy or practice at all levels of government.



Marin Lesenski
Director of Programs, IRIS

"I find the materials produced for Bulgaria within DemNet I quite useful. We at the Institute for Regional and International Studies (IRIS) still employ them in our NGO capacity building training activities. Despite that the political context has changed significantly since these materials were developed, I found them to be essential textbooks for NGO development — whether in strategy planning, media relations, fundraising or advocacy."

An April 1997 evaluation of DemNet I in Bulgaria by Management Systems International¹⁵ found that 24 months into the program, "the NGO sector has been strengthened to a modest degree," as a result of USAID activities. The assessment was critical of the slow pace of the program, recommended a more concentrated geographical approach and suggested that training be done through Bulgarian NGOs. These latter two suggestions were built into the design of the follow-on program, DemNet II. The assessment was also critical of DemNet I's original design, which it said had failed "to recognize the need to cultivate an indigenous organization through which ISC could run its technical assistance, training and grant making operations." While DemNet I perhaps did not achieve the creation of a sustainable, indigenous NGO support organization in Bulgaria (however, a local organization, 3 NET Association, would later grow out of DemNet II), its impact on energizing citizens to participate in civic life should not be underestimated. After almost 50 years of totalitarian rule, civic culture in Bulgaria was erased. Unlike Poland, the Czech Republic and other countries in the region, Bulgaria had no underground movement or experience with civic organizations and life until 1989. Bulgarian civil society was starting at a much different place when the transition began. Thus, simply giving people the confidence and tools to participate in

¹⁵ Lawrence C. Heilman and Frank R. Pavich, "Final Report, Independent Mid-Term Evaluation of the Democracy Network Program," (Washington, D.C.: Management Systems International, 21 April 1997).

society, to join together in collective action, and to advocate for issues and changes that were important to them, was valuable experience. Moreover, supporting NGO participation during this time of rapid reform and tumultuous change was also important to ensure that reforms were democratic and not totally driven by the political elite. Success in influencing policies was an important confidence-booster for NGOs as well. Even though some of the many organizations supported under DemNet I and other donor NGO programs have not survived, the skills and experience gained in those early years were not totally lost as many people connected to DemNet I and II are still active in the sector, although with different organizations. One criticism of civil society donors in the region, including USAID, is that they have developed donor-driven NGOs with no local constituency and too many to be sustainable. As civil society matured, the USAID approach in Bulgaria also evolved as it gained experience in the sector; thus the follow-on to DemNet I was more focused and strategic than these early efforts.

Success Story

A TALE OF THREE BULGARIAN HUMAN RIGHTS NGOS

Through the German Marshall Fund and then later under DemNet I, USAID supported the Tolerance Foundation, the Human Rights Project (HRP) and the Bulgarian Helsinki Committee. By 2007, two of the three organizations folded, although for different reasons. The Tolerance Foundation was established to advocate for religious freedom in Bulgaria in the early 1990s. By the end of the decade, the campaign against new religious groups in Bulgaria subsided, and thus the Tolerance Foundation achieved its goal and went out of business. The HRP, an NGO dedicated to the plight of the Roma in Bulgaria (and is credited with raising awareness of human rights within the Roma community in Bulgaria), was also established in the early 1990s under the strong leadership of Dimitrina Petrova. Ms. Petrova left the HRP in 1996 to become the Executive Director of the European Roma Rights Centre in Budapest, an international public interest law organization addressing racism and discrimination against the Roma. More recently, she has become the Executive Director of the Equal Rights Trust in London, an organization dedicated to broader anti-discrimination issues. The HRP continued to thrive under Ms. Petrova's successor, Savelina Danova Rusinova, who also eventually ended up at the European Roma Rights Center. After her departure from the HRP, the organization struggled for several years and then eventually folded due to internal disputes and divisions. Ivan Ivanov, a legal advisor to the HRP for two years in the late 1990s, also subsequently moved to the European Roma Rights Center where he served as an attorney for five years. He is now the Executive Director of the European Roma Information Center in Brussels, an international Roma advocacy organization. Although the dissolution of the HRP can be seen as a failure of USAID efforts to develop a sustainable human rights organization, the fact that so many of HRP's talented staff are now leading premier human rights organizations in Europe, can be an indication that: a) not all was lost in the closure of HRP; and b) that the investment in human resources was successful. The third human rights NGO supported under early USAID civil society programs, the Bulgarian Helsinki Committee, continues to thrive as Bulgaria's foremost human rights advocacy organization. Although he continues to play an important role as Chairperson of Bulgaria's Helsinki Committee, Krasimir Kanev's impact is also felt beyond Bulgaria's borders. He also serves as a member of the Executive Committee of the International Helsinki Federation for Human Rights, a member of the Council of the Geneva-based Association for the Prevention of Torture, and is a member of the Board of Trustees of the UN Voluntary Fund for the Victims of Torture.

(6) International Center for Not-for-Profit Law (ICNL)

In 1994, USAID began supporting the International Center for Not-for-Profit Law (ICNL) to focus on developing the enabling environment for civil society in each Central and Eastern European country. Over the life of this regional project, ICNL received the most funding for Bulgaria and Croatia. Unlike many other programs, it maintained a relatively small

in-country presence, providing assistance as needed and to/through local organizations and representatives, including NGOs and government ministries. A 2006 impact evaluation of ICNL's program¹⁶ which included Bulgaria, highlighted the benefits of ICNL's regional approach: "ICNL was able to support cross border and regional interchange and relationships between and among leaders of the emerging civil society sector, especially with regard to learning about legal regimes that facilitate and support the development of civil society organizations as practiced in the United States and in Europe. A second major feature of ICNL's support from USAID was that it allowed ICNL to follow a flexible time table for providing technical assistance to lawmakers and not-for-profit leaders who were beginning to grapple with the task of creating a more appropriate legislative framework for civil society." Unfortunately, Bulgaria was slow to make progress on establishing a legislative framework for NGOs, and thus real results from ICNL's assistance were not realized until later periods.

(7) National Forum Foundation/Freedom House

Also under the "DemNet" group of civil society programs, USAID began implementing a Regional Networking component in May 1995, first through the National Forum Foundation, and then later through Freedom House when the two organizations merged. Originally managed by USAID/Washington, the grant was moved to USAID/Budapest, where it was managed until the program closed in September 2006. The purpose of the Regional Networking Program was to strengthen the capacity of non-governmental organizations through cross-border projects to inform public opinion and influence public policy to accelerate and secure the region's transition to open political and economic systems. Although it did not include site visits to Bulgaria, a 1998 evaluation¹⁷ concluded that "Freedom House programs have successfully contributed to leadership development and civil society organizational innovation at the country level, to the development of cross border and regional communication networks, and to the beginning stage of increased regional cooperation and mutual support among civil society organization in CEE." In later years, Freedom House supported the development of research-based advocacy, particularly assisting researchers and activists to learn from each other. For example, the program supported the Bulgarian Institute for Regional and International Studies to work with the Macedonian Institute for Democracy, Solidarity and Civil Society to assess decentralization in Macedonia.¹⁸ Freedom House also supported the Center for Liberal Strategies, whose chairman, Ivan Krastev, became the Executive Director of the International Commission on the Balkans, an initiative funded by private European and American foundations in 2004, to develop and advocate for a vision for the integration of Southeastern Europe into the European Union.

¹⁶ Richard N. Blue, Marguerite Galaty and Andrew Green, "The International Center for Not-for-Profit-Law: The CEE/SEE Program: Impact and Potential, An Impact Evaluation," (Washington, D.C.: USAID, 11 April 2006).

¹⁷ C. Stark Biddle and Richard Blue, "The Regional Components of the Democracy Network Program, Evaluation of Performance and Potential, Final Report," (Washington, D.C.: Management Systems International, 15 March 1998).

¹⁸ Institute for Regional and International Studies and the Institute for Democracy, Solidarity and Civil Society, "The Process of Decentralization in Macedonia: Prospects for Ethnic Conflict Mitigation, Enhanced Representation, Institutional Efficiency and Accountability," (Sofia, Bulgaria and Skopje, Macedonia: Freedom House and USAID, 2006).

c. LOCAL GOVERNMENT ASSISTANCE

Initially, USAID assisted Bulgarian local governments in a variety of technical areas through a host of implementing partners. Technical areas addressed included housing and urban development, environment, energy, privatization and public administration. Each program independently selected different municipalities or groups of municipalities in a region in which to work. However, many of the activities ended up being located in the same set of medium-sized cities, although this was purely coincidental.

(1) University of South Carolina

The University of South Carolina (USC) began implementing local government assistance in Bulgaria beginning in September 1991. Originally conceived as a training program for local government administration, it was re-cast when it appeared that the workshops were not resulting in any visible changes in communities in which workshops were offered. Instead, USC began providing hands-on practical technical assistance to local governments through periodic visits of American city managers. USC incorporated and managed six different U.S. Information Agency (USIA)- and USAID-funded training programs for local government officials in the United States. A 1994 evaluation¹⁹ of USC's program concluded that it "has clearly increased the knowledge of mayors and other key municipal officials and improved the quality of local government operations... Local governments in Bulgaria have been strengthened as a result of the funded activities." The impact of the program on changing the way local government officials approached a problem or issue cannot be underestimated. The first mayor of Stara Zagora captured this when he described how he successfully gained municipal council approval for local legislation on privatization: he kept asking himself, "What would [long-term USC advisor] Jim [Budds] do in this situation?" He then devised a democratic political strategy using the tools and know-how learned from USC's advisor that ultimately resulted in the municipal council passing the necessary legislation, putting Stara Zagora at the forefront of municipal privatization.

Probably the most important contribution USC made to Bulgarian local government was in the form of a one-year residency by Bob Maffin, the former Executive Director of the Association of Housing and Redevelopment Officials, to strengthen nascent municipal associations during 1995. This was combined with small grants to provide limited resources to these budding associations. Maffin's work with an ad hoc group of mayors on identifying changes needed in the local government law, contributed to the formation of the Foundation for Local Government Reform (FLGR), a local government think tank, in 1995. Maffin also advised several regional associations forming at the time: the Association of Rhodope Municipalities, the Association of Danube Municipalities and the Union of Black Sea Municipalities. Later, following a joint Council of Europe- and USAID-sponsored conference on the role and importance of municipal associations, the National Association of Municipalities in the Republic of Bulgaria (NAMRB), an association of all 264 Bulgarian municipalities that advocates on their behalf with

¹⁹ Barbara Barrett Foster, David A. Grossman and April L. Young, "Phase I Local Government Program Evaluation: Democracy Activities in Poland and Bulgaria," by Technical Support Services, Inc., (Arlington, Virginia: Technical Support Services, Inc., 30 September 1994).

the Central Government, was established. The FLGR, NAMRB, several regional associations, plus a number of local government professional associations, formed with and nurtured by USAID financial and technical support, are sustainable, effective advocates for and supporters of local government and decentralization in Bulgaria.

Success Story

“THE GINKAS” — LEADING LOCAL GOVERNMENT ADVOCATES



Ginka Kapitanova



Ginka Chavdarova

“The Ginkas” — that is, Ginka Kapitanova, the Executive Director of the Foundation for Local Government Reform (FLGR) and Ginka Chavdarova, the Executive Director of the National Association of Municipalities in the Republic of Bulgaria (NAMRB), are two of Bulgaria’s strongest, smartest, and most savvy advocates for local government and decentralization. Both have been with their organizations since inception, and both have been active USAID partners and recipients of assistance and support over the years. Ginka Kapitanova, the former mayor of Zlatograd, has led FLGR since it was established in 1995. Since inception, FLGR has delivered more than 700 training seminars for over 12,000 participants; helped 103 municipalities to establish customer service centers; published a methodology for preparing municipal development plans for the Ministry of Regional Development and Public Works, which is used in all 264 municipalities; and disseminates information about local government to more than 1 million visitors to the FLGR website a year, to 2,300 newsletter subscribers, and to 5,000 recipients of FLGR’s electronic newsletter. Ginka Chavdarova was elected Executive Director of NAMRB when it was established in 1996. Since inception, NAMRB has been granted authority to consult with the Bulgarian Government under 17 different laws; drafted six laws; submitted 234 positions and statements on Acts, norms and regulations; provided technical assistance to over 90% of Bulgarian municipalities; is a founding member of the Network of Associations of Local Authorities of South-East Europe; piloted bulk procurement for local governments; and 263 NAMRB members serve in over 127 consultative bodies, monitoring committees and intergovernmental working groups. With the two Ginkas, Bulgarian local government is in good hands.

(2) Environment, Housing and Municipal Privatization Activities

Although the technical impacts are described elsewhere,²⁰ it is worth noting that a range of technical assistance programs indirectly strengthened local governments because their implementation was at the local level. Environmental activities through the Institute for Sustainable Communities (ISC) implemented at the local level included watershed management in the Yantra River Basin through the WASH consortium led by the University of Minnesota; the Community Environmental Action Project which introduced participatory processes in environmental planning; and the Solid Waste Implementation Project which supported development of solid waste management plans in more than 90% of municipalities. After USAID privatization programs at the national level produced limited results, part of the program was refocused at the municipal level, working primarily in Stara Zagora and Plovdiv. The USAID Housing and Urban Development Program was also active in those early days, carrying out initial assessments and providing some housing-related technical assistance. A 1995 evaluation of USAID programs implemented at the local level concluded²¹ that “Both the privatization and housing assistance activities... appear to have

²⁰ In the Environment section beginning on page 49 and in the Free Markets/Economic Growth section beginning on page 17.

²¹ Technical Support Services, Inc., “Evaluation of Local Government Activities in USAID Programs in Central/Eastern Europe,” (Arlington, Virginia: September 1995).

strengthened local government in Bulgaria. The evidence is less clear in the case of the environmental program which was an essentially regional activity oriented toward reducing water pollution by largely physical improvements to existing treatment plants.” In addition, the evaluation also highlighted that “USAID activities have been important in helping spread confidence among Bulgarian local officials that it is possible to take some steps, even within the constraints of the present national laws.”

(3) Lessons Learned in Implementing Local Government Support Programs

By working with a variety of key actors at the outset — mayors, council members, city secretaries, finance officers, etc. — USAID built a critical mass of people with a common understanding of and mindset for reforms, increasing the possibility and impact of reforms in each municipality. Early work with the local governments was also important to opening their minds to a new way of operating. One former mayor insisted that the “cultural” dimension of building democratic values must also accompany the reforms so that the public understands why and how the changes are occurring. Perhaps if USAID addressed this in its early local government activities, it would have been easier for reformist mayors to introduce changes in their communities.

USAID experience and success with associations tells us that they have to develop organically and cannot be created or initiated from the outside. By exposing people to the benefit of collective action and giving them time to absorb and consider that, USAID planted the ideas and seeds that eventually grew into a national association of municipalities. Positive experience participating in regional municipal associations also paved the way for local governments to eventually join together in a national municipal association.

Although the legal framework for fiscal decentralization was not in place when USAID began its assistance, building local government capacity while political will developed was an effective strategy. USAID did not work on the legal framework and fiscal decentralization policies in the early years; however, ultimately it was successful by starting with building local government capacity. An important factor was that local governments were directly elected. While initially mayors acted as if in a centralized system by seeking resources from central government ministries, as they realized their constituents were in their municipalities, they began to adjust to the new system and advocate for decentralization so that they could respond to the citizens who elected them.

d. MEDIA STRENGTHENING

(1) USIA and the International Media Fund

Based on a commitment by then-Secretary of State James Baker, the International Media Fund was created in 1990 to foster independent media in Central and Eastern Europe. It was headed by former USIA Director Marvin Stone, and was active throughout the region, including Bulgaria, until its closure in 1996. Highlights of the International Media Fund’s assistance in Bulgaria during its existence include: providing radio equipment to start up several radio stations; and training programs for radio and television journalists and media managers. The International Media

Fund received SEED funding from USIA through a pass-through from USAID. USIA also received a small portion of SEED funds from USAID for its own media training activities. A 1993 evaluation of these programs²² stated that the Media Fund and USIS (USIA field offices) media training programs have “contributed to the strengthening of five private radio stations and an independent news service... The major shortcoming of the program to date is that it has not found a way to work with television or to strengthen the training of journalists and other media professionals.”

The evaluation provided further information on the Media Fund’s investment in local media outlets. Almost \$600,000 total was disbursed for four projects: (1) for the Center for the Study of Democracy (CSD) to open three new radio stations in Sofia (Radio Vitosha), Plovdiv and Varna; (2) to open student-run Aura Radio at the American University of Bulgaria; (3) to open Radio Tangra in Sofia; and (4) to start Leff, the first independent newswire service in Bulgaria. The evaluators supported the provision of equipment for CSD’s Varna station, were cautiously optimistic about Radio Tangra, were impressed by the staff at AUBG’s Radio Aura, and recommended that the Media Fund grant Leff another \$25,000 to expand its facilities and that Leff be given priority for training.

Success Story

MEDIA OUTLETS SUPPORTED BY THE INTERNATIONAL MEDIA FUND IN THE EARLY 1990S WHERE ARE THEY NOW?

Radio Vitosha in Sofia, Radio Atlantik in Plovdiv and Radio Galatea in Varna were three radio stations started by the Center for the Study of Democracy (CSD) in the early 1990s with International Media Fund-provided equipment and support. While initially established as VOA Europe affiliates and as channels for disseminating independent information, they evolved into a successful countrywide commercial radio network (with a music format) under the name Radio Vitosha, Bulgaria’s first private, independent radio. These stations were initially seen as a source of financial sustainability for the think tank to complement projects funded by international donors. CSD reports that as a result of the consolidation of the broadcast market whereby independent operators found it very difficult to survive, in 2006 it sold the network to SBS Broadcasting, a European commercial television and radio broadcasting company. CSD also reports that it was not supported by the income from Radio Vitosha network nor was it endowed by the sale of the network.

Radio AURA, the American University’s student-run radio station, celebrated its 14th anniversary in February. AURA continues to provide news, information and entertainment programming not only for the university, but also for the Blagoevgrad community. More importantly, it enables student volunteers, currently 40 in number, to gain practical experience. Many of the students who have worked at Radio AURA over the years have found high level jobs in media outlets and public relations firms.

Radio Tangra started as a very successful rock and news station in Sofia. In 2000, Radio Tangra received licenses to operate in seven other cities but couldn’t raise enough funds to start-up the network. It sold a controlling stake to Darik Radio, which narrowed its format to sports-related news and information. In 2007 the network was sold to an Irish operator.

Leff Newswire Service disappeared from the Bulgarian media scene sometime in the mid-1990s. Leff never really took off, possibly due to its narrow focus on economics and business during a time when Bulgaria was struggling as financial and economic reform had come to a virtual halt. There was no advertising market to speak of and relatively low internet penetration at the time, both of which probably worked against Leff’s sustainability.

So what can be concluded? Perhaps that these early efforts to support independent media outlets achieved their goal in the short term — that is, they provided alternative sources of information to the state-controlled and monopolized media at a critical point in the transition. But USAID also shouldn’t have expected that the original mission of these media outlets would remain the same or that they will survive in the long-term.

22 Checchi and Company Consulting, Inc., “Final Report: Program Evaluation of USAID’s Investments in Assistance to Democratic Institutions in Bulgaria, Lithuania and Poland,” (Washington, D.C.: 26 November 1993).

(2) ProMedia I

Beginning in 1995, as the Media Fund scaled down its operation, USAID directly supported the development of independent media in Bulgaria through a program called “ProMedia” implemented by a consortium led by the International Research and Exchanges Board (IREX), which also included the National Forum Foundation (subsequently Freedom House) and the Center for Foreign Journalists (subsequently the International Center for Journalists). In Bulgaria, ProMedia focused on strengthening relevant legislation and media associations most closely involved in media-related legislation. It trained professional and trade associations and NGOs to protect free speech and to advocate on behalf of journalists and media. The NGOs were to also provide in-service training to journalists and other staff from media outlets.

The ProMedia program, which was operating in 10 countries in the region, got off to a difficult start. A 1998 evaluation of the program in five countries (Bulgaria was not included)²³ chronicles these problems: “Difficulties included slow start-up and a lengthy and unproductive process of studies and field assessments, a cumbersome work planning system, poor coordination among implementing partners, fundamental confusion with regard to roles, functions and relationships and difficulty in finding experienced field advisors.” Unfortunately, it appears that this regional cooperative agreement was structured in a way that was more appropriate during the initial phase of assistance in Central and Eastern Europe, when all programs were managed out of Washington, than the newly evolving approach which allowed for USAID field offices to manage country-specific activities.

Although a final report on ProMedia I is not available, information can be gleaned from the 1998 evaluation of the program and a 1999 program report. It appears that approximately \$1.1 million was allocated for the four-year program in Bulgaria. No mention of ProMedia I is made in SEED Act Implementation Reports for the first few years of the program, which is probably explained by the slow and difficult start-up described above.

(3) Lessons Learned in Implementing Media Programs

Equipment drops for media outlets is an expensive prospect, but early in a transition can play an important role in ensuring that citizens have access to independent information as an alternative to state-controlled or monopolized media. USAID Bulgaria’s experience supporting the establishment of several radio stations in the early 1990s illustrates that media outlets evolve over time; thus USAID should not have expected that they would necessarily continue their original mission of providing independent news and information — the reason that USAID originally chose to support them. Nonetheless, as the media market developed into a more pluralistic system with more diversity, these earlier stations became less important.

23 C. Stark Biddle, Mark Hopkins and Oleg Harencar, “Evaluation of the USAID Professional Media Program in Central and Eastern Europe,” (Arlington, Virginia: Development Associates, October 1998).

e. LEGAL AND JUDICIAL REFORM

SEED-funded rule of law programs in Bulgaria began in 1991 and included activities implemented by USIA and by the American Bar Association's Central and East European Law Initiative (CEELI, which now stands for Central Europe and Eurasian Law Initiative). The overall rule of law effort aimed to support the legal recognition of fundamental rights and an independent judiciary, and to strengthen laws, regulations, procedures, and institutions necessary for a democratic society. USIA activities generally took the form of personnel exchanges, fellowships and observation trips, and were conducted with concurrence of the then State Department Bureau of Human Rights and Humanitarian Affairs. CEELI activities generally took the form of resident liaisons and short-term advisors to work with local legal and judicial institutions and representatives. CEELI also provided commentaries on draft laws, using private lawyers in the United States. A 1993 evaluation of these programs²⁴ and of several others implemented through USIA and funded through the SEED Act, concluded that "There is not a convincing development reason for having separate ROL programs run by CEELI and USIA and there are some disadvantages. CEELI could provide the full range of services required." Thus, the USIA-implemented rule of law program was phased out.

(1) American Bar Association Central and East European Law Initiative (ABA CEELI)

For the first few years, ABA CEELI's programming in Central and Eastern Europe focused more on inputs than strategy. CEELI developed its first strategy for Bulgaria in August 1993, and in that strategy reported on its achievements until then. Achievements included mostly commercial law-related work such as establishing a Commercial Law Center, advising the Bulgarian Privatization Agency, and advising the Council of Ministers on a bilateral investment treaty with the United States. For the first several years, CEELI worked out of the CSD offices, and therefore, some of its early activities were with, or in support of, CSD. Although it is difficult to discern impact on the final Constitution, CEELI organized workshops on judicial restructuring and constitutional drafting, prior to the passage of the Constitution in mid-1991. Between 1991 and 1993, CEELI commented on 19 draft laws, although it does not report on how its review of the draft laws may have improved the drafts or whether the laws were passed. For example, although one of the draft laws it reviewed was a draft Non-Profit Organization Law, no such law was passed until 2000.

The 1993 strategy document set out four areas in which ABA CEELI was planning to work: judicial reform, bar reform/legal ethics, local and regional government, and general legislative reform. Under judicial reform, CEELI proposed to work on judicial training, with the intended result to be "the creation of a self-sustaining entity or mechanism to provide judges with training, both initial and continuing training." A second focus related to judicial reform was judicial ethics, although information is minimal as this was in a "developmental stage" at the time the strategy was drafted. A third focus under judicial reform was a computerization project in Varna Regional Court, in which CEELI was

²⁴ Checchi and Company Consulting, Inc., "Final Report: Program Evaluation of USAID's Investments in Assistance to Democratic Institutions in Bulgaria, Lithuania and Poland," (Washington, D.C.: 26 November 1993).

to purchase network software for an experimental Case Management Computer System. In the focus area of bar reform/legal ethics, CEELI planned to work with the bar to adopt a legal code of ethics, with the expected end result to be increased professionalism of the bar. The strategy included less details on the other two areas, local and regional government and general legislative reform. In reviewing ABA CEELI's 1993 strategy, one is struck by the broad, comprehensive agenda it set for itself. In light of the fact that the CEELI office was staffed with one resident liaison to work in all of these areas, in addition to several young Bulgarian attorneys, it was highly unrealistic for CEELI to believe it could accomplish all this during its program. Although it is likely that CEELI expected to receive a follow-on USAID grant, the grant under which this 1993 strategy was written, totaled \$278,000 for a two-year program in 12 countries that was set to end in February 1994.

(2) Lessons Learned Implementing Legal and Judicial Reform Programs

ABA CEELI's successes and achievements in later years seem to indicate that a more focused, concentrated effort in a more narrowly defined area yields the best results. While it is unclear whether or not such a strategic focus early on was possible given the substantial changes going on within Bulgaria at the time, setting a few key goals and priorities might have helped to produce better results.

f. PARLIAMENTARY STRENGTHENING

In the early years of the transition, USAID funded two programs involving the parliament: a U.S. House of Representatives-led parliamentary strengthening initiative, and a small, one-year grant to support Bulgarian members of parliament's participation in the North Atlantic Assembly's (NAA, now the NATO Parliamentary Assembly) security and defense seminars. Essentially, USAID funded Bulgarian parliamentarians' participation in meetings of the NAA, and several so-called "Rose-Roth" seminars.²⁵ Because of the short-term nature of the program and the fact it was initiated so early on in the transition, it is impossible to assess the long-term impact of the assistance. Perhaps Bulgarian parliamentarians' participation in these seminars in some way supported Bulgaria's membership into NATO, although given the significant turnover in parliament and the fact that Bulgaria did not join NATO until much later, this is not likely. More significant was the U.S. House of Representative effort described in more detail below.

(1) Special Task Force on the Development of Parliamentary Institutions in Eastern Europe

In April 1990, the Speaker of the U.S. House of Representatives created a Special Task Force on the Development of Parliamentary Institutions in Eastern Europe to determine how the House could assist the new parliaments in the region. Representative Martin Frost (D-TX) was appointed chairman of the Special Task Force (which became known as the Frost Task Force.) Through an inter-agency agreement with the

²⁵ The Rose-Roth program of cooperation with the parliaments of Central and Eastern Europe was initiated in 1990 by then President of the Assembly, U.S. Congressman Charlie Rose, and Senator Bill Roth. The Initiative's original aim was to strengthen the development of parliamentary democracy in CEE countries, with a focus on key security and defense issues.

Library of Congress, USAID transferred approximately \$20 million to the Library of Congress for this Central and Eastern Europe-wide program, of which approximately \$2.25 million was allocated to Bulgaria. The Frost Task Force completed its work in Bulgaria by the summer of 1995. The program, which was implemented jointly by the Library of Congress, the Congressional Research Service, and the House Information Systems Office, included automation and telecommunication equipment; books and library materials; assistance in designing a research and information capability; training for legislative staff and new members of parliament (MPs); and other technical assistance as needed on important substantive policy issues. Bulgaria received \$1.4 million in equipment, \$643,000 in technical assistance, and \$195,000 in library books and materials.

A 1996 evaluation of the Frost Program commissioned by USAID²⁶ assessed the program in four countries, including Bulgaria. The evaluators found that “Frost Task Force assistance has accelerated the development of information systems for the Bulgarian Parliament, primarily in the area of hardware and networking assistance.... Information resources, which would not have been able for a number of years without the Frost Task Force assistance, are being used to help the parliament implement legislative changes required to accommodate their new constitution and prepare for membership in the European Union.”

Although a considerable amount of training was provided to the informatics staff of the parliament, the evaluators were rather critical of its impact on the software developed by the informatics staff, which they found to be “very primitive and lacks most of the features available in commercially developed software.” Further, the evaluators found that “neither the text of proposed legislation nor the proceedings of the plenary sessions are available in full-text searchable form. Current laws are published by a third party, but its full-text searching capabilities are primitive.”

The technical assistance component of the project was a bit more difficult to assess, although in general, there was positive feedback from people who had participated in the program. The new MP conference was the first to be held in the region. Participants of the “Parliamentary Institutes” indicated that they were valuable experiences that helped them in their work. A primary implementation obstacle cited by the evaluators was related to the delay in the establishment of the Parliamentary Research Department in the Bulgarian Parliament.

Regarding the assistance to the Parliamentary Library, the evaluators indicated that “the addition of new materials and the establishment of reading rooms in the two parliamentary buildings has led to increased usage of the library... Approximately 46,000 documents are included in the library’s databases. Unfortunately, most of the library’s data bases... have yet to be put on the parliamentary network. Thus, the library’s contribution to the work of the People’s Assembly is still considerably less than its potential.”

26 James Roush, Paul Mansfield, Thaddeus Bejnar and Kay McClanahan, “Evaluation of Parliamentary Assistance in Central and Eastern European (CEE) Countries Under the Democratic Governance and Public Administration Project, 180-0019,” (Arlington, Virginia: Development Associates, Inc., January 1996).

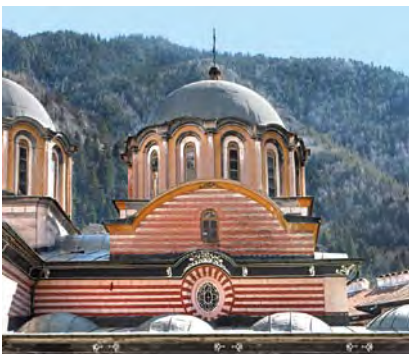
(2) Lessons Learned in Implementing Parliamentary Strengthening Programs

The Frost Task Force was designed as a short-term “jump start” program at a unique time in history that may never be repeated. A strong technology component to parliamentary assistance, particularly when a new parliament is transitioning, can be useful. However, these types of programs should generally have a five-year time span to avoid early drops of sophisticated equipment and to allow for gradual absorption. A three-five year parliamentary automation plan should be developed first, and technical support personnel need to stay in-country for a minimum of 60–90 days during project start-up. Early experience in Bulgaria indicates that countries that are not as well-endowed with resources — particularly trained informatics staff — may not be able to make optimal use of this type of assistance.

g. SUMMARY ASSESSMENT OF THE DEMOCRACY AND GOVERNANCE PROGRAM DURING THE EARLY TRANSITION PERIOD

The political instability and growing economic crisis in the country did not bode well for strengthening of democratic institutions and processes. Nonetheless, USAID continued to bolster democratic actors and institutions, and did see some results from its assistance. Free and fair elections became institutionalized. Local governments initiated management reforms as best they could within the financial constraints resulting from lack of control over diminishing resources. The Constitutional Court played an important role in protecting democratic institutions in these early years, striking down provisions of the very restrictive 1996 media law, and supporting the right of municipal governments to assume expanded decision making powers. Unfortunately, not much progress was made in reforming the judiciary more broadly. Although the licensing of media remained controlled by the government, and independent media found it hard to survive financially, a plurality of views and voices were heard through a variety of media outlets staffed by journalists whose professionalism improved with USAID and USIS support. NGOs, including several professional associations, grew in strength and number, also with USAID and USIS support.

3. SUPPORT FOR THE ENVIRONMENT DURING THE EARLY TRANSITION PERIOD



Rila Monastery

As one of the richest countries in continental Europe in terms of biological diversity, Bulgaria’s need to conserve its natural resources has always been critically important. In the early 1990s, despite a general appreciation for the richness of the environment, Bulgaria possessed neither the fundamental 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, policies, and best practices. Both the measurement of harmful emissions rates and the capacity to mitigate industrial pollution were inadequate to control pollution problems. Moreover, as Bulgaria transitioned to a market economy other issues emerged. Economic growth can have a significant impact on the environment as developers begin to construct new facilities for an expanding business sector and there are increasing needs for waste

disposal, electricity generation, and new housing. All these factors endangered Bulgaria's population and rich natural habitat.

To address these issues rapidly and effectively, USAID called on expertise from a number of U.S. environmental agencies and organizations. Early programs initially assessed the extent of the environmental problems and then formulated quick impact activities to mitigate them.

a. STRATEGY AND APPROACH

The earliest USAID environmental activities were not strategy-driven, and were mostly a collection of initiatives that were assembled to meet the most apparent environmental problems. However, USAID did develop a general environmental strategy for Bulgaria by the mid 1990s. It aimed to (1) reform existing environmental policies to favor private-sector, market-based solutions designed to improve environmental conditions, (2) improve the efficiency and effectiveness of public sector environmental investments, and (3) support market-based approaches to biodiversity preservation and enhancement. This strategy was applicable until the final phase of the program was completed in 2004.²⁷

USAID environmental support to Bulgaria before 1996 was mostly for technical assistance and training to improve the state of environmental economics, 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 within this agenda.

The following specific projects formed the core of the USAID environmental portfolio during this period: establishing a center for environmental support in the region; U.S. Environmental Protection Agency support for training, policy analysis/reform and information systems; a biodiversity support 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; technical support to improve environmental financing policy; and a pilot activity in Stara Zagora to convert municipal energy use from oil to clean-burning natural gas.

b. THE REGIONAL ENVIRONMENTAL CENTER

Early USAID assessments of environmental quality within Bulgaria revealed that responsibilities for identifying, designating, and managing protected natural areas were highly fragmented and government funding allocated to this purpose was inadequate.²⁸ Public information regarding environmental issues was also lacking thus causing a minimal amount of public participation in environmental decision making. Consequently, one of USAID Bulgaria's first environmental investments was a \$522,000 contribution to the establishment of an Eastern European Regional Environmental Center (REC) headquartered in Budapest, Hungary. This center was an important part of subsequent environmental efforts throughout the region, including Bulgaria, as it

²⁷ USAID. Programs for Bulgaria: Supporting the Transition to a Sustainable Democracy and a Free Market Economy, (Sofia, Bulgaria: 1995).

²⁸ Richard A. Liroff, "Parks and Protected Areas in Bulgaria: Environmental NGOs in Bulgaria," (New York, New York.: World Environment Center, 5 September 1991).

allowed countries to draw on the Center’s information and technical resources for use in designing new programs and training environmental professionals. The REC proved to be a successful idea, and although it received no additional USAID support after 1998, by 2007 it had expanded to include field offices in twelve countries. It continues to implement programs in a range of areas including environmental law, environmental capacity building, and climate change.



Valentin Bosevski

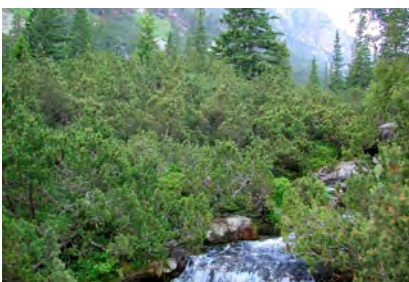
Former Minister of Environment (1992–1995), Chairperson of National Trust Eco Fund

“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. Examples of this early USAID assistance include the development of Bulgaria’s Environmental Strategy in 1991 and the development of Bulgaria’s unique National Biological Diversity Conservation Strategy in 1994, the first in Europe. 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.”

c. ENVIRONMENTAL PROTECTION AGENCY ACTIVITIES

From 1991 to 1994, USAID transferred approximately \$2.92 million to the Environmental Protection Agency (EPA) under an inter-agency agreement. EPA provided training courses in environmental policy, economic analysis, and risk assessments developed in close consultation with Bulgarian officials, as well as technical assistance to improve indigenous capabilities in information systems and monitoring. EPA also provided the assistance necessary to initiate a community-based comparative risk project in Troyan, Bulgaria which led to the eventual development and implementation of the Bulgarian Community Environmental Action Plan. In January 1992, the culmination of USAID funding and technical assistance from the EPA with support from the World Bank resulted in the presentation of the environmental strategy and action plan to a number of Bulgarian officials and environmental stakeholders. With additional support from the Harvard Institute for International Development, the action plan was then accepted as Bulgaria’s environmental policy directive. It has since been updated and revised to conform to the environmental priorities in the environmental action plan for Central and Eastern Europe. Unfortunately, there was no independent assessment of the EPA program in Bulgaria to document any major impacts or lessons learned from this early program.

d. BIODIVERSITY SUPPORT PROGRAM



Bulgarian National Park

In the early 1990s, protecting Bulgaria’s rich unique natural resources was identified as a priority area for the country’s long-term sustainable development by the Bulgarian government and civil society, as well as by international donors. Bulgaria’s rich biodiversity had a high economic value and was seen as very important to the preservation of the country’s heritage. Products such as timber, game and fish, non-timber forest products, hundreds of species of edible fungi, and over 700 traditional medicinal plants had significant potential to contribute to the country’s overall economic growth. Biodiversity conservation can also contribute to the development of an ecotourism industry. All these areas related to the USAID goal of supporting market based approaches

to biodiversity preservation and enhancement. Thus, USAID focused on biodiversity early in its program, and the overall USAID investment in this sector was substantial although it started quite modestly.

USAID initiated its biodiversity program in 1992 with a \$603,000 grant to the World Wildlife Fund (WWF) Biodiversity Support Program. This four-year project involved a consortium of representatives from the World Wildlife Fund, the Nature Conservancy, and the World Resources Institute. The project's first task was the completion of a preliminary needs assessment, the results of which were used for the subsequent drafting of the National Biological Resources Conservation Strategy for Bulgaria. This project also funded the training of Bulgarian scientists in geographic information systems (GIS) technology; technical assistance to the Ministry of Environment on biodiversity legislation; and a workshop/presentation to government and non-governmental organizations (NGOs) on alternative funding mechanisms for conservation.²⁹ Thanks to this support, Bulgaria became the first country in Europe to develop a National Biodiversity Conservation Strategy (NBCS) after the country signed the Biodiversity Convention at the Rio Convention in 1992. One of the most notable aspects of the NBCS was its high level of participation.

The strategy was officially adopted by the Bulgarian Council of Ministers in 1998, but it provided the basis for biodiversity planning and donor support well before then. The Biodiversity Support Project succeeded in bringing all the relevant stakeholders together to develop this strategy. This approach enabled all participants to understand that an integrated approach would generate a broader, more beneficial overall impact for the country. The success of this biodiversity project was critical to securing multilateral funding from the World Bank and other donors for USAID biodiversity projects implemented during the late 1990s and into the new millennium. This project also created a solid framework for future collaboration among agencies, academic institutions, and NGOs. Such participatory processes were new in Bulgaria. Participants in the Bulgaria Conservation Strategy, for example, said it was the first time that scientists, NGOs and government agencies had ever met to discuss biodiversity, and it would not have happened without the Biodiversity Support Project's support. Most Bulgarian Government agencies were accustomed to making unilateral decisions and were not inclined to regularly share useful information. Overlapping and often times conflicting jurisdictions and mandates caused some agencies to compete with each other for the same funding. By bringing all stakeholders together, the Biodiversity Support Project met several needs including but not limited to:

- Gathering together the most comprehensive set of information and broadest palette of ideas available at that time,
- Clarifying the consequences of individual actions by all actors, both singly and in relation to the actions of others, and

²⁹ World Wildlife Fund, "Evaluating the First Eight Years: 1988–1996, Biodiversity Support Program," (Washington, D.C.: March 1997).

- Generating an understanding and appreciation for the value of an integrated approach in generating a broader, more beneficial impact in environmental reform.

One of the primary lessons learned during the implementation of this activity was the importance of assembling all relevant stake holders to participate in the decision making process. By using this strategy, the program gained consensus around strategic goals and collective buy-in from all major actors from government officials to civil society organizations. Encouraging active participation and cooperation between the appropriate audiences during strategy development, the National Biodiversity Conservation Strategy was widely accepted in Bulgaria upon completion of the project, and was representative of various viewpoints held by the relevant actors.

The National Biodiversity Conservation Strategy was complemented by additional activities in conjunction with the World Wildlife Fund and the U.S. National Park Service through a cooperative agreement totaling \$1.325 million. Through this partnership, USAID helped to establish the Visitors Center for the Vitosha National Nature Park as well as a management plan for the Central Balkan National Park. The Vitosha National Park Visitors Center continues to serve the public through the development and production of informational and educational materials and exhibits. Jointly, these efforts served to further the institutional development of nature protection in Bulgaria. By continuing to provide such information, these permanent entities support the long-term sustainability of Bulgaria’s environmental investments.

e. WATER FOR SANITATION AND HEALTH (WASH) PROGRAM

USAID Bulgaria also participated in another regional project called the Water for Sanitation and Health (WASH) program, which was implemented through joint collaboration between Camp Dresser & McKee International, Inc. and associated firms. Through WASH, USAID provided \$562,000 for the Danube Emissions Management Decision Support System (DEMDESS) to help address the rapid environmental deterioration of the Danube River. Countries bordering the river did not maintain a system of standards that prevented factories and other industrial entities from discarding waste into the river basin. DEMDESS was a water quality information management system that guided these countries’ officials in making water and wastewater management decisions in the Danube’s Yantra River Basin. This program was one of the first steps for developing a system of regional water management standards and was the catalyst behind the implementation of several other environmental projects for the heavily polluted Danube River.

Conducted from 1991 to 1993, DEMDESS was implemented with support from the governments of Bulgaria, the Czech and Slovak Republics, Hungary, and Romania. USAID provided technical assistance to Bulgaria’s Ministry of the Environment to develop a system for selecting policies and investments to reduce water pollution in the Danube River. Completed in two phases, the project resulted in a four-volume set of reports, “Point Source Pollution in the Danube Basin,” the DEMDESS User Manual and a plan to institutionalize DEMDESS



f. WORLD ENVIRONMENT CENTER (WEC) WASTE MINIMIZATION PROJECT

in Bulgaria. Bulgaria initiated integrated use of DEMDESS at the inspectorate, Laboratory Information Center (LIC), and ministry levels in July of 1993, with a very strong commitment of resources from the Bulgarian Government.³⁰ This project increased Bulgaria's ability to identify the sources of Danube pollution so it could design ways for both the public and private sectors to control it. Although DEMDESS no longer exists as a functioning entity, it was the basis for a currently functioning early warning system for pollution in the Danube Basin and also national system for monitoring ecological changes.

Another area in which USAID invested a significant amount of resources during its early environmental program within Bulgaria was waste minimization. The program was very important to future environmental preservation because it encouraged industry to “eliminate or reduce pollution at its source rather than after it has already become potentially hazardous waste.”³¹ Finding market based solutions to waste minimization was an integral part of the USAID strategy for biodiversity preservation and enhancement because of the potential for large-scale damage such pollution causes. Generated waste not only imposes more costs to be disposed, but it is also poses severe threats to the environment surrounding the polluting facility. Many Bulgarian companies did not have access to information regarding techniques and equipment available to reduce or eliminate pollution during production. Thus, beginning in 1991 until 1996, USAID implemented a \$1.2 million cooperative agreement through the World Environment Center's International Environment and Development Service (IEDS) for technical assistance and training in industrial environmental efficiency, industrial health safety, pollution prevention, and environmental economics. To assist the selected companies in establishing a Waste Minimization Demonstration Program (WMDP),³² WEC provided:

- A team comprised of WEC staff and U.S. industrial experts to help the selected company identify and develop a WMDP,
- Assistance and guidance in selecting and training the waste minimization teams assigned to the WMDP,
- Appropriate training involving the principles and concepts required to implement a WMDP,
- Monitoring equipment required to complete the designated project, which was later given to the plant at the project's close-out ceremony, and
- Regular monitoring and on-site assistance as was required during the life of the project, usually lasting up to twelve months.

30 Tim Bondelid, Kathy Alison, Jonathan Darling, Lee Jennings and John Tippet, “DEMDESS Summary 1993, Danube Emissions Management Decision Support System,” (Cambridge, Massachusetts: Camp Dresser & McKee International, Inc., September 1993).

31 World Environment Center, “Status Report — 1996, Waste Minimization Program, Monetary and Environmental Benefits,” (New York, New York: 1997).

32 The Waste Minimization Demonstration Program (WMDP) was established and implemented to pinpoint ways production companies could reduce waste and use the established methods as best practices for other countries throughout Bulgaria.

USAID-funded evaluations showed that WEC made good progress toward completing its objectives, and the activities of the project had having significant impacts in improving industrial pollution control in individual cases, realizing savings at the plant level, increasing environmental awareness of the Bulgarian public, and supporting preliminary efforts in legal and policy reforms.³³ WEC activities in Bulgaria for the period 1990–1996 included work with a number of different entities including steel corporations in Pernik, the Municipal Public Service Department in Sofia, SODI Ltd. soda ash producers in Devnya, Svilosa rayon yarn mill, various textile factories in Gabrovo, Neftochim Petrochemical Company in Bourgas, and manufacturing companies in other cities that emitted hazardous waste. Staff at these companies was trained through a series of meetings and consultations with U.S. and European experts on how to improve operating efficiency through the implementation of WEC's Best Management Practices and waste minimization techniques.

The WEC team not only monitored the progress of the various waste minimization projects and revisited project sites to work through various implementation problems, but also provided each company with the estimated cost savings generated from implementing the project. Many of the facilities that participated in the program reported cost savings higher than the estimated amounts as a result. The Svilosa rayon mill, for example, made a comparison of the carbon disulfide concentration in 1993 to 1994, the year following WEC project implementation, and found that there was an 8% reduction in emissions (equaling 80 to 90 tons per year) which yielded an annual cost savings of \$570,000 by using the monitoring equipment to measure emissions rates and implementing the pollution minimization techniques learned through technical assistance and training. Although other companies participating in this project experienced cost savings on a smaller scale, the overall project achieved great success. By training plant managers on how to access information regarding new pollution reducing technologies, the WEC project successfully provided Bulgarian industry with the knowledge and incentive to reduce pollution at its source.



Smokestacks in Pernik, Bulgaria

The companies that WEC assisted were not yet privatized, and it is not clear what the long-term results were after privatization. However, to ensure the sustainability of its program after it closed, WEC established the Clean Industry Center (CIC) in 1995 as a division of the Bulgarian Industrial Association (BIA). The CIC is currently operational and self-sustainable. The CIC follows BIA's Environmental Policy by helping local and sector industries' associations and companies minimize the negative environmental impacts of their activities while increasing sustainable development by improving productivity and efficiency. The CIC fosters the restructuring of Bulgarian industry via implementation of cleaner production, "environmental management systems" and other low-cost solutions. The CIC accomplishes this by providing support services such as:

- Training on the implementation of International Standardization Organization's (ISO) Standard Environmental Systems guidelines,

³³ Fred R. Baser and Paul M. Holmes, "World Environment Center, Central and Eastern Europe Program, An Evaluation of Cooperative Agreement no. ANE-0004-A-00-0048-00," (New York, New York: World Environment Center, November 1992).

- Cleaner production and pollution prevention training (with more than 2000 participants),
- Consultations on the implementation of integrated pollution prevention and control directives,
- Conducting surveys on environmental performance at company and sector levels, and maintenance of database for industry,
- Technical, economic and environmental feasibility studies,
- Preparation of solvent management plans including measuring volatile organic compounds concentration (flame and photo ionization methods), and
- Training on EU Emission Trading Scheme — monitoring, permitting, trade, etc.

The CIC also facilitates dialogue among industry, government and society, by enhancing the capabilities of the various industrial sectors in the adoption and implementation of their own environmental policies.³⁴

Overall, WEC provided a valuable service by conducting training on waste minimization techniques that were budget friendly. One of the most important lessons learned was the importance of providing practical training to the companies involved. Once companies were trained on the available solutions for minimizing polluting emissions and the cost savings that resulted, it was easy to gain buy-in and attract other companies to take the same approach.

g. CENTRAL AND EASTERN EUROPE ENVIRONMENTAL ECONOMICS AND POLICY (C4EP) PROJECT

By the end of 1994, environmental reform was an integral component of the Bulgarian national agenda, and the Ministry of Environment and Water (MoEW) — former Ministry of Environment — began to collaborate with USAID on many projects including training, drafting policies for environmental management, and identifying additional needed reforms. USAID also began working with municipal governments to address environmental concerns at the local level. In 1994, USAID signed a cooperative agreement with Harvard University's Institute for International Development to implement The Central and Eastern Europe Environmental Economics and Policy (C4EP) Project whose goal was “to ensure environmentally sound and sustainable development paths for the economies of Central and Eastern Europe by helping to design and implement national policies, laws, and regulations.”³⁵ After two years the Bulgarian financial crisis of 1996 caused profound political changes and put tremendous stress on the government's ability to finance environmental programs at previously committed levels. These changes had a significant effect on the C4EP project's implementation plan. Facilities in two targeted industrial sub-sectors (sugar refining/ethanol and leather tanning) were stymied

34 Bulgarian Industrial Association — Union of the Bulgarian Business. Services — Clean Industry Center.” Available from http://www.bia-bg.com/info/cleancenter_en.html#4; Internet.

35 John H. Eriksen, Wade E. Martin and Peter J. Bloom, “Mid-term Project Evaluation Report: Central and Eastern Europe Environmental Economics and Policy (C4EP) Project,” (Cambridge, Massachusetts: Harvard University, 5 December 1995).

as all facilities either experienced changes in ownership or became unprofitable due to variations in macro-economic parameters.³⁶ The MoEW experienced a decrease in capacity and shifted away from matching or leveraging donor resources and began to emphasize MoEW control and direction of donor-assisted programs.

According to USAID Bulgaria's 1997 Annual SEED Report, C4EP's implementation success was varied. Due to unforeseeable economic and political changes in the country in the middle of the implementation period, the project's intended results in developing and institutionalizing environmental financing policy were not accomplished. Problems associated with the Bulgarian financial crisis in 1996 halted efforts at stimulating a public dialogue that could identify effective and efficient methods of financing the country's major environmental priorities. Therefore, attention to short-term environmental needs dominated the public environmental debate during this period.

h. ENVIRONMENTAL ACTION PROGRAM SUPPORT (EAPS) NATURAL GAS CONVERSION PROJECT

Along with C4EP, USAID implemented a more targeted program called the Environmental Action Program Support Project (EAPS) which primarily provided technical assistance to identify and select environmental investment projects that would reduce pollution and prepare selected projects for individually tailored financing. The majority of projects implemented regionally through this program “involved improving the operation of a polluting facility through improved process technology, fuel substitution, or both.”³⁷ The project helped municipalities locate and secure funding from various sources including USAID, other international donors, and host country environmental funds. One of the primary goals of the project was to mobilize large investment in projects that would improve environmental performance and reduce environmental health risks.

A regional project with Bulgaria-specific implementation between 1995 and 1998 was undertaken by Chemonics International, Inc. EAPS/Bulgaria had a budget of \$1.2 million and was designed specifically to help the city of Stara Zagora convert boilers in 21 municipal facilities from light diesel oil to natural gas in order to reduce ambient air pollution and achieve reliability in fuel supply through a joint venture with a Sofia based gas distribution company, Overgas Ltd. During that period, Stara Zagora was designated as an environmental “hot spot” due to fuel emissions from residential, municipal, and commercial buildings as well as the Maritsa East power plant located 30 kilometers outside of the city, and it was therefore chosen as the first location for program implementation.

An EAPS pre-implementation survey showed that the majority of Stara Zagora residents believed the environment was in *very* bad condition due to air pollution. However, the conversion component of the project was difficult to implement due to the reluctance of Stara Zagora consumers, both residential and industrial, to accept the risk

³⁶ Department of State, SEED Act Implementation Report Fiscal Year 1998, (Washington, D.C.: March 1999).

³⁷ Avrom Bendavid-Val, “Environmental Action Programme Support Project Final Report,” (Washington, D.C.: Chemonics, International Inc., March 2001).

of adopting this type of change without first seeing it successfully applied elsewhere. EAPS thus analyzed energy prices and costs of gas conversion. Using the collected information, the program designed and implemented a public awareness campaign in partnership with another USAID program, the Local Government Initiative, to address the most critical assumption of the program — that local gas consumers would find conversion economically advantageous and thus choose to convert. EAPS was also instrumental in forming the partnership between the Stara Zagora municipality and the gas distribution company Overgas Ltd that performed the conversions. Overgas Ltd wanted assurance of a long-term commitment from the city to use its services and guarantee a significant consumer base. This required sufficient commitments from industrial consumers in order to assure an adequate demand for long-term revenues and a sustainable gas supply. EAPS used a public outreach strategy to educate industrial and residential consumers in Stara Zagora on the monetary and environmental benefits of conversion. This increased consumer confidence considerably and supplied Overgas Ltd with the assurance it needed to move forward with the project.

In September 1995 a Memorandum of Understanding (MOU) was signed between USAID and Stara Zagora to convert the city's residential and municipal buildings to natural gas heating. A Fixed Amount Reimbursement Agreement (FARA) was prepared for the reimbursement of the municipality for municipal conversions. In the midst of the program, EAPS (similar to C4EP) was considerably hampered by the 1996 financial crisis in Bulgaria which prevented the municipality from meeting its financial obligations to the project and the city withdrew from its joint venture with Overgas. Realizing the situation of strained fiscal resources throughout the country, USAID restructured the project so that EAPS would help fund the conversion of municipal facilities such as schools, day care centers and hospitals, through an advance payment under the FARA citing the fact that “cheaper and more efficient natural gas would provide more flexibility for the municipal budget in securing year-round fuel resources.” Due to the ability of USAID to change the program's implementation strategy, the modified program was implemented successfully and the conversion reduced emissions, lowered municipal costs, and gave public facilities more reliable sources of heating. The project not only reduced ambient air pollution in Stara Zagora, but also served as an example to other municipalities of the benefits of oil-to-gas conversions. Such conversions were replicated quite widely by other municipalities over subsequent years.

i. SUMMARY ASSESSMENT OF THE ENVIRONMENT PROGRAM DURING THE EARLY TRANSITION PERIOD

USAID environmental assistance to Bulgaria was generally successful in introducing market based solutions to reducing emissions and laying the groundwork for future programs that worked with the Bulgarian Government, the private sector, and NGOs to improve biodiversity conservation. Adopted in January 1992 with significant USAID support, the National Environmental Action Plan was the key document that helped open the door for future environmental reform efforts. In addition to supporting the adoption of key policy directives, early environmental programs highlighted the importance of flexibility

in the development and implementation of projects at the field level. The 1996 financial crisis made it difficult for Bulgaria to keep its financial commitments causing many projects in the USAID assistance portfolio to change course. During the EAPS project, the USAID ability to flexibly respond to the monetary constraints of Stara Zagora due to the 1996 financial crisis was critical to its success.

The activities implemented during this phase of environmental assistance were extremely wide ranging, producing results in a number of different categories. Some assessments of this time period suggest that the portfolio was too fragmented and did not create substantial linkages between project activities to build a good base for future programs. However, because very little, if any, environmental work had been done by international donors prior to 1991, these activities generated increased general knowledge about the state of the environment in Bulgaria among technical experts, government officials and other stakeholders. USAID training and technical assistance began to give these groups an example of what could be done to begin the transition to a more environmentally friendly Bulgaria. Taken together and analyzed with the benefit of hindsight, many of the regional and Bulgaria-specific programs thus created a sound basis for future environmental activities.

Environmental studies showed that there was still a lot of work to be done in the future. The Harvard Institute for International Development (and partners) prepared a regional assessment which included Bulgaria, measuring the progress of environmental transition in the region.³⁸ After several years of USAID (and other donor) environmental assistance the report stated the following:

- Physical data for measuring environmental performance was still scarce with little data regarding relative progress and trends in the region.
- Environmental performance in the region still lagged well behind OECD (Organization for Economic Cooperation and Development) countries.
- Substantial progress was made in the development of environmental laws and regulations but enforcement efforts and institutional capacity within oversight agencies remained weak.
- Environmental NGOs had increased their effectiveness in local level advocacy but with little influence on the central government.
- Limited access to capital was the key constraint to improved firm-level environmental performance with public environmental funding being the most important source of capital.
- Firm managers had limited access to information about new environmental technologies, methods, trends, and best practices.

The report also ranked Bulgaria as an *Environmental Second Tier* country — meaning that Bulgaria had weaker environmental enabling conditions (such as the policy environment, support from high level government

³⁸ Harvard Institute for International Development and the International Resources Group, "Measuring the Environmental Transition in Eastern Europe and the Newly Independent States," (Washington, D.C.: 1 May 1998).



4. HUMANITARIAN AND SOCIAL SECTOR ASSISTANCE DURING THE EARLY TRANSITION PERIOD

officials, and sufficient legislation for protected areas and emissions standards) and was progressing at only a moderate pace in its economic transition. This meant that there was very limited local capital directed towards the environment as the government as well as private industry had other pressing priorities more directly related to the overall economy. Based on the findings, USAID determined that enactment and enforcement of environmental laws as well as better public access to environmental information was increasingly important, thus helping to focus the strategy during the next phase of the USAID environmental program in Bulgaria.

For the purposes of this Assessment, humanitarian assistance in the early years includes both *emergency humanitarian assistance*, and *humanitarian development assistance*. Emergency assistance addressed critical immediate needs from the transition, and development assistance addressed longer-term humanitarian issues. To meet emergency needs at the outset of the transition, the U.S. Government, through USDA, sent to Bulgaria 300,000 metric tons of feed grain at a value of approximately \$48 million. In addition, USAID provided about \$1 million in medicines and supplies to seven Bulgarian hospitals through Project HOPE. Combined, these two emergency humanitarian programs helped to ease the difficult situation in Bulgaria at the time.

To address urgent but longer-term needs, in 1991 USAID launched the East European Private Voluntary Organization (PVO) Humanitarian Development Initiatives Project. According to a 1995 report on the Project,³⁹ it “accomplished two main goals: to deliver critical services to populations in need that would otherwise have gone unmet; and to contribute to the strengthening of the PVO movement in the region, positioning PVOs as pillars in the process of transforming Eastern European societies.” Three grants were funded in Bulgaria under this project: a CRS program to provide medical supplies; a YMCA program for youth services and to strengthen local YMCAs; and an International Eye Foundation activity to support improved ophthalmology care. A fourth activity, through a region-wide grant to the Citizens Democracy Corps (CDC), was also implemented in Bulgaria. The formation of the CDC was announced by then-President Bush as a clearinghouse for volunteer efforts and a way to channel private sector assistance to the region. The CDC was started with a \$1.8 million SEED grant in 1991, and continued to receive USAID funding for many years, although later funding was managed under the private sector development portfolio because of the CDC’s (which now stands for Citizens Development Corps) mission to assist small and medium businesses and local institutions in emerging markets. In Bulgaria, the CDC worked with the Firm Level Assistance Group (FLAG) Consortium under the Economic Restructuring and Growth Program after 1995. In one other program outside the PVO project, USAID funded partnerships between American and Bulgarian hospitals to provide training, technical assistance and equipment to improve health care. The PVO and hospital partnership projects are described in more detail below.

³⁹ Creative Associates International, “Workshop Report: PVO Humanitarian Development Initiatives Project in Eastern Europe,” (Washington, D.C.: 4 December 1995).

a. MEDICAL SUPPLIES THROUGH CATHOLIC RELIEF SERVICES (CRS)

Under the PVO Humanitarian Project, USAID granted CRS \$900,000 for a two-year project to deliver medical supplies to Romania and Bulgaria, of which \$734,000 was allocated specifically for Bulgaria. A severe shortage of hard currency at that time made it virtually impossible to import any drugs or manufactured medical supplies. Working through a Belgian NGO active in Bulgaria, Hospitals of the World, CRS was to provide \$900,000 in medical supplies to four hospitals, which would have represented two-thirds of the hospitals' needs for medicines and single use items for a period of six months. However, by the time CRS received its USAID cooperative agreement, its Belgian partner had received a \$12 million grant from the EC for precisely the same thing. Therefore, CRS shifted its USAID grant to provide basic hospital equipment, which created a delay in implementation due to the need to reorient the program and receive additional USAID approvals. Although a final grant report is not available, a mid-term report indicates that the Bourgas Regional Hospital, Blagoevgrad Regional Hospital, and the Pirogov Institute for Emergency Medical Care and the Medical Academy of Bulgaria, both in Sofia, were to receive almost \$500,000 worth of medical equipment including anesthesia machines, ventilators, ultrasound machines and EKG machines, and there is no reason to believe that the program did not deliver this equipment.

b. YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA) OF THE USA

YMCA allocated approximately \$128,000 for Bulgaria under this \$1.5 million, three-year regional program for youth service; institutional development of the local YMCAs; and humanitarian assistance. YMCA's second year annual report on the program⁴⁰ highlights some of the difficulties in Bulgaria, including the restitution of YMCA property. Nonetheless, by 1993 the Bulgarian YMCA's National Council was registered and there were 4 local associations. There were three full-time and one part-time program workers and the YMCA had an estimated membership of 400 young people. YMCA USA supported 27 different youth programs and trainings in Bulgaria during the second year of the cooperative agreement. Although impact of these early efforts is difficult if not impossible to discern, by comparing the YMCA in Bulgaria today to where it was in 1993, we can learn whether it is sustainable and continues to contribute to youth development in Bulgaria. In 2007 the YMCA had approximately the same number (4) of local associations, a National Council, almost 500 members and 14 employees. Over 8,500 people participated in YMCA activities, of which 7,200 were estimated to be under the age of 30. There were over 200 volunteers engaged in the program. Currently, YMCA-Sofia focuses on art and culture; YMCA-Plovdiv focuses on social and public services; YMCA-Gabrovo focuses on leadership and volunteer development, youth trainings and camps; and YMCA-Ruse focuses on healthcare. The current Secretary General of the YMCA helped implement USAID's early civil society strengthening projects, DemNet I and II, and for a short time, was involved in Counterpart International's USAID-funded civil society program in Bulgaria.

⁴⁰ YMCA, "Annual Program Evaluation Report for YMCA Humanitarian/Development Initiatives in Eastern Europe, Year II, April I, 1992-March 31, 1993," (Washington, D.C.: 29 April 1993). Note: this was the only report on the program that was available through CDIE.

c. INTERNATIONAL EYE FOUNDATION (IEF)

The International Eye Foundation implemented a \$547,000, three-year program to prevent blindness and improve public eye care services in Bulgaria. A final evaluation of that project⁴¹ reported that the IEF was successful in establishing a Center for Sight which provides high quality out-patient ophthalmologic care and surgical services in a well-equipped facility, and which provides excellent training to ophthalmologists and residents in ophthalmology. Under the project, a survey of the prevalence of blindness and visual impairment in Sofia was conducted in 1993–1994 to provide data for planning for eye care in the area. This was the first population-based data from Central and Eastern Europe and continues to be the only such survey done in the region. Although it had been assumed that trauma was the leading cause of blindness, and therefore blindness was not treatable, the survey actually showed that there was a much greater prevalence of cataracts than assumed, and this cause of blindness is treatable. The cataract surgical rate today is more than three times greater than when the survey was done. A local NGO, “Sight for All, the Bulgarian Eye Foundation,” was established to continue to work on preventing blindness in Bulgaria. The evaluation noted, however, that one important objective of the program — to establish a national Committee for the Prevention of Blindness — was not achieved, it says, due to “the determined and irresponsible opposition of one academic Chair of Ophthalmology who is a powerful political figure in Sofia.”



Surgery being performed at the USAID-funded Center for Sight in Sofia

Pursuant to a 1991 Congressional earmark for childhood blindness, IEF received a series of matching grants from the USAID Bureau for Humanitarian Response, Office of Private Voluntary Cooperation (BHR/PVC) including in a five-year grant of almost \$1.6 million beginning in 1995. Later the grant was extended another two years without additional funding. Although the grant was active worldwide, in Bulgaria the IEF continued the initial efforts started under the Europe Bureau grant. A 2000 evaluation of the PVC grant⁴² showed that of the 22 organizations supported under the project, the Bulgarian Eye Foundation achieved the greatest results in terms of percentage increase in the number of children receiving needed surgery for correctable ocular conditions (276%); and the percentage increase in the number of children under age 6 receiving eye examinations (1,148%). Admittedly, the actual numbers from Bulgaria are much smaller than the other countries supported under the project, and the evaluators themselves note that “some countries, such as...Bulgaria...have relatively few children and relatively little childhood blindness.” Given that, it is difficult to understand why Bulgaria was selected for such a project in the first place. The evaluators noted that it was difficult for the Bulgarian Eye Foundation to structure services to promote cost recovery because “health care is seen as a citizen’s right and a provider’s duty and has generally been provided free to the populace via the public sector.” Further, the evaluators said that “despite a long-term relationship that IEF has had with its Bulgarian partner, the Pashev Center for Sight, no

41 Donald W. MacCorquodale, “Final Evaluation: Program for Prevention of Blindness and Public Eye Health in Bulgaria,” (Bethesda, Maryland, International Eye Foundation, March 1994).

42 Roy Jacobstein and T. Otis Paul, “The International Eye Foundation, Seeing 2000 Program: Expansion of Clinical and Surgical Eye Care Services for Children Through Support for NGOs Worldwide, Final Evaluation,” (Kensington, Maryland: AMA Technologies, Inc., December 2000).

significant cost-recovery or fee-for-service activity has yet taken place there.” This has changed, and today the Pashev Center for Sight charges paying customers for state-of-the-art eye care while at the same time supporting the Bulgarian Eye Foundation’s humanitarian efforts to provide free eye care for Bulgaria’s neediest people.

Success Story

USAID ASSISTANCE “OPENS THE EYES” OF BULGARIA’S LEADING OPHTHALMOLOGIST

Petya Vasileva says that her experience with both the USAID-funded International Eye Foundation and prior to that, her studies at Johns Hopkins University “opened my eyes to think about populations, not only individuals, and to be active, educate and explain to others.” Clearly taking this message to heart, Petya Vasileva established and runs a private eye hospital and medical center offering the best ophthalmology care in the country. After earning a Master of Public Health degree at Johns Hopkins University in the early 1990s, Dr. Vasileva returned to Bulgaria and worked closely with the USAID-funded International Eye Foundation project. But she wasn’t satisfied keeping her knowledge and experience to herself. In 1998, Dr. Vasileva began organizing annual meetings of the Union of Bulgarian Ophthalmologists which were widely attended and extremely useful because they included recognized worldwide leaders in the field. When Vision 2020, a joint World Health Organization and International Agency for the Prevention of Blindness initiative to eliminate avoidable blindness by 2020, was announced in February 1999, Dr. Vasileva organized the first symposium on it in Bulgaria two months later. As a founding member of the South East European Ophthalmological Association established in 2004, Dr. Vasileva played an essential role in sharing international best practices and cutting edge developments in ophthalmological care across the region and beyond (the Association’s 14 members include representatives from Italy, Slovenia, Slovakia, Turkey and Hungary as well as all the South East European countries).

Dr. Vasileva’s NGO, Sight for All – the Bulgaria Eye Foundation, provides an avenue for philanthropic activities related to eradicating blindness. In 2007, the NGO is implementing a three-year effort to screen all school children in its primarily Roma-inhabited neighborhood as well as in other parts of Sofia. Screening of the first 200 children has identified mostly treatable vision problems in about one-third of the children, none of whom were aware of problems. Sight for All partnered with the company Essilor which provided the mobile screening equipment used by the NGO. Local businesses are donating glasses for the poor children who need them. A second project of Sight for All is screening needy pensioners for cataracts and providing cataract surgery free of charge.

Clearly, the USAID investment in Dr. Vasileva, through the International Eye Foundation, has paid off. Her leadership has resulted in improved eye care in Bulgaria and the entire region. Moreover, she has corralled the private sector to partner with her NGO to improve eye care for truly needy children and pensioners in Bulgaria.

d. HOSPITAL PARTNERSHIPS

Although not under the PVO Humanitarian Development Project, starting in September 1991 USAID initiated three-year partnerships between American and Bulgarian hospitals to provide training, technical assistance and equipment. Through two separate grant agreements totaling more than \$4.8 million, Medical Service Corporation International (MSCI), Michigan State University and Sparrow Hospital partnered with the Second National Center for Cardiovascular Diseases (now St. Ekaterina Hospital), and the Children’s Hospital of Philadelphia partnered with the Pirogov Emergency Medical Institute and the Medical Academy of Bulgaria, both of which were also provided equipment under the CRS program described above. The program was extended another two years with an additional \$477,000.

Under the program, a pediatric trauma unit was established at the Pirogov Emergency Medical Institute and equipment was provided to St. Ekaterina Hospital to enable it to provide training to doctors



St. Ekaterina Hospital partnered with Michigan State University and Sparrow Hospital under a USAID-funded program in the early 1990s

out in the regions. Bulgarian doctors from St. Ekaterina Hospital received specialized training in the United States, and then they, along with a team of American doctors, traveled around Bulgaria training doctors on advanced cardiac care and surgical procedures. Although the Pirogov pediatric trauma unit continues to offer the most advanced pediatric trauma care available in Bulgaria today, St. Ekaterina no longer organizes training for doctors outside of Sofia. In addition to support for these Bulgarian hospitals, training and/or research grants were provided to other medical institutions including all five medical universities across Bulgaria. Research grants offered the opportunity for doctors outside Sofia to conduct medical research for the first time.

Bulgarian doctors, who had little or no contacts or information from outside the country previously, received the latest information regarding cardiac care. The program introduced emergency medicine as a new field in Bulgaria. American textbooks related to emergency care were translated into Bulgarian for immediate use. Reportedly, this information was integrated into medical textbooks that were published later. Likewise, the use of protocols was unheard of prior to the program. Now they are standard practice. The program introduced the concept of continuing medical education to the deans at the medical schools, who have integrated it into the curriculum. A still active and now very powerful Association of Physicians formed with support from the program. The only complaint heard was that the program was too short for the type of assistance being provided. The impressive results of the International Eye Foundation's work to establish an eye clinic in Sofia, which was implemented over a decade, would seem to support this conclusion. Nonetheless, much was accomplished under the hospital partnerships during their short tenure. Although Bulgaria still has a long way to go in providing Western-level medical care, the USAID-funded hospital partnerships in the early 1990s raised the quality of medical care significantly from where it was at the start of the transition.

e. SUMMARY ASSESSMENT OF HUMANITARIAN AND SOCIAL SECTOR ASSISTANCE DURING THE EARLY TRANSITION PERIOD

USAID sponsored a close-out workshop when the PVO Humanitarian Development Initiatives Project ended in 1995. In addition to capturing the successes of the grants made under the Project, the goal of the workshop was to analyze and document lessons and experiences accumulated over the four years of the project. The practical guidelines for successful project development coming out of this workshop such as conducting a formal needs assessment before starting a project; developing partnerships with NGO counterparts, local communities, governments and other NGOs; and designing projects for sustainability, are quite basic, could apply to any civil society strengthening project — not only humanitarian activities, and perhaps reflect the naiveté of both USAID and the organizations it supported in these early humanitarian efforts in the region.

On a higher level, the PVO Humanitarian Development Initiatives Project was successful in achieving its stated goals of delivering critical services to populations in need that would otherwise have gone unmet; and contributing to the strengthening of the PVO movement,

positioning PVOs as pillars in the process of transforming Eastern European societies. The CRS project achieved success in delivering critical services, while the YMCA project appears to have strengthened the capacity of the YMCA, a Bulgarian PVO. The most successful of all three projects, however, was the International Eye Foundation’s work to establish an eye clinic in Bulgaria, both because the Center for Sight provides critical services, and because its director’s leadership is transforming not only Bulgarian society, but countries throughout the region.

The PVO Initiatives workshop close-out report indicates that “the Project served as a virtual social safety net, delivering a wide variety of services, from child welfare to food assistance to aid to the disabled.” Coupled with another SEED-funded humanitarian effort early in the transition, a USDA donation of 300,000 metric tons of feed grain at a value of approximately \$48 million, these activities benefited a lot of people and relieved some of the human suffering at the time, particularly the feed grain, and medical equipment. However successful these efforts were, they were a band-aid on an inadequate response to a huge and growing social sector need in the region, and did not (and could not) address systemic social sector issues. The early USAID strategy for Central and Eastern Europe, including Bulgaria, did not sufficiently address or even anticipate the magnitude of the social dislocation. It wasn’t until the mid-1990s when democratically-elected reformist governments in the region began to be voted out of power in favor of perhaps less-reform minded and certainly more cautious socialist parties who tapped citizen discontent with the impact of the transition, that the USG began to pay attention to the social dimension of the transition. Perhaps a lesson learned from this experience is that the transition from communism to free market economies causes serious social dislocations that USAID should be better-prepared to address if working in a similar environment in the future. Humanitarian assistance needs to go hand-in-hand with support for restructuring health, pension and other systems providing a country’s social safety net.

C. SUMMARY OF OVERALL PROGRAM RESULTS DURING THE EARLY TRANSITION PERIOD

USAID made important contributions in the early years to many of Bulgaria’s nascent free market and democratic systems and institutions. In the absence of reform leadership from the central government, USAID focused on the non-governmental and local government sectors to further the transition process. These programs generally had favorable results, and they succeeded in establishing a foundation for many reforms. Moreover, USAID training and technical assistance groomed many leaders of the transition. A list of illustrative contributions includes the following (note that establishment of the American University in Bulgaria is covered under the “Cross-cutting and Special Initiatives” section on page 191 and is therefore not listed here):

I. SUPPORT FOR FREE MARKETS AND PRIVATE ENTERPRISE GROWTH

- Established and supported Bulgaria's first independent economic think tank, the Institute for Market Economics.
- Established a modern collateral law system that is an important basis for a sound lending system in a market economy.
- Trained and supported new entrepreneurs to help them grow and to develop associations to stimulate reform.
- Provided models and facilitated privatization, particularly at the local level.
- Funded BAEF and CARESBAC to provide financing for small entrepreneurs.
- Established the basis for reforms in the power sector.
- Established the key private institution for furthering energy efficiency in Bulgaria, EnEffect.
- Helped to build a national employment service to address the impacts of mass layoffs.

2. SUPPORT FOR DEMOCRACY AND GOVERNANCE

- Helped establish a viable multi-party political system through political party support.
- Established a civil society organization, BAFECR, that monitored early elections to ensure they were free and fair.
- Helped nurture a pluralistic civil society by supporting a broad range of new NGOs.
- Assisted municipalities to improve their quality of operations and begin local government associations to further decentralization.
- Established and supported the only Bulgarian private think tank for local government, the Foundation for Local Government Reform.
- Increased access to information through strengthened private radio stations and other independent media outlets.
- Improved the information systems of the National Assembly.

3. SUPPORT FOR THE ENVIRONMENT

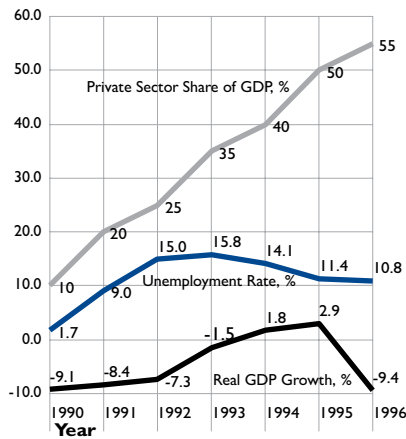
- Helped the government establish sound strategies and programs for environmental management and biodiversity protection.
- Carried out a program to minimize industrial pollution and developed a model for natural gas conversion to reduce municipal air pollution that was successfully piloted.

4. HUMANITARIAN AND SOCIAL SECTOR ASSISTANCE

- Provided critical medical supplies and food aid to meet emergency needs.
- Helped improve the quality of medical care through partnerships with U.S. hospitals and by supporting the establishment of the Center for Sight and a local NGO, "Sight for All, the Bulgarian Eye Foundation."

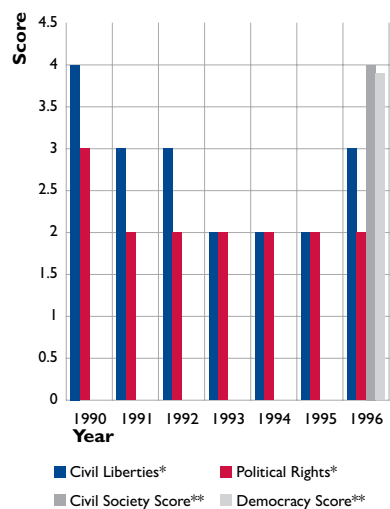
D. THE PROGRESS OF THE TRANSITION DURING THE EARLY YEARS

FIGURE 2. ECONOMIC INDICATORS: 1990–1996



Although USAID programs supported important first steps in Bulgaria’s transition, contributions were limited within the context of the country’s political instability, weak institutions, and very slow progress on important structural reforms. The primary reform issues included a bloated state sector, an insolvent banking system, pervasive corruption and crime, and, more generally, inadequate rule of law and enabling environment for equitable and robust private sector development. These issues stifled the economy and caused the social cost of the transition in Bulgaria to be among the highest in Central and Eastern Europe (CEE). The Human Development Index ranking for Bulgaria as measured by UNDP in its Global Human Development Reports declined from 40 in 1990 to 69 in 1997. In 1996, the real average monthly wage fell to 42% of its 1990 level. The average monthly pension declined by 65% during 1990–1996, and in the beginning of 1997 it plunged even further. Bulgarian household income declined by 65.5% since 1990 and the share of those with income below the poverty level increased from 41% in 1990 to 77% in 1996. Per capita income in Bulgaria was a quarter of the European Union average in 1997. With the sharp drop in economic activity in 1996, the unemployment level jumped from 10.8% in 1996 to 14% in 1997.

FIGURE 3. DEMOCRACY INDICATORS: 1990–1996



* Source: Freedom House. *Freedom in the World Country Ratings* which survey Civil Liberties and Political Rights, rates countries on a scale from 1 to 7, with 1 indicating the most free, and 7 representing the least free.

** Source: Freedom House. The ratings of Freedom House Nations in Transit are based on a scale from 1 to 7, following a quarter-point scale, with 1 representing the highest and 7 representing the lowest level of democratic progress. The Democracy Score is an average of the ratings for all categories covered by Nations in Transit. Ratings are shown for the year covered rather than the year of publication by Freedom House (which covers the previous calendar year).

The country was lagging badly behind other CEE countries in its economic reform efforts, and there were mounting pressures in the banking system and external accounts. The losses of the Bulgarian state enterprise sector had been financed by a weak banking sector (82.2% state-owned) and from budgetary sources, thus contributing heavily to the country’s inability to maintain macro-economic stability. While the private sector accounted for 55% of GDP in 1996, this was primarily due to the continuing collapse of the state-owned enterprises (SOEs). Although privatization processes were ongoing, SOEs still dominated the entire industry, with more than 90% of the assets in the economy owned by the state in 1995.

Indicators of Bulgaria’s transition to a stable democracy were encouraging, but there were also important deficiencies. When Freedom House Nations in Transit (NIT) was first published in 1996, Bulgaria qualified as a semi-consolidated democracy with a democratization score of 3.9.⁴³ Although laws and structures were more or less in place to promote government transparency and accountability, implementation was lacking. Decentralization of power and resources to local self-governments was incomplete. The framework for an independent judiciary was in place, but judicial processes were slow, inconsistent and open to abuse. Corruption was

43 The Democracy score is a straight average of the ratings of all categories covered by Nations in Transit. Based on a scale of 1 to 7 (with 1 representing the highest and 7 the lowest level of democratic progress), Freedom House defined the following regime types: 1.00–2.99 — Consolidated Democracy; 3.00–3.99 — Semi-consolidated Democracy; 4.00–4.99 — Transitional Government or Hybrid Regime; 5.00–5.99 — Semi-consolidated Authoritarian Regime; 6.00–7.00 — Consolidated Authoritarian Regime

a major issue, but the state's capacity to investigate and prosecute was extremely weak. Though beginning to take root, civil society remained institutionally and financially weak.

As noted in the overview section of this Assessment, the financial crisis in 1996 led to the demise of the Socialist government then in power. Bulgaria's economic and social situation had become critical, and the new reform government that was swept into power by public outrage faced daunting challenges.

IV. POLITICAL STABILITY AND RAPID REFORM 1997–2001

TABLE 3. COUNTRY DEVELOPMENT INDICATORS 1997–2001

Economic Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unemployment Rate ¹ , %		1.7	9.0	15.0	15.8	14.1	11.4	10.8	14.0	12.2	14.0	18.1	18.1	17.7	14.3	12.7	11.5	9.6
Per Capita Income as Percentage of European Union Average (EC 25) ² , %									25.6	26.0	26.0	26.5	28.1	28.4	31.1	32.4	33.7	35.0(f)
Private Sector Share of GDP ³ , %	10	10	20	25	35	40	50	55	60	65	70	70	70	70	75	75	75	75
Asset Share of Privately Owned Banks ³ , %	na	na	na	na	na	na	na	17.8	34.0	43.6	49.5	80.2	80.1	85.9	97.5	97.7	98.3	
GDP per capita, current prices, in current US dollars ⁴ , %	5,321	2,365	234	959	526	934	1,580	1,204	1,270	1,585	1,612	1,581	1,713	1,979	2,550	3,127	3,459	3,683
Real GDP Growth ⁵ , %		-9.1	-8.4	-7.3	-1.5	1.8	2.9	-9.4	-5.6	4.0	2.3	5.4	4.1	4.9	4.5	5.6	5.5	6.0
Democracy Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Civil Liberties ⁶	7	4	3	3	2	2	2	3										
Political Rights ⁶	7	3	2	2	2	2	2	2										
Civil Society Score ⁷								4.00	3.75	3.75	3.50	3.50	3.25	3.25	3.00	2.75	2.75	2.50
Democracy Score ⁷								3.90	3.55	3.58	3.42	3.42	3.33	3.38	3.25	3.18	2.93	2.89
Corruption Perception Index ⁸										2.9	3.3	3.5	3.9	4.0	3.9	4.1	4.0	4.0

¹ Sources: Data for 1991 to 1996 was obtained from the State Department's Country Reports on Economic Policy and Trade. Data for 1997 to 2006 was obtained from the website of the Bulgarian Employment Agency.

² Source: Eurostat.

³ Source: EBRD.

⁴ Source: World Economic Outlook Database.

⁵ Source: National Statistical Institute.

⁶ Source: Freedom House. Freedoms in the World Country Ratings which survey Civil Liberties and Political Rights, rates countries on a scale from 1 to 7, with 1 indicating the greatest degree of enjoyment of political rights or civil liberties, and 7 representing the worst.

⁷ Source: Freedom House. The ratings of Freedom House Nations in Transit are based on a scale from 1 to 7, following a quarter-point scale, with 1 representing the highest and 7 representing the lowest level of democratic progress. The Democracy Score is an average of the ratings for all categories covered by Nations in Transit. Ratings are shown for the year covered rather than the year of publication by Freedom House (which covers the previous calendar year). Nations in Transit was not published in 2000, thus the score shown for 1999 is the same as 2000.

⁸ Source: Transparency International. The ratings of Transparency International are based on a scale from 0 (highly corrupt) to 10 (highly clean).

A. PROGRAM STRATEGY AND PRIORITIES



Avis Bohlen
U.S. Ambassador to Bulgaria
(1996–1999)

"During my three years as U.S. Ambassador to Bulgaria 1996–1999 USAID was a central pillar of our efforts to support the development of democratic institutions and an open economy. I arrived in Bulgaria at a time of deepening economic and political crisis. Because cooperation with the central government was difficult, USAID had focused its efforts on a hugely successful local government initiative which brought together mayors from different political parties around an agenda of common problems and laid the groundwork for the creation of the now very influential Association of Bulgarian Municipalities. During the deep economic crisis, USAID put together highly effective, precisely targeted programs to provide medicines to 12 municipalities for three months. Mayors still speak with deep gratitude of this program. These two examples do not begin to exhaust the list of imaginative and well-run USAID projects or the ways in which they helped the new center right government find its feet. Its success rested on superb management — often cited as model for the region — by an able and energetic director and an immensely capable and dedicated staff."

When the new Union of Democratic Force (UDF) government took power in 1997 it had to deal with the economic and social problems quickly and definitively. The government's central priorities were: (a) comprehensive, quick, and transparent privatization of state-owned enterprises (SOEs), with full participation from foreign investors; (b) stabilizing and restructuring the financial sector through reform of the banking system and development of the capital markets; (c) a commitment to fighting organized crime and corruption with a focus on public administration reform; (d) development of agriculture through land reform and privatization; and (e) a social policy which included all Bulgarians in the gains from economic and political reforms.

I. 1998–2002 STRATEGY

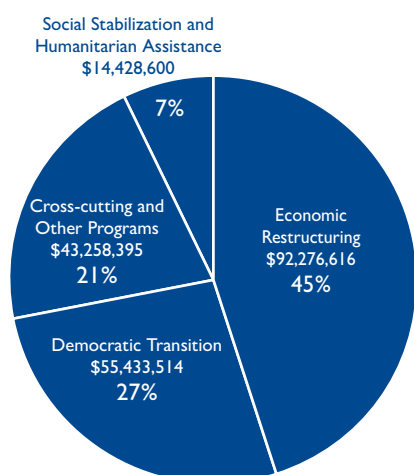
In late 1997, responding to the complex challenges and opportunities afforded by Bulgaria's new commitment to reform, USAID once again modified its approach and advanced a new country strategy to focus on Bulgaria's EU accession and to actively support accelerated efforts for transition to a democratic political system and an open, free, and competitive economy. Encouraged by the positive developments after the UDF government took power, the strategy was designed to phase out U.S. assistance over the five-year period, 1998–2002, and USAID resource levels had already begun to decline in 1999, as shown in Table 4. Bulgaria's firm commitment to the EU strongly influenced the close out objective. However, as noted below, a number of events delayed this accelerated date for ending the USAID program.

In order to achieve the greatest impact, several principles guided the strategy development. First, USAID made its priorities consistent with those of the new government, the EU and international financial institutions. Secondly, the strategy maximized linkages across sectors at the regional level in order to build indigenous capacity for local level strategic planning and coordination to provide regional economic and political development. As a close out strategy, the document envisioned assistance efforts concentrating increasingly on building self-sustaining local capacity.

This meant moving away from “retail assistance” (with a focus on direct support to individual firms or NGOs or pilot local governments), and moving toward institution building and funneling assistance through indigenous institutions as they were strengthened. A central part of this approach was the development and strengthening of intermediary support organizations, or ISOs, that included municipal associations, professional associations, foundations, think-tanks, and educational and training institutions to support the three primary target groups — local governments, SMEs, and NGOs. It was expected that when USAID was gone, those organizations would continue to assist their constituent members and provide the means for replication and dissemination.

Another key component of sustainability was institutional integration with the West, and accession to the EU in particular. The strategy recommended that USAID orient its programs to help Bulgaria become an EU member and called for close collaboration with the EU. An important part of the strategy also was to link USAID assistance to other donors' programs and the World Bank's programs in particular.

FIGURE 4. USAID ASSISTANCE TO BULGARIA: 1997–2001



The reform orientation of the UDF government offered new avenues of cooperation that could reinforce and contribute to the success of the private sector and grassroots efforts that had characterized the USAID program. Examples abounded, including greater receptivity to public-private dialogue about SME strategy and legislative needs, and government initiatives to create support structures for enterprise growth. More importantly, the government's commitment to reforming policies and modernizing institutions offered opportunities to work constructively with government that were closed in past years.

The 1997 USAID "Strategy of the Changing Environment," identified two major priorities for SEED assistance to Bulgaria: accelerated growth of private enterprises and strengthening local government. The critical third pillar of the strategy was citizens' participation, which was the necessary complement to further strengthen grassroots democracy and realize the full potential of regional development. The strategy launched two new strategic objectives to strengthen financial markets and improve the judicial system. These programs were non-starters in the past because the policy/legislative environment was not hospitable and because there was insufficient government commitment to change. The new priorities were considered critical to Bulgaria's transition to a market-based democracy.

TABLE 4. USAID ASSISTANCE TO BULGARIA: 1997–2001

Financial Year*	1997	1998	1999	2000	2001
Year Total (in thousand USD)	34,821	44,694	29,394	56,794	39,694
Economic Restructuring	19,593	25,954	11,444	16,435	18,850
Democratic Transition	5,602	9,150	12,246	1,246	17,189
Cross-cutting and Other Programs	1,733	3,305	5,704	29,113	3,404
Social Stabilization and Humanitarian Assistance	7,893	6,286	0	0	250

* The U.S. financial year begins on October 1 and ends on September 31

2. REVISIONS OF 1999

In the spring of 1999 several events conspired against the accelerated close out date, and argued for yet another strategy revision, including a postponed closeout. These events were: (1) the negative impacts of the Russian and Asian economic crises, (2) slower than expected progress on privatization and restructuring, and (3) the Kosovo conflict. With growing instability and conflict in the region, the U.S. national security interest in ensuring a strong and stable Bulgaria had increased. Regional instability threatened Bulgaria's ability to attract foreign private investment essential to its economic reform and development, and it was deemed critical that the United States help to ensure that it remain as a stable anchor in the region. In response to the Kosovo crisis, two new program components were added: (1) \$25 million in Economic Support Funds (ESF) for emergency balance-of-payments support to help cushion the negative effects of the crisis on Bulgaria's economy; and (2) a Bulgaria Crisis Recovery Program (BCRP) with \$5 million in SEED supplemental resources to accelerate the recovery of affected Danube River communities, to restore local government capacity, to generate employment, and to improve commercial life in those municipalities.

B. MAJOR ACTIVITIES AND LESSONS LEARNED

I. SUPPORT FOR FREE MARKETS AND PRIVATE ENTERPRISE GROWTH DURING THE RAPID REFORM PERIOD

Until 1997 the economy was kept afloat by subsidies to unprofitable state-owned firms, artificially low prices on energy and raw materials, and liberal lending by state-owned banks to cover losses. Although these subsidies maintained reasonable stability, employment and incomes, the process was unsustainable. It led to a major financial crisis in late 1996 and social turmoil which resulted in the resignation of the Socialist-led government and the election of the reform-minded UDF government. The new government quickly agreed with the IMF to implement a currency board to stabilize the Bulgarian currency and launched an ambitious three-year economic program for macro-economic stabilization, structural reform and fiscal, financial and sector reforms. With the full support of the IMF, IBRD OECD and the EU, the program aimed to create a platform for rapid economic growth within a free market system.

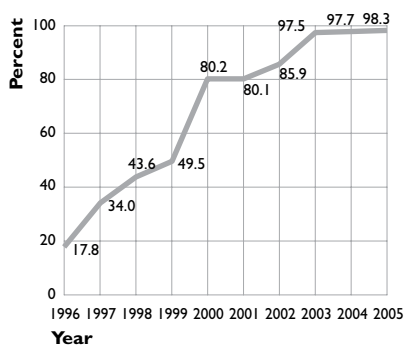
Within this newly recharged environment of serious economic reform, USAID worked with stakeholders and other donors to support key reform initiatives within its scope of competence and comparative advantage. These included: (1) targeted assistance to restructure, privatize and reform the banking system that was left in shambles by the financial crisis; (2) development of a capital market system including a stock exchange and oversight system; (3) major pension reform to ensure a safety net for Bulgarians while providing a basis for mobilizing savings for the capital market; (4) continued support for private enterprise growth primarily through private SME business support organizations, financial support through BAEF, CARESBAC, health care financing, and energy reforms; (5) new micro lending programs; and (6) a new emphasis on working with all stakeholders to improve the policy, legal and regulatory framework for private sector growth.

a. BANK RESTRUCTURING AND REFORM

The highest priority for the banking system in 1997 was to restructure and recapitalize the system that had been devastated by bad loans and the plummeting Bulgarian currency. Almost half of Bulgaria's banks failed in 1996. To address the weaknesses in the banking system, the Bulgarian Government initiated a system of IMF and World Bank-sanctioned reforms to privatize state banks and to tighten the Bulgarian National Bank's financial control and oversight of banks.

In 1997 the Bulgarian Government made an urgent plea for assistance to support the reform process. Other potential donors were unable to respond in a timely and comprehensive way, and USAID was the only major donor to provide significant technical assistance and training to the banking sector. As documented in numerous reports, USAID played a key role in helping the Bulgarian Government create a sound banking system after the 1996 banking crisis. With USAID assistance provided through the Barents Group, the Bulgarian Government developed and implemented an open and competitive bank privatization process within the framework of IMF and World Bank conditionality. USAID provided major support over a six-year period to both the Bank Consolidation Company (BCC) and the Bank Supervision Department (BSD) of

FIGURE 5. ASSET SHARE OF PRIVATELY OWNED BANKS IN BULGARIA 1990–2005



the Bulgarian National Bank (BNB) in all aspects of their operation. In addition, USAID provided assistance to the International Banking Institute (IBI) to develop and institutionalize a program to train bank staff to meet international standards in credit analysis, collections, and basic operations and management. To help prevent a recurrence of the banking crisis, USAID also supported the creation and strengthening of a Bulgarian Deposit Insurance Fund (BDIF) and enabled the BNB to meet international standards in bank supervision including on-site and off-site supervision. More than 1,000 bankers and trainers were trained in all phases of banking and management at the IBI with USAID support, and the USAID program left behind a body of course materials, guides and case studies as well as a cadre of trained lecturers so that IBI could continue these programs.

Tatyana Petrova

Director of On-Site Bank Inspection
(1997-present)

“I can say that the USAID assistance for bank supervision was very timely and of high quality. It was directed to institutional strengthening and development of banking supervision. As a result new rules were adopted on the implementation of the supervisory cycle and process, on the interaction among units, the norms of ethical conduct of supervisors, etc. These positive developments and the implementation of an adequate regulatory framework allow us to perform effective and complex supervision, enforcing discipline in the banking sector. Today the banks’ performance is in the right direction — their decisions are in compliance with the internal rules approved by the supervisors, their banking activities are within a moderate and controlled risk level.”

(1) Results

Comprehensive assistance to the banking sector totaling approximately \$15 million resulted in major successes: all seven major government banks were sold successfully to strong foreign banks for more than \$1.1 billion, and a much better regulated and strengthened banking system was institutionalized. Banking supervision improved dramatically and resulted not only in a better, more comprehensive inspection system, but also more self-confident supervisors and more respect from banks for the system. Throughout the bank restructuring and reform process USAID remained by far the most significant donor in the effort.

The IFIs and other donors as well as senior Bulgarian Government officials credited USAID with playing a major role in transforming the Bulgarian banking system from the fragile, poorly managed and weakly regulated system it was in the early and mid 1990s into the sound and well-regulated system it has become today.



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 was very helpful in providing the necessary consultancy and expertise on the spot for some of the most important requirements on the IMF and World Bank agenda including privatization, SME development, banking privatization, capital market development, and pension reform. We could always turn to the U.S. Ambassador in Sofia or directly to USAID for help and we usually got it very easily.”

“For example, I think that the work on bank privatization which was supported by USAID was a terrific success. The whole idea of privatizing the banks seemed very attractive to us in theory, but when we started working on it we found out that we

did not have the necessary expertise and that there was a lack of confidence that the procedures would be proper. This lack of confidence more or less stopped the major foreign investors from looking into Bulgarian bank privatizations. However, once we got all the support from USAID consultants it lent credibility to the whole process of preparing the banks for privatization, and it helped us to create the right procedures.”

(2) Lessons Learned from the Bank Reform Program

Timely and high quality support in close coordination with the World Bank and IMF enabled USAID to have a major impact on bank restructuring and reform. Unlike earlier attempts at major reforms, Bulgaria’s Government was ready and willing to undertake the effort and was stable enough to pursue it to the end.

b. CAPITAL MARKETS

A modern and well-regulated capital market to mobilize investment resources for companies, to provide a vehicle for investment, and to allow for transparent ownership changes became an increasing need as state companies were privatized. Beginning in late 1996 and until 2002, USAID provided almost \$12 million through International Business and Technical Consultants (IBTCI), CARANA Corporation, and the U.S. Securities and Exchange Commission to help Bulgaria set up and manage its capital market legal/regulatory structure and relevant institutions. A number of programs under the USAID Capital Markets Initiative contributed: (1) legal, technical, training, and financial support for establishing a Central Depository for Securities (CDS) to hold dematerialized shares and manage the clearance and settlement system for the stock exchange, (2) technical and financial support for establishing the regulatory framework and software for a single, modern stock exchange, the Bulgarian Stock Exchange (BSE) (there were as many as 15 unregulated small exchanges in the early 90s), (3) training and other support to establish a professional cadre of broker/dealers, (4) technical and legal support to enable the fledgling Securities and Stock Exchange Commission to adequately regulate and oversee the capital markets, and (5) comprehensive support to establish a modern “three pillar” pension system that helped to mobilize savings to deepen the capital markets and protect this important social safety net for future generations. According to a number of stakeholders, including the first two chairpersons of the BSE, USAID support for capital market development was particularly valuable because USAID was the only donor that was able to provide rapid, responsive and high quality technical support when it was most needed.

Although still relatively small by international standards, Bulgaria’s capital market provides a reliable and well-regulated system to raise capital and invest funds. The BSE grew from a market capitalization of less than \$1 billion in 2000 to \$11 billion in 2007. Share turnover exceeded \$35 million per week in 2006 compared to less than \$100,000 per week in 2000. Importantly, the BSE also broadened its products, offering shares of Real Estate Investment Trusts as well as companies and bonds. New issues (IPOs) increased as well. As one example, the USAID-funded Bulgarian-American Enterprise Fund (BAEF) used an IPO to obtain additional



Apostol Apostolov

Chairman of the Financial Supervision Agency (2003–present), Former Executive Director, BSE (1998–2001)

capital for its Bulgarian American Credit Bank in 2006 that grossed more than \$55 million for a 30% privately-held stake in the bank. There were 10 new IPOs on the BSE from 2004–2006.

“Within the last 10–15 years the Bulgarian capital market has developed significantly and 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 in many areas — market infrastructure, development of new legislation and regulatory framework, education of the market participants — led to setting higher standards and to achieving a higher stage of market development.”

c. PENSION REFORM

USAID support for pension reform deserves special mention because of its importance for Bulgaria and its significant success. Bulgaria’s pay-as-you-go public pension program in 1996 was clearly unsustainable because it was undercapitalized, suffered from high non-compliance, and relied on a small and shrinking base of workers to support a growing population of pensioners. Between 1998 and 2005 USAID provided approximately \$10 million through CARANA Corporation to assist the Bulgarian Government to design and implement ambitious and modern pension reform drawing from global best practices. As a result, Bulgaria moved from a financially crippled public pension system to a modern three-pillar pension system.



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. It was timely, because it came when there was clearly enormous strain on the existing system and the World Bank was insisting on rapid restructuring. It was comprehensive, because USAID provided extensive and continuing support for seminars, training, study tours and adequate financial and high quality technical support. It was effective for many reasons, but primarily because support was provided to a broad-based pension working group composed of all stakeholders. USAID support enabled the group to understand all options and to draft a comprehensive strategy for pension reform and all the legislation related to it. 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.”

To support the pension development effort, USAID provided an integrated package of assistance. Initial USAID support was provided in 1998 for a conference on pension reform, which stimulated Bulgarians to launch the pension reform process. USAID provided technical and financial support to the Pension Reform Working Group that drafted the pension reform strategy, the Supplementary Voluntary Pensions Law, and the Mandatory Social Insurance Code. The group also drafted the necessary regulations, guidelines and methodologies for the system. USAID provided a broad range of technical assistance, study tours and training to the agencies that implemented the system under the law, including the Supervisory Agency, the National Social Security Institute, the private pension funds and the Association of Private Pension Funds. USAID helped to develop and finance the software for the system and supported the key public information program for the new pension system. Although other donors


Nikola Abadzhiev

Chairman of Bulgarian Association of Supplementary Pension Security Companies (2000–present),
 Founder and CEO “Sila” Private Pension Fund (1997–present)

such as the British Know How Fund and the Netherlands provided some technical support for this program, USAID provided by far the lion’s share of support. USAID also coordinated closely with the World Bank which provided a Structural Adjustment Loan for the sector.

“USAID helped right at the beginning with support for the creation of the main principles and philosophy on which pension reform was based in Bulgaria. USAID then provided the necessary expertise for developing the legislation that made the philosophy concrete and practical. USAID supported all of the next steps as well. USAID and its consultants always worked with us as partners, not as outsiders telling us what to do, and that is a big reason why the pension system reflects our ideas and traditions as well as international best practices. Our partnership was a great success.”

(1) Results

Although Bulgaria’s system is meeting its obligations, and the private component is particularly sound, there are still issues that Bulgaria must address in its public pension system. The biggest issue for the future may be how to improve the financial soundness of the system. Pension payroll taxes are were insufficient to finance the basic public pension system, and consequently, the system is subsidized from other tax revenue. Bulgaria’s high dependency ratio of more than one pensioner for every active contributor to the public pension system, as well as high non-compliance and a declining population of working-age persons, further exacerbate the situation. USAID launched its Labor Market Project in 2004 (See the section on “Consolidation and Close Out” on page XX) to help stimulate private sector employment as one way to help to address this issue.

Despite these issues, Bulgaria can be proud of a system that is one of the most modern in Europe. It ensures public and private involvement, promotes individual rights and strives to achieve risk diversification for its future retirees. By the end of September 2006, assets managed by private pension funds totaled BGN 1.4 billion (\$1 billion) which represented almost 3% of Bulgaria’s GDP. More than 2.4 million people, more than 90% of the working-age population, participate in the system which relies on private pension funds to provide the greater part of retirement income. This figure compares to less than 100,000 people prior to 2000. Since 2005, Bulgaria has been advising other countries in the region including Ukraine, Belarus, Armenia, Georgia and other former Soviet Republics who want to imitate Bulgaria’s success.

(2) Lessons Learned from Implementing the Pension Reform Program

Some important factors⁴⁴ in the success of the Pension Reform program were: (1) the commitment of the Bulgarian Government to the process, (2) the comprehensive and integrated nature of the program that addressed all aspects of pension reform, (3) the active and strong participation of a broad-based local working group (including the Ministry of Labor and labor unions) that promoted ownership and support for the results, (4) an effective and proactive public education component which included town hall meetings and a call center that responded to the various concerns of different segments of society, and (5) the flexibility of USAID support that allowed the participation of local experts as well as world class consultants

44 Denise Lamaute, “Bulgaria’s Pension Reform,” (Washington, D.C.: USAID, 30 July 2004).

from the United States, Latin America and Europe. The order of the reform, starting with the establishment of private voluntary funds, and then subsequently moving to the reform of the rest of the system, enabled experienced local private fund managers to shape the development of legislation for the sector. Some stakeholders have mentioned this as a significant factor to the success of the final framework. Finally, the USAID collaborative style of work which fostered a team approach with all stakeholders was another key element in the successful outcome.

d. SUPPORT TO SMES: FIRM LEVEL ASSISTANCE

An internal review of SME assistance activities in 1995 convinced USAID that a new model was needed for SME support that was better coordinated and focused, with a more rigorous screening process. The Firm Level Assistance Group (FLAG), constituted in 1996, became the primary implementer of all USAID firm level assistance for the next seven years, with more than \$22 million in USAID support. FLAG was a consortium of all USAID-financed entities providing technical assistance at the firm level. It was constituted by its members in 1996 and continued operations until 2003. Members included IESC, CDC, ACDI/VOCA, Land O'Lakes, MBA Enterprise Corps, EMED and the University of Delaware. FLAG consolidated operations in a single building in Sofia to improve communication, developed a corporate structure and a special logo for common identification, collaborated on management, and standardized review and data collection procedures. Although USAID channeled funds directly to each member of the consortium, the entire consortium participated in setting priorities for assistance. Efforts were focused on agribusiness, light manufacturing and tourism.

The assistance program to these sectors had considerable reach. FLAG provided technical assistance to more than 500 clients and trained managers of more than 650 companies in 1997 alone. USAID activities also assisted companies in improving customer service, reducing inventory costs, increasing productivity, and achieving ISO quality standards. One example of the many FLAG successes was the warehouse receipts program, launched by ACDI/VOCA in 1998, which allowed farmers to borrow from banks by using their grain as collateral.

Success Story

WAREHOUSE RECEIPTS GIVING FARMERS COLLATERAL FOR LOANS

After the transition to a private agricultural system farmers were desperate for agricultural credit to finance agricultural inputs, but banks were not interested in lending to farmers without adequate collateral to secure these risky loans. USAID, through VOCA, sponsored a visit of a grain industry and government group to Poland in 1997 to participate in a symposium on the U.S.-style warehouse receipts program. This program allows farmers to use their warehoused grain as collateral for loans. As a result of the visit, participants launched such a system in Bulgaria with USAID assistance. With technical support from USDA and VOCA, Bulgaria developed and passed the "Storage and Grain Trade Act" in 1998 that provided the framework for the warehouse receipts program. USAID supported a demonstration and education project in late 1998 for three warehouses and provided subsequent technical assistance, training and seminars for stakeholders that led to an EBRD loan of 50,000,000 DM for loans to farmers using warehouse receipts. The IBRD also supported the program by incorporating the requirement for a warehouse receipts program into its \$75,000,000 Agricultural Structural Adjustment Loan in 1999. USAID assistance to the program ended in 2003 after developing and publishing a public warehouse manual in 2002 and organizing a last round of seminars on warehouse receipts. At that time 48 warehouses had been licensed for the program with a storage capacity of almost 500,000 MT, and seven participating banks were providing loans. More than \$13 million in loans was disbursed under the program from 2001-2003, and the program was fully self-sustainable and providing almost 1,000 collateralized loans to farmers each year. Warehouse receipts continue to underpin agricultural credit to this day.



World of Milk Exposition, Sofia 2006
Left to right: Executive Director of ADPB Mihail Velkov, Minister of Agriculture Nihat Kabil, and President of ADPB Dimitar Zorov

Between 1997 and 2002 USAID and FLAG focused increasingly on strengthening business support organizations (BSOs) that were needed to assist SMEs to grow in a sustainable way. These included various business associations, chambers of commerce, and business centers. Such groups could more effectively address common marketing problems and lobby for changes to the legal/regulatory environment. More than 50 such groups were assisted in 1998 alone representing 100,000 workers. Assistance contributed to an increase in fees from association membership by 20% in 1998, 35% in 1999, and 33% in 2000. The Association of Dairy Processors (ADPB) is profiled below, but there were many others including the Meat Processors Association, the Flour Millers Association, the Bakers Association, and the Fruit and Vegetable Processors Association. These associations played an important role in enabling SMEs to obtain training, recent marketing and technology information as well as empowering them to lobby for reforms that improved the business environment.

“We received USAID assistance through Land O’Lakes even before the beginning of our Association in 1998, and this continued for 10 years. LOL helped us in every phase of our development and supported our staff until we were self sustaining.”

IV

Mihail Velkov

Executive Director Bulgarian Association of Dairy Processors (1996–present)

Success Story

BULGARIAN ASSOCIATION OF DAIRY PROCESSORS — SUPPORTER AND REPRESENTATIVE FOR THE DAIRY INDUSTRY

With USAID assistance through Land O’Lakes (LOL), the Bulgarian Association of Dairy Processors was established in 1998 from two smaller organizations, including its predecessor — the Private Dairy Processors. It had only 2 paid staff at the beginning and offered few services, but it quickly grew into one of the most effective business associations in Bulgaria. LOL provided comprehensive technical and training support over the years in almost every area of operation including: organization, bylaws, business planning, operations management, fundraising, member services, legislation, and the development of a newsletter that now provides 30% of the Association’s revenue. The Association has grown to 7 paid staff and has 120 of Bulgaria’s most active and reputable dairy processors as its membership, representing more than 60% of all processors in the country. It functions in a fully democratic manner with an executive director responsible to an elected board from the membership.

Over the years the Association successfully provided a broad range of services to members including information and seminars on important regulations, products, technology, etc. that has helped the industry develop and has kept members up-to-date. It has also participated in all key legislative initiatives affecting the dairy industry. Perhaps most notably, this has included leading the food industry in a lobbying effort that resulted in the revocation of a harsh turnover tax in 1998. This initiative alone saved the food industry an estimated \$20 million a year.

The Association has developed a good partnership with the government, and it teamed with the government in working groups to meet EU accession criteria. In this regard it also helped in drafting and vetting a key animal husbandry law in 2005 to meet EU requirements. In 2006 it 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. The Bulgarian Association of Dairy Processors has met its mandate very successfully. It has also served as a model for other countries, helping to train staff from sister associations in almost all countries in the region.

This movement from firm level assistance toward providing more assistance to and through associations marked an important transition point for firm level assistance. It was followed by more focus on



Gergana Valova
President and Founder, BC Serdon

building indigenous consulting capacities in Bulgaria. An example of a local consulting firm that benefited from USAID assistance is BC Serdon. BC Serdon started as a business center for SMEs and evolved into an important source of technical expertise for SME development.

"My USAID-sponsored trips to the United States introduced me to a variety of new business ideas and models and gave me the impetus to make a career change and start my own organization that would support the development of the SME sector in Bulgaria. Since the founding of BC Serdon, I have also had the privilege to work closely with U.S. experts in the business development and SME spheres, which gave me many additional ideas and deepened my expertise in the field."

Success Story

BC SERDON — A SUSTAINABLE BUSINESS SUPPORT ORGANIZATION

BC Serdon started in 1996 shortly after its founder, Gergana Valova, returned from a training program in the United States organized by EMED for Bulgarian entrepreneurs. The original concept of a business center for SMEs to share ideas and cooperation has evolved over time to meet SME demands for more comprehensive consulting services. Serdon was supported in its evolution over the years by several USAID programs that enabled the company to set up and improve its web site, improve project management, better manage sales, conduct business planning support, improve human resources management, provide management services, and provide financial management assistance to SMEs. Support under a Trade Network program from CDC and IESC helped Serdon develop regional contacts that have been beneficial for referrals and regional business. Another regional USAID program that promoted regional competitiveness has given Serdon tools to support IT, agribusiness, and tourism in the Southeast European region. Further, the most recent USAID SME support program, Volunteers for Economic Growth Alliance (VEGA), provided Serdon with two U.S. MBA volunteers who helped improve business services to SMEs. Finally, BC Serdon received financial assistance from USAID to develop an SME Financial Clearinghouse Web Portal in 2007 that will serve as a one-stop shop for SMEs to find financing and receive expert consulting support for their business.

Serdon has grown from a small, three-person office in 1996 to two offices with 18 employees in 2006. It provides consulting support to local as well as foreign companies and agencies (e.g., Dutch and Brazilian) with a broad range of market entry services including trade mission organization and market research. It has been fully self-supporting and profitable since 2000. As USAID support to SMEs closes in 2007, indigenous organizations such as Serdon are ready and able to continue this support and represent an important part of the USAID legacy in Bulgaria.

(1) Results

Overall results of the FLAG program were impressive. An evaluation⁴⁵ showed that exports from FLAG-assisted firms increased by more than 10% annually, and sales per employee increased by more than \$500 per employee each year between 1998 and 2002. The evaluators concluded that the program had developed and maintained a leadership position as a technical assistance provider to SMEs, and that FLAG filled an important role in supporting SME development. The evaluators also noted that FLAG had become a brand name and symbol of American excellence and know-how, and that the pioneering structure of FLAG had evolved appropriately over time to meet new needs. With more than 24,000 jobs attributed to FLAG assistance and double digit annual increases in productivity, exports and domestic sales of client firms,

⁴⁵ Checchi and Company Consulting, Inc. and Louis Berger International, Inc., "Evaluation of Firm Level Assistance Group (FLAG) Program in Bulgaria," (Washington, D.C.: October 2002).

FLAG was deemed a success. SME growth was considerable over the years of USAID assistance. According to NSI data, at the end of 2002 when the FLAG program ended, small and medium enterprises made up 99% of all Bulgarian businesses and generated more than 50% of total employment with the employment growth rate exceeding 7% annually.

Although USAID support for FLAG was phased out in 2003, and a new program for SME support was started, several of the Bulgarian members have continued operations as private companies. VOCA Consult (from ACDI/VOCA), e-FLAG (from the University of Delaware), and Flag-APEX (IESC) are three such groups that are continuing to provide consulting support to the private sector on a sustainable basis. These legacy groups benefited from their accumulated expertise, knowledge of the market, network of contacts and in some cases the support of their parent organizations during a transition period after the graduation from USAID support. They continue to play a useful role in Bulgaria's private sector business environment. As an example, Flag-APEX targeted the apparel sector as their niche, providing a broad range of services to local manufacturers as well as to international companies in the UK, France, Italy, and the United States that want to outsource apparel manufacturing to Bulgaria. Flag-APEX makes a good profit from these services, and it currently employs 20 staff for apparel-related business. It has seen its business grow rapidly in recent years.

(2) Lessons Learned from Firm Level Assistance

The USAID decision to establish a mechanism (FLAG) to better coordinate technical assistance to SMEs helped to better focus, manage and measure firm level assistance. The move from direct firm level support to more support to and through business support organizations helped to ensure sustainability of development efforts. The close-out reports⁴⁶ from the members of FLAG also agreed on some important technical lessons learned:

- Greatest impact was achieved when it was directed at particular regions, sectors, and high-potential SMEs within the sectors.
- The thorough FLAG pre-analysis of clients was critical to making informed choices on how to help them.
- A mix of technical assistance, training and finance was most effective for getting good results, and this meant close coordination was needed among assistance providers as well as with financial institutions.
- Regular follow-up with clients helped ensure success.
- Cost sharing with clients helped ensure their commitment and leveraged USAID resources.
- Results would have benefited from a longer involvement with clients and their industries.

⁴⁶ International Executive Service Corps, "Final Program Report IESC/Firm Level Assistance Group (FLAG)," (Sofia, Bulgaria: January 2004).; University of Delaware, "Final Report Period Covering April 1, 1996 — December 31, 2003," (Sofia, Bulgaria: 2003).; and ACDI/VOCA, "Final Activity Report, Agribusiness Support Project (ASP) ACDI/VOCA/Firm Level Assistance Group (FLAG)," (Sofia, Bulgaria: March 2004).

e. SUPPORT FOR POLICY REFORM

Taking advantage of the improved environment for reform, USAID launched another initiative in 1997 to support the growth of the private sector. This program, called Implementing Policy Change (IPC), was carried out by Management Systems International (MSI). It focused on policy reform and strengthened private sector organizations' skills in policy analysis, coalition building and policy dialogue. Support to one of Bulgaria's think tanks, IME, resulted in the creation of Bulgaria's first economic policy review information system, the Weekly Economic Policy Review, which is still being published and is self sustaining. IPC focused some of its assistance on helping one SME business support group, the Bulgarian Association of Partnerships (BAP), become the lead lobbying group for SMEs during the rapid reform period directly after 1996. BAP formed a coalition of more than 50 private sector associations, think tanks and NGOs to develop a policy agenda for SME development in Bulgaria. This agenda led to a new SME strategy by the government, a new SME law, and formation of a government agency to support SMEs. BAP's diverse membership gradually dissipated once its major objectives were accomplished, although its contributions remain to this day. Subsequent policy work supported by USAID helped institutionalize public-private sector dialogue between industry and the government and contributed to the formation and support of Bulgaria's key institution in this regard, the Council for Economic Growth (CEG). It also contributed to key government strategies such as the National Investment Strategy and Export Strategy and several laws and regulations covering investment and taxation for the private sector.

Significant results accrued from policy reform support during this period.⁴⁷ However, it was apparent during implementation that policy reform takes time and needs strong local advocacy and a receptive government to be successful. To create strong advocacy, it is important to assure that representative stakeholders, such as associations, drive the process and that USAID assistance is supportive but not directive. Indeed, participatory policy dialogue and local "ownership" seem essential to policy reform. USAID support for government agencies can be effective if there is a demand for such support and if there is good leadership from the agencies. It is also clear that helping to facilitate communication between groups and sectors can be an effective role for USAID assistance. Finally, results from these programs were enhanced by the ability of USAID to be flexible and pursue targets of opportunity as they emerged.

f. FINANCIAL SUPPORT FOR SMES

With one exception (credit guarantees) these programs were continuations of the BAEF, CARESBAC, and micro-credit programs launched in the early years. Thanks to the improved environment after 1997, all credit programs had excellent results during this period.

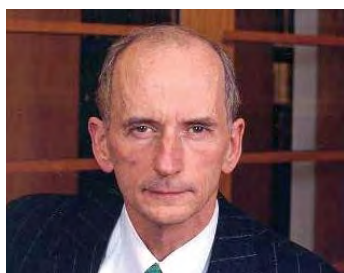
(1) BAEF/BACB

The year 1997 was a significant turning point for BAEF. As the Bulgarian economy collapsed, many banks failed and the currency lost 90% of its value. BAEF's portfolio struggled initially, but ultimately

⁴⁷ Derick W. Brinkerhoff, William Coletti and Russell Webster, "Case Studies: Small and Medium Enterprise Policy Reform in Bulgaria," (Washington, D.C.: Management Systems International, March 2000).

thrived. As a result of improving economic, political, and the general environment for banking after 1996, as well as the staff development and experience gained since 1991, BAEF's efforts began to yield excellent results. During this period BAEF significantly stepped up its activities in lending, real estate and equity investing. BAEF also supported a number of high-tech ventures including contract programming, biotechnology and the employment website, Job Tiger, which remains the most popular internet site for posting and searching for jobs in Bulgaria. Job Tiger has registered over 150,000 applicants and more than 10,000 employers, while average daily "hits" exceed 10,000. BAEF exited the investment during 2005 in a management buyout.

"The BAEF has earned a reputation for being particularly successful in establishing a role model for banks in Bulgaria, and for key legislation that enabled the development of a modern financial system — a strong confirmation of our developmental mission. Learning from experience, the BAEF made a number of successful investments, the BACB being most notable. As a result, the BAEF would appear ready to return monies to the USG in an amount of about five times its original grant — a very successful commercial outcome, too."



Frank Bauer
BAEF Executive Director

BAEF established its own bank in late 1996, the Bulgarian American Credit Bank (BACB). The BACB was capitalized with \$7 million of equity and \$20 million from BAEF loans. It soon attracted funding from the IFC, EBRD and other multi-lateral institutions. The BACB issued both secured and unsecured bonds to raise nearly \$130 million by the end of 2006.

Success Story

BULGARIAN AMERICAN CREDIT BANK

The BACB has been a leader in financing tourism, particularly small hotels. BACB built upon its expertise in the property sector and was the driving force behind the legislation that created mortgage bonds in Bulgaria. BACB issued the first mortgage bonds in the country, which at that time was the largest bond issue with the longest term and the lowest interest rate of any private debt offering to date. Since then there have been 18 mortgage bond issues (five issued by BACB) totaling \$200 million. BACB in conjunction with BAEF was also active in real estate finance, assisting in writing the law for Special Purpose Investment Vehicles (SPVs), and issued three SPVs, which have become the most popular vehicle for new issues on the Sofia Stock Exchange.

By 2006, BACB employed nearly 150 staff in offices in five major Bulgarian cities. Assets had increased to \$327 million, and BACB and its partners had made loans and investments totaling more than \$380 million to almost 5,000 companies, creating some 4,000 jobs in the process. Additionally, the bank consistently keeps the highest Return on Equity (ROE) and Return on Assets (ROA) of all banks in Bulgaria. As a result, the bank received many awards, some several times, including: Banker of the Year, Bank of the Year for Efficiency, Best Bank in Southeast Europe for ROA, and Investor in Society by the Bulgarian Leaders' Forum.

In summary, BACB has not only become one of the primary lenders to SMEs in Bulgaria, but it also has pioneered new banking concepts and in so doing contributed to the modernization of Bulgarian's banking sector. In addition, former BACB employees can be found in key positions in many of the country's leading companies. It is a commercial and developmental success and a legacy organization that will continue to support the needs of business in Bulgaria into the future.

Dr. Dinko Mladenov

Owner and Manager of Medicus Alpha private health clinic

“The Medicus Alpha private clinic has been operating since 2001 and was built with private funds and investment credits from the BACB. Since that time, Medicus Alpha has established a strong reputation for high quality comprehensive medical services. In order to continue to offer the highest quality services we expanded and refurbished the clinic in 2006, again with the partnership of BACB. Our current development turns us into a standard for modern health care in all of Eastern Europe.”

(2) CARESBAC/SEAF

Similar to BAEF, after 1996 the CARESBAC program began show improved results. By the end of the program in 2000, CARESBAC made 23 investments averaging some \$300,000, and more than 90% of CARESBAC’s capital had been returned by its clients. Successes included a meat processor, “KEN,” which between 1995 and 2000 received \$150,000 in equity and \$300,000 in loan support from CARESBAC as well as technical support from IESC. This support helped the company increase revenues to more than \$4 million.

Rumen Nenov

KEN Managing Partner

“We found out about CARESBAC and its way of operating on the Bulgarian market from our partners in 1995. The result was a contract between KEN and CARESBAC. The main reason KEN signed this contract were the favorable terms of financing of our long-term goal to construct and launch a modern sausage factory. The support from CARESBAC was the major contribution to reaching this goal. In 2000 we launched a modern meat-processing factory. We also learned a lot from CARESBAC experts about how to organize and manage our business better. For us at KEN, our partnership with CARESBAC is one of the main factors for our success.”



Equipment purchased by Teletek with SEAF Support

In 2000, the CARESBAC Fund was restructured to become part of a regional program, the SEAF (Small Enterprise Assistance Funds) Trans-Balkan Fund, although the Bulgaria program was kept as a separate entity. A number of successes came from the SEAF Trans-Balkan Fund. SEAF made successful investments in a number of other food processors, as well as manufacturing companies, retailers and distributors. Teletek Electronics, which became one of the most successful electronic and security equipment manufacturers in Bulgaria, is discussed below. SEAF established its own legacy mechanism by setting up a training and consulting center with profits from its USAID funding, the Center for Entrepreneurship and Executive Development (CEED).

Success Story

TELETEK ELECTRONICS

Teletek Electronics is a very successful Bulgarian manufacturer and exporter of electronics and security equipment. It currently exports more than 50% of its products and has more than 30% market share for security alarm systems in Bulgaria. Teletek benefited from a \$30,000 SEAF investment and a \$200,000 loan in 2001, and it also benefited from SEAF assistance to help develop a modern financial management system and accounting standards. The SEAF investment was critical for the company to purchase equipment to manufacture high quality alarm systems in 2001, because it was unable to obtain a bank loan at the time. The investment resulted in a 10 fold increase in production and helped Teletek grow its production revenue from \$1 million in 2001 to more than \$6 million in 2006. Teletek also increased employment from 10 to 129 persons in 2006. SEAF exited the company in 2004 through a management buy-out and made a 100% return on its investment in only 4 years. Subsequently, thanks in large part to SEAF's investment and technical support, Teletek has acquired loans and investments from a variety of sources. These sources include the U.S. Export/Import Bank for a purchase of U.S. equipment in 2004. In 2006, Teletek was exporting to 40 countries all over the world, compared to only 10 destinations in 2001.

IV

Success Story

CENTER FOR ENTREPRENEURSHIP AND EXECUTIVE DEVELOPMENT (CEED)

CEED supports emerging entrepreneurs and mid-level executives in small and medium sized companies in Bulgaria and in neighboring countries by providing them with the knowledge and skills to manage their companies now and into the future. It was established in Bulgaria in 2005 with the financial support of the Small Enterprise Assistance Fund (SEAF) from revenue reflows from USAID grant funds to SEAF. CEED employs strategies that were successfully pioneered at the U.S.–Russia Center for Entrepreneurship in Moscow, focusing on practical topics requested by entrepreneurs and delivered by entrepreneurs in networking sessions that allow for maximum interaction.



Conference sponsored by CEED showing Executive Director Nikolay Yarmov and USAID Director Michael Fritz (right to left)

From 2005 to 2007 CEED delivered more than 30 training packages to more than 600 persons. Demand is increasing for the packages even though sufficient fees are charged to cover all costs and a reasonable profit. CEED is now offering conferences organized around topics of interest to entrepreneurs such as venture funding, capital markets, etc. It is also initiating in-house training for larger firms that want to develop their employees and is playing a valuable role in helping to empower regional entrepreneurs and their teams with know-how and networks, thus contributing to business growth and employment for Bulgaria and other countries in the region. CEED appears well positioned to meet demand-driven needs of the private sector in Bulgaria and the region for the foreseeable future.

According to a development impact study⁴⁸ done in 2004, for every \$1 of investment made in a sampling of companies, an additional \$10 dollars (on average) was generated in the local economy. Employment generation was also considerable, as was wage growth (up to 34%). Although these results were encouraging, they represent the culmination of 12 years of experience in Bulgaria, and they show that a long-term perspective is often necessary when instituting a new idea.

Indeed, in the early years SEAF's predecessor, CARESBAC, was impacted by the same types of transition problems that other trail blazing programs faced, including a poor understanding of the

⁴⁸ Small Enterprise Assistance Funds, "Small Enterprise Assistance Funds Final Report Bulgaria II Grant," (Washington, D.C.: May 2005).

equity concept by clients in Bulgaria, a weak legislative, regulatory and institutional framework (e.g., no formal equity market structure to allow CARESBAC to divest), and the disruptions caused by the political and financial instability of the early to mid 1990s. Factors such as strong local management with an understanding of the local environment that reported to a knowledgeable board as well as a solid process of screening and supporting clients appeared to help CARESBAC/SEAF considerably throughout its existence.

(3) Microfinance

Because of high transaction costs, lack of collateral, high risks, and low profit margins for banks, SMEs and entrepreneurs needing small loans of less than \$10,000 were almost totally neglected by Bulgaria's banks. To help address the demand for small loans and support development of small businesses and employment, in 1999 USAID expanded microfinance efforts started under Opportunity International's Nachala program in 1993.

From 1999 to 2004 USAID provided grants totaling almost \$9.5 million to Nachala, Catholic Relief Services' Ustoi program, and the World Council of Credit Unions (WOCCU). These programs reached many of the neglected enterprises and by 2002 their loan portfolios had reached more than \$4 million with an average loan size of less than \$3,000 and a very low failure rate.⁴⁹ There were more than 6,000 active borrowers, and more than 3,000 jobs were created from the programs in 2001 alone. The WOCCU program, which worked with 13 credit cooperatives, closed in 2003 after meeting its objectives to improve the operations of these institutions.

Borrowers continued to grow after 2002 and the two remaining programs (Nachala and Ustoi), were both sustainable by 2004. The largest program, Nachala, made more than 15,000 loans totaling almost \$40 million by 2006 and created or sustained more than 69,000 jobs. USTOI targeted smaller entrepreneurs and made more than 38,000 loans by mid 2006 with a total value of \$28 million. A success story from one of Nachala's borrowers, "Vyara" is profiled below. One other micro-credit program has been active in Bulgaria, the Open Society Institute's MicroFund program. This program had its own source of funding and served a similar client group as Nachala. Banks still do not provide small business loans of less than \$10,000, although they are rapidly expanding their small consumer loan programs.

Micro-credit programs will have to adapt as banks become more aggressive in targeting small borrowers. Many of Nachala's and Ustoi's borrowers graduated to bank loans after establishing their credit with micro loans. Ustoi modified its approach by expanding rapidly into rural areas, which are still relatively underserved. This evolution can only be positive for rural areas as they still comprise the poorest areas in Bulgaria.

⁴⁹ The Peoples Group, Ltd., "Bulgaria Microfinance Assessment," (Arlington, Virginia: March 2002).

Success Story

“VYARA” COMPANY

Mrs. Vyara Yotova started the sewing company “Vyara” in 1998 after she learned the sewing business from working in another company. She obtained her first Nachala loan of \$2,000 in 2000 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 to expand production further and to open a new workshop. From 2000 to 2005 Nachala provided loans for more than \$75,000 to Vyara. All of the loans have been properly serviced to date.



Mrs. Vyara Yotova (left), owner of “Vyara” Sewing Company, and her Nachala loan officer

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” has added 76 new workers since 2000, more than doubling its workforce to 120 workers by 2005. The company exports much of its production but also serves the local market. Thanks to Mrs. Yotova’s hard work and long relationship with Nachala, the company has become a significant success.

A primary issue remaining for micro-credit programs is the legal framework under which they operate. Because they are established as “cooperatives” and are not considered “banks” or “credit unions,” they cannot take deposits from their members. Moreover, they have been constrained from obtaining loans from banks because of their low collateral and the high cost of bank loans. This has restricted their growth, and without further resources their ability to increase their client base is limited (Nachala has not been able to grow beyond 2,300 clients since 2004). This must be overcome if the programs are to meet growing demand. Two possible solutions are to reorganize the cooperatives or to revise the legislative framework to permit more flexibility.

(4) Development Credit Guarantees

One other financial program was launched in this period (1999), the Development Credit Authority program. This program provided loan guarantees to local Bulgarian banks to cover loans in agreed sectors. However, as this program was primarily implemented during the final consolidation period of USAID assistance, it is covered in detail in that section of this Assessment.

(5) Lessons Learned from Financial Support Programs

The early start for these programs, before the environment was conducive to investments and lending, meant they faced extreme difficulties and meager results before 1997. However, the knowledge and experience they gained from the early years also very likely contributed to their success during the rapid reform period when the political and economic environment stabilized. It is clear that success factors such as experienced staff and management, strong screening and oversight techniques, and a deep understanding of the local banking environment all were developed during the difficult experiences in the early years. Once again these programs demonstrated the need to have a long-term perspective and a stable environment before significant results can be expected.

g. ENERGY PROGRAMS**(1) Power Sector Reform**

The 1996 financial crisis led the IMF to incorporate energy into its Extended Fund Facility (EFF) conditionality due to its direct macro-economic impact and budgetary relevance. Without energy reforms the IMF concluded that the growth rate would be lower, taxes higher, budget pressure greater and foreign investors deterred. Close donor coordination among the IMF, World Bank and USAID resulted in USAID leadership on behalf of the international community in defining proposed power sector reforms. These included development of a modern legal/regulatory framework and independent regulator; “unbundling” the electric utility into approximately 15 separate generation, distribution and transmission companies; and privatization. These reform targets were incorporated into the three-year Extended Fund Facility (EFF) and continued in the World Bank Financial and Enterprise Sector Adjustment Loan (FESAL II) and Program Adjustment Loan (PAL). Generally, energy reforms were supported by financial/economic officials and resisted by the utility and government energy officials.

In the late 1990s the USAID bilateral power sector reform assistance ceased but limited regional assistance continued for development of a modern energy law with a USAID-funded legal advisor working directly under the guidance of the World Bank. Despite some opposition from NEK and the government, major reform steps were implemented: a modern energy law was passed and the autonomous State Energy and Water Regulatory Commission (SEWRC) was established. Also, the breakup of the NEK monopoly into 7 electricity distribution companies and 8 generation companies was a key step opening the way to the subsequent privatization.

(2) Lessons Learned in Power Sector Reform

Active and coordinated donors were the central factor in advancing power sector reforms during this period. Donor consensus was built into IMF and World Bank agreements. The law, regulatory body and “unbundled” monopoly were the foundation for the significant 2001–2006 reforms which included the key regulatory framework and tariff reforms needed for privatization of the power sector.

(3) Energy Efficiency

The USAID strategic decision to focus efforts at the local level by the mid-1990s was a very important step for advancing energy efficiency. Initial demonstrations in schools and hospitals showed how operating costs could be decreased, comfort increased and costs recovered in short periods. Later efforts resulted in more efficient street lighting and other municipal improvements.

This work provided training at the municipal level; built energy efficiency planning into municipal processes; leveraged Global Environmental Facility (GEF) and other resources; and resulted in the establishment of a municipal energy network which celebrated its 10th anniversary in 2007. The NGO that USAID established during the early years, EnEffect, was central to the success of subsequent municipal and innovative financing approaches that emerged in the second and third stage of energy efficiency initiatives and reforms.



Energy Efficient Street Lighting in Veliko Tarnovo

Success Story**GABROVO, BULGARIA: ENERGY INVESTMENTS BRING HEALTH BENEFITS**

This 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 lighting, windows, water heating equipment, and combined heat and power (cogeneration) systems. The success of this project led to further energy efficiency investments by the hospital, and similar projects in the municipalities of Plovdiv, Stara Zagora and Varna. While some direct health impacts during actual surgical procedures were expected since a heat recovery unit was installed to serve the surgery rooms, the impact went beyond the actual surgery rooms — specifically, patients experienced lower rates of secondary infections (due to improved ventilation) and lower need for antibiotics to fight these infections. The hospital energy efficiency project introduced an innovative shared savings financing approach to Bulgaria. During the project implementation stage, the project team worked with the municipality and the hospital to establish a memorandum of understanding to share the savings — 70% of the savings would be retained by the hospital and 30% of the savings would go to the municipality and be used exclusively to finance other energy efficiency projects in Gabrovo. This financial component of the project was essential to the feasibility and the replicability of the project.

Results: Performance monitoring throughout the heating season confirmed the expected energy savings: a 20% reduction in the hospital's heating costs (or total savings of about \$35,000/year). Due to the heat recovery system, which maintained very good air quality standards in the surgery rooms, the hospital reported a significant reduction in secondary infection rates, which in turn led to shorter hospital stays, thereby lowering health care costs. Thanks to this project, 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.

IV

h. HEALTH FINANCE REFORM

Prior to 2000, USAID support to the health sector consisted primarily of helping U.S. and Bulgarian hospitals partner to upgrade the services and facilities of selected Bulgarian hospitals. However, under the Health Markets Project during 1995–1997 a pilot activity was targeted on improving the collection and coding of hospital treatment data so that a better system of financing hospitals based on services delivered (Diagnosis Related Groupings or DRGs), rather than simply the number of beds, could be instituted. Significant progress was made in developing and testing this system in the rapid reform years, and although the USAID-financed system was not fully adopted, it led to a modified hospital budgeting and financing system that was more efficient than past models.

Encouraged by this progress, and cognizant of the major health sector reform needs, USAID launched the Health Reform Project (HRP) in July 2000. The HRP worked with three key counterparts in the health sector: the National Health Insurance Fund (NHIF), the Ministry of Health, and the Parliamentary Health Commission. The program, which ended in 2005, supported reform initiatives to improve the financing and provision of health services in Bulgaria. HRP supported health reform legislation such as amendments to the Health Insurance Act that privatized health services and established private health insurance. It also helped develop a new hospital reform strategy and assisted the NHIF to train its staff and better manage its resources.

Unfortunately, a number of issues including the very poor state of health care in the country (it ranks at the bottom in Europe for percentage of GDP and per capita GDP devoted to health), lack of firm government support for reform after a change of governments in 2001, a very complex set of



Dr. Mimi Vitkova
Minister of Health (1995–1997)



Dr. Ilko Semerdzhiev
Minister of Health (1999–2001)

political issues, and management problems within the NHIF (more than ten managers by 2007) limited the success of the HRP. The strategy developed under the former UDF Government that had been supported by USAID and the World Bank was not fully adopted by the new government, and many of the National Health Insurance Fund staff trained with USAID support, were let go. There appears to have been little progress in reforming health care after 2001. Two former Ministers of Health from divergent political parties agreed on the poor status of reform in 2007:

“USAID assistance for health finance reform could have had more impact if it focused more broadly on health reform issues (not only finance) and if it had worked with a broad coalition to build consensus within the government, health community and the public on the direction of reform. There is no clear vision today on where health reform is going, and the public is very confused on what health insurance can and cannot do.”

“USAID late 90s assistance brought the Diagnosis Related Groupings concept as a method of payment for hospital services, starting with a pilot of 16 Bulgarian hospitals. It affected the future financing of in-patient care in Bulgaria, but the lack of consistency of health reforms has vitiated the development of the sector and has diminished the investments that were made from international consultancies and human capital in healthcare.”

As of 2007, at least one million people did not contribute funds to the mandatory public health insurance system, and it was estimated that less than 150,000 people had private health insurance. Corruption was prevalent. Most doctors still expected, and patients routinely made under-the-table payments for timely health care. In addition, overcapacity in the hospital system and poor cost containment measures kept costs high. The result was a large deficit in the public health system for which the very limited private system did not compensate.

There has been much debate among stakeholders on whether the universal health care model adopted by the government is the right one since limited funding (6% of each participant’s earnings) only allows for the basics of health care for everyone. It is clear to most observers that major improvements in health care management are needed. It is also probable that insurance payments, co-payments or subsidies must be increased — all unpopular measures — to cover costs adequately. Health reform is far from finished and many health issues remain for Bulgaria’s future. On a positive note, in 2007 the World Bank targeted health reform as a continuing priority and is working on a Development Policy Loan for improving the health financing system, restructuring the hospital sector, and improving the pharmaceutical sector.

i. SUMMARY ASSESSMENT OF THE FREE MARKET AND PRIVATE ENTERPRISE PROGRAM DURING THE RAPID REFORM PERIOD

USAID launched programs to assist economic development and reform and achieved some marked successes during the years after 1996 when the Bulgarian Government was serious and supportive of real reform and development. Successful USAID programs in private enterprise support, bank restructuring, capital market development, pension reform, and energy reform all contributed to Bulgaria’s transition in the rapid reform years. Although many challenges remained, the years

between 1996 and 2001 showed significant economic progress after years of stagnation or deterioration.

USAID achieved the most success during this period when it had strong and committed counterparts and all key stakeholders were involved; when it provided a full spectrum of high quality coordinated support; and when it allocated sufficient time and resources to support adequately the reform and development process. In some cases reforms were stimulated by close coordination with the IFIs, as USAID could help the Bulgarian Government meet reform conditions incorporated in IFI loans. Very importantly, the USAID ability to move relatively rapidly to assist reform efforts early in the process and its ability to flexibly respond to situations as they evolved were keys to success.

The USAID strategy for 1996–2000 included two democracy objectives, one related to strengthening local government, and the other to bolstering civic participation. The strategy included a third, “supporting objective” of developing competitive and fair political processes which included work with media and political parties. A new strategic plan covering 1998–2002 recognized the real opportunities for reform with the Kostov government, and therefore added a strategic objective on judicial reform, which was “an improved judicial system that better supports democratic processes and market reforms.”

USAID continued long-term democracy-building efforts with a significant focus on local government strengthening. Comprehensive civil society support through the Democracy Network program and other initiatives continued, as did ABA CEELI’s ongoing legal reform activities and NDI and IRI’s political process work. New media and judicial strengthening activities were added to the portfolio during this period.

(I) Local Government Initiative (LGI)

Beginning in late 1995, USAID initiated a Municipal Development Strategy for a more focused approach to and more clearly defined objectives for local government assistance. The five components of the program which became known as “Local Government Initiative I” (LGI I), were:

- Institution-building of local government associations;
- Advice to central government entities;⁵⁰
- Local government capacity-building, including public participation in decision making;
- Continuing education and training for local governments; and
- Economic development assistance for local governments.

The capacity building component of LGI I was implemented in 10 pilot municipalities⁵¹ with a “second tier” of municipalities, who were

⁵⁰ Political will for decentralization remained weak during this period, and thus capacity building of central government ministries was not done.

⁵¹ The original ten pilot cities were: Blagoevgrad, Bourgas, Gabrovo, Haskovo, Razgrad, Rousse, Stara Zagora, Varna Vidin and Zlatograd. Dobrich and Plovdiv were added later.

2. SUPPORT FOR DEMOCRACY AND GOVERNANCE IN THE RAPID REFORM PERIOD

a. LOCAL GOVERNMENT ASSISTANCE

members of local government associations, being eligible for more limited assistance. Initially, LGI I was coordinated by the Urban Institute's Chief of Party, who was the only long-term resident advisor under any of the local government activities being implemented in Bulgaria. Individual assistance plans were negotiated with each municipality to ensure that the program was tailored to their specific needs. The 1995 Municipal Development Strategy defined six specific project impacts USAID expected by the end of the three-year period of the Strategy. Although it took much longer to achieve those impacts (ten or more years!), those objectives remained relevant and appropriate for the life of the USAID local government assistance program in Bulgaria, particularly with respect to the target of 50% for municipal own source revenues.

LGI I was implemented through a team approach with a designated leader, which was a successful approach in other USAID Bulgaria projects at the time (e.g., integrated SME assistance using FLAG). This helped to better focus and coordinate assistance efforts between various implementing partners that had previously been carried out with no formal method of joint planning or coordination. However, in the case of LGI, some assistance providers felt that having a central coordinator limited their direct contact with USAID, thus weakening the program because everything was filtered through the designated team leader, the Urban Institute's Chief of Party. Moreover, some attributed irregularities discovered under the program to this approach, which also had all local government implementing partners use the same Bulgarian firm for administrative functions. This same firm was a sub-contractor to the Urban Institute. Although done for the right reasons — to develop and implement an overall plan of action for local government efforts, to improve coordination among the various assistance providers working with municipalities, and to streamline administrative functions to reduce costs — some of the unintended consequences were not positive. Some people interviewed for this Assessment believe that the program lost momentum during the gap created when the irregularities were being addressed and during which a new implementing mechanism, “LGI II,” got under way.

As the first generation local government contracts and grants ended, USAID Bulgaria embarked on a new approach to providing local government assistance, although continuing the priorities and objectives of the Municipal Development Strategy. The centerpiece was LGI II, a three-year, \$6.8 million contract which began in 1998 through Management Systems International to provide technical assistance in four major areas: association building, training and its institutionalization, municipal management, budgeting, finance and decentralization, and public participation and information. In addition to successful local government capacity building, during this period LGI II helped local governments to positively influence the substance of laws such as the Tax Procedure Code, Public Procurement Act, Local Taxes and Fees Law, the Urban Development Law and the Local Self-Government and Local Administration Act. The system of subsidies was improved starting with the 2000 budget. Probably most

important for decentralization, in the proposed State Budget Act for 2001, the Prime Minister recognized the need for substantial financial policy reform including the need for a constitutional amendment allowing for local governments to set their own tax rates. In addition to providing technical training in such areas as health care financing and municipal property management, LGI II furthered the prospects for institutionalizing training by paying the cost of trainers and materials with sponsoring organizations covering all other costs, thus laying the groundwork for local governments paying for training. During this period, USAID helped five municipalities to open municipal service centers or “one-stop shops,” an important first step in improving public access to and transparency of local governments.

A strategic assessment of the local government program and approach⁵² “found the USAID local government reform effort to be well motivated, well-run and partially successful.” That assessment highlighted in particular LGI II’s impact on legislative reform and local government associations, stating that “The Association and NGO capacity building components of the LGI have been one of its outstanding successes.” However, the assessment was critical of LGI II’s treatment of fiscal decentralization as separate from legislative reform. This was corrected in the next phase of assistance through LGI III.

(2) Support to Municipal Associations and Think Tanks

In addition to LGI II, during this period USAID began directly supporting FLGR, NAMRB as well as a number of regional and professional membership local government associations, after the USC program closed in 1997. These began as a series of small, one-year individual grants to each organization, which also received capacity-building assistance through LGI II. As FLGR’s capacity increased, USAID channeled resources through and partnered with FLGR in implementing technical assistance and training programs. In 1999 the Mission granted FLGR \$1 million in supplemental funds to support Danube River municipalities impacted by the Kosovo crisis. The Danube River Initiative (DRI), as it was known, developed FLGR’s infrastructure and grant management skills and systems. More information on the Danube River Initiative can be found starting on page 130.

(3) International City/County Management Association Technical Twinning Program

USAID linked ICMA’s technical city twinning program with FLRG, whose role in the program grew over the years. The program, which began in 1997, was originally implemented with a “sister cities” approach of exchanges between higher level officials and managers from each participating city. The activity evolved into an exchange of working level technical experts, producing mostly, but not exclusively, city-level impacts. In one case, techniques for public-private partnerships learned through the ICMA/FLGR Technical Twinning Program, resulted in Stara Zagora trading municipal land for construction and renovation

⁵² William J. Althaus, J. Hugh Nichols and Andrey Ivanov, “Bulgaria Local Government Strategic Assessment,” (Arlington, Virginia: Development Associates, Inc., September 2000).

of public buildings. As a result, the municipality received new premises to ease the crowding in the main building, and the private contractor is earning money through rental space in that same building. Although public-private partnerships were pioneered by Stara Zagora, they are now a common practice in Bulgarian municipalities. An important aspect of the program, as this example illustrates, was the dissemination of these cutting edge practices amongst municipalities which then adopted them.

USAID originally conceived the technical twinning program as a way of providing peer to peer technical support to Bulgaria while building a long-term partnership between Bulgarian and American cities in order to continue support after USAID funding had ended. However, it is not clear that these partnerships will continue after USAID has closed, and at least in two cases, after a change in leadership in both the American and Bulgarian cities, the partnership did not continue. This is not to diminish the real achievements the program has had in improving municipalities through the development and sharing of best practices with the help of American partner cities. In fact, over the past two years, dissemination of best practices has been almost entirely between Bulgarian cities with some mentoring from the American partners. For example, Local Economic Development officers from four Bulgarian cities, with assistance from two of their American partner cities, developed a Code of Ethics, which was then adopted and implemented by 34 other Bulgarian municipalities involved in economic development. Perhaps this model of twinning — from Bulgarian city to Bulgarian city — is more sustainable than that which was originally envisioned.

(4) Partners in Local Economic Development and Government Effectiveness (PLEDGE)

Another component of USAID assistance was “PLEDGE” or “Partners in Local Economic Development and Government Effectiveness,” a local economic development program jointly funded by USAID and the U.S. Department of Labor. Over the six-year life of PLEDGE, which began in 1998, the program reported the following results from working in 54 municipalities: 5,251 jobs created and 941 jobs saved; 188 businesses started and 283 businesses expanded; 13,074 hectares of fallow land reclaimed; and 634 local level improvements in financial, regulatory, physical infrastructure and services. As an indication of the capacity built to pursue Local Economic Development (LED) opportunities, PLEDGE also reported that 361 follow-on LED projects were done using the PLEDGE Process. As part of the Danube River Initiative, PLEDGE received additional funds in March 2000 to implement the PLEDGE program in 10 municipalities in the Danube River area. More information on the Danube River Initiative can be found starting on page 130.

More important than the statistics show, PLEDGE was a unique program because it worked with the poorest of the poor communities hardest hit by the transition at probably Bulgaria’s most difficult time. PLEDGE gave them hope and a way to mobilize themselves to improve their communities. Because they were successful, PLEDGE

gave communities new life. PLEDGE also pioneered a collaborative, participatory process to community and economic development that had never been done in Bulgaria. In these ways, PLEDGE filled a very important need and niche in Bulgaria during its six years of implementation. Five of the people trained under PLEDGE went on to become either Deputy Ministers or members of parliament, including two Roma and one of Turkish descent.

(5) Lessons Learned From Implementing Local Government Support Programs

First and foremost, USAID experience in Bulgaria indicates that decentralization and building local government capacity takes time (three times as long as thought in the 1995 Municipal Development Strategy).

Better planning, focus and coordination among implementing partners are always good to pursue. However, USAID should be careful not to overly-rely on or to concentrate information flows through only one person or organization without strong oversight and internal controls.

USAID experience implementing the PLEDGE program revealed that larger communities have economic diversity and more resources; therefore, they need assistance in coordinating and targeting those resources. Smaller communities have less economic diversity or options, and therefore they need stronger support in finding new resources and funding. Some smaller communities need more assistance in economic concepts as there are fewer experts living there.

During the middle years, the USAID civil society support follow-on program was more focused and relied upon intermediary support organizations (ISOs). ICNL continued to develop the NGO legal framework, and ACILS/FTUI continued to support democratic trade unions.

(1) Democracy Network II (DemNet II)

The next phase of USAID civil society support, which began in late 1998, was also implemented by the Institute for Sustainable Communities (ISC) through Democracy Network II (DemNet II). This four-year, \$6.1 million follow-on program to DemNet I, was much more focused in approach and assistance. Thirteen Bulgarian NGOs were competitively selected to both receive support through DemNet II, but also to provide assistance to other NGOs, thus serving as intermediary support organizations (ISOs) in the civil society sector. These ISOs represented a broad cross-section of the Bulgarian NGO community and included organizations from Sofia and around the country. They were think tanks, grant makers, training providers, and networking/information-sharing organizations. DemNet II granted these ISOs over \$2.7 million, of which about \$1 million was sub-granted to other NGOs for over 250 projects. The impact of DemNet II on the ISOs with whom it partnered include the following: grant makers significantly strengthened their credibility through improved, more transparent grant programs; NGOs involved in policy analysis

b. CIVIL SOCIETY STRENGTHENING (INCLUDING LABOR UNIONS)

shared research more broadly with other NGOs and the public; training organizations provided better and more targeted training; and networking and information-sharing organizations dramatically improved their outreach. Specific achievements related to NGO activities under the project include NGO legislation advocated by a coalition of NGOs passed in 2000 giving NGOs clear legal status; NGO networks formed to advocate on legislation related to a variety of issues including the handicapped, biodiversity, small and medium enterprise competitiveness; and grassroots activism resulted in more participatory processes at the local level.

ISC local staff working on DemNet II established 3 NET Association, a local organization to continue civil society support when DemNet II closed in 2002. About a year before DemNet II closed, a USAID consultant helped ISC local staff to strategize about the form and mission of this Bulgarian NGO. After DemNet II closed, 3 NET Association received a small grant from ISC to cover six months of administrative expenses. At about the same time, a parallel USAID civil society program with Counterpart International (see fuller description of that program starting on page 164) was seeking a local NGO to provide training to community foundations. 3 NET Association won the contract, and implemented that program until it closed in September 2006. Although it was not one of the 13 NGOs implementing DemNet II, 3 NET Association in 2007 is working as an ISO, building the capacity of other civil society organizations based on the expertise its staff developed under USAID civil society programs. USAID and DemNet II did not plan to create such a “legacy” in the beginning of the program, yet 3 NET Association appears to be sustainable organization that will continue to support NGO development into the future.

DemNet II’s strategy to concentrate resources, both financial and development, on a few select NGOs appears to have been successful on one level. Five years after DemNet II closed its doors, many of the ISOs with whom it worked are not only sustainable organizations and stronger in their own right, but also are more effective members of and advocates for civil society. The Bulgaria Charity Aid Foundation (BCAF) is a pioneer in promoting corporate philanthropy in Bulgaria through workplace giving programs, cause-related marketing, online giving and corporate grant making. Likewise, a representative from the Institute for Regional and International Studies (IRIS), another of DemNet II’s ISOs, reports that IRIS continues to network with organizations with whom it partnered during DemNet II, and the experience it gained during DemNet II has helped it to hone community development expertise that it has used to consult in Macedonia and Ukraine. On another level, DemNet II may not be considered successful in that it likely has contributed to the lopsided development of the NGO sector in Bulgaria whereby, as one civil society expert has described, “the majority of established non-governmental organizations have evolved into professional intermediaries.” It may simply be a matter of time, particularly as donor resources dwindle and local constituencies are identified,

before grassroots-focused NGOs representing active citizens catch up to these “professional intermediaries.” A 1999 USAID study on NGO development in the E&E region⁵³ encouraged the approach of strengthening ISOs as a sustainable mechanism for building the NGO sector, but also warned that “ISOs run the risk of being ‘bodies without a soul,’ unless they cultivate a strong and supportive client constituency and learn how to design and provide programs that respond to the felt needs of that constituency.” It could be that as the donors leave Bulgaria, the ISOs will grow that “soul” as they become closer to their constituents, the NGO community.



Penka Tsvetkova
Acting Executive Director, BCAF



Lyudmila Atanassova
NGO Training and Consultations
Manager, BCAF

“In all programs which the Bulgaria Charity Aid Foundation implemented afterwards, we continuously built on the lessons from DemNet II. Of course, there were lots of benefits for the Foundation: experience, know-how, staff enlargement, popularity. But the most important is our confidence that any organization is able to fundraise. In other countries this might be a well-known truth, but here it is still a matter of trial and error. The most precious learning for us is our belief that what the NGOs need is faith in what they do, and that fundraising is possible. Overcoming own barriers and fears — this is the most important “skill” we develop in those with whom we later work.”

Civil society activists credit DemNet I and II, the largest civil society programs in Bulgaria at the time, as building the basic civil society infrastructure in terms of people and institutions. Nonetheless, public distrust that developed in the mid-1990s after political parties established NGOs to funnel resources, created a difficult challenge, and the sector as a whole remains weak. Although it is doubtful that civil society was ready for this at the time, DemNet I and II failed to create a countrywide network of NGOs to advocate for and promote the NGO sector as a whole — although it was not for lack of trying. DemNet I made grants for projects that involved partnerships, and DemNet II also supported networking and information sharing between NGOs as a key objective within the program. ISC describes DemNet II as having established a “network of support organizations.” Today the “network” does not necessarily function as such, although, as described above, several organizations report that they still use contacts and relationships made during DemNet II. One ISO representative remarked that, although ISC promoted networking between similar ISOs (grant makers with grant makers, think tanks with think tanks, etc.), it usually did so to share what was done rather than before an initiative to promote cooperation and collaboration. Moreover, it never encouraged the broader group of ISOs to collaborate to further the NGO sector as a whole. Hence it is not surprising then, that the “network” of ISOs is not operating as such today. A second criticism of the DemNet II program is that it did not do enough to develop the financial sustainability of the ISOs, and that DemNet II’s closure was premature. Another critic pointed out that the closure of DemNet II at the same time as the Open Society Institute concluded its civil society program, was a huge blow to the sector, and should have been more carefully planned and coordinated.

⁵³ USAID/E&E/DG, “Lessons in Implementation: The NGO Story — Building Civil Society in Central and Eastern Europe and the New Independent States,” (Washington, D.C.: October 1999).

(2) International Center for Not-for-Profit Law (ICNL)

As mentioned above, the 2000 Non-Profit Entities Law was an important step in establishing an NGO legal framework in Bulgaria. In the early 1990s ICNL supported the Center for the Study of Democracy (CSD) to draft a non-profit organization law, but that law did not go anywhere. In 1997, the Ministry of Justice (MOJ) produced a new draft law, without public participation or consultation. In 1998 another draft law was produced by an array of people, although CSD was not part of that effort. Finally, following a USAID-sponsored study tour, a working group pulled together the best features of the three draft laws into an NGO law that was passed in 2000. A 2006 assessment of ICNL's program highlighted ICNL's role in developing the NGO legal framework in Bulgaria as the following: "During the period 1997–2000 when there were multiple actors competing to shape the legal environment, ICNL was 'actively and objectively' engaged in moderating the debate through a series of meetings, with logistical assistance from the Soros Foundation." The assessors found that people valued ICNL's use of local experts which stimulated Bulgarian ownership of a consultative and broadly participatory process. One person stated that the 2000 law probably would not have happened without ICNL's involvement.

(3) Trade Unions — Free Trade Union Institute/American Center for International Labor Solidarity (FTUI/ACILS)

Over the life of the Free Trade Union Institute program in Bulgaria, the focus shifted to more traditional trade union strengthening programs as Podkrepa's own role in Bulgaria shifted from a political movement to a traditional trade union. Although only limited information about the program is available for the middle years, SEED Act Reports from 1998 and 1999 indicate that close to 1,000 workers were trained each month on such issues as collective bargaining and labor law, health and safety, privatization and economic reform, and modern labor-management relations. By 1998 seven labor counseling centers had opened offering legal, employment and economic counseling services. ACILS was also involved in implementing the Danube River Initiative by orienting some of its activities to this geographic region (see p. 130 under Humanitarian Assistance for more details about ACILS' impact in the Danube River region).

(4) Lessons Learned in Implementing Civil Society Programs

Building networks of like-minded NGOs with similar missions is a good idea to build partnerships for greater impact. Consideration of linkages and networking should be made before activities are done, not only to inform one another after the fact. Efforts should also be made to build networks between different types of NGOs who can serve as advocates for the sector and to build greater synergies. Another lesson learned is that donors should coordinate their phase-down/closure of programs such that the impact on the recipients/beneficiaries is not felt all at once. More recent Mission experience emphasizes the importance of publicizing program close-out early on.

c. POLITICAL PROCESS SUPPORT

Both the National Democratic Institute and the International Republican Institute implemented political process programs during this period. Unfortunately, available information is incomplete, and therefore the description below may not be comprehensive.

(1) International Republican Institute (IRI)

A 2002 political party development assistance assessment and program design⁵⁴ summarized the IRI program at that time as follows: “While earlier, IRI had helped the UDF with limited polling, at the beginning of the new century, it became involved in extensive polling... as well as focus group research... Its May 2001 poll, in fact, pointed to the increased popularity of the Simeon Saxe-Coburg-Gotha movement, which swept into power in June of that year. IRI also worked with the UDF and BSP in developing election campaign and get-out-the-vote messages. IRI has worked with other donors and their partners, including the Conservative Party of Great Britain and the Greek center-right party, Neo-Democratia. Our interview pointed to a possible added value of U.S. Government assistance to political party development, namely, according to the [IRI] Regional Director, ‘the in-country presence of IRI and NDI, as well as their capacity to work with more than just one party, and with non-political groupings.’ During most of 2001, IRI focused mainly on supporting the major parties by addressing voter concerns in the context of issues-oriented campaigns.”

(2) National Democratic Institute (NDI)

The same assessment describes NDI’s relationship to other European political process assistance organizations: “NDI has recently contracted with the British Westminster Foundation for Democracy to conduct a series of focus groups interviews with citizens, the media and MPs. This research aimed at helping NGOs to refine their short-term strategies for working with local governments in solving critical issues, which have been raised by local communities.” In describing NDI’s more recent election-related work, the assessment said: “In a get-out-the-vote program aimed at the 2001 Parliamentary elections, NDI designed a media-based activity called ‘You Choose,’ to mobilize underrepresented communities, including youth, women and Roma. Yet another NDI effort was a Candidacy Training School aimed at single party training of party members prior to the June 2001 elections.”

The same assessment describes NDI’s post-election work with BAFECR: “NDI also supported BAFECR in implementing a civic action program, aimed at greater public participation and local government accountability. In addition, it launched a nationwide education and advocacy program, directed at informing the public about a range of human and civic rights... BAFECR also held meetings of media representatives from local and national newspapers to consider the rights and responsibilities of journalists, legislative guarantees for freedom of speech, and the relationship between local and national media.”

⁵⁴ John Mason, Mark Hopkins and Sarah Birch, “Bulgaria Political Party Development Assistance Assessment and Program Design,” (Arlington, Virginia: Development Associates, Inc., 29 April 2002).

Unfortunately, BAFECR as a national organization ceased to exist, failing to re-register in 2001 as was required by the new NGO law. NDI reports that only four of the local NDI chapters have survived and have registered as separate, independent NGOs. On a positive note, BAFECR accomplished its initial mission now that Bulgaria has experience with and political will for administering free and fair elections that meet international standards. While other BAFECR-like organizations in Central and East Europe have survived by adopting alternative missions as government watchdogs or civic organizations, BAFECR did not. Apparently two of BAFECR's leaders ran for parliament in 2001, but did not fully leave the organization to hedge their bets in case they did not win the elections. Thus BAFECR was left in a state of limbo for quite a period, and new leadership was not groomed to take over. When the current leadership was elected to parliament and BAFECR did not re-register by the end of 2001, it ceased to exist as a national organization.

(3) Lessons Learned in Implementing Political Process Programs

In order to be credible as election monitoring organizations, BAFECR and other similar organizations that have formed across the world to monitor elections in democratic transitions, had to involve a large number of people with nationwide representation and offices. However, in transitioning to a sustainable, civic organization, this large infrastructure becomes a financial liability. One of the lessons learned through the BAFECR experience is the importance of grooming upcoming new leadership in the organization so that when the current leaders leave, new ones are prepared to take over. NDI helped build new leadership capacity early on when BAFECR's first director passed away, but BAFECR did not continue to groom people after NDI's concentrated assistance with BAFECR had ceased. A second lesson learned is that perhaps it is not wise to invest too much in equipment and infrastructure beyond what is necessary for election monitoring, as a civic organization of that size and complexity is not likely to be sustainable without donor funding.

d. MEDIA STRENGTHENING

(1) ProMedia I

Although it got off to a slow start, ProMedia I eventually hit its stride. ProMedia's results in FY 1998 include fostering the development of the Association of Bulgarian Broadcasters (ABBRO) starting in early 1997, helping it to provide training and other member services. ProMedia worked with the Free Speech Civic Forum and the Group for European Media Legislation to develop a draft Radio and Television Law, which was passed in November 1998. Also passed that same year was a Telecommunications Law, also drafted with ProMedia assistance. In FY 1999, ProMedia helped nine journalist associations to establish the Bulgarian Media Coalition (BMC) to cooperate on media regulatory and professional issues in Bulgaria. Also in 1999, USAID supported the establishment of the Broadcast Training Center in Sofia for television training.

(2) ProMedia II

IREX also implemented ProMedia II, which began in late 1999. Over the life of this five-year program, approximately \$2 million was allocated for Bulgaria. Similar to ProMedia I, the focus was on legislation and support for media-related associations. ProMedia continued to impact legislative reform, supporting effective advocacy campaigns by media-related NGOs on the Access to Public Information Law. ProMedia also supported independent media organizations to work with parliament on amendments to the Radio and Television Law, effectively moving licensing authority from the government to an independent body, the Council for Electronic Media. Also with ProMedia support, independent media organizations successfully fought against jail sentences for journalists in libel cases. ABBRO, which received significant institution-building support from ProMedia, was elected the first president of the Southeast European Network of Private Broadcasters Associations, a network of broadcast associations from nine countries in the region. During this period, ProMedia trained the news staff of, and helped to launch, bTV, the first independent television station with national coverage, and UTV-Cable Bulgaria, the first independent cable television station with national coverage. INFO Radio, the first news-based independent radio station in Bulgaria also benefited from ProMedia's Broadcast Training Center (BTC). Overall, these were very positive achievements in support of independent media, both in terms of the legal and regulatory framework as well as in strengthening the capacity of professional media associations to advocate for and improve the professionalism of the sector. For a relatively small amount of funding (about \$400,000/year), ProMedia had a significant impact in the areas in which it was active.

IV

e. LEGAL AND JUDICIAL REFORM

Legal and judicial reform efforts were stepped up during this period, as commitment to reforms in these areas started to grow. In addition to continued support for ABA CEELI, USAID began a comprehensive judicial reform effort through the East-West Management Institute (EWMI) after contracting for an assessment and program design.

(1) East-West Management Institute's Judicial Development Project

In September 1999, USAID launched the Bulgaria Judicial Development Project (JDP), a three-year, \$6.7 million, cooperative agreement with the East-West Management Institute (EWMI). The agreement was later amended to increase it to \$9.9 million and to extend it by a little more than two years. The program description for that project generally followed the design team's recommendations, which were to establish model courts, assist with legal and procedural reforms, train judges and provide organizational and development assistance to the Supreme Judicial Council. The project added a public education component to raise public awareness about the judiciary and ongoing reforms. By the end of the project, the Magistrates Training Center (MTC) was expected to be self sustaining with Bulgarian Government commitment to continue its funding. By the end of three years, each of the approximately 1,300 judges was expected to have completed a series of training programs. The court administration component included 3–5 model courts at different

levels, and benchmarks included institution of random case assignment; development of a court administrator position; regulations changed to incorporate court administration reforms; a functioning computerization program; and establishment of a case management and tracking system.

Throughout the first half of the project, EWMI provided institution-building support to the MTC, which had also received \$320,000 in direct grants from USAID from inception through FY2002. EWMI paved the way for the MTC's key personnel, material resources, and curricula to be effectively incorporated into the National Institute of Justice (NIJ), thus preserving the USAID investment. By the end of 2004, all NIJ board members were named, regulations for the NIJ had been put into place, the government allocated approximately \$765,000 for the NIJ, and the NIJ had completed renovating its building. Some observers commented that by starting as an NGO, the MTC was able to maintain independence from the Ministry of Justice (MOJ), thus making it easier to set up the NIJ as a judicially-controlled rather than government-controlled institution.

EWMI worked with the MTC to develop curricula for new judges' and continuing judicial training, as well as several other specific training programs. EWMI reports that a total of 1,784 judges and 3,137 court clerks were trained by the end of the Judicial Development Project. The project culminated in the organization of the first National Judicial Conference in Bulgaria in December 2004, bringing together, for the first time, 1,100 judges and others to discuss practical legal issues.

EWMI implemented the Model Courts program with a total of 11 courts, and then expanded into 21 by adding 10 Courts in Partnership (CIPs) in 2003. EWMI describes the programmatic shift in the Courts in Partnership approach: "With the Model Courts, the work was donor initiated, planned and implemented. Work with the CIPs was donor initiated, Bulgarian court planned... and jointly implemented by different combinations of Model Courts, CIPs, and JDP work... This methodology built better sustainability and greater Bulgarian 'ownership' of the process of improvement and of the improvements themselves." USAID found, however, that the Model Courts did not always select the most active, progressive courts with which to partner. Nonetheless, the Model Courts and Courts in Partnership program resulted in considerable improvements in court administration. For example, a new, uniform file folder and sequential case numbering system was introduced in all 153 Bulgarian courts. Other accomplishments include desk manuals for court staff; training and guidance for summons clerks; technical and material assistance to improve public information and access to the courts; and standards established for court performance.

Under the JDP, EWMI designed a case management system (CMS) that was reportedly being fully used in 20 courts by 2007. However, in 2004, the EU had issued a tender for court automation assistance, raising the troubling prospect that a whole new system would be introduced into the Bulgarian courts. In an evaluation of the JDP commissioned by EWMI,⁵⁵ the authors were critical of EWMI's

55 Jon A. Leeth, Frederick C. Humphreys and Peter G. Yanachkov, "The Bulgaria Judicial Development Project (JDP): An In-House Evaluation Conducted for the East-West Management Institute (EWMI)," (New York, New York: East-West Management Institute, 27 January 2005).

efforts in this area, stating that: “After five years, the project has fully automated just eleven courts and partially automated another ten for a total of twenty-one out of 163 courts; given the resources available for this effort, we feel that more should have been accomplished. Part of the problem is that the project did not make a serious effort to streamline the existing case processing system before the automation was undertaken. The project also suffered from inadequate staffing and a lack of oversight, coupled with not fully satisfactory software design.” Bulgarians knowledgeable about this component of the project indicate that it suffered from two problems: poor quality experts from EWMI initially, and from USAID not being pro-active with the government in promoting the CMS early on and throughout governmental personnel changes. They agreed that the end product is of high quality, but believe that it took too long. In fairness to USAID, the Supreme Judicial Council (SJC) endorsed the USAID case management software in 2003. USAID also had transferred the rights to the software to the SJC so that it could roll out and further develop the software with the additional EU funds that were allocated for the same purpose. And a person familiar with USAID early judicial strengthening work indicated that USAID was fully transparent and regularly shared information about its case management software development with both the World Bank and European Union, the latter of which showed no interest at the time. It wasn’t until much later on, when the USAID software was already in the advanced stages of development that the European Union’s plans in this regard became known, and that 12 million Euros in funding was allocated for an alternative software system, which was approved by the Minister of Justice without consulting with the SJC.

In conclusion, aside from hiring better software experts initially, it is not clear that USAID could have done anything differently to improve this unfortunate CMS software situation. Initial donor coordination efforts did not prove fruitful in this regard, and USAID court reform efforts were greatly enhanced by the case management software developed under this project. One newly-appointed court chairman described how the USAID-developed software reduced opportunities for corruption. First it enabled courts to institute random case assignment, which is now mandated by the SJC. Second, he found the software to be an effective management tool to help him determine where judges were slacking or purposefully delaying the resolution of cases. Without such software, he would not have been able to make the drastic changes that he did in his court, which saw a 31% increase in resolved cases in 2006, the first full year in which the system was used in his court. The decision by the Minister of Justice to introduce a different system using European funds without consulting with the SJC points to a larger problem in the Bulgarian judiciary — excessive control by the executive branch.

The Supreme Judicial Council consists of 25 members, of which the Chairman of the Supreme Court of Cassation, the Chairman of the Supreme Administrative Court and the Prosecutor General are ex-officio members. In addition, eleven members are elected by the National Assembly and eleven are elected by judicial bodies. SJC meetings are chaired by the Minister of Justice, who is a non-voting

member. The very structure of the SJC is problematic, meaning that rather than serving to strengthen and improve the independence of the judiciary, oftentimes the SJC impedes this. The fact that the SJC includes so many members and that it is not a permanent, full-time body means that serious work is difficult to accomplish. Moreover, the direct involvement of the Minister of Justice in the work of the SJC in terms of chairing meetings and setting meeting agendas, indicates excessive control of the judiciary by an executive branch ministry. The fact that the SJC does not have a chair from the judiciary also undermines its independence. The constitution also provides for the Minister of Justice to propose a draft budget for the judiciary and to manage the property of the judiciary, thereby acceding important functions that should be within the judiciary's own control.

In spite of these institutional problems, EWMI saw some success in strengthening the capacity of the Supreme Judicial Council (SJC) during this period. With EWMI technical assistance, the SJC adopted new operating rules, and began operating with defined committees and areas of responsibility. EWMI also assisted the SJC to begin to address its new legislative mandate to collect and report caseload statistics by analyzing the current MOJ-directed statistical reporting system and making recommendations to the SJC for a better system.

In the area of legislative/regulatory drafting assistance, EWMI strengthened the Judicial Systems Act that provided for the National Institute of Justice and improved administration of justice; improved the court operations regulation that established the position of Court Administrator and incorporated improvements developed in the Model Courts; and assisted the Ministry of Justice to develop a National Strategy for Reform of the Judiciary and Action Plan for Implementation adopted by the Bulgarian Government. EWMI played a key role in fostering changes in the Constitution that improved provisions related to judicial immunity, tenure, judicial evaluation, and the terms of office for the administrative managers of the judiciary.

Other EWMI activities included helping to establish the National Association of Court Clerks which grew to 1,500 members by the end of the project; and almost \$150,000 disbursed in small grants to 16 NGOs to stimulate their involvement in judicial reform activities.



Miglena Tacheva

Minister of Justice (July 2007–present), 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 to say 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 with whom we worked in the past 13 years!"

(2) American Bar Association Central and East European Law Initiative (ABA CEELI)

CEELI's work in these middle years led to the establishment of several Bulgaria legal reform institutions that were instrumental in later judicial reform efforts. CEELI supported the Bulgarian Legal Initiative

for Training and Development (PIOR), a Varna-based NGO that provides continuing legal education to all Bulgarian legal professionals since 1994. In 1997, ABA CEELI assisted in the establishment of the Bulgarian Judges' Association (BJA), on whose initiative, along with the Ministry of Justice and the NGO, European Legal Integration, the Magistrates Training Center (MTC) was founded in 1999. The MTC was later transformed into the National Institute of Justice. Founders of the BJA credit ABA CEELI and USAID for exposing them to U.S. judicial training models in the early 1990s, which planted the seed for this later initiative. So while the political will for judicial reform within the central government may have been missing in these early years, USAID hit the ground running when the political will developed, largely due to these early ABA CEELI efforts.

Although critical of ABA CEELI's work with the Supreme Bar Association and the BJA, a 2004 impact assessment⁵⁶ noted the benefit of the USAID and CEELI approach in these early stages: "It was possibly fortuitous that CEELI and other donors invested early on in the creation and strengthening of Public Interest NGOs with an interest in law and public policy change. These NGOs became more important as the reform governments took hold in the late 1990s, becoming sources of pressure as well as providers of technical assistance and information to government and to the citizens. In the Bulgarian case, a limited number of well-organized NGOs with an interest in rule of law issues came together to form a coalition for reform that helped shape the government's own ROL Strategy and Action Plan. Even when early "results" are not obvious, the long-term investment in these organizations is well worth doing, and may be the only thing that makes sense during a 'stuck state' period."

Several of the initiatives ABA CEELI undertook during these middle years eventually became separate large scale projects implemented by other grantees and contractors when the time was ripe for a more comprehensive approach. CEELI played an important role in laying the groundwork in some of these areas. For example, its commercial law work led to the Commercial Law Reform Program (CLRP) which was implemented by Bearing Point.

"Ten years ago we shared with representatives of USAID the two things we wanted to do for the judges of Bulgaria; today we have the National Institute of Justice and court administration working in a new way. The rest is up to us."

(3) Lessons Learned in Implementing Legal and Judicial Reform Programs

Judicial reform and strengthening takes considerable resources, time and effort. A concentrated assistance approach, combined with government political will, will be more successful than a diffused, "targets of opportunity" approach. However, this is not to discount the impact of some earlier ABA CEELI legal reform efforts that, although diffused, helped to establish and nurture Bulgarian legal NGOs such as PIOR, the BJA and the MTC. In building local capacity in and understanding of

⁵⁶ Richard N. Blue, Brian LeDuc and Lynn Carter, "Rule of Law Assistance Impact Assessment: Bulgaria," (Washington, D.C.: Management Systems International, 2004).

Kapka Kostova

Supreme Court of Cassation Judge,
BJA Founder and MTC Initiator

rule of law through these institutions and the Bulgarians involved in them, ABA CEELI laid the foundation for more focused rule of law efforts in Bulgaria involving these organizations and/or the people associated with them. More specifically related to judicial training, Bulgaria's experience starting judicial training through a non-governmental organization established the foundation for a judicial training institute under the auspices of the judiciary rather than the Ministry of Justice.

Computer software for case management systems is a risky prospect and takes several years to develop. In the Bulgaria case, over two years were spent to design, de-bug and make user friendly the case management system. Roll-out and training also takes time and resources. Getting high-level government/judiciary buy-in from the outset and throughout government changes while the software is being developed is essential. Coordination with the European Union, particularly in this region, is important, although sometimes will not prevent duplication.

f. PARLIAMENTARY STRENGTHENING

USAID began a small parliamentary internship program, jointly funded with the parliament, in 1999. In June 2000, the National Assembly established a Parliamentary Information Center with the assistance of the USAID Small and Medium Enterprise “Implementing Policy Change” Project. In May 2001, USAID commissioned an assessment to provide recommendations for strengthening the National Assembly.⁵⁷ The assessment recommended focusing on a limited number of goals and objectives centering on broadening citizen participation in the legislative process, promoting accountability over the national budget, and increasing the National Assembly's representational capacities. Following the assessment and the subsequent election of a new parliament with two-thirds new members, USAID signed a seven-month task order with the State University of New York, Center for International Development at Albany to implement the activities recommended in the assessment.

(1) Parliamentary Internship Program

Launched in 1999, the Parliamentary Internship Program aimed to improve the quality of Bulgarian legislation and to broaden public participation in the legislative process. Over the life of the \$355,000 (\$232,000 from USAID and \$123,000 from the parliament), six-year program, 220 students worked as volunteer legislative assistants completing independent research on more than one hundred draft laws and amendments during three Bulgarian parliaments. A 2005 assessment of the sustainability of the program⁵⁸ concluded that it “has achieved success because it provides a service/product that no other department or unit in parliament provides. This product — comparative legislative research surveys — is extremely important for the legislative process, because it offers legislators a basis for harmonizing Bulgarian legislation with European Union statutes,



*The National Assembly —
Parliament of the Republic of Bulgaria*

57 Keith Schulz, “Report of the Legislative Strengthening Assessment of the Bulgarian National Assembly: A Proposal for a Strategic Approach to Strengthening the Effectiveness, Transparency, Accountability and Responsiveness of the National Assembly,” (Washington, D.C.: USAID/DCHA/DG, May 2001).

58 Marc W. Cassidy, “Assessment of Sustainability Prospects of the Bulgarian Parliamentary Internship Program (PIP),” (Sofia, Bulgaria: USAID, February 2005).

which is imperative for Bulgaria's accession process." USAID funding supported a program coordinator, three part-time, highly-recognized university professors from Sofia University Law School to act as advisors, and the selection of upper-level university students as interns. The Speaker recently announced that the parliament will continue funding the program, which will be institutionalized under a newly-established Research Department in the parliament.

(2) Parliamentary Information Center

In June 2002, the National Assembly established a Parliamentary Information Center with the assistance of the USAID Small and Medium Enterprise "Implementing Policy Reform" Project. According to the 2001 Legislative Strengthening Assessment, "the Center makes available to the public, legislative documents such as draft laws, committee reports, agendas, information about MPs, and transcripts of plenary sessions. The Center also provides a means for the public to submit comments, opinions, and recommendations to specific commissions and it organizes roundtable discussions, public meetings, seminars, and other interactions between commissions, MPs, and the public." Unfortunately, the Parliamentary Information Center no longer exists, as it was merged into the PR Department of the Assembly.

(3) State University of New York (SUNY), Center for International Development

In September 2001, SUNY began implementing a seven month (later extended to ten months) parliamentary assistance program through a \$506,000 task order. The task order had five deliverables: 1) a work plan; 2) a report on recommendations for standing rules revision; 3) a parliamentary handbook; 4) a technical guide to organizing/ conducting an orientation program for MPs; and 5) a final report. After consulting with the Bulgarian Assembly when the program got underway, the deliverables were amended so that instead of a report on standing rules, SUNY would complete a management review of the National Assembly's administration, and instead of a technical guide for new member orientation, SUNY would produce a compendium of conference proceedings emanating from the new members' orientation conference. Prior to the Members of Parliament Orientation Conference in February, SUNY organized two workshops: one on communication and interaction between parliament and NGOs, and the other on strengthening committee operations. An additional six workshops were run at the MP conference itself focusing on the following topics: media, ethics, constituency relations, lobbying, public hearings, and bridging the "perception-reality" gap. As requested by the National Assembly, the proceedings of the MP Conference were compiled and published. Following the MP Conference, another three workshops were held on: media relations, government transparency, and winning legislative battles. SUNY also produced a handbook on the 39th National Assembly, a management review of the National Assembly's administration, and two informational brochures. Using the World Learning Participant Training Program, SUNY supplemented these activities with assistance to the Parliamentary Information Center on

public outreach and to the Research, Analysis and Forecast Department on organizational structure. Unfortunately, as mentioned above, the Parliamentary Information Center no longer exists. The parliament is creating a new Research Department that is expected to report directly to the Speaker. It is unclear what will happen to the Research, Analysis and Forecast Department, which reports to the Secretary General, in the new arrangement. Due to the short nature of this program as well as the types of activities — workshops, conferences, and reports — impact, if any, is difficult to discern. Overall, the parliament continues to be a weak institution, although it is more capable than in 1990. Nonetheless, the quality of legislation, particularly that which has been rushed through to meet EU deadlines, is low. Perhaps a longer-term, more concentrated USAID assistance program may have had more impact than the series of short-term, ad hoc efforts that were done.

(4) Lessons Learned Implementing Parliamentary Strengthening Programs

It was difficult to determine the impact, if any, of the 10 month SUNY program on the parliament. It would seem that a series of workshops, conferences and reports over a short time period, without technical assistance and time to implement changes or new practices in the parliament, would be of limited value. Likewise, due to the shifting organizational structure of the parliament, USAID ad-hoc support for the Parliamentary Information Center, which no longer exists, appears to have been for naught.

The impact of a series of seemingly unrelated, ad-hoc activities with the parliament is questionable. For an institution as important and complex as the parliament, USAID should seriously consider: (1) developing a more strategic approach, and (2) whether it has the resources and time to make a considerable investment. If not, perhaps resources would be better used elsewhere.

g. SUMMARY ASSESSMENT OF THE DEMOCRACY AND GOVERNANCE PROGRAM DURING THE RAPID REFORM PERIOD

Incremental progress was made in strengthening democratic institutions during this period, some of which can be attributable to USAID assistance, particularly in local government, civil society, and political parties. Ratings for individual factors in Freedom House's Nations in Transit, including electoral process, civil society, independent media, governance, and judicial framework and independence, improved from 1997 until 2001, with the overall average score improving by about 6.2%⁵⁹ Although wholesale, comprehensive reforms in key democratic institutions in which USAID was investing, namely local government (decentralization) and the judiciary (strengthening), did not come to fruition during this period, investments made in key reform oriented figures and organizations ensured that the foundations were laid for reforms in these sectors to be realized later. Pervasive corruption, which was finally recognized as a serious problem during this period, proved to be a drag on strengthening democratic institutions in Bulgaria.

⁵⁹ Calculated excluding the score for corruption which was added in 2000. As elsewhere in this assessment, scores used are actually from the following year's Nations in Transit. Because the publication covers the previous year, this report uses the score for the year covered rather than the year of the Nations in Transit publication.

3. SUPPORT FOR THE ENVIRONMENT DURING THE RAPID REFORM PERIOD

a. THE GLOBAL ENVIRONMENTAL FACILITY BIODIVERSITY PROJECT

By this period USAID had moved away from most environmental programs, as economic and democracy issues took center stage. However, the United States made an international commitment at the 1992 Rio Environmental Conference to provide funding to the multi-lateral Global Environmental Facility administered by the World Bank and U.N. agencies, and USAID provided funding for biodiversity in Bulgaria to help meet this commitment. The commitment proved very important in helping Bulgaria in addressing biodiversity concerns, as USAID became by far the major donor to support this key area.

From 1995 to 2000, USAID obligated just over \$4.2 million dollars for the Global Environmental Facility Biodiversity Project (GEF) which was “designed to address the critical issue of strengthening the Bulgarian government’s management capacity for biodiversity conservation at the local and national level, including sound management strategies for areas of significant biodiversity.” The GEF project was implemented by Associates in Rural Development, Inc. (ARD) and was a direct result of the National Biodiversity Conservation Strategy. The four major objectives were to: 1) provide institutional support to develop the capacity of the National Nature Protection Service within the Ministry of Environment and Water to assure the conservation of biodiversity in Bulgaria and manage the country’s network of protected areas, 2) develop and implement pilot management plans for Central Balkan and Rila National Parks, 3) identify and develop alternative financing mechanisms to fund protected areas management, and 4) provide the equipment for the management facilities of the two pilot parks.⁶⁰



Central Balkan National Park

A collaborative effort between USAID and the Bulgarian Ministry of Environment and Water (MoEW), the project was dependent on the MoEW to create the institutional structure of the National Nature Protection Service (NNPS). The NNPS was created in 1994 under the MoEW, and was intended to have the capacity to assure biodiversity conservation at the local and national level as well as to build new capacity for the management of protected areas. This is where the GEF project met its principal challenges. Stimulating a government agency to adopt new approaches of decentralized management, fundraising and public outreach and participation, which had never before been done, proved to be a difficult task. Institutional struggles for the control and management of state budgets, resources, and land between the MoEW and Committee of Forests at the time of the GEF project caused some initial setbacks and delays in getting the project off the ground. The change in government in 1995 also introduced additional doubts as to whether the Bulgarian Government would remain committed to the Memorandum of Understanding (MOU) that governed the GEF project, because there was an unwillingness to pass the necessary legislation to adequately support the nation’s protected areas. These uncertainties resulted in the issuance of a stop work order which was in effect for several months. During this period, ARD hired a conflict resolution specialist to help address

⁶⁰ Roy Hagen, Curt Meine and Petar Iankov, “Midterm Evaluation of the Bulgaria GEF Biodiversity Project,” (Burlington, Vermont: Associates in Rural Development, Inc., September 1997).

the situation and organized a workshop dedicated to resolve the official impediments to cooperation between the two state institutions.⁶¹

Due to the aforementioned difficulties between Bulgarian Government environmental entities combined with the drastic political and economic changes occurring in Bulgaria, the two critical assumptions necessary for the project to make significant headway were not fulfilled. GEF expected that the Bulgarian Government would have passed supportive legislation for the nation's protected areas, which would in turn serve as the primary tools of biodiversity conservation. The success of the project also required that the institutional home for the protected areas would be finalized by the project implementation start date. Neither of these two important preconditions was in place when the project started, and institutional rivalry between the Ministry of the Environment and the Committee of Forests made it difficult for the Bulgarian Government to make a decision as to which entity would provide the institutional home for protected areas and national parks management. Therefore, implementation of major components of the GEF project was put on hold in late 1995, although an important component on public awareness and civic engagement proceeded. The project resumed operation in February 1996, when the Bulgarian Government made a commitment to uphold its responsibilities contained in the project's MOU. Once the GEF project resumed, progress accelerated considerably, and progress was especially rapid after the new reform government assumed power in 1997.

b. LESSONS LEARNED

Implemented during a period of economic and political uncertainty in Bulgaria, ARD was forced to overcome a number of significant obstacles to make this project a success. Overcoming these obstacles and progressing through setbacks led to a number of important themes that should be considered when implementing future projects in a similar country context.

- **Policy and Legislative Environment** — In the absence of the appropriate policy environment and supportive legislation for the project's primary components it is extremely difficult to ensure successful results. Government support shown by the enactment of suitable legislation is not only critical to the long-term sustainability of project goals and results, but it also opens the door to future government reforms.
- **Local and Regional Level Engagement** — When national level engagement is lacking, it may be useful to engage lower-level local representatives with the appropriate expertise. Without a strong institutional framework and protected areas policy at the national level at the commencement of GEF, implementers chose to engage MoEW representatives at the local and regional levels giving the various national park directorates a strong grounding in basic organizational development and local partner development skills. This strategy helped GEF maintain the consistency of support to

⁶¹ During the stop work order, the ARD Inc. team remained in Bulgaria and continued working on other components of the project including technical assistance and training, identifying necessary equipment and infrastructure improvements, and other similar activities. Implementation of the legislative and policy components of the project were significantly handicapped during this period.

regionally-focused biodiversity conservation and protected areas issues while keeping local target groups engaged in the dialogue of state parks at the national level.

- **Training and Peer to Peer Relationships** — Training is a very important element in developing the capacity of any new institution. Participants in the GEF training programs (ranging from theoretical management courses and environmental economic principals to winter survival courses) and study tours state that this was one of the most valuable components of the program. Teaching modern linkages between the environment and other aspects of overall economic development and providing a venue for coordination between local, national, and international environmental professionals gave training participants the ability to view their role as environmental experts in a wider context — thus creating a greater incentive for enhanced participation.
- **Long-term and Intensive Engagement** — The strong, long-term commitment of USAID to the GEF was important to its overall success. USAID contributions to the GEF were international commitments and this provided an incentive to both USAID and the Government of Bulgaria to resolve difficulties. Indeed, the USAID Director and Minister of MoEW jointly chaired monthly meetings with GEF staff to ensure issues related to the project's MOU were resolved. This process was enhanced by the important base of knowledge and relationships built over the years.

In the end, GEF had a number of outstanding accomplishments:

- development and passage of the Protected Areas act,
- development and delivery of rigorous protected areas administration and management training for appropriate personnel (approximately 155 individuals in total) which included courses on protected areas management and safety, natural resources management, tourist management, interpretation and education, park operations management as well as a study tour to the U.S. National Park Service, USAID, and four eastern U.S. National Parks,
- approximately 1,800 sq. kilometers of protected areas established with USAID support,
- significant infrastructure improvements to the National Park Directorates and new facilities for the Balkan and Rila National Park Headquarters enabling effective administration and management of the two parks,
- increased knowledge by relevant government and non-government bodies of protected areas' financing options which included public-private partnerships and ecotourism,
- an increased understanding and support for Bulgarian biodiversity conservation from government officials and the general public, and
- operationalized management plans in the two National Parks.

c. SUMMARY ASSESSMENT OF THE ENVIRONMENTAL PROGRAM DURING THE RAPID REFORM PERIOD



Nella Ratchevits

Director of the Central Balkans National Park

“USAID was so important in helping us to further develop and improve the management of the protected areas network in Bulgaria. Key accomplishments in this regard supported by USAID included the development of the National Strategy for Biodiversity, development of the National Nature Protection Policy, development and enforcement of the Protected Areas Act, establishment of a model and institution for park management, development of the first management plans for the National Parks, and development of a National Ecotourism Strategy and Action Plan. Thanks to these accomplishments, Bulgaria today has one of Europe’s finest and most valuable systems of national parks and protected areas with extremely diverse biodiversity.”

Although GEF implementation began at a time when Bulgaria was in the midst of political transition and experiencing severe economic crisis, the program achieved measurable and sustainable results. By the end of the project, more effective institutional structures and policies for management and administration of biodiversity conservation were in place. The Protected Areas Act, passed by Parliament in October 1998 made Park Directorates the legally mandated institutional body for national parks’ management and administration. After a series of public hearings and submissions to Parliament, the final boundaries of two Bulgarian national parks (Rila and Central Balkan National Park) were finalized in March 2000. In addition to institutional structures and policies, the GEF operationalized management plans and installed geographic information systems in the two national parks. GEF also played an instrumental role in building regional and local groups that now play an active and effective role in helping to maintain current and future park management goals.



Evdokiya Maneva

Minister of Environment and Water (1997–2001), Member of Parliament (2001–present)

“During the period 1997–2001 I was the Minister of Environment and Water in the Government of Ivan Kostov. The state was undergoing a crisis after several years of mismanagement. We had extremely limited resources and this had negative impact over many sectors, and mostly on environment. At that particular moment the assistance of USAID was invaluable. During this difficult period modern environment protection legislation was developed: eight new Acts were developed and adopted; and the basis of the contemporary environmental policy was created. During the same period the National Parks and reserves were set up, National Park directorate created, staff and rangers of the Park Directorates trained, etc. Competent and highly motivated experts from USAID were involved in all these activities. Saving a substantial part/territories of the Bulgarian nature and improving the environmental-friendly thinking and behavior of both the State Administration and the Bulgarian public was made possible through sharing the U.S. experience and the provision of financial resources by USAID.”

4. HUMANITARIAN ASSISTANCE DURING THE RAPID REFORM PERIOD

During the mid to late 1990s USAID provided humanitarian assistance in response to two different crises: the collapse of the financial sector in 1996; and the Kosovo crisis in 1999. The Bulgaria Crisis Recovery Program (BCRP) was a two-pronged effort that included activities to accelerate the recovery of communities along the Danube River, and training opportunities for young Kosovars at the American University in Bulgaria. In conjunction with the BCRP, USAID granted the Government of Bulgaria \$25 million in Economic Support Funds (ESF) for emergency balance-of- payments support. Earlier

humanitarian assistance totaling over \$14 million during the 1996 financial crisis consisted of emergency medical supplies for hospitals, and feeding programs for vulnerable populations.

a. MEDICAL SUPPLIES THROUGH PROJECT HOPE AND THE AMERICAN RED CROSS (ARC)

Witnessing the sharp decline in hospitals' ability to provide medical care because of lack of supplies, in December 1996, through Medical Service Corporation International (MSCI), USAID conducted a needs assessment for provision of medical humanitarian assistance in seven regions. Five regions were added for a total of 12, of the 28 administrative regions in Bulgaria. Starting in March 1997, USAID granted Project HOPE \$2.1 million in two different agreements, to provide lifesaving pharmaceuticals to 12 regional hospitals. At the behest of USAID, Project HOPE subcontracted the Bulgarian Red Cross to provide logistics support. At the same time, USAID granted \$400,000 to the International Federation of the Red Cross (IFRC) for the American Red Cross to provide institutional support to strengthen the Bulgarian Red Cross (BRC). USAID also contracted separately with MSCI to monitor pharmaceutical distribution and usage. USAID's \$2.1 million grant to Project HOPE leveraged some \$7 million in private donations. Although the supplies met the hospitals' needs for only 3 months, because USAID and Project HOPE were the first to provide this assistance at a critical and difficult time, they are credited by the recipient hospitals as saving many lives. The goodwill that this generated amongst the Bulgarians cannot be quantified. Recalling this assistance many years later, the former head of the Stara Zagora Hospital invoked a Bulgarian saying, "timely assistance doubles the assistance." Project HOPE indicated in its final report⁶² that "USAID deserves a great deal of credit for designing a system of assistance that involves the input of local professionals. The use of the BRC as a logistical partner, and the role of the local national employees of MSCI, have helped to foster the perception of a collaborative effort between the U.S. and Bulgaria." The BRC remains a strong NGO in Bulgaria today.

b. FEEDING PROGRAMS THROUGH THE INTERNATIONAL FEDERATION OF THE RED CROSS AND CATHOLIC RELIEF SERVICES (CRS)

To help address the serious social impacts of the 1996 financial crisis, starting in FY97 the USAID Bureau for Humanitarian Response made Title II⁶³ grants to Catholic Relief Services (CRS) and the American Red Cross (ARC) under the Food for Peace Program (FFP). During slightly less than two years, the American Red Cross delivered, through local branches of the BRC, over 8,400 metric tons of commodities to approximately 160,000 pensioners. In commodities and financial support, ARC received almost \$6 million for this program.

Also under Title II of PL 480, CRS received commodities and funding worth slightly over \$5 million for a bread distribution program for unemployed workers and their families. CRS imported flour that was used to make bread by public and private bakeries for distribution to beneficiaries. In the first phase of the program 3,600 metric tons of flour was imported and more than 18,000 families benefited from the

62 Project HOPE, "Final Report: Humanitarian Emergency Medical Supply Program," (Millwood, Virginia: September 1997).

63 Title II of the Agricultural Trade Development and Assistance Act of 1954, also known as Public Law or PL 480.

program. Under the second phase, another 7,200 metric tons of flour was imported to continue the program another year.

c. \$25 MILLION BALANCE-OF-PAYMENTS SUPPORT

In early FY 2000, USAID provided \$25 million in Economic Support Funds (ESF) to the Bulgarian Government for emergency balance-of-payments support to cushion the negative effects of the Kosovo crisis on Bulgaria's economy. The \$25 million was used for external debt service of the Government of Bulgaria to the United States (PL 480 outstanding corn debt) and the World Bank. This enabled the Bulgarian Government to redirect its local currency resources to support four major social and economic welfare programs including severance payments to the employees of closed, state-owned enterprises; the Social Safety Fund (SSF) for the poorest pensioners; the Regional Initiatives Fund (RIF) for infrastructure projects that also generated short-term employment; and budget support for the Bulgarian Government's refugee programs in Macedonia.

The SSF targeted disadvantaged groups, including the poorest pensioners. USAID support to the Fund played a critical safety net function in helping the poor meet their energy needs, while helping to sustain public support for the difficult economic reform process.

Together with the Ministry of Labor and Social Policy, the UNDP, and the World Bank, USAID supported the RIF, using \$8 million in local currency freed up by USAID balance-of-payments support. This \$22 million project, which was also financed with Bulgarian Government funds, World Bank loan funds and municipal cost sharing, completed 257 new infrastructure projects including rehabilitation of market structures, roads, water supply, bridges, schools and healthcare centers. These projects provided over 5,000 jobs and tangible social benefits for the poorest communities during a period in which unemployment in some rural areas reached close to 50%. Over 461,000 Bulgarians benefited from improved services and infrastructure. Although USAID had expected RIF to use a participatory approach to project selection similar to FLGR's Danube River Initiative (DRI) infrastructure programs (see below), it didn't. Project statistics would seem to support the potential positive benefit that this approach might have had. In 2000, only 42.5% of the beneficiaries thought that the projects were highly relevant to the community's needs.⁶⁴ Nonetheless, the program achieved its primary goal of generating employment during a difficult period in the transition.

d. BULGARIA CRISIS RECOVERY PROGRAM (BCRP)

Initiated in 1999, the Bulgaria Crisis Recovery Program was to accelerate the economic recovery of communities affected by the Kosovo crisis, and was implemented through the Danube River Initiative (DRI). Assistance to Danube River communities strengthened local government and improved social and economic conditions through development, planning, and technical assistance to enterprises. In addition to the Danube River Initiative, the BCRP included a grant to the American University in Bulgaria to support training for Kosovar students.

⁶⁴ Bulgarian Government, "The Regional Initiatives Fund Project, Final Internal Project Assessment," (Sofia, Bulgaria: June 2002).

(1) American University in Bulgaria (AUBG)

The objective of this activity was to build future human capacity by providing practical job skills for today's marketplace and enhancing career opportunities for young Kosovar refugees. Under this \$1 million program, 276 Kosovar students completed training in business administration, public administration and journalism. In addition, 76 Kosovars attended courses at AUBG's English Language Institute, of which 10 were subsequently admitted to AUBG's undergraduate program.

(2) Danube River Initiative (DRI)

Recognizing that some communities and businesses in Bulgaria were severely affected by the conflict in Kosovo both socially and economically, USAID launched the Danube River Initiative (DRI) in October 1999. This \$4 million program was to accelerate recovery of affected communities by: enhancing local governments' capacity to deliver services; restoring and improving micro and small commercial activity; and reducing ethnic tensions.⁶⁵ Eight organizations were involved in implementing the DRI, although only six received additional funds for this effort. The other two included this geographical region in implementing their already-funded activities. USAID also hired a Foreign Service National (FSN) program manager and an American consultant to monitor and oversee the initiative.

The Foundation for Local Government Reform (FLGR), which received \$1 million for the DRI, reported that by implementing 25 small scale local infrastructure projects between 2000–2002, it helped to: improve living conditions, prioritize community initiatives, build the capacity of program beneficiaries, strengthen community spirit, and create a favorable environment for dialogue and partnership between non-governmental organizations, businesses and local authorities in Danube River municipalities. Specific results from the small infrastructure projects are: \$140,000 in matching funds from assisted municipalities; 7,280 households in 28 municipalities benefited (including 12 minority communities); 363 temporary jobs were created; 53% of the workforce used in projects was local unemployed labor; and 22 partnerships were established. Although it did not receive additional funds for DRI, the Local Government Initiative, managed by Management Systems International, complemented and at times worked in partnership with the FLGR to implement activities. For example, LGI provided training in local government management skills to local governments and in grant proposal development to the Association of Danube River Municipalities and the Danube River Training and Development Center, all of which were participating in FLGR's grants programs. LGI also provided temporary office space and administrative support for DRI at the initial stage.

In its Danube River economic development work, PLEDGE, which received \$650,000, reported that 1,140 hectares of fallow land were

⁶⁵ Note: the activity to reduce ethnic tensions, with \$500,000 in DRI funding, was implemented later through Partners Bulgaria Foundation (PBF) which is described under the Democracy and Governance section of this assessment. PBF began implementing its USAID-funded program in Lom, located along the Danube, in 2000.

reclaimed and 120 annual jobs generated as a result; 50 permanent jobs were created; 88 partnerships were established; and over 1,000 people were involved in the PLEDGE process. The UNDP established a successful business incubator for SMEs in Vidin with the \$150,000 grant it received. A \$600,000 grant to CRS for micro-credit for SMEs resulted in 1,028 loans to 595 clients in the Danube River region, effectively sustaining employment for an estimated 1,190 people. A similar program through Opportunity International/Nachala Cooperative funded at \$400,000 resulted in 1,204 loans totaling \$238,000 with almost 5,000 jobs created or sustained. Through a \$749,000 grant to the University of Delaware, the Firm Level Assistance Group (FLAG) provided a comprehensive range of services to local businesses including training, technical assistance, and grants up to \$25,000 for equipment, machinery and supplies. The University of Delaware reports that, as a result, 131 jobs were created or sustained from direct financing, 513 jobs were created or sustained from technical assistance, almost \$266,000 in revenue was generated by the assisted businesses, and that twenty cooperatives, associations, and business ventures adopted western-style practices.

Although it did not receive additional funds, the American Center for International Labor Solidarity (the Solidarity Center) also implemented a special effort as part of the DRI to expand labor education and labor counseling services of their trade union development programs with Podkrepa and the Confederation of Independent Trade Unions in Bulgaria (CITUB), into the Danube River area. The Solidarity Center work with three Labor Counseling Centers (LCC), two that opened as part of the DRI, resulted in seven new collective bargaining agreements. LCCs secured payment of wage arrears for 548 workers; 206 workers were mainstreamed into job training/employment programs; and 74 people were assisted in securing social benefits. The LCCs' efforts resulted in 350 new dues-paying union members. Over a thousand workers received professional legal counseling and information on social programs from the LCCs.

e. SUMMARY ASSESSMENT OF HUMANITARIAN ASSISTANCE DURING THE RAPID REFORM PERIOD

Although short-term in nature, the Danube River Initiative was, in reality, a development program designed to impact the lives of people living in a particular geographic area. The program, along with the \$25 million ESF balance-of-payments support, rewarded the Bulgarian Government for supporting NATO's efforts in the region despite public opinion to the contrary. Given that during the next national election in 2001, the UDF suffered a bitter defeat, going from a majority of 52% received in the 1997 parliamentary elections in 1997 to only 18% in 2001, it is not clear that USAID assistance did much to bolster the government. Moreover, Bulgarians' public opinion of the United States remains low,⁶⁶ so it is not clear that long-term good will was engendered

⁶⁶ PAO-supported polling in 2006 indicates positive attitudes towards the U.S. ranging from 46.2%–59.1% and negative attitudes ranging from 30.8%–43.6%. Admittedly, there are many factors which influence public opinion toward the U.S.; thus little can be concluded from these 2006 figures with respect to the impact of earlier USAID humanitarian assistance on public opinion. Unfortunately, similar polling data for the period immediately before and immediately after the delivery of humanitarian assistance in the mid-1990s is not available.

from these efforts. Perhaps more direct humanitarian efforts such as delivery of medicines and food aid are more powerful because they go to directly reducing hunger and misery and are more visible, particularly as assistance from the American people, than either balance-of-payments support or more traditional development efforts such as that which was done under the Danube River Initiative.

In terms of approaches, by adding funds to existing programs, USAID showed immediate results and impact rather than having to wait for a new implementing partner to establish an office and get up-to-speed. However, this was an additional management burden on USAID because it then had to directly coordinate the various activities being implemented. Another innovative aspect of the program was to use a local NGO to implement the infrastructure grants program, which at the same time built its organizational capacity. Unfortunately, with flooding several years later, some of the same communities that benefited from the DRI later suffered serious hardship and devastation.

C. SUMMARY OF OVERALL PROGRAM RESULTS DURING THE RAPID REFORM PERIOD

The transition was far from complete by 2001 and several key structural reform objectives had bogged down. However, USAID made a number of noteworthy contributions to the reform process thanks in large part to the government's general openness to reform and to the gradual maturation of investments USAID made in people and institutions during the early years of the program. Significant progress was made in several key economic reform areas due to the critical needs resulting from the economic collapse in 1996–1997 and strong incentives from the IFIs. Incremental progress was also made in democracy and governance, and breakthroughs were made in the USAID biodiversity program. USAID made important contributions to recovery efforts in 1997 and 1999 after the economic and social disruptions of the economic collapse and the Kosovo crisis. A summary of program highlights includes:

- Supported the privatization of all state-owned banks for revenues of more than \$1.1 billion, and strengthened the institutional and regulatory framework for banking.
- Helped establish a modern capital market system including the necessary institutional, legal and regulatory structures.
- Was the primary donor for establishing Bulgaria's modern "three pillar" pension system that is a model for the region.
- Helped establish and/or strengthen a number of key business support organizations.
- Supported the growth of thousands of small businesses by providing technical support, innovative loan and equity programs, microfinance, and loan guarantees.

I. SUPPORT FOR FREE MARKETS AND PRIVATE ENTERPRISE GROWTH

2. SUPPORT FOR DEMOCRACY AND GOVERNANCE

- Helped improve the business environment by supporting a new government SME strategy, SME law, government agency for SME support, and important legal/regulatory reform.
- Led the donor community in defining necessary energy sector reforms.
- Demonstrated and supported energy efficiency projects at the local level to reduce energy costs for business and local governments.
- Strengthened the National Association of Municipalities and Foundation for Local Government Reform to become effective advocates and supporters of local government capacity building and decentralization.
- Improved the legal framework for local government through passage of or amendments to the Tax Procedure Code, the Public Procurement Act, Local Taxes and Fees Law, the Urban Development Law and the Local Self-Government and Local Administration Act.
- Innovative local government management practices such as “one-stop shops” and public private partnerships were piloted during this period and replicated in the following period.
- Strengthened community development processes and created many jobs through local economic development programs.
- Supported the development of key NGO legislation that was passed in 2000 and helped establish sustainable NGO support organizations.
- Improved the framework for a strong and independent media by helping to develop key media legislation and supporting the establishment and operations of media associations and the Broadcast Training Center.
- Strengthened the judicial system through improving the Judicial Systems Act, the operations of the Supreme Judicial Council, training for judges, and court administration.
- Helped establish the Bulgarian Judges’ Association that led to the institution of the Magistrates Training Center in 1999.
- Established a parliamentary intern program to support legislative research in parliament.

3. SUPPORT FOR THE ENVIRONMENT

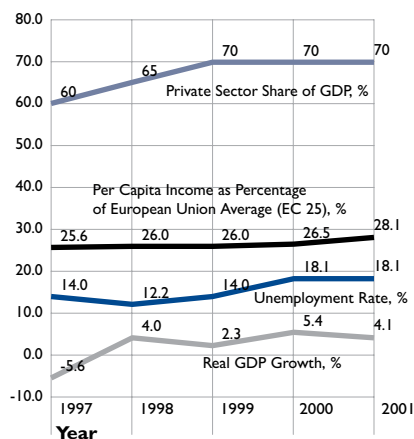
- Strengthened the government’s capacity for biodiversity conservation by helping to develop protected areas legislation, the key institutions for biodiversity management, and plans and management systems used for Bulgaria’s system of national parks.

4. HUMANITARIAN ASSISTANCE

- Provided major support for crisis recovery in 1996–1997 and in 1999–2000.

D. PROGRESS OF THE TRANSITION DURING THE RAPID REFORM PERIOD

FIGURE 6. ECONOMIC INDICATORS: 1997–2001



Bulgaria sustained good macro-economic performance and sound fiscal policies from 1997 through 2001. Real GDP grew for five consecutive years at an average rate of 4%. The private sector's share of the economy increased to 70%, while the asset share of the privately owned banks compared to public sector banks reached 80.1% in 2001. In spite of these impressive achievements, there were still real areas of concern, the principal one being the slow pace of the government's ambitious structural reform program, particularly the vital privatization process. The sale of major loss-making state-owned enterprises fell far short of expectations. Despite high liquidity and the increased presence of foreign banks, lending in the banking sector remained shallow. Credit to the private sector was still low, although there was a steady increase from 10% of GDP in 1999 to 16% in the first half of 2002. SMEs were particularly constrained in accessing credit due to burdensome collateral requirements and high interest rates.

Considerable progress was made to create a competitive and market responsive private sector. Nevertheless, Bulgaria was far from having a broad and liquid capital market. Though improving, the overall business climate continued to hinder investors with frequent changes to the legislative framework, excessive regulation, poor contract enforcement, lack of transparency, and burdensome administrative barriers. Bulgaria failed to transform its sustained economic growth and financial stability into higher income, more jobs, and improved living standards for the average Bulgarian. With a minimum monthly wage of \$50, an average working salary of \$134, and an average pension of \$50, Bulgaria had the lowest compensation levels in Central and Eastern Europe.

FIGURE 7. DEMOCRACY INDICATORS: 1997–2001



* Source: Freedom House. The ratings of Freedom House Nations in Transit are based on a scale from 1 to 7, following a quarter-point scale, with 1 representing the highest and 7 representing the lowest level of democratic progress. The Democracy Score is an average of the ratings for all categories covered by Nations in Transit. Ratings are shown for the year covered rather than the year of publication by Freedom House (which covers the previous calendar year).

** Source: Transparency International. The ratings of Transparency International measures perception of corruption on a scale from 0 (highly corrupt) to 10 (highly clean).

Although poverty decreased slightly, GDP per capita was less than one-third of the EU average in 2001. Unemployment continued to be a widespread and deepening concern in Bulgaria and reached its highest levels (since the transition) of 18.1% in 2000 and 2001. Long-term joblessness accounted for more than 60% of the registered unemployed. Every third unemployed was a young person and every fifth was over fifty. The deterioration of the living standards disproportionately affected vulnerable groups like the elderly, children, minorities, and women. Regional disparities were growing as a result of, and the demographic decline was exacerbated by, declining birth rates, rising mortality, and continuing emigration.

During the five-year period 1997–2001, Bulgaria made notable progress in establishing a viable democracy, producing a regional model of ethnic tolerance, and moving forward with its two main foreign policy priorities: EU and NATO accession. Democratic reforms continued to gain speed contributing to an improved Nations in Transit democracy score of 3.33 in 2001, yet still falling short of status as a consolidated democracy. In the early years of the new millennium, rule of law deficiencies represented Bulgaria's most serious democracy issue, further exacerbated by corruption and organized crime. The judiciary was still

weak, poorly administered, under-funded, and low in morale. Although Bulgaria had moved from 66th place in 1998 to 45th in 2002 in Transparency International's Corruption Perception Index, corruption continued to be a major problem, with excessive discretionary power at all levels. Other factors that contributed to corruption included over-bureaucratized and ineffective administrative systems, legislative gaps, weak law enforcement, and insufficiently developed oversight mechanisms. These issues fed general distrust in public institutions, hampered business investment, and prevented Bulgaria from meeting international and EU standards in the rule of law. On the local level, policy constraints continued to impede the development of strong and effective local governments burdened by unclear institutional roles, lack of financial resources, and disincentives to efficient management. With regard to fiscal decentralization, the policy advances made up to 2002 remained to be translated into specific legislative measures and incorporated into state budgets.

To realize Bulgaria's potential and meet the aspirations of all, the country had to stay on course in tackling the remaining challenges in its transition agenda including: a lack of transparency and accountability in government; serious delays in the judicial system; legal professionals with inadequate legal expertise and experience; the politicization of the judiciary; human trafficking; waste, fraud and abuse in government procurement and poor audit capacity; the creation of an efficient and competitive business environment; finalizing second generation economic reforms with an emphasis on key privatization deals in the telecommunications and utilities sectors; and improving the quality and access of health and education for all citizens.

V. CONSOLIDATION, SUSTAINABILITY AND EU ACCESSION 2002–2007

TABLE 5. COUNTRY DEVELOPMENT INDICATORS 2002–2006

Economic Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Unemployment Rate ¹ , %		1.7	9.0	15.0	15.8	14.1	11.4	10.8	14.0	12.2	14.0	18.1	18.1	17.7	14.3	12.7	11.5	9.6
Per Capita Income as Percentage of European Union Average (EC 25) ² , %									25.6	26.0	26.0	26.5	28.1	28.4	31.1	32.4	33.7	35.0(f)
Private Sector Share of GDP ³ , %	10	10	20	25	35	40	50	55	60	65	70	70	70	70	75	75	75	75
Asset Share of Privately Owned Banks ³ , %	na	na	na	na	na	na	na	17.8	34.0	43.6	49.5	80.2	80.1	85.9	97.5	97.7	98.3	
GDP per capita, current prices, in current US dollars ⁴ , %	5,321	2,365	234	959	526	934	1,580	1,204	1,270	1,585	1,612	1,581	1,713	1,979	2,550	3,127	3,459	3,683
Real GDP Growth ⁵ , %		-9.1	-8.4	-7.3	-1.5	1.8	2.9	-9.4	-5.6	4.0	2.3	5.4	4.1	4.9	4.5	5.6	5.5	6.0
Democracy Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Civil Liberties ⁶	7	4	3	3	2	2	2	3										
Political Rights ⁶	7	3	2	2	2	2	2	2										
Civil Society Score ⁷								4.00	3.75	3.75	3.50	3.50	3.25	3.25	3.00	2.75	2.75	2.50
Democracy Score ⁷								3.90	3.55	3.58	3.42	3.42	3.33	3.38	3.25	3.18	2.93	2.89
Corruption Perception Index ⁸										2.9	3.3	3.5	3.9	4.0	3.9	4.1	4.0	4.0

¹ Sources: Data for 1991 to 1996 was obtained from the State Department's Country Reports on Economic Policy and Trade. Data for 1997 to 2006 was obtained from the website of the Bulgarian Employment Agency.

² Source: Eurostat.

³ Source: EBRD.

⁴ Source: World Economic Outlook Database.

⁵ Source: National Statistical Institute.

⁶ Source: Freedom House. Freedoms in the World Country Ratings which survey Civil Liberties and Political Rights, rates countries on a scale from 1 to 7, with 1 indicating the greatest degree of enjoyment of political rights or civil liberties, and 7 representing the worst.

⁷ Source: Freedom House. The ratings of Freedom House Nations in Transit are based on a scale from 1 to 7, following a quarter-point scale, with 1 representing the highest and 7 representing the lowest level of democratic progress. The Democracy Score is an average of the ratings for all categories covered by Nations in Transit. Ratings are shown for the year covered rather than the year of publication by Freedom House (which covers the previous calendar year). Nations in Transit was not published in 2000, thus the score shown for 1999 is the same as 2000.

⁸ Source: Transparency International. The ratings of Transparency International are based on a scale from 0 (highly corrupt) to 10 (highly clean).

A. PROGRAM PRIORITIES AND FINAL TARGETS



Richard Miles

U.S. Ambassador to Bulgaria (1999–2003)

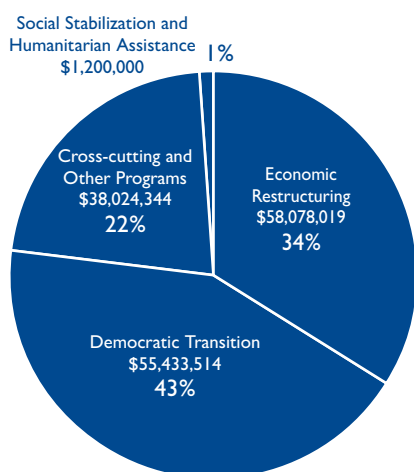
“When I arrived in Bulgaria in 1999, USAID programs filled the whole spectrum of human activity — rule of law, economic development, and humanitarian assistance. You name it, USAID was there. My personal favorite was the Local Government Initiative. Several years of imaginative and dogged work by American and Bulgarian USAID personnel had helped local mayors and other officials all across Bulgaria to organize on the local, regional and national levels. This was grassroots political and economic work at its best. I’m sure the results contributed to Bulgaria’s successful efforts to integrate into Western security, political, and economic institutions. I’m equally sure that all these USAID programs will continue to pay dividends to Bulgarian society for years and decades to come. In my experience, USAID Bulgaria represents the model for AID programs worldwide.”

Despite Bulgaria’s deficiencies in several areas relative to northern tier countries, there was general consensus within the USG on Bulgaria’s

bright prospects. USAID accordingly planned to close its bilateral assistance program in Bulgaria in 2007 in conjunction with EU accession goals. USAID developed a close out strategy in 2002 to lay out the remaining priorities and plan for the final years. The strategy document directly contributed to the five U.S priority strategic goals at that time: counter-terrorism, regional stability, rule of law, economic development, and democratic institutions and human rights. It supported the overarching goal of ensuring that Bulgaria remained a dependable ally and continued to play a stabilizing role in the region. Steady SEED assistance through FY 2006 (\$28 million/year) was envisioned to increase Bulgaria's ability to sustain reforms by focusing on rule of law and law enforcement; economic development and of private sector-led growth; and local government reform.

The close out strategy, approved in 2003, was to leave Bulgaria on a sustainable path towards democratic governance at all levels with a successful market economy integrated with international markets. The program consolidated successful programs to preserve past investments, and established mechanisms to ensure sustainable efforts into the future.

FIGURE 8. USAID ASSISTANCE TO BULGARIA: 2002–2007



Enhanced Rule of Law was the centerpiece of the close out strategy. The judicial program addressed the lack of institutional capacity to apply the law equally and swiftly through training of legal professionals, the formulation of a code of ethics for judges and technical assistance in administration of justice. The anti-corruption program continued to work to decrease public tolerance of corruption and reduce opportunities for corruption in selected executive branch institutions, creating models for replication. The Department of Justice and U.S. Treasury addressed law enforcement by focusing on deficiencies in prosecution and investigation, organized crime, and financial crimes, thus complementing USAID efforts. All three major aspects of the rule of law program were complemented by legislative changes that were needed to support a more effective rule of law.

The Economic Growth and Increased Prosperity portfolio strategy continued to stress the major objective of fostering development of a competitive, transparent and business-friendly environment that was conducive to job creation, private sector growth and long-term prosperity. During the time leading to close out, USAID consolidated work in the economic sector by addressing issues in four major areas: 1) the business enabling environment; 2) job creation through strengthening the private sector; 3) access to financial resources; and 4) the agricultural sector. Streamlined business laws and regulations including a reliable and autonomous energy regulator, rational and consistent public sector policy, and effective enforcement of contracts were essential characteristics of a business friendly environment. These efforts were closely coordinated with the work done under the rule of law objective. Through the efforts of USDA, agriculture continued to be a special focus of the assistance program, given its importance for Bulgaria's economy. USDA primarily focused on improving Bulgaria's competitiveness in agriculture by increasing investments in agriculture, improving food standards, and enhancing agricultural efficiency

and product quality. As part of the enabling environment, USAID continued to assist the government to implement and consolidate economic reforms in the areas of small and medium enterprise growth, competitiveness enhancement and foreign direct investment. By continuing its support to strengthening the capacities of the private sector and particularly small and medium enterprises, the Mission strived to promote sustainable growth and job creation. Efficiency of the labor market in Bulgaria was addressed as a way to significantly reduce the skills mismatch between the supply of and demand for workers. A final priority was availability and accessibility of commercial credit.

Effective and Accountable Local Governance continued to be a priority of USAID assistance after 2001, building upon the Agency's substantial investment in the sector, while at the same time broadening its involvement to closely tie the assistance to community development issues. USAID aimed to leave local governments with an enhanced level of authority vis-à-vis their responsibilities, improved ways and means by which they exercised their responsibilities, and increased availability of resources to fulfill them. In order to achieve that, major interventions focused on necessary decentralization legislation and on efforts to institutionalize a mechanism for dialogue between central and local government on on-going reforms and intergovernmental relations. This effort was complemented by innovative public-private partnerships for the provision of social services and the programs to promote inclusion of vulnerable groups in selected municipalities. Conflict prevention and ethnic integration issues continued to be addressed primarily at the community level, especially targeting ethnic minorities, vulnerable groups and communities, and youth. Trafficking in persons was to be addressed at both the central and local levels, with a primary focus on building public awareness and the capacity of municipal level institutions to address the problem.

Roads Not Taken: In arriving at these strategic priorities, particularly in light of a projected decline in program resources, USAID confronted many hard choices. One of the most difficult decisions resulted in eliminating the social sector portfolio, initially considered an important part of the strategy. Although Bulgaria's social indicators were extremely disturbing, addressing these issues would have required substantial resources and longer involvement than USAID had. Nevertheless, realizing the importance of social concerns, the Mission tried to preserve its investment in key areas like pension and health reform, ethnic integration, and social welfare. Although not coherently structured as a separate strategic objective, USAID continued to address some of these issues within the limited funding available.

The close out strategy envisioned a staggered phase out approach for USAID programs tied to the pace of the reform efforts in the country. The economic portfolio started phasing out in 2004. Most of the programs contributing to an improved business climate and job creation ended in 2006. Most local governance activities continued through 2007, with community level programs phasing out in 2006. Given the gravity of rule of law issues, most of those activities continued through 2007.

TABLE 6. USAID ASSISTANCE TO BULGARIA: 2002–2007

Financial Year*	2002	2003	2004	2005	2006	2007
Year Total (in thousand USD)	40,899	36,645	34,817	26,890	21,156	9,152
Economic Restructuring	15,660	15,160	11,096	9,775	5,940	448
Democratic Transition	15,955	13,960	15,638	14,783	10,959	963
Cross-cutting and Other Programs	9,284	7,525	8,084	2,332	3,058	7,741
Social Stabilization and Humanitarian Assistance	0	0	0	0	1,200	0

* The U.S. financial year begins on October 1 and ends on September 31

USAID set the following ambitious program-level targets for close out:

- Unemployment rate — 13% by 2007
- Private Sector Share of GDP targets — 80% by 2007
- GDP per capita as a percentage of EU average — 46% by 2007
- Transparency International Corruption Perceptions Index — 5.0 by 2007
- Judicial Performance Index — 4.75 in 2007
- Total Municipal Revenue per Capita — BGN 280 in 2007
- Ethnic integration (Increased tolerance towards the Roma minority)
- Global Competitiveness Index — 40th place anticipated in 2007

The progress toward these objectives by 2007 is described at the end of this section.

B. MAJOR ACTIVITIES AND RESULTS WITH LESSONS LEARNED

I. SUPPORT FOR FREE MARKETS AND PRIVATE ENTERPRISE GROWTH DURING THE CONSOLIDATION AND EU ACCESSION PERIOD

a. IMPROVING THE BUSINESS ENABLING ENVIRONMENT

As noted above, the 2003 close out strategy continued to stress the major objective of fostering development of a competitive, transparent and business-friendly environment that was conducive to job creation, private sector growth and long-term prosperity. USAID carried out its strategy of enhancing competitiveness and growth during the consolidation period by addressing some of the most significant remaining barriers to improving the business environment. Major program emphasis was on: (1) addressing priority issues in the business enabling environment, (2) accelerating job growth, (3) consolidating energy reforms, (4) improving access to financial resources, and (5) addressing key constraints to agricultural development.

Two main programs were conceived to improve the business enabling environment: (1) policy reform through the Implementing Policy Reform Project (IPR) and supplemented by the Enterprise Growth and Investment Project (EGIP) focused on creating jobs and promoting foreign investment, and (2) the Commercial Law Reform Project (CLRP) addressed issues in enforcing contracts and handling commercial disputes. Another important activity during this period, an airport concessions project, supported the development of a public-private partnership arrangement for managing two of Bulgaria's major airports.



Bozhidar Danev

Chairman and CEO Bulgarian Industrial Association (1993–present)

“USAID Bulgaria programs were extremely helpful for the development of the private business sector. 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 thus 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. Finally, training helped develop Bulgarian human resources which will have a long-term effect.”

(1) Policy Reform Activities

USAID supported policy reform after 2000 with two programs, the Implementing Policy Reform Project (IPR) and the Enterprise Growth and Investment Project (EGIP). Both projects were implemented by Management Systems International (MSI). IPR emphasized enhancing the competitiveness of Bulgarian industry and institutionalizing the policy dialogue process between the public and private sectors. It not only targeted business associations and think tanks such as the Institute for Market Economics (IME) and the Center for Economic Development (CED) for assistance, but it also built the capacity of the governmental agency responsible for SME support, the Agency for Small and Medium Enterprises (ASME) that was established under the 1998 SME Act. The IPR had several important results through 2003, including strengthening and institutionalizing public-private dialogue at the local, national and industry levels. In addition, project reports show that the various analyses, conferences and technical assistance under the project supported the establishment and development of the Council for Economic Growth (CEG) in 2002. The CEG, composed of six ministries and five major business associations, was instituted as an advisory body to the Council of Ministers. It continues to maintain public-private dialogue on economic policy issues so that joint recommendations on Bulgaria’s economic development could be made to the Prime Minister.

Working closely with the CEG, IPR supported a number of successful initiatives including the national investment strategy, innovation strategy, export strategy and others. IPR also supported policy dialogue on a number of new laws such as the new investment law, law limiting regulations on business activity and various tax laws and their regulations. Finally, IPR introduced competitiveness to Bulgaria’s private and public sector as a conscious policy for economic development, and it introduced cluster development as a micro-economic development tool. Concretely, IPR implemented the first ever cluster mapping in the country, led the development of the National Strategy for Competitiveness of Bulgaria on the Global Information and Communications Technology Markets, and supported the implementation of the strategy and the establishment of the Bulgarian Information and Communications Technology (ICT) Cluster.

EGIP, implemented from 2003–2005, built on earlier policy reform programs but put more emphasis on the creation of jobs and promotion of foreign investment. It continued to provide support for CEG to facilitate public-private dialogue, and also helped it to develop an approach to analyze impacts of proposed regulatory changes on business.

EGIP initiated support for the Bulgarian Government's investment agency, InvestBulgaria, helping it to develop a new investment and marketing strategy. The strategy helped Bulgaria attract more than \$1.5 billion in foreign investment. The project also sharpened the government's foreign investment law so it would be clearer and more supportive to investments in key areas. EGIP could have perhaps played larger role if it had time to provide additional support to helping the government attract foreign investment.

EGIP included a component to increase public awareness and education related to key economic reforms. This component supplemented other USAID initiatives in banking system restructuring and privatization, pension, health and regulatory reforms, capital market and SME development, competitiveness, and foreign investment. The most important stakeholders in this undertaking were the citizens at large and the business community. The project provided technical support on the development of specific public communications campaigns, public opinion research, and promotional and educational material, and on training for ministerial/agency public relations officers and governmental leaders.

It is particularly difficult to evaluate the impact of policy support programs, and these USAID programs are no exception. However, it should be noted that USAID was the sole technical donor to this area for eight years, and it is clear that USAID support did contribute in a major way to starting and institutionalizing a participatory public-private dialogue on policy reform that was ground-breaking and effective in Bulgaria. This process resulted in a number of institutional improvements and a better legal regulatory environment for private investment and SME growth. Two different assessments of the SME sector in 1995⁶⁷ and 2005⁶⁸ show the major change in perceptions by SMEs during the timeframe of USAID policy initiatives. A key finding was that SMEs' perceptions of the legal and regulatory framework dramatically improved over this period, falling from 55% of SMEs identifying this as a major problem area in 1995, to less than 15% in 2005.

Despite this improvement in perception, the business environment needs further deregulation to reduce the cost of doing business in Bulgaria. The number of procedures to open a new business, enforce a contract and close a business is more numerous in Bulgaria compared with its peers in the region. Minimum capital requirements for a new business are the highest in Europe as a percentage of per capita income.⁶⁹ Bulgaria will have to continue to work on deregulation for the foreseeable future if it is to be competitive in the EU and international markets.

(2) Commercial Law Reform Project (CLRP)

The Commercial Law Reform initiative (2003–2007), implemented by Bearing Point, successfully inspired, helped to develop and advocated for legislation creating a private judgment enforcement

67 Russ Webster, Tom Gray and Mariana Kotzeva, "Strategies for Small and Medium Enterprise Development in Bulgaria," (Washington, D.C.: Management Systems International, September 1995).

68 Alpha Research, "SME and the Business Environment in Bulgaria," (Sofia, Bulgaria: 2005).

69 International Bank for Reconstruction and Development and International Finance Corporation, "Country Partnership Strategy for the Republic of Bulgaria for the Period FY07-FY09," (Washington, D.C.: 16 May 2006).

system to supplement the overburdened and largely ineffective state debt collection system. CLRP also helped develop a better system for registering new companies in Bulgaria and pioneered a system for commercial alternative dispute resolution.

Private Enforcement: CLRP's private enforcement program was initiated in 2006. It developed rapidly and by the end of the year was already helping to address a key remaining issue for improving the business environment in Bulgaria, the enforcement of legal judgments. From March to the end of 2006, private enforcement agents (PEAs) reported that almost 40,000 cases had been referred to them by creditors for enforcements worth more than \$225 million. More than 5,000 of those had been successfully closed by 2007 with a value of more than \$60 million. The profession had grown to 168 trained and licensed agents by the end of 2006.

Katilin Popov
Private Enforcement Agent

"All creditors in Bulgaria can count on the professional and efficient help provided by private enforcement agents for collecting their outstanding judgments. The situation of debtors improved too — now they can enjoy the transparency and accountability of private agents' work and can use more broadly all existing possibilities for negotiating re-payment of their debts. The reform foreseen by many to serve only big businesses has proved to benefit lots of individual creditors with claims as small as 300 BGN who can not afford lawyers fees and thus come to private enforcement agents who carry out enforcement at no additional cost."

Commercial Registration Initiative: CLRP helped develop the legislation, system and procedures to improve the very inefficient, non-transparent and time consuming process of registering new companies with local judges in Bulgaria. CLRP gained important Bulgarian Government support for the reform effort because the development of a new centralized business registration system was a condition under both IMF and World Bank financing facilities, as well as an EU directive. CLRP assisted a working group to reach consensus on a new reform strategy and to draft a new law that was passed in April 2006. The new law reformed the system dramatically, and established the basis for a centralized commercial register to be maintained by the MOJ's Registration Agency. CLRP subsequently helped with the development of implementing regulations, forms and procedures. Once operational, the new system should be much more efficient and transparent than the previous one. This should improve the business environment for registering new companies considerably, and it will remove the burden from the overstretched court system.

Alternative Dispute Resolution: Another initiative pioneered by CLRP was the introduction of alternative dispute resolution for commercial disputes and the training of judges and lawyers on commercial law matters. This program did not develop as rapidly as the other CLRP components perhaps because of resistance from lawyers and from other stakeholders in the current system.

(3) Lessons Learned from CLRP

A number of factors contributed to CLRP's overall successes. CLRP helped policymakers understand the benefits of the reforms by sending key persons on study tours to Europe to see the reforms in action.

A public outreach component made the public aware of the benefits of change. Like other successful projects, CLRP worked closely with local groups and leaders to spearhead the reform, and it was supportive of these groups rather than directive. Finally, CLRP devoted a lot of effort to supporting lobbying efforts in parliament so that legislators understood and supported the reforms. The end result was a rapid reform process that garnered promising results in only three years.

(4) Airport Concessioning

In 2001 the government requested U.S. assistance in developing and supporting sound competitive procedures for concessioning Bulgaria's two major Black Sea Airports to a highly qualified strategic investor. USAID subsequently allocated \$1.1 million for advisory assistance from 2002 to 2005 for this effort. The assistance, provided by Bearing Point, resulted in an overall strategy for concessioning through public-private partnerships (PPP). Legislation was accordingly amended to make these transactions possible. The advisors also helped develop the capacity of the Ministry of Transport and Communication (MTC) to implement the transactions. The competition for the two airports was completed in 2005 in accordance with the highest standards of transparency and openness, and four well-qualified strategic investors submitted binding proposals.

The final award for the concession was given to the German airport operator, Fraport, which submitted the second highest ranking proposal. The Fraport bid was in partnership with the Bulgarian TIM group, a known organized crime group. The highest ranking proposal was from Copenhagen International Airports, but this proposal was eliminated after the courts disqualified it on procedural grounds. There was strong suspicion that the award to Fraport was tainted, however the losing candidates did not formally protest the decision.

Despite the fact that the program is expected to have benefits for Bulgaria, including the potential for more than \$150 million in foreign investment as the airports are improved, and the PPP process developed and adopted by the MTC with USAID support could have applications to other airport and transport infrastructure,⁷⁰ USAID management was disappointed in the lack of transparency in the final award of the concession.

(5) Lesson Learned from the Concessioning Activity

In a political environment that is subject to major corruption, USAID should be particularly cautious and be fully cognizant of the risks before supporting privatization and concessioning deals involving hundreds of millions of dollars.

b. ACCELERATING JOB GROWTH

Three new USAID initiatives launched after 2002 aimed to accelerate job growth: (1) the Business and Trade Development Project, (2) a new program to develop employment opportunities under the Labor Market Project, and (3) support for the Young Entrepreneurial Spirit Initiative developed by the Junior Achievement Program in Bulgaria.

⁷⁰ PPP procedures were carried out for 10 seaports after the airport award was made.

(1) Business and Trade Development (BTD)

The BTD program was launched in 2004 with a budget of \$ 4.3 million after the successful FLAG program closed. It was carried out by a consortium of economic growth volunteers, Volunteers for Economic Growth Alliance (VEGA). Initially, the main focus of the BTD program was technical assistance, training and small grants to assist the further development of indigenous business support organizations (BSOs). The program targeted high growth sectors with export potential such as tourism, financial services, and information and computer technologies.

The project had a slow start largely due to internal project issues, but some progress was made by the end of 2006. For example, the program provided a technical and regulatory impact review of draft legislation in support of the Council of Economic Growth. However, the BTD achieved its greatest impact from an innovative program establishing the “Authentic Bulgaria” quality mark and awarded 72 such certifications by June 2007. This program helped small hoteliers improve quality and attract higher paying tourists by developing a high-quality niche market in the tourism sector. BTD also developed a model “bases-to-business park” municipal development plan for the city of Dobrich, which is available to other municipalities seeking to redevelop former military bases.



Srebrena Delcheva
Manager Uniqato Hotel, Stara Zagora

“The support from USAID and the Authentic Bulgaria program have helped us in so many ways. The training and study tours helped us to improve our business planning, marketing, and overall quality of our service. We gained recognition from clients and peers by winning a “Quality Mark” award under the program. The result is that we now have more pride and spirit and are attracting high value clients as a quality “boutique” hotel. As a small hotel, these factors are very important for us to compete successfully with large hotels.”

Another promising BTD initiative is to establish a new on-line SME clearing house to provide web-based information on financial support sources for small businesses. This service will be available free of charge through BC Serdon, a business consulting organization. BC Serdon will also benefit from this initiative by finding new clients for their other business support services.

(2) Lesson Learned from the BTD program

The BTD program built on long USAID experience developing the SME sector in Bulgaria. One issue it faced was how to have a significant impact on BSOs in the two years it had before close out. Indeed, there is some question about whether this new program should have been launched at such a late date, given the established and effective system that FLAG had already put in place to service SMEs and BSOs. Moreover, BTD used a new implementer (VEGA) which had been untested. This slowed the start up and implementation process. One lesson from the experience with BTD is that USAID should carefully consider the need to start new activities with new implementers if adequate mechanisms are already in place to meet USAID objectives.

(3) Labor Market Project (LMP)

By the end of the USAID Pension Reform program it was clear that the workforce needed to grow rapidly if its contributions were to sustain the pension system. At the request of the Ministry of Labor,

USAID conducted a survey of businesses in 2004, which showed that finding people with the proper skills had become a major constraint to businesses and employment growth. USAID concluded that educational changes were needed to better meet the needs of business and ensure that graduates had the necessary skills to be employable. The Labor Market Project was launched in 2004 to bridge the gap between the demand and supply of skilled workers in the market.

USAID provided assistance totaling \$2.4 million from 2004 to 2006 at both the national and regional levels through the CARANA Corporation to help upgrade the ability of universities to deliver 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 improved 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 worked to identify and address major labor market constraints to economic growth.

The National Internship Program, which helped employers find and train future employees, was the centerpiece of the new initiative. Working with the Bulgarian Government and with Job Tiger, a program of the BAEF, the National Internship Program component strengthened the link between universities and business. It established an internet platform to help employers find the skills they needed, organized internships and career fairs in cities throughout Bulgaria, trained career counselors in universities and in secondary schools (every secondary school received a trained career counselor under the program), and established an extensive network (36 as of 2007) of Career Development Centers (CDCs) attached to universities and even one at a vocational school. The CDCs attracted substantial support from the business community through contributions from private business. By 2007, more than 30 certified career counselors worked for or supported CDCs; approximately 12% of the more than 170,000 students of the 35 universities and one vocational school were clients of the CDCs; more than 10,000 internships were facilitated through the CDCs, university internships, career fairs and the *staj.bg* site; hundreds of employer-sponsored internship and recruiting-related presentations were organized by CDCs since 2005; and thousands of students received employability skills-building trainings.



U.S. Ambassador John Beyrle and the Rector of the Plovdiv Agrarian University, Prof. Kuzmanova open the University Career Center February 8, 2006

LMP targeted two sectors for attention under its training certification component: garments/textiles and tourism. An example of the LMP's work to improve training for businesses in key sectors so they can face increasing world competition was the supply chain management program conducted in 2006. LMP partnered with AUBG to train businesses on how to reduce costs while increasing sales, efficiency and customer service. The results reported by participants indicated that the course would help businesses save more than \$30 million annually.

It is too early to assess the full impact of the LMP at the time of this Assessment, but there are clear indications that it will contribute to removing constraints to employment generation in Bulgaria. Demand for interns increased dramatically, and a 2007 survey showed that 90%

of employers wanted interns for their businesses. More than 30 career counselors were certified and provided a unique service not previously available to students in Bulgaria. A new Foundation for Business Education was established as a USAID legacy to support the need for appropriately trained workers, and to train and certify future career counselors. The initiatives under the project were well-timed, and received strong support from the Bulgarian Government, universities, and the private sector who understood that Bulgaria's economy and businesses must be competitive within the EU to survive and grow.

The LMP made valuable contributions to alleviate labor market constraints, but much more needs to be done. A 2006 World Bank policy note concluded that Bulgaria needed to take urgent strides to reform its education system to prepare its future labor force to meet the demands of an increasingly competitive economic environment. The Bank also noted that the percentage of long-term unemployed to the total unemployed is significant (60%) due to lack of competency, skills mismatches and low employability. The World Bank⁷¹ conducted a thorough study of the labor market in 2006 and planned three Development Policy Loans that could provide \$150 million/year for three years in the human development sectors (health, education, and social inclusion) to support structural reforms in these areas.

The relatively quick successes under this program demonstrated the advantages of engaging a broad coalition of stakeholders in its implementation during a time of clear need.

"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. Moreover, 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. Despite these successes, I would say that the whole area of human resources development is a key area for further development."



Nikolay Vassilev

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



Award ceremony of the 2007 Best Student Company competition

(4) Young Entrepreneurial Spirit (YES)

With a USAID grant of \$220,000, USAID entered into partnership with Junior Achievement Bulgaria (JAB) in 2003 to increase the scope and outreach of JAB programs. The goal of the assistance was to increase the understanding of entrepreneurial spirit in school-age Bulgarians through private business involvement in the educational process. Courses in free market economy were supplemented with practical simulation exercises on business management, career assessment and job interviewing skills. The program included JAB's "student company" concept to allow students to practice the real management of a company. JAB also organized competitions and events to help build awareness and the competitive spirit. By the end of 2006, over 44,000 students from 292 schools in 115 towns and cities participated in the program. JAB expects to sustain the YES program with support from private companies to continue to build competitiveness of Bulgarian youth. However, JAB has internal management issues that may limit its ability to expand.

⁷¹ International Bank for Reconstruction and Development and International Finance Corporation, "Country Partnership Strategy for the Republic of Bulgaria for the Period FY07-FY09," (Washington, D.C.: 16 May 2006).

c. ENERGY SECTOR PROGRAMS

(1) Power Sector Reforms

During this period the most significant steps in energy reform took place since the start of USAID assistance. These included approval of the energy sector reform strategy, major tariff reforms in electricity and heat, substantial improvement of the State Energy and Water Regulatory Commission (SEWRC), strengthening the regulatory framework, and privatization of seven electricity distribution companies and three generation companies for over \$1.1 billion. The privatization of these utilities generated the largest foreign direct investment ever for Bulgaria.

Worldwide experience has shown that the most critical element for successful power sector privatization is the regulatory framework. USAID strategically focused regulatory assistance through the Pierce Atwood Group was threefold: 1) intense bi-lateral technical assistance, 2) a SEWRC-New Jersey Public Utilities Board Regulatory Partnership and participation in the Energy Regulators Regional Association (ERRA), and 3) a regional network of 22 Energy Regulators from the Europe and Eurasia region. This three-pronged approach allowed SEWRC access to experienced consultants, proven U.S. regulatory practices, and the experiences of their regional neighbors. It gave them the capacity and confidence to carry out their difficult task and allowed them to play a leadership role in the regional cooperation that emerged during this period. SEWRC regulators were chosen by their colleagues in the region to lead ERRA and its technical committee on tariffs and pricing. Regulatory assistance focused on critical issues including tariffs necessary to attract serious strategic international investors. It also included the establishment and implementation of regulatory reporting including a Uniform System of Accounts to increase the transparency and ability of the regulator to monitor events.

During this period Bulgarian regulators began to expand their role in the region. After several years of active engagement in ERRA, the positions of both the President and Head of the Tariff/Pricing Committee were held by Bulgarian Commissioners in 2005–2006. Similarly, Bulgarians played an active role in the regulatory activity leading up to the signing of the Energy Community Treaty for the Southeast Europe regional energy market.



Milko Kovachev

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

“I believe the support of USAID was crucial for the energy reforms in Bulgaria. We received fast, focused and competent assistance in the areas of 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. All this support came at a very important moment when we had to design and implement major reforms to modernize our energy sector. Together with the European Commission and the IFIs 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 all of the South East European region. Of course as one Bulgarian proverb says, USAID was able to “help those who are willing to help themselves.”

The primary result of the assistance was the establishment of the modern energy law and regulatory framework including the

establishment of the autonomous SEWRC. An independent energy regulator, such as SEWRC, has been important to privatization of the energy sector in many countries. While many factors contributed to the success of this stage of reform, the primary one was the leadership and commitment of the reform-oriented Minister of Energy. His open and participatory approach to developing a national understanding and acceptance of the difficult reforms, tariffs in particular, was key. In addition, the timeliness, effectiveness and focus of the USAID technical assistance was critical to the development of the regulatory framework necessary to attract serious private investors to purchase the distribution and generation companies. As the lead donor in the region on energy legal and regulatory development, USAID was able to respond quickly and effectively to the needs.

The impact of power sector reforms will be felt over many years as new owners bring modern management, technology and major investments for restoration of the decade long deterioration of the system. Reliable cost-effective electricity will contribute to Bulgaria's economic competitiveness and position in the region.

Ivanka Dilovska

Deputy Minister of Economy and Energy (1996–1997 and 2005–2006)

“The transition from a highly centralized, state energy sector of low administratively set energy prices to a market environment with an independent regulatory institution and a strong presence of the private sector, required a mobilization of efforts and well-ordered actions over time. USAID assistance, provided by its highly qualified experts, supported the establishment of effective pricing mechanisms and tariff structures; contributed to clarifying and introducing market changes and setting up an independent regulatory institution in the energy sector. Finally, support for the energy regulator contributed to creating a predictable and clear regulatory environment which turned out to be the most important pre-condition for the subsequent privatization of the energy companies.”

(2) Lessons Learned from Power Sector Assistance

USAID had a comparative advantage in leading energy sector reform from its experience in 15 other countries in the region, and this experience enabled the assistance in Bulgaria to be well-focused using experienced consultants. The energy reform support process was sustained over many years and this helped ensure the eventual results. Donor coordination was critical for the process, and both the IMF and IBRD built many of the USAID reform objectives into their loan conditionality matrixes. Finally, the strong leadership of a “reform champion,” in this case the Minister of Energy from 2001 to 2005, was a critical factor for achieving the reform results during this period.

(3) Energy Efficiency

Municipalities recognized the benefits of energy efficiency investments during the initial work from 1997–2003. The need became clear for more energy efficiency financing, but municipal budgets were constrained. To address this need, USAID established a Development Credit Authority (DCA) program that provided a partial loan guarantee to a local bank. This was the first commercial energy efficiency funding mechanism that addressed municipal borrowers. This pilot effort,

carried out through United Bulgarian Bank with USAID technical assistance in loan preparation and evaluation, led to the successful completion of 33 loans for municipal energy efficiency projects with no defaults (see next section on Credit Guarantees). Loans made for energy efficiency were effective in reducing pollution and energy use from a number of municipal and private sector facilities. Energy efficiency activities also generated significant cost savings for borrowers.

This experience provided the framework for \$100 million in World Bank and European Bank for Reconstruction and Development (EBRD) energy efficiency lending through local banks. The World Bank and government established the public-private revolving Bulgaria Energy Efficiency Fund (BEEF) and passed a new Energy Efficiency Law in 2004. The legal framework added incentives to back the energy efficiency culture as well as both the municipal and regional networks as part of the “bottom up” approach in energy planning.

In summary, the USAID energy efficiency work created legacy institutions since the beginning: an Association of Energy Engineers (AEE) and EnEffect (see pages 45 and 103) as well as municipal lending and the creation of energy efficiency engineering firms. Energy efficiency measures were a key element in the overall reform process by offsetting the energy price rise and keeping energy at affordable levels.

d. IMPROVING ACCESS TO FINANCIAL RESOURCES

(1) Financial Sector Integrity

USAID support to the banking and non-banking financial sectors was critical to establishing sound and well-regulated private banking, capital market and pension systems. The Financial Sector Integrity Project (FSIP) implemented through the Emerging Markets Group built on this work. It provided \$2.7 million to address remaining issues to improve oversight of the banking and non-banking sectors. It also improved capabilities to detect and report money laundering activities, and improved the transparency of the financial system through public education and outreach. An additional activity was added to the project in late 2006 to help improve actuarial skills of pension regulators. A major thrust of the project was to improve information sharing among and within the major regulatory agencies for the Central Bank, the Bulgarian Deposit Insurance Fund, and the Financial Supervision Commission, which oversees capital markets, pensions and insurance. The project took an integrated approach to regulation and built the financial integrity of the whole system.

The results of the FSIP are promising. Although no formal evaluation had been undertaken, discussions with beneficiaries indicated that risk-based supervision had improved, thanks to the enhanced structure, additional training and better communications engendered under the project. Money laundering procedures were also strengthened and were more analytical than previously. There was still work needed to formalize and to institutionalize these processes, however, and the final stage of the project will stress these elements. For the future, a steering group of all the regulators would help ensure better coordination, and a formal information sharing is still needed. All of these FSIP initiatives should help to ensure that Bulgaria’s financial systems meet the needs of a modern economy.



Former USAID Administrator Natsios signing the 2001 DCA with First Investment Bank Directors Maya Georgieva and Mathew Mateev (left to right)

Maya Georgieva

Executive Director First Investment Bank

(2) Credit Guarantees

Micro-credit programs and loans from BACB reached many small entrepreneurs, but most banks still considered small loans too risky and costly to support. Moreover, the very high collateral requirements of Bulgarian banks further constrained SMEs' ability to obtain bank loans. By the end of 2005, bank credit to the private sector in Bulgaria was only about 45% of GDP, compared with more than 100% for the Euro area.

"The DCA Guarantee program was very helpful for First Investment Bank in our activities to finance and meet the requirements of the growing small and medium-sized enterprises. The DCA program helped the bank to finance private enterprises in competitive, but still high risk sectors such as agriculture, light industry, IT companies and tourism. The program also allowed us to finance a number of green field projects which due to the BNB's requirements in 2001 for 120% collateral would have been impossible to finance. Examples include loans for hotels in resort areas and for constructing houses outside of Sofia. The program also helped in the financing of some agricultural projects."

USAID helped address this issue by providing loan guarantees and related technical assistance to local banks under the Development Credit Authority (DCA) mechanism. This program provided guarantees to five participating banks to cover up to 50% of lenders' losses for loans in energy efficiency, agriculture, SMEs in competitive sectors, and municipal credit. USAID provided guarantee coverage for \$75 million that only required a USAID obligation of \$2.7 million. The guarantees enabled banks to make loans to smaller, riskier ventures such as in agriculture and for start-up activities that they would not have otherwise financed. The guarantees also reduced the amount of collateral that the banks had to demand for loans. By the end of 2006, 540 loans were made for almost \$100 million, mostly to SMEs and to the agriculture sector. Loans helped a large number of SMEs to expand and to modernize. Claims under the DCA program have been less than \$100,000. For a relatively modest sum, USAID effectively leveraged resources into its priority areas, helped to build competitiveness, and fuel economic growth. One of the DCA success stories, Ramcopharm is discussed below.



Ramcopharm rapid capsule filling machine

Success Story

RAMCOPHARM

Ramcopharm started its business of producing dietary supplements in 1994 and has had steady growth over the past several years. The supplements are produced in powder form from various suppliers and are transformed into capsules and packets for retail sale. In 2005 Ramcopharm needed to purchase new equipment and obtain working capital to expand production and improve product quality, but it could not cover the high collateral requirements for a standard commercial loan. Thanks to the DCA with one of the USAID cooperating banks, First Investment Bank, the need for collateral was reduced and a loan for approximately \$225,000 was made to Ramcopharm. As a result, the company was able to meet its increased production targets, improve product quality to meet international standards and to certify its technicians. Employment at the company also increased to 25 workers from less than 20. In addition, Ramcopharm's good loan performance allowed the bank to provide another loan to the company at reduced interest rates. These results illustrate the useful role of the DCA in helping small and sound firms to obtain loans that they could not otherwise obtain. In the words of Ramcopharm's Trade Director, Ilylo Ivanov, the program allowed the company, "to become one of the market leaders in the production of food supplements in Bulgaria."

(3) Lessons learned from the Development Credit Authority Program

This program demonstrated that DCAs can be a useful catalyst for encouraging banks to lend to riskier borrowers. However, a 2006 review⁷² of the DCA for one bank, the United Bulgarian Bank, showed the importance of including technical assistance to the banks as part of the assistance package, indicating that it was largely responsible for the utilization of the proceeds for energy efficiency projects. The review also noted that once a bank has adequate experience with lending to riskier sectors (e.g., municipal finance) it no longer needs the coverage that the guarantees provide. Thus, it seems clear that the way a guarantee is packaged as well as the timing of the guarantee are important factors for success.

(4) Providing Credit for Disadvantaged Minorities

Bulgaria's most disadvantaged minority are the Roma. Unemployment among this group is far higher than the general population: two-thirds of employment age Roma are unemployed and have been jobless for more than five years on average.⁷³ Roma have been the most difficult segment of the population to qualify and reach with credit. This is so despite the support for micro-credit over the years from USAID and the Open Society Fund's Microfond, as well as a small business program from Procredit Bank. To address this issue, in 2006 USAID provided additional support totaling \$450,000 to a consortium of micro-credit lenders (CRS, Microfond, Ustoi) to help meet the needs of the Roma population in seven communities. This activity sustained a microfinance network in marginalized Roma communities and helped to alleviate poverty, improve economic development and increase ethnic tolerance for Roma minorities in Bulgaria. This was one of the last USAID economic growth initiatives. It is a fitting capstone on a successful effort to help small entrepreneurs who have little access to other sources of credit.

e. AGRICULTURE PROGRAMS

As support for FLAG was phased out, USAID no longer had any programs linked to agriculture. However, between 2002 and 2007 USAID transferred \$4 million to USDA for agricultural programs. These included technical assistance and training for food safety and improved animal genetics, technical support (through Iowa State University) for farmers to obtain agricultural loans, Borlaug fellowships in agriculture, and three agricultural trade and investment missions to Bulgaria. In addition, in 2004 and 2005 seven professors from various Bulgarian universities participated in faculty exchange programs in the United States under these programs. Results include the following:

- Hundreds of food plant managers, inspectors and veterinarians were trained in modern food safety techniques and improved food safety practices, thus improving Bulgaria's food export potential.
- Bulgarian dairy and beef farmers improved the quality of their herds under the animal genetics program.

72 Sandra Goshgarian, "Development Credit Authority Biennial Review, United Bulgarian Bank (UBB), Bulgaria," (Washington, D.C.: USAID/EGAT, 5 October 2006).

73 Agency for Social Analysis, "Analysis of the Socio-Economic Situation of the Roma Community in Bulgaria," (Sofia, Bulgaria: 2004).

- USDA training helped facilitate more than \$4.5 million in loans for agriculture.
- Three agribusiness trade missions to Bulgaria resulted in \$10 million of trade and investment between the United States and Bulgaria.

The emphasis on agriculture programs during these years helped to improve the potential for trade. Hundreds of thousands of U.S. animal genetics sales were made under the genetics program and Bulgaria improved its regulatory practices in food safety and enhanced its export potential. A new United States–Bulgaria training center was established at the Trakia University to facilitate agricultural training. Moreover, the three trade missions succeeded in stimulating trade and investment between the United States and Bulgaria.

Much more needs to be done for agriculture. The World Bank⁷⁴ noted that the overall situation for agriculture was still very weak as of 2006. Internal issues within the Ministry of Agriculture, fragmented land ownership, and lack of investment in farming activity and rural infrastructure continued to impede modernization and better productivity.

f. U.S. TREASURY PROGRAMS

The U.S. Treasury provided assistance in government tax reform and administration from 1998 to 2006. USAID transferred almost \$8 million to Treasury during these years to finance resident and short-term Treasury advisors. The advisors helped the government establish a unified National Revenue Agency, including development of a professional workforce in the Agency. U.S. Treasury advisors were active in supporting improvements to the government's tax administration, debt management, and enforcement of tax legislation and other financial crimes. Advisors contributed to the development of financial crimes legislation particularly in the areas of money laundering, asset forfeiture and terrorist financing, and also improved investigative and analysis techniques for the Bulgarian Bureau for Financial Intelligence. Treasury support was also instrumental in the creation of a task force for criminal tax enforcement and the improvement of the legislative regime for tax secrecy. Although not formally evaluated, the Treasury program clearly made an important contribution, particularly in improving Bulgaria's tax system.

g. SUMMARY ASSESSMENT OF THE FREE MARKET AND PRIVATE SECTOR GROWTH PROGRAM DURING THE CONSOLIDATION AND EU ACCESSION PERIOD

Limited USAID resources for economic growth after 2002 — about 34% of the overall development budget compared to 45% in the Rapid Reform Years — were targeted on some key remaining constraints to sustained growth.

Despite reduced resource levels, economic programs provided valuable support to the major USAID objective of ensuring a successful market economy integrated with international markets. Importantly, virtually all remaining economic programs were being institutionalized in sustainable ways to ensure continued impact.

⁷⁴ International Bank for Reconstruction and Development and International Finance Corporation, "Country Partnership Strategy for the Republic of Bulgaria for the Period FY07-FY09," (Washington, D.C.: 16 May 2006).

2. SUPPORT FOR DEMOCRACY AND GOVERNANCE IN THE CONSOLIDATION AND EU ACCESSION PERIOD

Major economic indicators verified that by the end of 2006 Bulgaria had come a long way on its transition path. Private sector share of GDP rose to 75% and annual GDP growth increased to 6%. Incomes remained low by EU standards (34.2% of the EU average), by 2006. However, one of the toughest problem areas for Bulgaria, unemployment, showed consistent improvement between 2002 and 2006, when it reached 9.6%. These outcomes and the general progress of the transition during the Consolidation period are discussed in more detail at the end of this Assessment (page 185).

USAID developed a “Graduation Strategy” covering 2003–2007 which included two democracy strategic objectives: enhanced rule of law, and local governance more effective and accountable. The Graduation Strategy was based at least partly on a 2001 Democracy and Governance assessment done in Bulgaria,⁷⁵ which concluded that the challenges to the consolidation of democracy in Bulgaria lie in three main areas: rule of law, governance and inclusion. In addition to a significant judicial reform effort, the assessment recommended a governance strategy including three main programs aimed at political parties, the fight against corruption, and decentralization/local government. It also recommended two smaller, short-term efforts focused on parliament and media.

During this period decentralization began to be embraced by the government and for the first time, the central government and local governments worked together to develop and implement a strategy for decentralization. Important new legislation or amendments to existing legislation was developed and passed, thus starting the true decentralization process in Bulgaria. With the prospect of joining the EU looming, judicial reform emerged as a priority for Bulgaria with the government adopting the National Judicial Reform Strategy and Action Plan in 2002. USAID continued to provide significant support to both the decentralization and judicial strengthening efforts in Bulgaria until close-out. Large civil society programs wound down while USAID initiated targeted efforts to address NGO sustainability and ethnic integration issues. During this period USAID supported political process activities around elections, and focused media activities in support of non-media USAID objectives.

a. LOCAL GOVERNMENT

(I) Local Government Initiative III

LGI III began in early 2001, just as Bulgaria finally began to make progress on the legal framework for decentralization. Later that year, a USAID-sponsored Local Government Forum brought together, for the first time, the full range of stakeholders including central government ministries, the Council of Ministers, the parliament, national and regional local government associations, local government professional associations, regional governors and more than ten international donor agencies and programs. Consensus was built amongst the stakeholders on strategic directions for fiscal decentralization at that Forum. In 2002, the Council of Ministers established the Fiscal Decentralization Working Group (FDWG) to propose to the Council of Ministers a fiscal decentralization concept for the next three years and a one year legislative agenda. Later that year, the Council of Ministers approved

⁷⁵ Management Systems International, “Bulgaria Democracy and Governance Assessment,” (Washington, D.C.: June 2001).

the Fiscal Decentralization Program proposed by the FDWG and developed with USAID technical support. The State Budget Act for 2003 incorporated the Fiscal Decentralization Program as official policy, introducing sound principles for fiscal decentralization and establishing state financial responsibility for unfunded mandates.

The Fiscal Decentralization Program set out five legislative reforms to further decentralization including amendments to the Municipal Budgets Act, the Local Taxes and Fees Act, Corporate Income Tax Act, Personal Income Tax Act and Municipal Property Act. All were amended favorably for local governments over the next two years, with USAID direct technical advice and by USAID support to the National Association of Municipalities to engage with the central government on and advocate for, these important pieces of legislation. In 2005, the parliament passed the Municipal Debt Act which set the framework for borrowing. The last piece of legislation necessary to complete the basic legal framework for decentralization was related to granting local governments tax rate setting authority. This required a constitutional amendment, which was passed in February 2007. After a late 2006 USAID study tour in the United States, members of parliament worked across party lines to shepherd the constitutional amendment through parliament. The basic legal framework for fiscal decentralization is now in place.



Venelin Uzunov

Mayor of Razgrad (1991–2004),
Chair of NAMRB (2001–2004),
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 were because USAID raised the agenda with the government. It was 80% due to USAID, 20% due to bottom up pressure from local governments.”

In 2006, the government formed another working group, this time to devise a decentralization strategy for 2006–2015, and to draft an implementing program for 2006–2009. In June 2006, the government approved both the strategy and the implementation program, developed with USAID technical assistance, thus setting the decentralization agenda for next several years beyond the USAID presence in Bulgaria. USAID supported the establishment of the Council for Decentralization, the official body responsible for implementing the fiscal decentralization program. With both local and central government participation, the Council will serve as the venue for dialogue between the two on decentralization.

While providing policy level support, USAID also addressed capacity building issues with municipalities and other Bulgarian institutions. For example, LGI III focused considerable efforts on infrastructure finance and citizen participation/improving accountability of local government. Assistance related to infrastructure planning and financing has been invaluable to local governments, particularly as Structural Funds become available to Bulgaria as a new member of the European Union. While early activities in this area appear to have been a bit diffused, LGI III intensified efforts to prepare local governments to access municipal credit and to develop infrastructure projects and proposals in the last several years. In addition to technical assistance to municipalities, LGI III also designed and disseminated model templates for various documents necessary for debt financing. In the area of citizen participation and

promoting local government accountability, USAID supported reform-oriented municipalities to open their processes to citizen participation, although the results of this effort are not entirely evident. In later years, USAID worked with municipal councils to improve their functioning and accountability to citizens. In addition, LGI III was involved in many other areas of assistance, many of which yielded positive results. However, one criticism to this approach is that the project might have had greater impact if it had focused on fewer high priority areas that were directly related to achieving fiscal decentralization. For example, under this contract, USAID provided technical assistance to the Parliamentary Information Center. Admittedly, this was a small activity implemented only for a few months in the beginning of LGI III; nonetheless, there are opportunity costs associated with doing any activity. Although there were only a few activities that failed altogether, two worth noting are: an early effort to promote improved coursework and materials on municipal finance in the universities; and a Municipal Financial Analysis Model that was dropped before roll out to municipalities when legislative changes made the software obsolete and not worth modifying.

(2) Municipal Associations and Think Tanks, including ICMA Citlinks Program

During this time, the relationship between USAID and FLGR and NAMRB began to evolve from direct capacity-building of the organizations to partnerships in implementing technical assistance to local governments and to providing support to enable the organizations to more effectively advance fiscal decentralization policies in Bulgaria. USAID began to channel grants for some of the regional associations of municipalities and of local government professionals through FLGR, which also provided technical assistance to enhance the sustainability of these NGOs. USAID supported FLGR's leadership in promoting dialogue and building public consensus on local government issues; training and technical consulting services for local governments, particularly in the area of improving customer services through the establishment of municipal service centers or "one-stop shops" increasing transparency, and citizen participation in local government; promoting innovative practices in local government administration; and information dissemination on a range of topics of interest to local governments. Later, a \$160,000 Municipal Revolving Fund was added for FLGR to provide small one-year loans to finance the development of project proposals for EU pre-accession funds, to establish or upgrade one-stop shops, or to finance local economic development activities with municipalities participating in the ICMA Citylinks program. USAID also institutionalized the local economic development (LED) component of Citylinks through capacity building of FLGR staff to continue LED training and technical assistance for municipalities, and through support for a Consortium for Local Economic Development.

USAID also supported NAMRB's fiscal decentralization advocacy work; training programs and information dissemination to improve local government capacity; and institutional strengthening of NAMRB itself. In addition to advocating on the substance of laws, NAMRB has played an important role in developing model municipal council ordinances

as responsibilities are allocated to local governments as a result of these new laws, thus facilitating the smooth and successful implementation of the laws. Both FLGR and NAMRB are likely to be sustainable without USAID funding. FLGR has diversified its funding base, although probably not enough to maintain its current level of programming and staffing. Being a membership-based organization, NAMRB has the advantage of a more secure base of funding, although it must continue to offer its members a level of service worth paying for, and collective action through the Association must prove fruitful. NAMRB has also piloted managing bulk procurements on behalf of municipalities, another service that could provide future revenues and resources for the association.

Success Story

STARA ZAGORA: A CATALYST FOR DEVELOPMENT

Working closely with USAID programs for several years 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. Nongovernmental organizations quickly adapted concepts new to Bulgaria, such as social enterprises and local business philanthropy, and are using these innovations to address local problems. Not only was Stara Zagora first to adopt many innovative practices, but it aided in the process of replicating them in other cities. Over the years a number of municipal practitioners from Stara Zagora participated in sharing and demonstrating effective practices at a regional and national level, thus helping to spread the impacts of the city’s own successes. The Trakia Regional Association of Municipalities, the National Municipal Association, and the Foundation for Local Government Reform were all useful organizations for helping Stara Zagora and other creative Bulgarian cities to promulgate their best practices elsewhere.

Stara Zagora is a city of firsts. Learning from a mid 1990s USAID program that helped Stara Zagora “twin” with Durham, N.C., 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. After Stara Zagora proved that it could be done in Bulgaria, more than 100 municipalities established such centers throughout the country. Benefiting 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 and kindergartens.

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 and fruitfully pursued partnerships with businesses and potential investors and has demonstrated the importance of economic development in solving many community problems. However, the REDA has proven to be an important institution in other ways as well. It has been instrumental in helping to develop and support many of the pilot activities in the city, and it has used its network to help to replicate successes elsewhere in Bulgaria and the region.



The Municipal Information Center

Stara Zagora has one of Bulgaria’s oldest and most successful community funds, and established the first shop for goods produced by social enterprises. The first mediation center in Bulgaria arose in Stara Zagora in 2005, with help from the USAID Commercial Law Reform Program, to offer out-of-court resolution of commercial disputes.

What explains this pioneering tendency?

“Stara Zagora has been fortunate to have had three consecutive mayors who are progressive, reformist risk-takers. They were and are willing to try new things and new approaches, and to pull back on approaches that did not achieve the intended impact. These have been perfect USAID partners in that respect — they have not only appreciated our assistance, but they have used it well to improve Stara Zagora,” says Jim Budds, an early USAID local government adviser in Stara Zagora.

Current Mayor Evgeni Zhelev notes that the partnership 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. He cites the benefits of the city’s “technical twinning” with Durham, North Carolina under the USAID-supported program. The first post-communist Mayor of Stara Zagora, Anton Andronov, cites as critical early USAID work to promote municipal privatization.

“The partnership of all parties involved in an issue is most important,” says Petya Atsinova of REDA. “Over time, what we worked on with the municipality has been valued, and now we work on a more sophisticated level—our partnerships have matured.” Today, she and her colleagues share their expertise with counterparts in other Eastern European and former Soviet countries, such as Albania and Kazakhstan, who are coping with similar post-transition issues.

Matt Brown was a Peace Corps Volunteer in Stara Zagora from 1991–1993 and continues 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.”

b. LEGAL AND JUDICIAL REFORM

During this period, the Judicial Development Project implemented by the East-West Management Institute closed, and a new follow-on contract with EWMI began. ABA CEELI’s broad legal reform efforts were significantly narrowed and focused to work on strengthening the legal profession. The U.S. Department of Justice placed a Resident Legal Advisor in Bulgaria in 2001 to strengthen criminal justice institutions. USAID also began to support the International Organization for Migration’s anti-trafficking efforts in Bulgaria.

(1) Judicial Strengthening Initiative (JSI)

In September 2004, USAID contracted with East-West Management Institute to implement the follow-on project, the Judicial Strengthening Initiative (JSI). JSI is a three-year, \$9.5 million⁷⁶ program to complete the USAID judicial reform effort in Bulgaria. The program, which is to close in September 2007, included three main tasks: improve court administration; improve capacity of magistrates and court staff, and draft and implement key laws and regulations to support effective rule of law.

Under the follow-on Judicial Strengthening Initiative (JSI), USAID continued to improve court administration through its Model Courts and Courts in Partnership programs, strengthening the Supreme Judicial Council (SJC), addressing court automation, and working on criminal law issues. Approximately 20 courts achieved “Model Court” status under this phase of USAID judicial work. In order to become a “Model Court,” a court had to reach 75% success on Court Improvement Plan standards, developed by USAID. The Court Improvement Plan standards capture reform and modernization efforts in judicial management, court administration, information technology, training and public outreach. In 2006, the Supreme Judicial Council approved the Court Improvement Plans and Guidelines for national distribution. USAID developed Court

⁷⁶ Although the contract is for almost \$11 million, due to unexpected funding shortfalls, USAID eliminated the “Fund for Justice” component and will only obligate a total of \$9.5 million to the contract.

Improvement Standards for the next stage of court reform, which will be used by the SJC to help courts achieve a higher level of performance. Using Model Court and Court in Partnership judges and staff, along with JSI project staff, USAID trained staff from courts which have not previously participated in this effort, in order to improve administration in those courts. The SJC adopted four new Model Courts which in 2007 are being assisted by two SJC staff and two JSI staff.

In terms of strengthening the Supreme Judicial Council, USAID worked on internal regulations, human resource development, budgeting and media relations. In 2006, with USAID support, the SJC published its first-ever Annual Report of workload and activities of the courts, prosecutors and investigative offices. With both USAID and EU PHARE input, the SJC approved regulations for attestation of judges, prosecutors and investigators in 2006. The EU PHARE Technical Twinning Advisor to the SJC reports that good cooperation with USAID has resulted in each project reinforcing the other's thus ensuring a unified donor perspective on judicial independence.

USAID improved the capacity of magistrates and court staff by strengthening the National Institute of Justice (NIJ), and working on curriculum development. By 2007, the NIJ boasted over five hundred trained faculty and the capacity to train more faculty. It had a systematic approach to program development, based on sound international practices. With USAID support, the NIJ instituted an evaluation process to enable it to better plan and budget. The NIJ trains not only judges, prosecutors and investigators, but also court clerks as an essential part of the judicial system team. In 2006 alone, the NIJ delivered 693 person days of training to 3,271 training participants. In 2006, the Bulgarian Government provided almost 85% of the funds to run the NIJ. USAID coordinated its support of the NIJ with Spanish and Austrian PHARE projects, which are also assisting in the NIJ's development. For example, Spanish PHARE provided experts to help design and evaluate judge mentoring programs, and in consultation with USAID, designed a judge mentor training program. USAID coordinated with the British Council's Court Administration Training Project to enable that project to build on previous USAID efforts in this area.

TABLE 7. GOVERNMENT AND DONOR FUNDING FOR JUDICIAL TRAINING

Year	Bulgarian Government Funding	Donor Funding	Total Funding
1999	\$1,500	\$133,599	\$135,099
2000	\$5,160	\$644,473	\$649,633
2001	\$5,160	\$526,532	\$531,692
2002	\$5,160	\$426,910	\$432,070
2003		\$129,487	\$129,487
2004	\$1,169,000	\$290,416	\$1,459,416
2005	\$2,002,700	\$174,590	\$2,177,290
2006	\$2,961,385	\$80,521	\$3,041,906
2007	\$1,188,000	\$234,909	\$1,422,909
Total	\$7,338,065	\$2,641,437	\$9,979,502

In support of key laws and regulations for an effective rule of law, USAID implemented three activities: a grants program, drafting laws and regulations, and increasing public awareness and support for the judiciary. USAID continued to support the institutional development of the Bulgarian Judges' Association (BJA) with a targeted grant under the JSI. The BJA continues to play an active advocacy role in judicial and legal reform. In addition, its membership services and outreach are improving, with USAID website training. Public outreach improved through a small grants program funding media projects, NGO-provided training, mock trials for students, court monitoring and legislative drafting initiatives. Building on an earlier Soros Foundation effort, USAID strengthened the role of court chairpersons and press attachés to improve the transparency of and citizen access to courts.

Although USAID did not formally evaluate either the JDP or the JSI programs, from both EWMI reporting as well as interviews with various stakeholders who have benefited from the programs, it can be concluded that USAID has had a modest, but important impact on the judiciary in Bulgaria. USAID stepped up its efforts in judicial reform at precisely the right moment, when the Bulgarian Government exhibited political will, and when pressure from the European Union and others appeared to be raising the profile of this sector. The crowning achievement was the establishment of the NIJ, which will play an important role in improving the capacity of judges and court staff into the future. With its early support of the Magistrates Training Center, and later support to the NIJ, USAID, along with implementing partners such as ABA CEELI and East-West Management Institute, can take considerable credit for the development of this important institution. The Model Courts and Courts in Partnership Programs are improving the transparency, effectiveness and efficiency of individual courts, though the impact on the overall system remains to be seen. The SJC-sanctioned distribution of the Court Improvement Plan standards to all the courts, combined with USAID training and the SJC's own implementation of Model Courts, may very well result in broader impact on the court system. The institution of the Model Court system whereby courts had to achieve 75% success on their Court Improvement Plan appears to have spurred competition amongst the courts to make improvements. Perhaps instituting this approach earlier in the implementation of the Model Courts program may have resulted in more courts achieving this status. Probably the only aspect of the program that had serious problems is the Case Management System software, although it too had some successes. As a 2004 Rule of Law Impact Assessment in Bulgaria⁷⁷ notes, assistance to and reforms in the judiciary take time: "USAID programs supporting professional training and improved court and case load administration are well-regarded by working level judges, but the impact of these relatively recent programs on rule of law will not be known for several years."

Mimi Furnadjieva

currently Supreme Cassation Court Judge, formerly Presiding Judge in the Blagoevgrad District Court

"My experience working with USAID on the Model Court Program was more than excellent. We received support, understanding, resources, etc. to implement changes in the court. The relationship was very fruitful."

⁷⁷ Richard N. Blue, Brian LeDuc and Lynn Carter, "Rule of Law Assistance Impact Assessment: Bulgaria," (Washington, D.C.: Management Systems International, 2004).

(2) American Bar Association Central Europe and Eurasian Law Initiative (ABA CEELI)

Over the life of ABA CEELI's 15 year program in Bulgaria, it received more than \$7 million from USAID, as well as additional funds from other USG and non-USG donors. Key impacts of CEELI's efforts were felt mainly in legal profession reform, alternative dispute resolution (ADR) and legal education reform, although it did work in a broad range of other areas. Beginning in 2003, USAID funded ABA CEELI's Attorneys Professional Development Initiative. Under this program, CEELI supported the Supreme Bar Council in developing legislation governing attorneys that tightened admission requirements for the bar, required that a new code of ethics be passed, required mandatory malpractice insurance, and established the Attorneys Training Center. CEELI collaborated with the Supreme Bar Council to organize a bar exam, essential for ensuring the basic competency level of any candidate being admitted to the practice of law. The Supreme Bar Council now administers the bar exam twice a year without outside support. CEELI also worked with the Supreme Bar Council to draft a new code of professional conduct passed in June 2005. With CEELI's technical assistance, the Supreme Bar Council approved the Ordinance on the Attorneys Training and Qualification in December 2005, which provides for the structure, organization and funding of the Attorneys Training Center, as well as a minimum number of mandatory continuing legal education hours for all attorneys.

CEELI promoted mediation in Bulgaria for more than seven years. CEELI provided extensive technical assistance that, combined with support from other USAID projects, resulted in the adoption of a Law on Mediation in December 2004 and in three implementing documents: Standards for Education of Mediators; Procedural and Ethical Rules for Mediators; and a regulation governing the Unified Register for Mediators. CEELI trained more than 100 mediators, helped to establish a National Association of Mediators to set policy for mediation development and to implement the legislative framework for mediation. CEELI assistance culminated in the development of mediation centers, with corresponding court-referred mediation programs, in five cities covering nine courts. As of the end of the ABA CEELI project in Bulgaria, these mediation centers held more than 130 mediations.

CEELI's legal education work focused on increasing clinical legal education opportunities at Bulgarian law faculties resulting in better access to legal services for disadvantaged populations. CEELI worked with the Legal Clinic Foundation which operates two legal clinics, one in Ruse and one in Sofia, to establish a clinical teaching model for the country. Subsequently, CEELI provided financial and technical assistance to Bourgas Law School, Veliko Tarnovo University and the Varna Free University, which adopted the clinical teaching model and opened their own clinics. As a result of CEELI's clinical program assistance, more than 125 students received practical skills training and more than 1,300 indigent and vulnerable clients received legal assistance. With Open Society Institute funding and partnership, CEELI published a textbook on clinical legal education, and drafted



Vladislav Slavov

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

academic standards for the organization and activities of legal clinics within Bulgarian law faculties, which was adopted by all Bulgarian legal clinics. In 2005, the Council of Ministers formally incorporated clinical legal training into the system of Bulgarian legal education by amending the Legal Education Ordinance to acknowledge it as an essential component of legal education.

“As one of the co-founders of the Legal Initiative for Education and Development (PIOR), I had the chance to know USAID’s work in Bulgaria since the very beginning. Alongside PIOR there were many legal NGOs created: the Bulgarian Judges’ Association, the Prosecutors’ Association, the Chamber of Investigators, etc. All these entities depended on the USAID programs to build their institutional capacity. . . 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.”

(3) Bulgarian Institute for Legal Initiatives (BILI)

At the close of the ABA CEELI program in 2006, the local staff of ABA CEELI established an NGO to continue to promote the rule of law and improve the legal framework, institutions, and organizations; foster dialogue among civil society, business, the executive, judicial and legislative branches; assist in harmonizing Bulgarian legislation with European and international legal standards; support the maintenance and improvement of the qualification of lawyers, judges, prosecutors, mediators, and other professionals; and promote legal reform, including popularizing mediation and other alternative dispute resolution methods. Through ABA CEELI, USAID provided BILI a \$70,000 grant to support BILI’s efforts from September 2006 until June 2007.

(4) U.S. Department of Justice/Office of Overseas Prosecutorial Development, Assistance and Training (DOJ/OPDAT)

The U.S. Department of Justice placed its first Resident Legal Advisor (RLA) in Bulgaria in 2001 to provide assistance in strengthening Bulgaria’s criminal justice institutions. With over \$5 million since 2002, DOJ has supported justice sector personnel to investigate and prosecute complex and transnational crime more effectively. The program has focused on reform of criminal justice legislation and capacity building for justice sector personnel. Accomplishments of the program include: criminalization of human trafficking in the Penal Code; passage of the National Combating Trafficking in Human Beings Act; an institutionalized system of probation; passage of the Witness Protection law; amendments to the Law on Measures Against Money Laundering; passage of the Civil Asset Forfeiture Law; and amendments to the Penal Code. Most significant is the human trafficking law, which is touted as the best human trafficking legislation in the region. DOJ has run over 25 capacity-building workshops and trainings in a broad range of areas, and credits these with resulting in increases in the number of trafficking cases successfully investigated and prosecuted; improvement in Border Police identifying and assisting victims of trafficking; and several money laundering indictments and a few convictions.

In spite of these impressive results, overall prosecutorial reform was minimal and did not start in earnest until the appointment of a new

Prosecutor General in 2006. Many people point to the lack of reform of the prosecutorial function as a reason that more impact has not resulted from the reforms and strengthening of the courts and the judiciary over the past several years. At the same time, most people admit that reform of the prosecutorial function was not possible under the previous Prosecutor General. Perhaps the most effective approach during this time was that of the Bulgarian Helsinki Committee which took several cases to the European Human Rights Court resulting in judgments against the State due to illegal actions taken by the Prosecutor.

As part of judicial reform in Bulgaria, the investigative function was moved from the judiciary to the police. Unfortunately, at this point the police are not yet effective in performing their expanded investigative duties. This is compounded by the fact that existing capacity was lost when judicial investigators left for jobs as prosecutors, judges and other positions when the investigative function was moved to the police.

(5) International Organization for Migration (IOM) Anti-Trafficking Initiative

In 2003, USAID, began supporting a \$146,000 program with the International Organization for Migration (IOM) to build the capacity of Bulgaria's National and Local Anti-Trafficking Commissions. Perhaps because pressure to address trafficking is coming from external forces, the government has done little to implement the legislation. The Commissions have been slow to form, and until 2006, IOM's USAID program did very little. After a comprehensive assessment of trafficking needs in 2006,⁷⁸ USAID modified the program to add another \$370,000 to refurbish a shelter for children, pregnant women and women with children who have been trafficking victims, and to support small grants to indigenous organizations for community-based work addressing root causes of trafficking in persons. It also broadened the work with Commissions to allow IOM to work on other aspects of capacity building in implementing the anti-trafficking legislation. Despite these modifications to the grant, the activity was further delayed due to government inaction.

(6) Lessons Learned from Implementing Legal and Judicial Reform Programs

The judiciary is designed to be the most conservative government institution; thus change is necessarily slow. There are few incentives for judicial reform in a country. In Bulgaria's case, pressure from the European Union provided impetus for reform. At the same time, the rush to pass EU-compliant legislation has resulted in poor quality laws that have impeded progress on rule of law more broadly. Reportedly, EU pressure in this regard has been to pass good quality legislation that takes time to develop, not necessarily to push through poorly crafted laws.

While the conservatism of the judiciary is a contributing factor to the slow pace of reform in this area, perhaps if USAID pursued legal

⁷⁸ Susan Kosinski Fritz and Svetozara Petkova, "Trafficking in Persons: Assessment and Recommendations," (Sofia, Bulgaria: USAID, March 2006).

education reform in its program, this could have sped up the process. A USAID worldwide study on promoting judicial independence and impartiality⁷⁹ found that “the most effective way to improve judges’ capacity for independence is to reform university-level legal education.” USAID limited its efforts in Bulgaria to clinical legal education.

Reform of the courts and increasing capacity of judges are likely to have limited impact without concomitant reform of the prosecutorial function. These functions go hand-in-hand, and thus their reform must be done in parallel in order to have the intended impact. People interviewed for this Assessment pointed to the lack of prosecutorial reform as the reason for the limited impact of the considerable number of reforms made within the judiciary over the past several years.

Using Model Courts reformed with USAID assistance, to support the reform of other courts (Courts in Partnership) was an effective way of disseminating court administration improvements. Introducing a competitive process for selecting courts and achieving reforms, such as requiring completion of 75% of the Court Improvement Plans in order to be named a Model Court, was an effective way to stimulate court reform.



c. CIVIL SOCIETY STRENGTHENING (INCLUDING ETHNIC INTEGRATION AND LABOR UNIONS)

(I) Post DemNet Civil Society Programs

The 2001 Bulgaria Democracy and Governance Assessment by Management Systems International⁸⁰ recommended that DemNet II not be followed-on, but that assistance to NGOs be “smaller and more focused...on civil society activities which would be used mostly as instruments through which critical ROL, governance and inclusion objectives can be obtained.” The assessment recommended that the Mission nurture a coalition for judicial reform including professional associations and think tanks with such an interest; support activities that increase citizen participation at the local level and that facilitate “social contracting” at the local level (local governments contracting out to local businesses and NGOs to provide social services); and activities that support inclusion of women and ethnic minorities, especially Roma. To some degree, these recommendations were followed with the inclusion of a grants component under the Judicial Strengthening Initiative, through the legacy grants mechanism set up under the Balkan Trust for Democracy, through support for the Partners Bulgaria ethnic integration program and through the last of the Mission’s civil society programs which included social contracting.

During its final phase, USAID substantially reduced the scope of and funding for civil society programs. In 2001, it began funding a four-year, \$2.7 million program through Counterpart International that focused on pilot community funds and social enterprises. In 2003 that agreement was amended to expand the number of community funds and social enterprises supported under the program, and to add another year and \$1.5 million. In 2004 a small social contracting component

79 USAID/DCHA/DG, “Guidance for Promoting Judicial Independence and Impartiality,” (Washington, D.C.: January 2002).

80 Management Systems International, “Bulgaria Democracy and Governance Assessment,” (Washington, D.C.: June 2001).

was added with an additional \$72,000 in funds, bringing the agreement to a total of \$4.3 million over five years.

Building on a Swiss Agency for Development and Cooperation program on public fora at the local level, through the community funds Counterpart worked with those communities to address the priorities identified during the public fora. Counterpart supported the development of ten community funds located throughout Bulgaria, providing institutional as well as financial support. Counterpart granted almost \$500,000 to the funds, and the funds themselves mobilized almost \$600,000 in additional resources. The most successful funds obtained buy-in from their local governments through participation on the boards of the community funds and through allocation of public funds to support activities of the funds. Community funds now serve as a locus of philanthropic giving at the local level, providing resources to grassroots community projects. Although originally envisioned as a sustainability mechanism for local NGOs, mostly the community funds directly supported community activities such as improved street lighting, and institutions such as schools, sports clubs, libraries and the like, and not NGOs per se. NGOs only directly benefited in a handful of cases primarily in Stara Zagora, although Counterpart indicates that as the project progressed, community funds acted more as re-granting organizations than as direct implementers. Nonetheless, the community funds fill an important gap in Bulgarian civil society, supporting local grassroots initiatives by citizens. Given public apathy and distrust of NGOs, this approach to building a vibrant civil society should not be underestimated. At the end of the project, an Association of Community Funds in Bulgaria was established to serve as a coordinating body for the funds and an advocate for this model of philanthropy. Following the Counterpart program, USAID granted the Trust for Civil Society in Central and Eastern Europe \$150,000 for a joint program with the Charles Stewart Mott Foundation to provide continued support to the community funds for the next three years (until 2009).

Counterpart also introduced the concept of social enterprise to the civil society landscape in Bulgaria, promoting yet another avenue for financial sustainability for some NGOs. Counterpart provided training, technical assistance, loans and small grants to forty-five social service-oriented NGOs to start or develop existing business ventures. As a result, social enterprises are increasing social capital in Bulgarian communities through social inclusion and employment opportunities for disadvantaged or marginalized people. Similar to the Association of Community Funds, an Association of Social Enterprises was established by twenty-six enterprises to further promote and expand this sector in Bulgaria. However, its chances of sustainability are not deemed as great as the Association of Community Funds, which has strong leadership, a common goal, and continued support through the Charles Stewart Mott Foundation. The Association of Social Enterprises has none of these.

Originally, the social enterprise activity included a loan program for social enterprises. Unfortunately, this effort was unsuccessful owing to legal uncertainty surrounding Counterpart making loans, and to the weak social

enterprises which did not have the capacity to re-pay the loans. Ultimately, Counterpart transformed the three loans made under the project to grants, and the remaining funds were shifted to a third component of the program, social contracting, which was added fairly late.

Success Story

REVIVING ROMA TRADITIONAL CRAFTS

One of the social enterprises supported under the USAID program through Counterpart International, was started by the Technitari Association in 2005. The Association was formed in 2004 to integrate Roma communities by developing their spiritual culture and preserving their traditional crafts. The Roma craftsman, equipped with different skills, are living in the villages of Stara Zagora with no employment opportunities. The Technitari Social Enterprise is supporting traditional Roma crafts by providing access to markets and generating income for extended Roma families. Currently, 20 Roma craftsmen are producing handicrafts and selling them in Sofia, Varna and “The House of Crafts” in Nova Zagora. As beneficiaries of the USAID program, the craftsmen received equipment and instruments for their crafts, as well as access to various exhibitions and market opportunities. The last one was held in September 2006 in France, where Technitari demonstrated traditional crafts. Technitari Social Enterprise is a successful employment model for Roma minorities who are reviving their traditional crafts and making a living by selling them.

Under the social contracting component, small grants were made to 13 municipalities to organize competitive bidding for the provision of social services. Training was provided to municipalities to introduce them to the concept of social contracting and to enable them to carry out the competitive procurement. Counterpart provided a total of \$64,000 in grants for thirteen such social service procurement competitions, local governments provided matching funds and in-kind resources totaling \$120,000, and the NGO social service providers contributed an additional \$64,000 in cash and in-kind. Although social contracting is a fairly new concept in Bulgaria, and Counterpart had only a short time to focus on it, it is likely to gain in use and popularity as local governments take on more and more responsibilities for social services

Although Counterpart had some admirable successes in implementing its community fund and social enterprise program in Bulgaria, the overall impact on the sustainability of civil society is questionable given the narrow focus of the efforts. Large segments of civil society organizations such as think tanks, human rights activists, government watchdogs and policy advocacy organizations, arguably the most important segment of civil society for democracy, are not likely to become social enterprises or to benefit from community funds or social contracting. There is also the danger that social service-oriented NGOs will shy away from advocacy activities if they are receiving funds to implement social services in a community. In reviewing Mission documents and interviewing Mission staff regarding the civil society program, it appears that the decision to focus on community funds and social contracting was due to a number of factors, including that DemNet II still had a number of years before completion when the Counterpart effort was launched. Moreover, though not sustainable, various other USAID programs included grants for advocacy organizations including the anti-corruption program which funded watchdog organizations, the judicial reform/strengthening program

which provided grants for NGO initiatives related to the judiciary, and the Balkan Trust for Democracy (BTD), which continued to make grants to advocacy organizations (see description of that program below as well as another under Legacy Support Mechanisms on page 230 of this Assessment). Counterpart's community funds were seen as addressing an important gap in growing citizen apathy, and in that respect, the program filled an important need. However, there appears to have been a serious miscalculation about the types of NGOs that were likely to be supported by community funds, thus leaving a hole in the sustainability of probably the most important segment of the NGO sector. Moreover, because USAID invested so much in advocacy and think tanks/public policy organizations during DemNet I and II, it is strange for it to not have thought about sustainability of these NGOs in its last stage of its civil society development programs. However, a 2006 study on civil society financial sustainability of these types of NGOs in the E&E region⁸¹ concluded that "while financial sustainability is almost always desirable, it is often not possible." Further, the report went on to say, "If donors have concluded that these pro-democracy and human rights civil society organizations (CSOs) engaged in pointed advocacy and watchdog activities are essential to the democratic consolidation of the target country then the United States and its allies should be prepared to provide the necessary financial resources to keep this civil society sub-sector going." Perhaps USAID Bulgaria's decision to channel additional funds to these types of NGOs through the Balkan Trust for Democracy after the USAID Mission has closed was a better approach than working with them on approaches to sustainability, which does not appear likely to succeed.

(2) International Center for Not-for-Profit Law (ICNL)/Bulgarian Center for Not-for-Profit Law (BCNL)

The Bulgarian Center for Not-for-Profit Law was established in 2001 to continue NGO legal work after the USAID program ended in 2004. In addition to minor amendments to the 2000 Not-for-Profit Entities Law, BCNL was heavily involved in the 2003 Social Contracting Law, an important piece of legislation that should allow for more opportunities for NGOs to engage in state procurement. Though small, BCNL is a well-respected organization that fills a specific niche in Bulgaria and therefore, is likely to be sustainable in the long-term. It has been without USAID direct funding for almost three years (although it has received funding for specific work on other ongoing USAID projects), yet it continues to play an important role as one of the only organizations in Bulgaria focused on advocating for and improving the environment for civil society itself. BCNL's approach to building NGO sector capacity is "bottom up," working with NGOs involved in particular substantive areas. Slowly, as networks within these substantive areas develop, gain experience and produce results, BCNL believes that these networks will come together to work for the sector as whole, particularly if there is a general threat to the sector.

⁸¹ Harry Blair, Susan Burgerman, Duaa Elzeney and Robert Herman, "Draft Report on Civil Society Financial Viability: Key Factors, Challenges and Prospects in a Changing Strategic Environment," (Washington, D.C.: Management Systems International, January 2006).

(3) Trade Unions

By the close of the American Center for International Labor Solidarity (Solidarity Center) program in 2005, almost \$6 million had been allocated towards this effort over its life. While initially it was a program to support democracy through what was essentially a political movement in the form of the Confederation of Labor, Podkrepa, the Solidarity Center grant later evolved to address worker and social protection issues resulting from the economic transition in Bulgaria. The Solidarity Center reports that, by the end of the project in 2004, union-affiliated Labor Counseling Center (LCC) offices or branches were established in 15 cities serving 19 regions of Bulgaria. During the last two years of the program, over 13,500 workers were assisted by the LCCs. Counselors helped draft of 251 collective bargaining agreements, 206 of which were signed, and participated in over 450 collective bargaining negotiations. LCC legal experts represented workers in 672 court sessions. LCCs participated in 236 joint health and safety inspections with Labor Inspectors, and filed 404 grievances. LCCs participated in over 200 tripartite council meetings, and assisted over 22,000 workers with social benefit concerns or referrals to job training and employment programs.

Under its Labor Education Program, the Solidarity Center jointly supported with the Swiss, modernization of Podkrepa's education curriculum. The Solidarity Center jointly funded with the EU and the Swiss Development Agency, three training centers for unemployed workers, which are helping Podkrepa to become financially sustainable without the Solidarity Center. In terms of joint work with both Podkrepa and CITUB, the Solidarity Center worked with the teachers unions to engage them in educational reform efforts, and with miners and metalworkers. Focusing on working with unions at multi-national corporations such as Nestle, Coca Cola, Metro, Billa, and others, the Solidarity Center trained unions on interest-based bargaining strategies, and conducted research resulting in improved collective bargaining with employers. The Solidarity Center also provided computers and training to more than 35 union branches. A CITUB computer lab for training was established as well.

In 2001, the Solidarity Center hired an evaluator to assess the impact of the Solidarity Center's ten year effort to support Podkrepa's labor education program.⁸² The evaluator used a survey of participants in Podkrepa trainings as the primary instrument for determining the impact of the Solidarity Center's efforts in this area. The usefulness of this approach to evaluating the Solidarity Center's labor education efforts is questionable. Nonetheless, some information can be gleaned and conclusions made about the effectiveness of the Solidarity Center's program. The people surveyed responded positively; however, they deemed the training materials and classroom facilities to be inadequate. Given the time and resources devoted to developing training materials during the ten year life of the program, it is surprising that the survey would reveal low scores in this area. Apparently there was a divergence of views on the trainers' ability to stimulate critical thinking and use a variety of teaching and learning strategies, which the evaluator attributed

82 John Remington, "Draft Final Evaluation Report: The Podkrepa Labor Education Program," (Minnesota: University of Minnesota, 5 September 2002).

to “lack of flexibility in instructional delivery and the trainers’ apparent reliance on traditional pedagogical techniques.” Again, after ten years implementing a training program, one would expect to have universally positive responses in this area on such a survey. Podkrepa representatives report that the 20 labor education trainers that were developed under the Solidarity Center and Swiss programs are no longer with Podkrepa thus leaving a question as to the sustainability of Podkrepa’s labor education programs. They specifically identified the Solidarity Center’s approach, which paid the full cost of the training rather than gradually introducing and increasing fees for participants, as a major reason for this failure. Nonetheless, some of the Solidarity Centers’ work with the Labor Counseling Centers seems to have borne fruit, and the LCCs are likely to continue to impact workers’ rights in Bulgaria.

(4) Partners Bulgaria Foundation

While earlier USAID programs on minority issues focused mainly on giving ethnic minorities and the disadvantaged a voice in society, later efforts focused more on improving their integration into society with a more multi-faceted approach. In 2000, USAID began funding what would become a seven year effort with Partners Bulgaria Foundation (PBF) to implement a conflict resolution and ethnic integration program in Bulgaria. Although originally the program was funded at \$450,000 over two years, it was amended several times, and the final amount of the cooperative agreement, which will end in September 2007, is about \$5.9 million.

The original focus of the two-year PBF program was the city of Lom⁸³ and included training, small grants and technical assistance. As part of the program, a Conciliation Commission in Lom was created and strengthened to promote conciliation and to resolve and prevent ethnic-based conflicts in the community. Another component of the project was to facilitate inter-ethnic relations and community development through cooperative planning on economic development and on educational access and advancement. Small grants supported activities coming out of the cooperative planning process. PBF also implemented a two-year Leadership Institute for 25 minority representatives on leadership, management and networking skills to enable them to more effectively organize and advocate for their communities and to cooperate with the majority community in pursuit of their goals. PBF also trained a broader community audience on embracing diversity and cultural awareness.

A Conflict Vulnerability Assessment commissioned by USAID in 2002⁸⁴ commended PBF’s approach to reducing conflict vulnerability. The assessment stated the following: “Most effective programs address several issues simultaneously: they seek to alleviate economic or other policy problems, while at the same time developing and institutionalizing effective processes for political participation and conflict resolution, and building local capacity to continue these

⁸³ The initial funding for this program came from the Danube River Initiative which is described in further detail under Humanitarian Assistance.

⁸⁴ Conflict Management Group and the Center for the Study of Democracy, “Conflict Vulnerability Assessment,” (Cambridge, Massachusetts and Sofia, Bulgaria: March 2002).

processes... This approach to programming, adopted by Partners Bulgaria Foundation in their Lom project, for example, also permits mitigation of certain negative ‘side effects’ of needed targeted programming in a resource-scarce environment.”

The cooperative agreement was amended to enable PBF to replicate the Lom project in two communities with Roma populations and in four communities with mixed Roma and ethnic Turkish populations. A third area of cooperative planning on social support was added as well. Also added to the program was a component to develop policy analysis on improving Roma and other vulnerable groups’ integration into society, which resulted in PBF assisting the Ministry of Labor and Social Policy to draft a Social Integration Strategy. In 2004, the agreement was amended yet again to include another six communities with predominantly Muslim populations as a result of additional funding provided by USAID/Washington for a Global Development Alliance (GDA). PBF contributed 50% of the cost of this expansion.

Although the program was not yet completed at the time of this Assessment, it produced considerable results in the communities in which it was active. PBF reports that small grants supported 126 projects resulting from a community planning process, and more than 75% of those projects involved partnership with local authorities and local institutions. The impact of the projects themselves on the quality of life of the minority populations should not be underestimated. Nine functioning mediation centers have been established and are working to peacefully resolve local disputes. As a result of USAID support of the PBF program, a local network of NGOs was established to sustain program activities such as leadership training, conciliation and/or mediation centers, etc., after USAID funding ceases.

A recent interim evaluation of the PBF Program in four communities⁸⁵ concluded that “the work [of PBF and the four local PBF NGOs created under the project] has contributed to the enhancement of an atmosphere of tolerance and better quality of life in the municipalities with mixed population. In this way, the Program has met the pressing local needs and has achieved the foreseen goals, using tested but also innovative practices for integration of minority groups.” The interim evaluation positively judged the potential for the Program’s sustainability in a variety of areas including: solid local capacity and strengthened civil society; stable local partnerships; resolution of concrete municipal and community problems and models/good practices for seeking solutions; and civil society development among all ethnic groups.

A multi-country study of similar programs which included the PBF program in Bulgaria⁸⁶ was also positive, stating that the program was “results-oriented, with clear steps for community activation in ethnically diverse communities. It combined capacity building through a variety

85 Forum for Entrepreneurship Development, “Interim Evaluation: Ethnic Integration and Conflict Resolution Project in Assenovgrad, Dupnitsa, Samokov and Targovishte,” (Sofia, Bulgaria: December 2006).

86 Aguirre Division of JBS International, Inc., “Strategic Review of the Interethnic Interaction Program for Inclusive Community Development,” (Washington, D.C.: 2007).

of training components, support to local initiatives through grants and technical assistance and creation of local structures for sustainability.” The study also pointed to the “main sustainability factors for continuing interaction at the community level” being “the nine Partners associations,... the established NGO clubs and local associations, the business centers and the chitalishtes.” Although PBF was not designated as a USAID legacy organization, its sustainability is key to the sustainability of the networks that it has developed under the program. Thus, USAID, through its Regional Financial Management Center in Budapest, commissioned a review of PBF’s financial management systems and operations which revealed considerable shortcomings which PBF is continuing to address.

The multi-country study was also critical of the USAID approach to minority support programs, indicating that its ad-hoc nature made it less effective than it might have been. For example, the program could have “considered selection of localities that are linked...in planning regions or districts, thus providing better regional focus and impact and responding more to the European context of future support for regional development.” Similarly, the ad-hoc approach was criticized for being “fragmented in search for models and structures to sustain the effort.” Simply put, a seven-year, \$6 million program such as this should have been given more strategic direction and thought at the outset.

(5) Chitalishte Community Development and Participation Project

USAID, along with the Dutch Government, jointly supported the United Nations Development Program’s “Community Development and Participation through the Chitalishte Network Project.”⁸⁷

“Chitalishte are a unique Bulgarian institution, literally meaning place for reading or reading rooms. They arose in the mid-19th century as a place where Bulgarians could read books in their own language, meet with each other, learn and perform traditional dance and songs, and most importantly, to find ways to work together to improve life in their community. They played an important part in the revival of Bulgarian national consciousness which contributed to Bulgarian independence. In the early 1990s they still existed but after years of Communist rule, had moved away from their community ownership.”⁸⁸

The Chitalishte Project, active from 2001 until 2004, had several project aims: building the capacity of the chitalishte as community centers; stimulating community participation and local development through the chitalishte network, and promoting access to modern Information Technologies (IT), mainly in IT-isolated communities. Activities included 67 one-year chitalishte demonstration projects and 25 internet centers established in chitalishtes. The Bulgarian Ministry of Culture and the UNDP report 43,440 demonstration project beneficiaries; of these, over 7,000 were Roma and more than 1,300 were of Turkish origin. Almost 1,900 people with disabilities benefited from the demonstration projects as well. Income from economic activities

⁸⁷ The MATRA program of the Netherlands Government contributed \$975,000; USAID contributed \$1 million; and the UNDP contributed \$500,000.

⁸⁸ Statement by UNDP Resident Representative, Neil Buhne.

of chitalishte demonstration projects totaled almost BGN 50,000 (or the equivalent of \$33,000); while the IT centers generated about BGN 325,000 (or \$203,500). Community contributions to chitalishte activities totaled BGN 257,741 (or about \$172,000). A Chitalishte Development Foundation was established to carry on the work of the Project, as was an Association of Chitalishtes.



Neil Buhne

UNDP Resident Representative

"In this work, as well as from USAID and UNDP's focus on municipalities as important partners in our programs, we both helped Bulgarians to rediscover and redevelop local initiatives. The fact that hundreds of chitalishtes throughout the country are thriving, and that municipalities both individually and through the National Association of Municipalities, are better able to serve their people and to obtain resources outside is to their own credit — but the technical assistance and advocacy of USAID and UNDP helped! The legacy of USAID's work in Bulgaria will remain, wherever communities and municipalities take initiatives to improve peoples' lives."

(6) Balkan Trust for Democracy

USAID Washington is funding a 10-year, \$30 million grants program for democracy, good governance, and Euro-Atlantic integration in southeastern Europe, including Bulgaria. The Balkan Trust for Democracy was established in 2003 with \$11 million from USAID, \$10 million from the German Marshall Fund and \$5 million from the Charles Stewart Mott Foundation. Since then, the Trust has received additional donations from the Dutch, Swedish, and Greek Governments, as well as from several private foundations. The Balkan Trust for Democracy makes grants totaling approximately \$2 million a year in the region. By the end of May 2007, the Trust made approximately \$1 million in grants for Bulgaria-specific projects altogether. In addition, the Balkan Trust is implementing one of the USAID legacy support mechanisms, which is described further on page 230 under the legacy mechanisms section of this report.

(7) Lessons Learned from Implementing Civil Society Support Programs

In designing civil society projects, thought should be given to sustaining the results from previous investments in civil society organizations. This was not done in designing the last stage of the USAID civil society program in Bulgaria.

Social contracting is naturally linked to social enterprises. Including both components in a civil society program from the start may lead to greater results. The way that social services are funded in Bulgaria gives financial incentives for the municipalities to continue providing social services through institutions for which they get state funding, rather than by contracting out to NGO social service providers which they would have to pay for from their own municipal budgets. Thus, attention should be paid to the status of the decentralization of social services before embarking on a social enterprise/social contracting activity in a country.

Experience with Counterpart's social enterprise program suggests that the legality of making loans should be determined before implementing a loan activity. Newly-formed social enterprises are not likely to be able to service such loans, so consideration should be given to capacity of the likely recipients as well.

Successful community funds reach out to local government by seeking its participation on their board and by obtaining local government resources for community fund projects. However, there is a delicate balance between buy-in and control which is sometimes difficult to maintain.

The failure of the Solidarity Center's labor education effort with Podkrepa to be sustainable had much to do with paying 100% of the participants' training costs. A better approach would have been to gradually introduce and increase fees for participants, thus weaning them from free training and paving the way for local partners to charge for the training when USG assistance has ceased.

Experience with the Partners Bulgaria Foundation program indicates that more impact might be had from a more thoughtful, strategic approach at the outset.

d. POLITICAL PROCESS SUPPORT

Following the development of USAID Bulgaria's Democracy and Governance strategy for 2002–2007, USAID commissioned a political party development assessment and program design in April 2002.⁸⁹ The assessment identified several weaknesses within Bulgarian political parties including: centralized party structures, party organizations based on patronage, and weak communication with the public. The authors recommended a three-pronged political party assistance program: national party communications capacity building; enhancing regional and local party accountability; and party youth political leadership development. USAID did not fund a comprehensive political party building program as a result of this assessment; however, components of the recommended activities did appear in some of IRI's program over the next several years.

NDI and IRI implemented USAID-funded programs during this period for both the October 2003 local government elections as well as the 2005 Parliamentary elections. NDI's program concentrated on civic participation in the elections, and IRI's program concentrated on building party capacity using public opinion polling and focus groups. Because of limited available information, the description below of the two programs may not be comprehensive.

(1) National Democratic Institute

NDI implemented voter education and get-out-the-vote (GOTV) activities in advance of the October 2003 local elections. Through this program, NDI issued small grants totaling approximately \$40,000 to 25 local NGOs in 17 municipalities throughout Bulgaria to conduct voter education and GOTV activities. Notably, only one of the NGOs supported was BAFECR-related, the local chapter in Pleven. In addition, NDI trained grantee organizations to ensure the success of their activities. A second focus of the program was a nationwide "You Choose" campaign, bringing together nine national NGO networks

⁸⁹ John Mason, Mark Hopkins and Sarah Birch, "Bulgaria Political Party Development Assistance Assessment and Program Design," (Arlington, Virginia: Development Associates, Inc., 29 April 2002).

which created a logo and implemented national advertising and information campaigns. NDI reports the following results from its program: more than 600 volunteers participated in GOTV and voter education programs; 50% of NGOs reported that their local campaigns led to funding for their next project; in Gotse Delchev, where an NGO targeted Muslim women, there was a 3.5% increase in participation of Muslim women in the elections; and Roma participation in a Lom neighborhood where one NGO focused its activities was 10% higher than the average for the rest of the city. Although NDI judged its activities as successful, it did point out that nationally, voter turnout was 10% less in 2003 than it was for the last local elections held in 1999.

NDI implemented a similar program for the 2005 parliamentary elections, targeting young, urban voters — a demographic group that is unlikely to vote. Activities included: GOTV radio and television spots produced and aired more than 500 times; 250,000 voter education brochures developed and distributed nationwide; 14 candidate debates organized for young people; and door to door outreach to thousands of people. NDI reports the following results: youth turnout was equal to or higher than other age groups under 50 and was higher than the national turnout; in the nine polling stations in which NDI's GOTV partners conducted massive door-to-door campaigning — 643% more students voted in 2005 than in 2001; and the Central Election Commission made the ballots easier to read based on feedback from NDI's partners. The Bulgarian Government also implemented a significant GOTV campaign, so it is difficult to disaggregate results between the two efforts. This was the last of NDI's USAID-funded programming in Bulgaria. However, NDI reports that for the 2006 Presidential elections, a coalition of NGOs, half of which were NDI partners in previous GOTV efforts, formed to carry out voter education and GOTV activities without USAID or NDI support. Based on its program in Bulgaria, NDI produced a get-out-the-vote guide that has been translated into seven languages and is used extensively throughout the region. NDI expects to close its Sofia office by the end of 2007, with some activities in Bulgaria being managed out of a regional office.

Success Story

USAID/NDI-SUPPORTED NGO WINS INTERNATIONAL AWARD

The Women's Alliance for Development, a Bulgarian NGO founded in 1996, has benefited from NDI technical assistance since 2001. As a result of its joint efforts with other women's NGOs during the USAID-funded NDI GOTV programs in 2001, the Women's Alliance established a National Network of Equal Opportunities consisting of 60 organizations from around Bulgaria. In 2002, with NDI support, the Women's Alliance implemented an award-winning program to foster public debate on introducing measures in schools to combat trafficking. In 2003, the Council of Europe presented the Women's Alliance for Development, the Young Active Citizens Award for this effort.

(2) International Republican Institute

IRI implemented a political party assistance program for the October 2003 local elections. Beginning in November 2002, IRI's political party building effort, which included the NMS, UDF, BSP, the Free Democrats and the Bulgarian Agrarian National Union, focused on political party strengthening, campaign training, and opinion research.

IRI implemented a small political party assistance program for the 2005 parliamentary election. The Institute conducted three national polls⁹⁰ and two local focus groups prior to the election, and one poll following. The pre-election polls and focus groups were presented to the UDF, NMS and the Free Democrats. The post-election poll was presented to the BSP, UDF and NMS. IRI used the polling and focus groups to work with campaign staff of the political parties on such things as using specific issues to target voters. This was the last of IRI's programming in Bulgaria.

(3) Lessons Learned From Implementing Political Process Programs

NDI's experience working with Roma and women on political participation (under a NED-funded program) tells us that, although on the surface a country's political and electoral system may meet international standards, USAID must analyze participation along ethnic, gender and age lines to ensure that it is as broad-based as possible. A more integrated approach of looking at these sub-populations from the outset of a political process assistance effort is more effective than trying to help these groups "catch up" after the fact.

e. MEDIA STRENGTHENING

(1) ProMedia II

ProMedia II continued to support initiatives to improve the legal framework for media, and to bolster the capacity of media-related associations to advocate and to provide member services. By the close of the program in 2004, ProMedia II had produced significant achievements in the media sector in Bulgaria. Crucial assistance provided by ProMedia to three consecutive parliaments and two consecutive regulatory bodies resulted in the Radio and Television Law and subsequent amendments. Likewise, ProMedia provided critical support on the Telecommunications Law and subsequent amendments, resulting in an independent regulatory body — the Committee for Regulation of Communications — thus, removing the government from direct participation in licensing. Hundreds of national, regional and local independent broadcast, cable and satellite radio and television stations are now licensed under this regime. In the third legislative area, Freedom of Information, ProMedia assisted the Bulgarian NGO, Access to Information Program, and the parliament, to draft, sponsor public discussion on, improve and pass three pieces of legislation: the Access to Public Information Law, the Personal Data Protection Law and the Classified Information Act.

ProMedia built the capacity of both the Association of Bulgarian Broadcasters (ABBRO) and the Bulgarian Media Coalition (BMC). During the same period, BMC concurrently received significant funding and support from DemNet II, having been selected as one of 13 intermediary support organizations (ISOs) to lead implementation of that civil society strengthening program. The BMC was formally established in 1998 as a continuation of the informal Group for European Media Legislation in Bulgaria, which was set up with ProMedia support in 1997. In 2007, the BMC is the only non-

⁹⁰ IRI organized four pre-election national polls, but the one conducted right before the election was only presented to the USG.

government institution consulted by the Constitutional Court on media cases. What makes the BMC quite unique is that its membership constitutes a wide array of organizations, many which are in opposition to one another. Yet the Coalition stays united to advocate for and represent the media sector.

ABBRO effectively protects and promotes the business interests of members and serves as a free speech advocate. In 2007, ABBRO's membership consisted of 95% of all broadcast outlets in Bulgaria. With ProMedia support it has become an important instrument for improving media legislation in support of independent broadcasting, and provides a wide range of membership services including legal advice and professional training in journalism, production and management. Since 2001, ABBRO hosts the MediaMarket, the first, and currently a major tool for the development of the Bulgarian Radio and Television market in production, software and equipment.

(2) Broadcast Training Center (BTC)

After ProMedia II finished, USAID directly granted funds to the Broadcast Training Center for a three-year, \$727,000 program to provide training to journalists to increase media professionalism in substantive areas in which USAID is active: rule of law reform, fighting corruption, decentralization of government, resolving ethnic tensions and assisting vulnerable groups. A second component of the program is to support the advocacy efforts of indigenous Bulgarian media and civic organizations promoting reform in the substantive areas listed above. Third, USAID funding supported the Broadcast Training Center to become a sustainable organization.

In addition to specialized technical and substantive training conducted for scores of journalists to provide more effective media coverage, BTC itself produced a weekly anti-corruption investigative television program, "Na Chisto." In addition to winning a series of awards, Na Chisto exposed corruption by the Executive Director of the Bulgarian National Post Office, improved access to information at the Ministry of Energy, and expedited passage of the Private Enforcement Act. Together with another USAID implementer, Partners Bulgaria Foundation, BTC launched "Faces of Bulgaria," a series of 30 short documentaries on ethnic integration and social development. Linking with another USAID program, the Judicial Strengthening Initiative, BTC conducted training for court chairpersons and PR officers, increasing their ability to affectively communicate with media. Finally, moving toward sustainability, BTC developed a five-year business plan and moved to a new office with a professional studio compound.

(3) Lessons Learned From Implementing Media Programs

Long-term media support programs do not need to include expensive equipment drops and a high price tag in order to have a significant impact. With about \$400,000 a year, ProMedia has significantly changed the media landscape in Bulgaria in two key areas: legislative framework and supporting institutions. Key to its success has been that program

activities were locally-driven by Bulgarian media actors and organizations. ProMedia's assistance has always been timely and right for the stage of media development in Bulgaria. Steady, consistent leadership by Petko Georgiev, a talented, experienced Bulgarian, has also contributed to the program's success. However, recent backsliding on Nations in Transit Independent Media scores for not only Bulgaria, but also for other countries in the region including Montenegro, Serbia, Croatia and even the Czech Republic, indicates that perhaps consolidation of the media sector is more complicated and takes more time than other democracy sectors. Moreover, despite significant success in two specific aspects of media sustainability, the Bulgarian media sector is still very vulnerable.

g. SUMMARY ASSESSMENT OF THE DEMOCRACY AND GOVERNANCE PROGRAM IN THE CONSOLIDATION AND EU ACCESSION PERIOD

After slightly worsening from 2001 to 2002, the Nations in Transit democracy score for Bulgaria improved by more than 13% from 2002 until 2006. Notably, scores for the two key sectors of focus for the USAID close out strategy, judicial framework and independence and local democratic governance,⁹¹ improved by 2.14% and 14.3% respectively, during this period. The media sector remains problematic with dominance of so-called independent media by economic and political interests; continued state control over National Radio and National Television; and the continuation of libel as a criminal offense in the penal code. As donor resources dry up, the NGO sector is likely to face serious financial problems resulting in a contraction in the number of NGOs over the next several years.

3. SUPPORT TO THE ENVIRONMENT DURING THE CONSOLIDATION AND EU ACCESSION PERIOD

With an institutional framework already established and the Protected Areas Law in place, USAID continued to build upon the results already achieved through GEF biodiversity conservation activities implemented between 1996 and 2000. During the last phase of USAID environmental assistance which ended in 2004, environmental initiatives comprised two major programs which addressed biodiversity conservation, economic growth, civil society and public awareness, and institutional capacity building and maintenance. These were the Biodiversity and Economic Growth Project (I and II) and the Ecolinks Project.

a. BIODIVERSITY CONSERVATION AND ECONOMIC GROWTH (BCEG)

In order to maintain continuity in the environmental efforts and momentum for reform, USAID launched a four-year initiative⁹² called the Biodiversity Conservation and Economic Growth (BCEG) Project at the beginning of 2000. Enhancing the sustainability of Bulgaria's ecotourism was a major component of this program, because ecotourism was seen as a vehicle to help nature conservation and biodiversity protection while also contributing to USAID objectives for economic growth and more employment opportunities. The entire project was a

91 Beginning in 2006, Nations in Transit divides the Governance factor into two numbers, one for National Democratic Governance and one for Local Democratic Governance. Because the score for each are the same in 2004 and then again in 2005, we have used the Governance Score in 2001 and the Local Governance Score in 2005 to determine the percentage improvement. As elsewhere in this report, scores used are actually from the following year's Nations in Transit. Because the publication covers the previous year, this report uses the score for the year covered rather than the year of the Nations in Transit publication.

92 Originally launched as a three-year initiative, the BCEG was extended an additional year for a total of four years.

collaborative effort involving the Bulgarian Ministry of Environment and Water, Ministry of Agriculture and Forests, Ministry of Economy, the National Trust EcoFund, national and local media, NGOs and private sector companies. In addition to these local counterparts, USAID also coordinated with the Swiss Government, World Bank, European Union, and UNDP. BCEG's primary objectives were:

- Biodiversity conservation financing through establishing mechanisms such as the Protected Areas Fund Endowment within the Bulgarian National Trust EcoFund;
- Eco-Enterprise in biodiversity conservation;
- Management plan approval and implementation for Rila Monastery and Central Balkan National Parks;
- Development of a management plan for the Rila Monastery Nature Park; and
- Increased public awareness of the need for sustainable biodiversity conservation.

(I) BCEG I

The first iteration of the BCEG project, implemented from 2000 to 2003, was highly successful in completing its desired goals. Many of the concepts and models the project implemented were unprecedented in Bulgaria. In terms of ecotourism, BCEG I introduced community-based models using a cluster concept to bring together diverse stakeholders for eco-tourism investment.⁹³ “This competitive cluster approach involved institutional development of local eco-tourism associations, market studies, development and marketing of new products and materials, strategic planning of eco-tourism development, business planning, development of a destination business concept, and the development of indicators to measure success and impact.”⁹⁴ BCEG also ensured the successful implementation of two national park management plans (Central Balkan and Rila National Park) established during the GEF project, and developed a new management plan for the Rila Monastery Nature Park — a unique challenge due to the Park's private ownership by the Bulgarian Orthodox Church and other minor stakeholders. In order to build the capacity of the national park management systems, biologists and other natural resource managers were trained on using state of the art geographical information systems (GIS), internet communication, and socio-economic analysis techniques for developing future park plans. Securing additional financing for protected area management outside of government and donor funding was important to the increased sustainability of the national park system. BCEG introduced the use of fees and concessions as well as established the legal and political basis for creating a national Protected Areas Endowment

93 Steven Dennison, “Biodiversity Conservation & Economic Growth Project II (BCEG II) Draft Final Report,” (Burlington, Vermont: Associates in Rural Development, Inc., March 2004).

94 Nelly Georgieva, “Biodiversity Conservation & Economic Growth (BCEG) Project, Report on the Institutional Development of the Ecotourism Initiative Groups in the Pilot Regions of the BCEG Project,” (Burlington, Vermont: Associates in Rural Development, Inc., 2002).

Fund specifically for the purpose of increasing the monetary resources for park enhancement. Training and technical assistance was also extended to the Bulgarian Ministry of Environment and Water in order to build its management capacity to develop financial mechanisms and strategies to ensure the solvency and sustainability of the national parks to lessen constraints to protected area revenue capture. BCEG was also instrumental in the development and implementation of an Ecological Monitoring System in the Bulgarian National Parks. In the beginning of 2002, BCEG noted the importance of biodiversity monitoring as a key part of the Bulgarian National Strategy for Biological Diversity Conservation and compliance with EU legislation and thus established a system for ecological monitoring in association with the Ministry of Environment and Water. This system was installed in the two National Parks and remains an integral part of biodiversity monitoring today.

The management plans for the two National Parks developed through GEF and further institutionalized through BCEG also included programs and mechanisms for partnerships with local communities for the development of tourist services inside and outside of the parks. BCEG therefore developed an eco-tourism partnership program as a practical opportunity to capture the interest of the local population and provide opportunities for economic development in a way that was environmentally friendly. The result of this project was the establishment of a network of eco-tourism associations that developed Bulgaria's first eco-tourism model and encouraged public interest in the program's general philosophy. In May 2002, the first national ecotourism forum was conducted in Sofia to further develop the enabling environment for ecotourism while sharing and celebrating prior successes. During this forum, the MoEW presented the first draft of the proposed National Ecotourism Strategy developed under the BCEG project through a working group which included experts from the MoEW, Ministry of the Economy, Ministry of Agriculture and Forests, national and regional tourism associations, information centers, and environmental NGOs.⁹⁵

(2) BCEG II

Building on the first phase, BCEG II was implemented from 2003 to 2004 in order to address outstanding issues and needs that were identified during phase one of the project. BCEG II served as the final phase of three separate contracts focusing on biodiversity (Biodiversity Support Program, GEF, and BCEG I) and achieved results in three crosscutting areas: 1) biodiversity protection, 2) investments in biodiversity conservation, and 3) ecotourism policy and planning.

During BCEG II, the Rila Monastery Nature Park management plan was completed and turned over to the MoEW, and became operational after approval from the Council of Ministers in April 2004. BCEG II worked with the National Trust EcoFund (NTEF) and successfully engaged international donors and increased public awareness of the NTEF. BCEG II also provided technical assistance toward the creation of the Protected

⁹⁵ Kamelia Georgieva, "Biodiversity Conservation & Economic Growth (BCEG) Project, The First National Forum, Ecotourism, Mountains, and Protected Areas: Partners in Prosperity," (Burlington, Vermont: Associates in Rural Development, Inc., October 2002).

Areas Fund (PAF), a separate conservation endowment managed by NTEF to serve Bulgaria's protected areas. The PAF secured its first donation in August 2003 and continues to actively serve as an added resource for the overall maintenance of Bulgaria's natural resources.

Tourism affects a variety of different aspects of society and produces potential benefits on local and national levels. For Bulgaria, ecotourism was and still is seen as a “vehicle to help Bulgaria achieve nature conservation and biodiversity protection, rural development, government decentralization (in terms of managing protected areas), and new employment opportunities.”⁹⁶ Both phases of BCEG had a number of cross-cutting goals, but the primary achievement of BCEG II was the finalization of Bulgaria's National Ecotourism Strategy and Action Plan (NETSAP). This comprehensive document was developed with input from local and international stakeholders including Bulgaria's Foundation for Local Government Reform (FLGR), the World Bank, the Swiss Government Regional Ecological Center, UNDP, and the Bulgarian regional governments of Pernik and Kyustendil.

NETSAP was a sustainable policy and action plan that addressed the interdependence of ecotourism, biodiversity conservation, and cultural heritage in Bulgaria. It helped to address the growing concerns of a rising tourism industry lacking the necessary regulations and veteran experience in natural resource management.⁹⁷ This plan gave Bulgaria the necessary tools to bring together social and political elements of rural development and link them to income generation, economic growth, and improvement in rural economies. Accepted by the Bulgarian National Tourism Council (NTC) in November, 2004, NETSAP made ecotourism a viable opportunity for business ventures.

As a result of NETSAP and other complementary efforts of the Bulgarian Government, Bulgaria is becoming a significant international travel destination and a tourism-related investment opportunity. Bulgaria has a strong potential for ecotourism due to its natural beauty and extensive biodiversity. Its national parks and other nature reserves have experienced a tremendous increase in local and international visitors, going from 45,700 visitors in 2003 to 64,000 visitors in 2006.

b. ECOLINKS

From 1999 until 2002 USAID invested approximately \$2.06 million in grants and other awards to U.S. and Bulgarian firms and Bulgarian municipalities through a program called EcoLinks. EcoLinks was a program created by USAID to address urban and industrial environmental problems throughout Europe and Eurasia. In Bulgaria, EcoLinks grants and quick response awards were used to develop project pre-feasibility studies and facilitate travel for business negotiations that could lead to further financing for viable projects and environmental technologies partnerships. This program facilitated the formation of

⁹⁶ Chemonics International, Inc., Environment International, PA Government Services and Virginia Polytechnic Institute and State University. USAID and Sustainable Tourism: Meeting Development Objectives. (Washington, D.C.: June 2005).

⁹⁷ Bulgarian Government, National Ecotourism Strategy and Action Plan for Bulgaria, (Sofia, Bulgaria: 2004).

cross-border business partnerships between Bulgaria and other Eastern European countries, and assisted businesses and organizations in identifying environmental issues, adopting best practices, and increasing trade and investment in environmental goods and services.⁹⁸

Implemented through coordination between USAID Bulgaria and the U.S. Foreign Commercial Service, EcoLinks awarded a total of 90 grants and other awards for activities that addressed urban and industrial environmental problems throughout Bulgaria. Of the 90 EcoLinks projects awarded within Bulgaria, ten became best practices and exemplified the kinds of environmental programs that have highly transferable results with spillover effects into energy cost savings, increased trade in environmental technologies, and other areas. The business matching services of the *trade and investment* component of EcoLinks Bulgaria facilitated more than \$180 million in trade and investment in environmental technologies and awarded \$10 million in partnership grants to the region since inception in 1999.⁹⁹ Two of the most notable EcoLinks highlights in Bulgaria include:

- **Union Miniere** and Montgomery Watson Harza (MWH), a U.S. company which had previously completed an EcoLinks project in Bulgaria, signed a \$2 million contract to close and seal a 120,000 square-meter lagoon at Union Miniere's copper smelter and refinery complex to protect the surrounding soil and groundwater. The lagoon collects toxic precipitates and residues from partially treated wastewater from the copper smelting process. The partners also designed and installed a groundwater dewatering system to facilitate the eventual closure of the lagoon. Union Miniere financed the project through a World Bank loan.
- **Tetrahedron Europe, Inc.** is a joint venture between the U.S. company, Tetrahedron Environmental and Energy Consultants, Inc. and Arbanassi, Plc. in Bulgaria. The two companies first worked together in 2000 through an EcoLinks grant to develop a pollution abatement strategy for Arbanassi, Plc. Tetrahedron Europe is registered in Bulgaria as an environmental engineering and consulting company.

c. TRAINING

An important component of the entire USAID environmental program in Bulgaria was training provided to various participants of each activity. From 1991 to 1996 USAID invested over \$2 million in environmental training initiatives and each program had a significant training component. Members of the National Park Management Directorate, for example, were trained on the various monitoring and management systems that were installed as part of GEF and BCEG. Environmental scientists, government officials, and other professionals participated in study tours to the United States, technical trainings, and other programs to increase their knowledge base on a range of subject areas including but not limited to environmental economics, pollution control, and biodiversity conservation management.

⁹⁸ A complete list and description of EcoLinks programs in Bulgaria can be found on the EcoLinks website at <http://www.rec.org/ecolinks/bestpractices/ByCountry.html>; Internet.

⁹⁹ EcoLinks Bulgaria Fact Sheet. Available from <http://www.ecolinks.org/resources/>; Internet.

The training USAID facilitated was not always environment-specific. Many of the projects called for coordination between various government ministries and NGOs which proved difficult during the period of political and economic instability in Bulgaria. The Public Relations Specialist for the Central Balkan National Park recalled, “The equipment provided for us [by USAID] would have meant very little if we hadn’t received technical assistance and training — particularly on the subjects of conflict resolution and decision-making, which is so important when you have to work with so many people.”

The Environmental Management Training Program (EMTC) was also instrumental in providing desperately needed training to relevant personnel during the early years. This program included in-country consultants and environmental experts that provided continuous on the ground training for the EPA, REC, and other projects implemented between 1992 and 1994. Nella Ratchevits, the former environmental officer for the town of Gabrovo explains that she “especially benefited from EMTCs training on the relationship between environment and economic development...as a new concept since the [former] Communist Government [of Bulgaria] had never considered this interaction.”

In order to increase the sustainable impact of larger and longer-term activities, USAID also implemented training programs in coordination with other international donors, various universities, and other environmental organizations. These programs also trained members of the Bulgarian Ministry of the Environment and Water, private industry personnel working in harmful emission producing industries, national park workers, and other environmental specialists to improve capabilities in information systems, monitoring, and environmental policy development, and environmental economics.

One other element of the USAID environmental program addressed the potential environmental impacts of other USAID programs in Bulgaria. During the USAID presence in Bulgaria, nearly 50 Initial Environmental Examinations were conducted on planned USAID projects across the portfolio. Several of these projects required mitigation and monitoring of potentially significant environmental impacts. Actions included environmental reviews, environmental due diligence activities, and environmental assessments. Thanks to this careful analysis and monitoring, no USAID activity had a significant negative impact on the environment.

Although stand-alone projects and regional activities experienced some success during the early years of the USAID environmental assistance to Bulgaria, many of the long-term high-impact results came in the late 1990s and were the product of several years of targeted training, technical assistance, and policy development. Moreover, USAID activities in the late 1990s and beyond 2000 were follow-on projects that were able to capitalize on the achievements of approximately ten years of environmental programs and partnerships with other U.S. and Bulgarian government agencies and with international organizations. Due to the long-standing USAID commitment to specific reforms, activities

d. SUMMARY ASSESSMENT OF THE ENVIRONMENT PROGRAM IN THE CONSOLIDATION AND EU ACCESSION PERIOD

implemented in the latter part of the environmental assistance portfolio produced legislation, policy changes, and future plans that were widely accepted by government officials and gained significant civic support.

During this EU accession period, environmental reforms sometimes competed with local and international business interests. As countries develop, it is important to institutionalize and enforce environmental standards to hold new developers environmentally accountable for their actions. The work USAID did in Bulgaria contributed significantly to achieving this. Not only does Bulgaria have clear and visible environmental legislation, but the country also has an active lobby of trained professionals that have the capacity and desire to promote and protect environmental quality in the region. Advances in ecotourism also helped to merge environmental protection with economic growth thus lessening the tension between the two sometimes competing sectors.

The overall results achieved through USAID environmental assistance to Bulgaria is a culmination of policy enactments, the conservation of land resources, enhanced institutional capacity, better trained environmental experts and pollution reduction. Some of the more tangible results such as visible pollution reduction and energy cost savings were achieved through technical activities implemented under regional programs. However, the majority of results were generated after many years of programs in Bulgaria that focused on creating an institutional, legal, and civic environment for implementing a sound environmental policy.

USAID programs were generally successful in helping improve overall government management of protected areas, increasing conservation through national parks, business development in association with tourism, passing protected area legislation, and providing market-based solutions to pollution control. Each of these accomplishments contributes to successful ecotourism development.

Bulgaria has significant potential for a successful and substantial income-generating ecotourism industry. However, because of this potential, Bulgaria has experienced a rapid surge in real estate and other development in various tourist destinations putting the country in danger of *over-development* if this is not properly controlled. Indeed, adverse environmental impacts from these causes have accelerated in recent years. These impacts will continue reverse the positive impact of USAID, other donor and earlier government administrations' work unless the current and future governments, including the Ministry of Environment and Water, direct appropriate attention and resources to protecting and preserving Bulgaria's rich environmental resources and heritage.

4. HUMANITARIAN ASSISTANCE DURING THE CONSOLIDATION AND EU ACCESSION PERIOD

In addition to periodic humanitarian donations of medical supplies and equipment, furnishings, vehicles, and other excess property through the Department of Defense (DOD), USAID provided humanitarian relief and support twice during the later years of the transition in Bulgaria: during unusual flooding in 2005 and 2006; and to provide equipment and training to enable the Bulgarians to handle an outbreak of Avian Influenza, should that occur.

a. FLOODS

From May through September 2005, Bulgaria experienced several waves of torrential rains that caused heavy flooding throughout the country. The damage proved extensive, affecting over 3.2 million people (about 40% of the Bulgarian population). About \$1.45 million in funding provided by the USAID Office for Foreign Disaster Assistance (OFDA), combined with \$250,000 from the State Department, were used to provide equipment for immediate recovery efforts and direct assistance to affected populations. DOD also donated excess property valued at \$130,000 to organizations and municipalities in the affected regions.

The American Red Cross received a \$50,000, three-month grant to provide humanitarian assistance to those affected by the summer 2005 floods. Together with the Bulgarian Red Cross, it delivered 1,350 blankets, 925 mattresses, 1,350 bedding sets, 3,500 food parcels, and 175 hygienic parcels to 90 locations in 7 regions reaching 3,750 beneficiaries.

CARE International-Bulgaria received a total of \$1.65 million for a longer-term effort that included both immediate relief assistance for and recovery from the summer 2005 and spring 2006 floods, as well as equipment for the State Agency for Civil Protection to improve its capacity. In August 2005, with \$399,000 through OFDA, CARE donated motor pumps, inflatable boats and engines, skin diving equipment and protective clothes for rescue workers, chemical toilets, motor saws, food parcels, water, sanitary packages and disinfection chemicals. Under a separate \$1.25 million grant, CARE-Bulgaria delivered 37 pumps for three districts to address the immediate need to pump water out of the affected areas. In addition, 593 households and 9 institutions received heating materials (404 tons of wood and 663 tons of coal); 616 households received 1,913 blankets and 1,785 bed sets (distributed through the Agency for Social Assistance); and 1,561 households received 744 cooking stoves, 622 washing machines and 537 refrigerators. During the spring 2006 floods, CARE-Bulgaria delivered mineral water and food supplies to Vidin, Lom and Nikopol as well as the village of Dolni Tsibar. Also purchased under the project, to boost the capacity of the State Agency for Civil Protection, were steam jet cleaners, life saving jackets, static rescue ropes, flat discharge hoses for pumps, flat discharge hoses, suction hoses and fittings, and three rescue vehicles.



Some of the sanitary packages, disinfection chemicals, and water donated by USAID through CARE International to the flood victims in the summer of 2005

b. AVIAN INFLUENZA

In 2006, USAID provided more than \$900,000 through four organizations to improve Bulgaria's preparedness for dealing with Avian Influenza (AI). Due to its proximity to Turkey and Romania, Bulgaria is at risk for the highly pathogenic strain of Avian Influenza, and has already experienced some limited outbreaks. USAID granted the World Health Organization (WHO) \$250,000 for technical assistance and training for Ministry of Health personnel. CARE International-Bulgaria received a \$400,000 cooperative agreement to purchase laboratory equipment and computers to improve surveillance, prevention and control. In addition, through its Washington office, USAID donated personal protective equipment. USAID contracted with a local NGO, Foundation for Community Development (FORA), to implement a \$50,000 public education campaign. Development Alternatives Inc. (DAI) trained more than 400 veterinarians under a \$200,000 USAID

contract. USDA complemented the USAID program by covering some of the training costs. As a result of this USG assistance, measures are now in place to address a potential outbreak of Avian Influenza in Bulgaria.

c. SUMMARY ASSESSMENT OF HUMANITARIAN ASSISTANCE IN THE CONSOLIDATION AND EU ACCESSION PERIOD

USAID humanitarian assistance efforts in Bulgaria over the years have proven to be a real asset. USAID ability to deliver quickly in times of crisis has not only helped save lives and reduce human suffering, but also can engender positive public opinion of Americans. While technical assistance and training programs are important to long-term development, sometimes they are not visible to the general population, and even when they are, understanding how they benefit the common man or woman is sometimes difficult. However, humanitarian relief efforts are highly visible, do not necessarily cost a lot of money, and are usually easier for people to understand. For example, the \$400,000 OFDA grant for flood assistance generated 40 news reports in the local media in August, 2005 alone. By comparison, the rest of the USAID ongoing development program only resulted in 25 news reports for the same month.

C. SUMMARY OF OVERALL PROGRAM RESULTS IN THE CONSOLIDATION AND EU ACCESSION PERIOD

After 2002 the major focus of the program shifted to democracy and governance activities which absorbed the largest percentage of USAID funds (43%). However, a still substantial amount of funding (34%) was provided for economic growth projects. Some of the major program highlights included:

1. SUPPORT FOR FREE MARKETS AND ECONOMIC GROWTH

- Instituted a system of private enforcement of legal judgments that resulted in the collection of more than \$60 million of delinquent debts during its first 9 months of operation in 2006.
- Established a new system for raising quality standards of alternative tourism facilities through the “Authentic Bulgaria” program that certified 72 small hotels by June 2007.
- Strengthened the link between employers and universities by launching 36 career development centers and a related system of career fairs and career counseling by early 2007.
- Supported major energy reforms that culminated in privatization of electricity distribution and generation companies for more than \$1.1 billion.
- Carried out a development credit guarantee program that resulted in 540 loans for almost \$100 million through selected commercial banks to SMEs, municipalities, energy and agriculture by the end of 2006.

2. SUPPORT FOR DEMOCRACY AND GOVERNANCE

- Supported the development and passage of all elements of the legal framework for fiscal decentralization and helped establish the Council for Decentralization to implement the fiscal decentralization process.

- Helped ensure the sustainability of both the National Association of Municipalities and the Foundation for Local Government Reform.
- Helped establish and strengthen the National Institute of Justice which trained more than 3,271 judicial personnel in 2006 alone.
- Instituted a model courts program which improved the effectiveness, efficiency and transparency of model courts throughout the country.
- Supported legislation, systems and establishment of an Attorneys Training Center to help professionalize and train attorneys in Bulgaria.
- Established the legal framework, regulations, procedures and training support for mediation that resulted in 19 mediation centers and over 1,000 cases mediated by 2007.
- Established 10 pilot community funds throughout Bulgaria to mobilize local resources for community activities.
- Implemented a conflict resolution and ethnic integration program that contributed to the enhancement of the quality of life and tolerance in 13 ethnically mixed communities.
- Built the capacity of the Bulgarian Broadcasters Association and Bulgarian Media Coalition to represent and support the media sector.

3. SUPPORT FOR THE ENVIRONMENT

- Supported the development and implementation of the national park system management plans and the National Ecotourism Strategy and Action Plan to protect biodiversity and better integrate it into rural development.
- More than \$180 million in environmental trade and investment deals facilitated by 2007 under the Ecolinks program.

4. HUMANITARIAN ASSISTANCE

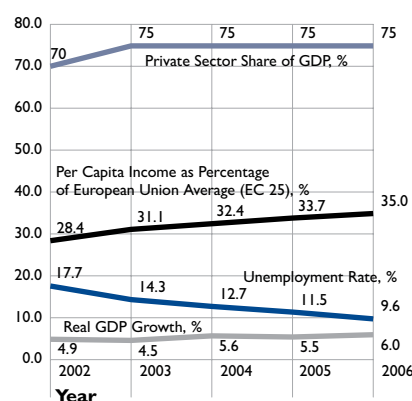
- More than 6,700 direct beneficiaries of USAID flood assistance and recovery programs after the 2005 floods.
- Established measures to address a potential outbreak of Avian Influenza.

D. PROGRESS OF THE TRANSITION DURING THE CONSOLIDATION AND EU ACCESSION PERIOD

Bulgaria made significant progress during 2002–2007 in several key transition areas. This was demonstrated most dramatically by its accession to NATO and the EU. However, despite its clear progress and achievements, Bulgaria still faces major challenges as a new member of the EU, and some indicators of progress are disappointing. Bulgaria's transition progress from 2002 to 2007 is discussed below in conjunction with information that compares USAID close-out targets with achievements. Data are from the end of 2006 unless otherwise indicated.

TABLE 8. ECONOMIC TARGETS AND PROGRESS

	Target	Achieved
Unemployment rate	13 %	8.3 % (April, 2007)
Private Sector Share of Gross Domestic Product (GDP)	80 %	75 %
Gross Domestic Product (GDP) per Capita as % of EU average	46 %	34.2 %
Global Competitiveness Index	40 th place	72 th place

FIGURE 9. ECONOMIC INDICATORS: 2002–2006

Bulgaria maintained macro-economic stability and sustained strong economic growth during the Consolidation period. Tight fiscal discipline and the continuing link between the Bulgarian lev and the Euro helped keep inflation below 10%. While inflation was still high compared with other EU countries, this figure represented a major improvement since the hyperinflationary period of the mid-1990s. Unemployment fell to less than 10% in 2006 for the first time since 1991. Although employment improved substantially from 2002–2007, long-term unemployment remained stubbornly high, particularly among the Roma minority. Compensation levels reached 34.2 % of the EU average by the end of 2006, but this was still the lowest of all new EU countries, and it was well below the USAID target of 46%. A widening current account deficit that reached 16% of GDP in 2006 was another troubling concern. The private sector share of GDP was stable at 75% between 2003 and 2006. Privatization results for 2007 should increase this figure when data is available. Figure 10 shows economic progress over the Consolidation and Accession period.

Bulgaria's global competitiveness¹⁰⁰ ranking fell from 61 to 72 between 2005 and 2006. Bulgaria had particularly weak scores for its institutions, market efficiency and higher education and training. The very poor institutional ranking (109) reflected in part the weaknesses in the judicial system and continuing high levels of bureaucracy, corruption and crime. Bulgaria ranked at the bottom of all EU countries in competitiveness, indicating it must redouble efforts to strengthen its institutional weaknesses.

Fortunately, at the time of this Assessment Bulgaria was expected to receive significant funding from major donors to help it address these key development constraints. More than \$5 billion in EU financial support to Bulgaria is planned for 2007–2009 primarily to support agriculture, environmental standards, roads and infrastructure and human resource development. These funds represent almost 4% of annual GDP. In addition, more than \$1 billion per year from the IBRD, EBRD and European Investment Bank is planned to help address many of the remaining issues identified in this report. The World Bank and others have noted the critical need for Bulgaria to increase its competitiveness to support private sector growth within the EU, and especially to address major areas neglected during the rush to meet the requirements for EU accession. These key areas include reforming basic and university education, upgrading skill levels,

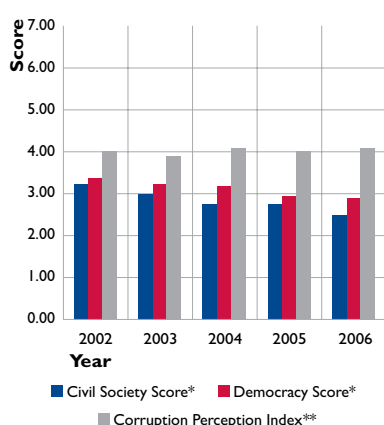
100 World Economic Forum, "Global Competitiveness Report 2006–2007," (Davos, Switzerland: 2006).

addressing poverty and social exclusion, further reforming the energy efficiency sector, continuing business deregulation, continuing to improve administrative capacity at the local and central levels to absorb EU accession funds effectively; and also to manage spending efficiently for key areas such as health, pensions and social services.¹⁰¹ Now that it has joined the EU, Bulgaria will have to recalibrate its priorities to recognize these issues and respond effectively.

TABLE 9. DEMOCRACY TARGETS AND PROGRESS

	Target	Achieved
Transparency International Corruption Perceptions Index ¹⁰²	5.0	4.0
Judicial Performance Index	4.75	5.81 ¹⁰³
Municipal Revenue Per Capita	BGN 280	BGN 425
Ethnic Integration – Tolerance Towards Roma ¹⁰⁴	Increased	Increased (see footnote below)

FIGURE 10. DEMOCRACY INDICATORS: 2002–2006



* Source: Freedom House. The ratings of Freedom House Nations in Transit are based on a scale from 1 to 7, following a quarter-point scale, with 1 representing the highest and 7 representing the lowest level of democratic progress. The Democracy Score is an average of the ratings for all categories covered by Nations in Transit. Ratings are shown for the year covered rather than the year of publication by Freedom House (which covers the previous calendar year).

** Source: Transparency international. The ratings of Transparency International measures perception of corruption on a scale from 0 (highly corrupt) to 10 (highly clean).

Bulgaria achieved the status of “consolidated democracy” under Freedom House’s Nations in Transit democracy ratings in 2005 with a score of 2.93.¹⁰⁵ The next year Bulgaria’s score improved to 2.89, putting it well ahead of its neighbor and EU accession partner, Romania which achieved a score of only 3.29 for the same year. Bulgaria is a politically stable country with a strong track record of regular free and fair elections involving political parties which make up a pluralistic political party system. Although its development has been donor-driven, Bulgaria’s civil society is strong, vibrant and serves a vital role in advocating for and representing citizens. Given the reduction in donor funding for NGOs, the sector is likely to contract, but this is a favorable development which will solidify and strengthen the sector which as a result of donor funding, has become bloated and not necessarily citizen-driven. The decentralization legal framework, local government management capacity, and local government supporting institutions (training, membership, and advocacy) are in place, thus ensuring the sustainability of local government reforms USAID supported with its Bulgarian partners over the years.

¹⁰¹ International Bank for Reconstruction and Development and International Finance Corporation, “Country Partnership Strategy for the Republic of Bulgaria for the Period FY07-FY09,” (Washington, D.C.: 16 May 2006).

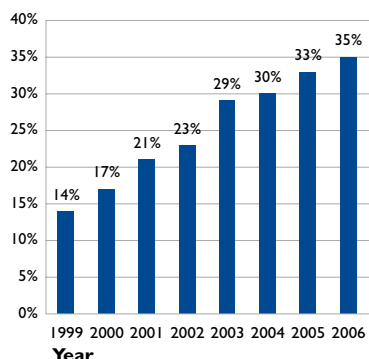
¹⁰² Transparency International. “Corruption Perceptions Index 2006.” Available from http://www.transparency.org/policy_research/surveys_indices/CPI/2006; Internet.

¹⁰³ From the 2005 Judicial Performance Index, the last year in which it was done. The Judicial Performance Index is based on a survey of lawyers, NGO representatives, and local business representatives on the effectiveness, transparency and independence of specific courts. The Index uses a scale of 1 to 10, with 1 being the worst score and 10 being the best. In a comparison of courts with whom USAID was working to those with whom it was not working, the USAID assisted courts received an average score of 5.81 compared to a control group of courts not assisted by USAID, which received an average score of 4.14.

¹⁰⁴ The Graduation Strategy further defined this indicator as “Increased integration of Roma in mainstream society,” and included two measures related to Roma communities in which USAID was actively working on ethnic integration): increased number of jobs created and increased number of Roma children retained in school. The target for jobs was 800 by 2006; the program resulted in 438 jobs created. The target for children retained at school was 5,000 by 2006; the program resulted in 3,549 children retained in school. Please also note that USAID’s ethnic integration activity focused on both Roma and Muslim communities, so reported figures include both.

¹⁰⁵ The score is actually from Freedom House Nations in Transit 2006, but covers the calendar year 2005. Available from <http://www.freedomhouse.org/template.cfm?page=47&nit=392&year=2006>; Internet.

FIGURE 11. SHARE OF MUNICIPAL OWN REVENUES OF TOTAL REVENUES (1999–2006)



Although great strides have been made in the reform of the judiciary and in the fight against corruption, these will take additional resources, political will and time. With USAID assistance courts are well-managed and administered, and the capacity of judges and other legal professionals has improved; however, the independence of the judiciary is jeopardized by excessive Ministry of Justice involvement, including the Ministry's chairmanship of the Supreme Judicial Council which remains weak and dysfunctional. Administrative corruption has been significantly decreased, yet political corruption is growing and organized crime remains a serious concern. Bulgaria's score on the Transparency International Corruption Perceptions Index shows no improvement from 2002, with a "4" on a scale of 0–10, with "0" being highly corrupt, and "10" being highly clean.

Since 2001, Bulgaria's scores on IREX's Media Sustainability Index have improved by 24.6%.¹⁰⁶ Achieving an average score of 2.98 on the 2006–2007 Media Sustainability Index, Bulgaria is slightly below what IREX considers "sustainable." With 24 dailies, over 900 other print media, 424 newspapers, 111 radio stations and 187 television stations,¹⁰⁷ Bulgarians have access to a broad range of information and a variety of viewpoints. Nonetheless, the sector remains problematic reportedly due to control of media outlets by political or economic interests. Professionalism of journalists remains a problem which is exacerbated by the lack of reform of journalism faculties in the universities. Bulgaria lags on the protection of free speech considering that libel remains a criminal offense.

Overall, Bulgaria has a lot to be proud of in terms of its difficult but successful transition to democracy. In particular, its political and electoral system, civil society and local government are its strongest assets. Additional progress must be made in addressing corruption, strengthening the independence of the judiciary and bolstering independent media.

E. THE RISKS OF BACKSLIDING

By 2007, a troubling trend was emerging for the new democracies that joined the EU in 2004. The Nations in Transit report covering 2006 indicated that 8 of 10 of these new members had stagnated or worsened on their governance standards since 2004. The report documented a trend of gradually improving scores for democracy before EU accession, followed by a leveling off and then a downward trend. There appear to be several reasons for the backsliding, including the lack of consensus within government and society regarding the way forward illustrated by crises in national governance. Increasingly partisan politics and rampant corruption are alienating citizens, and governments are finding it more difficult to continue the tight fiscal controls instituted for EU membership. News media have exacerbated the situation through

¹⁰⁶ IREX, "2006/7 Media Sustainability Index," Available from http://www.irex.org/programs/MSI_EUR/index.asp; Internet.

¹⁰⁷ IREX, "2005 Media Sustainability Index," Available from http://www.irex.org/programs/MSI_EUR/archive.asp; Internet.

sensationalist and partisan reporting. While previously they were a democratizing force, media are becoming part of the problem. Bulgaria's independent media score worsened in 2006, even before it joined the EU.

Another factor contributing to the democracy backslide in new EU member states is the lack of progress on judicial reform, particularly related to tackling corruption. Also, increasing nationalism in the region is giving rise to populist political parties and candidates, reducing serious political debate and closing political discourse on important economic and political reforms. Although Bulgaria continues to be ranked as a "consolidated democracy," and it improved its Nations in Transit democratization score in 2006 (prior to entering the EU), it must remain vigilant and committed to maintain the reform momentum and to consolidate the reforms it achieved with the EU accession process.

VI. CROSS-CUTTING AND SPECIAL INITIATIVES

Some USAID activities contributed to multiple objectives, or were developed for special situations outside of the strategic framework. These cross-cutting and special initiatives included funding for the American University in Bulgaria (AUBG) and support for Peace Corps Small Project Activities (SPA). Another major cross-cutting initiative supported a range of anti-corruption activities. Additionally, USAID training programs underpinned the success of many other development activities.

A. AMERICAN UNIVERSITY IN BULGARIA (AUBG)



W. Michael Easton
President, AUBG (2005–2007)

“The founders of the American University in Bulgaria were dreamers in 1991 when they decided to establish an American institution of higher education in a region of the world just emerging from years of communist rule. What once was a dream has now become a reality. AUBG has proven to itself and the greater community that it is a sustainable institution, operating within its own resources, the revenue from student tuition and supplemented by private donations and grants. Thanks to USAID early sponsorship, AUBG now stands as one of their most important legacies in Bulgaria. AUBG is a success story and all those associated with its founding, its development and its maturation should feel very proud.”

AUBG is a four-year, liberal arts undergraduate educational institution located in Blagoevgrad, Bulgaria. AUBG was founded in 1991 with the technical expertise of the University of Maine, strong financial support by USAID and the Open Society Institute, and the cooperation of the Bulgarian Government at the local, regional and national levels. Since its founding, the American University in Bulgaria has benefited from almost \$60 million in U.S. assistance including more than \$8 million in grants under the American Schools and Hospitals Abroad (ASHA) program. It has become a beacon of American ideas and practices in education. AUBG’s mission has been “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 has achieved a great deal since its founding. It has a solid record of preparing the next generation of leaders committed to democratic principles and processes in a rapidly changing region. AUBG produced over 2,000 graduates from more than two dozen countries by 2007. A

substantial portion of them, approximately 35%, went on to graduate study in some of the best American and European universities — including the London School of Economics, Oxford, Stanford, Duke, Cornell, the University of Chicago, Georgia Tech, Purdue, Tulane and many others of similar caliber. The remaining 65% 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; institution of an executive MBA program at a new facility (Elieff Center) in Sofia that has graduated more than 100 students; and growing enrollment in AUBG from only 208 students in 1991 to over 1,000 in 2007.



Julia Watkins
President of AUBG (1993–2003)

“The American University in Bulgaria (AUBG) was developed in the midst of massive shifts in the political and economic systems of Eastern Europe and sustained by a psychological optimism that change would bring freedom, democracy, and a better standard of living for populations that had lived for many years under the oppressive eyes of totalitarian regimes. AUBG and USAID were partners during those developmental years. The partnership required enormous hard work to sustain its productivity and maintain the agreed upon sustainability of the institution of AUBG. But given the courage, the risk taking, and the determination to succeed evidence by many, many individuals and organizations — both private and public, AUBG is a success and its legacy is making a vast difference in a historically troubled region.”

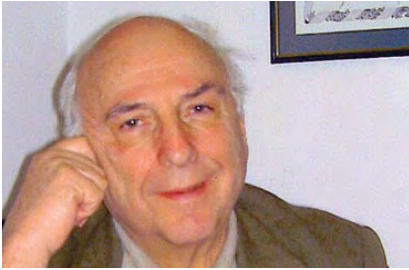
The future for AUBG looks bright. A new campus, equipped to house and educate a student body of 1,200–1,400, is more than 50% completed. Alumni are achieving positions of leadership in their home countries and abroad as academics, corporate executives, NGO leaders, government officials and entrepreneurs creating their own businesses.



Deyan Vassilev
Member of First AUBG Graduating Class 1995, First Student Government President of AUBG (3 terms), Founder of Eastisoft Software Solutions, EO Creditland Mortgage Broker

“From its get-go — AUBG has never been an ordinary university, and thanks to its outstanding students, faculty and administration — it will never be ordinary. But today let us once again give our gratitude for the vision, braveness and generosity of the people and institutions who helped found the University in times of political upheaval and in a region historically rife with bloody conflicts, ethnic wars and ideological divide. On behalf of the first classes I would like to express my sincere and deepest gratitude for enabling this whole endeavor.”

AUBG must still grapple with sustaining its program after more than 15 years of USG support, but it is on a positive trajectory after numerous financial and management challenges. A USAID Financial Assessment in 2006 found that, “AUBG has excellent prospects for financial sustainability due to its competent management, effective leadership, sound budgeting processes and well-designed financial systems.” However, the effect of EU integration on AUBG and particularly the availability of subsidized education in many EU countries is yet to be measured. Clearly, AUBG will need to assure that it maintains the highest educational standards at reasonable costs to assure sustainability, and it will also have to be creative and diligent in fund raising efforts.



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's curriculum stresses critical thinking, transparency and ethics in its approach, and these are the cornerstones of a free society. Perhaps just as importantly, 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. We must therefore assure that AUBG is sufficiently endowed for the future so that it can continue to play its valuable role for a stable, free and peaceful Europe."

B. PEACE CORPS SMALL PROJECT ACTIVITIES

USAID and the U.S. Peace Corps had a long and productive relationship in Bulgaria. Since 1992, USAID provided more than \$2.8 million to support the Peace Corps' small project activities (SPA) program making it the largest SPA program in the world. The SPA program encouraged self-help efforts on behalf of local communities, in collaboration with Peace Corps Volunteers (PCV), to identify common concerns, plan small-scale activities, and develop strategies to address those issues.

Larry Gemmell,

Former PCV

"The SPA program helped me assist a group of eight physically handicapped women begin a small business. They were living in the Home for the Handicapped in Stara Zagora and were very accomplished knitters. SPA funds renovated a workplace for them and helped them market their products online."

In most instances, SPA is a tool to help teach community development skills to local communities and to help individual PCVs integrate. The amount of goodwill generated by the SPA program is difficult to calculate, but people everywhere, especially in the smaller towns and villages, are very quick to point out any improvements made as a result of 'their' Peace Corps volunteer and SPA."

SPA grants (\$3,400 on average) addressed a variety of areas, including upgrading infrastructure, computer instruction, environmental education, biodiversity conservation, income-generating activities, civil society development, youth issues, and support for English language programs. PCVs played an important role in facilitating the planning process, assisting with implementation, building local capacity, and monitoring projects.

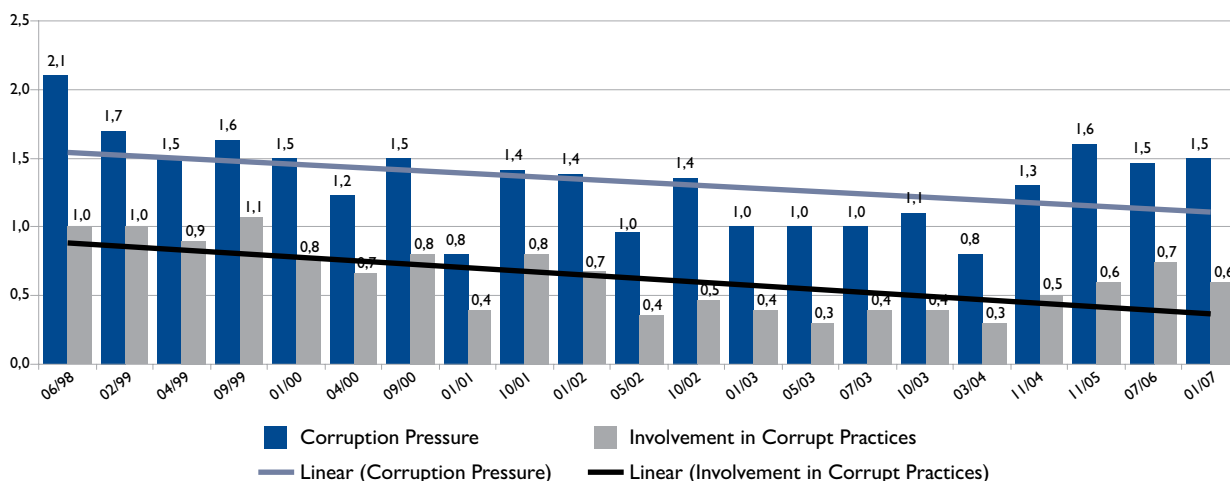
Almost 400 SPA projects were completed in Bulgaria since 1993. The impact of a sampling of projects was evaluated by USAID in 2003.¹⁰⁸ It found that at their best, SPA projects help communities carry out priority programs that have significant impact and sustainability.

¹⁰⁸ Assia Alexieva, Katia Alexieva and Ivica Vasev, "Impact Evaluation of the Peace Corps Small Project Assistance (SPA) Project," (Sofia, Bulgaria: USAID, August 2003).

C. ANTI-CORRUPTION

USAID began supporting anti-corruption programs in Bulgaria in 1998, long before the issue became a concern for the public and donors. It started with support to Coalition 2000, a unique public-private partnership against corruption led by the Center for the Study of Democracy. In 2002, USAID began the Open Government Initiative (OGI), a technical assistance program to support government anti-corruption measures. While initially a broad-based effort, eventually OGI narrowed its focus to improving public procurement and government auditing. Complementing these specific anti-corruption efforts were a host of activities integrated into the Mission’s local government, rule of law, media, and financial sector integrity technical assistance programs that also impacted corruption.

FIGURE 12. DYNAMICS OF THE INVOLVEMENT IN CORRUPTION TRANSACTIONS AND CORRUPTION PRESSURE INDEXES POPULATION (MIN=0, MAX=10)*



Source: Vitosha Research/CMS

(*)The minimum index value is 0, when no corruption transactions at all have been concluded and the maximum is 10 – when all citizen interactions with the administration involve a corruption element.

I. COALITION 2000

Coalition 2000 was a Bulgarian partnership between civil society and state institutions to fight against corruption. Launched in 1998 with USAID support, the Coalition was one of the primary forces for improving transparency and integrity in government. At that time, the issue was considered so sensitive that USAID channeled funds for this effort through the International Development Law Organization (IDLO, formerly the International Development Law Institute or IDLI) in order to create some distance between USAID and the Coalition, and to give it more of an international appearance. Granting funds through IDLO was also necessary because USAID did not have an existing mechanism to make a grant directly to CSD, and it allowed for IDLO to strengthen CSD’s financial systems.

Success Story**THE CENTER FOR THE STUDY OF DEMOCRACY: LONGTIME USG PARTNER IN DEVELOPMENT**

Led by Ognian Shentov, the Center for the Study of Democracy (CSD) has been a USG partner since the beginning of the transition. Sensing that a change was about to happen, Mr. Shentov impressed the U.S. Embassy with his prescient insights in discussions with the Ambassador and others just prior to 1989. CSD received early grant support from SEED-funded programs with the International Media Fund, the National Endowment for Democracy, USIS, USAID and others.

Mr. Shentov disseminated information by setting up Voice of America (VOA)-affiliated radio stations (see box on page 44), and translating and publishing key texts on Western political and economic thought (the radio stations took off, but the “Crucial Books for Democracy” effort flopped due to lack of interest in the books.) CSD hosted the ABA CEELI program in the early years, providing valuable contacts in and insights to the Bulgarian legal system. CSD also has a long-term relationship with NED core grantee, the International Center for Private Enterprise (CIPE), which has provided almost \$800,000 for CSD activities since 1992. In 1998 CSD and USAID collaborated to develop a platform and vision for Coalition 2000, and CSD also credits USAID for its early leadership in raising the corruption issue with other donors. In total, USAID supported CSD’s leadership of Coalition 2000 and anti-corruption through grants totaling almost \$5 million starting in 1998. Because corruption was a taboo topic in Bulgaria at the time, CSD’s efforts in this area were truly groundbreaking. USG support for trail blazer Ognian Shentov and his CSD team over the years has been money well-invested. They are but a few of the bright and talented Bulgarian partners that have made the USAID program a success in Bulgaria.

The Coalition included a Policy Forum that convened annually to review results of the preceding period and to provide guidelines for the work of the project over the next year. Members of the Policy Forum included state institutions, NGOs and international partners. A Steering Committee met with a Secretariat based at the Center for the Study of Democracy, a local public policy think tank that serves as the operational arm of the Coalition. The Coalition focused on policy reform; awareness and public support (in the first stage) and capacity building and technical assistance (during the second stage); and a *Corruption Monitoring System*. The Coalition’s 1998 Policy Forum developed and endorsed an Action Plan. In the first few years of the project, the impact of the awareness and public support component was evidenced in the reduction in an index of citizen susceptibility to corruption from 4.9¹⁰⁹ in June 1998 to 2.5 in October 2003. After achieving its public awareness goals, Coalition 2000 turned to capacity building of key anti-corruption institutions and promoting anti-corruption education at secondary schools and universities. Coalition 2000 participated in the government’s 2001 National Anti-Corruption Strategy, largely based on the 1998 Action Plan. After 2005, anti-corruption work continued through CSD alone, which supported the National Strategy for Good Governance, Prevention and Counteraction of Corruption 2006–2008, developed in response to EU pressure. CSD considers one of the key results of its work to be the establishment of a national ombudsman and local ombudsman offices. CSD’s *Corruption Monitoring System* (CMS) tracks progress on reducing corruption. The CMS shows a 50% reduction in the prevalence of administrative or petty corruption from 1999 until 2007. Recognized internationally,

¹⁰⁹ The scale is from 1 to 10 with 10 being the worst score and 1 being the best.

CSD's Monitoring System was used by the UN to develop its anti-corruption toolkit, and the Bulgarian Government has suggested that the European Union consider adopting CSD's *Corruption Monitoring System* (supported by USAID for the last eight years) for the entire EU. Bulgaria has a long way to go to reduce corruption to acceptable levels, but by uniting stakeholders in this common objective, CSD is taking a unique and successful approach to fighting corruption.

2. OPEN GOVERNMENT INITIATIVE

Until 2002, USAID supported primarily civil society organizations to strengthen their watchdog and monitoring capacities. A new program, the Open Government Initiative Project (OGI) was launched in 2002 with a more comprehensive approach to corruption. Through DPK Consulting, more than \$9.5 million was provided between 2002 and 2007 for this effort. The scope for the first phase of the program (2002–2005) was very broad, including civil society, government, parliament and the private sector in a multi-faceted approach to limit corruption. In 2005, in order to better target the effort and make it more manageable, USAID refocused the OGI on strengthening and streamlining public procurement, internal controls and government audit systems. This was done in close coordination with the EU delegation to Bulgaria which was also targeting corruption as part of the EU accession process.

a. RESULTS

The major results of the public procurement component of the OGI program were that the public procurement system was strengthened using a new, EU-compliant framework. The program helped the Bulgarian Government to establish and utilize a Public Procurement Register in 2005, and to develop and refine a new Public Procurement Law in 2006. It also put in place the necessary implementing manuals and handbooks, trained implementers, managers and businesses on procurement management, and generally helped stakeholders to learn about international best practices in public procurement. OGI involved the private sector in these efforts through the Bulgarian Industrial Association and other associations so that business would also be aware of the changes and help hold government accountable.

The impact of the internal control component of the program was less clear and may take longer to realize. Internal controls for government are a foreign concept in a country that until quite recently used only an external inspectorate system to assure compliance with regulations. OGI provided training and technical assistance to ministries to increase awareness of internal control techniques, models, and standards and to improve the financial management and control methodology in the public sector. EU requirements provided impetus to incorporate internal controls in government, so these techniques may be applied in time. However, institutionalization was far from complete by 2007 and little impact was apparent.

The results of the component on audit were more encouraging. A new Act on Internal Audit was passed in 2006, and the National Audit Office (NAO) received help in fraud detection and awareness through

training and promotion of techniques and methods used by the U.S. Association of Certified Fraud Examiners. A number of NAO auditors were certified with this organization. NAO received assistance in carrying out performance audits, a critical element of every supreme audit institution, and it was applying the improved techniques. In addition, a chapter of the Institute of Internal Auditors was established with OGI help, thus promoting best practices in internal audit in both the public and private sectors.

b. LESSONS LEARNED IN IMPLEMENTING ANTI-CORRUPTION PROGRAMS

Although corruption has many facets, the first phase of the OGI program demonstrated that it was not practical for a single program to address so many diverse elements.

The pervasive and multi-faceted nature of corruption is such that it is not easy to limit. Government, business, and civil society need to work together on the issue. Even then, it takes time and progress will be gradual. Thus, although CSD has done some very good work in this area, and some of the OGI activities have been successful, overall Bulgaria is still doing poorly on limiting corruption.

D. TRAINING

USAID sponsored two special training programs to invest in building the human capacity of indigenous institutions and organizations, particularly those actively participating in the USAID assistance portfolio: Georgetown's East Central European Scholarship Program, and World Learning's Participant Training Program. These initiatives equipped a broad range of Bulgarian leaders and professionals with skills and practical knowledge to develop democratic processes, free enterprise, market economics, and improved quality of life. This support was most often accomplished through tailored visits to, and training in, the United States and other countries as well as through in-country trainings.

I. GEORGETOWN UNIVERSITY'S EAST CENTRAL EUROPEAN SCHOLARSHIP PROGRAM

A Congressionally-mandated regional program managed and funded by USAID Washington, the Georgetown East Central European Scholarship Program (ECESP) began including participants from Bulgaria in 1998. The program trained leaders, experts, administrators and managers in such areas as managing change, strengthening democratic governance, building a vibrant civil society, promoting effective foreign policy, ensuring sustainable private sector growth and a transparent financial sector, and improving health, social and education services. From Bulgaria, 117 people completed long-term (7–12 months) training in the United States, while another 34 received short-term training. Another 369 people participated in short courses organized in Bulgaria related to health care, accounting, and labor market policies, and another 29 people were trained on health care financing in Poland. Two of the Georgetown Scholarship Program's alumni are highlighted here: EU Commissioner Meglena Kuneva who is the most prominent former participant, and Mimi Furnadjieva, a long-term USAID partner from whom USAID can expect great things in the future.

Success Story**GEORGETOWN UNIVERSITY'S MOST PROMINENT BULGARIAN ALUMNUS:
EU COMMISSIONER MEGLENA KUNEVA**

Prior to studying in the United States, Meglena Kuneva worked as the Senior Legal Advisor to the Council of Ministers. She was instrumental in the harmonization of Bulgarian environmental legislation with European legislation in the fields of Waste Management, Management of Water Resources and Protected Areas. Through Georgetown University's East Central European Scholarship Program (ECESP), Ms. Kuneva completed a one-year Public Administration Program in the United States. She returned to Bulgaria to continue her public service career. Ms. Kuneva was elected to the parliament in 2001 as a founding member of the National Movement Simeon II (NMS). Shortly thereafter she was appointed Deputy Minister of Foreign Affairs and Bulgaria's Chief Negotiator with the European Union. In 2002 she was appointed Bulgaria's first Minister of European Affairs, retaining that position after a change in government in 2005. When Bulgaria became a member of the European Union in 2007, Meglena Kuneva became Bulgaria's first member of the European Commission, and has a portfolio related to Consumer Protection.

Success Story**JUDGE MIMI FURNADJIEVA,
THE FIRST AND ONLY BULGARIAN WITH A MASTER'S DEGREE IN LEGAL ADMINISTRATION**

In 2003, Blagoevgrad District Court Acting Chair Mimi Furnadjieva witnessed first hand how U.S. courts reduce case delays under a three-week, USAID-sponsored study tour through its Participant Training Program. Three years later, her pursuit of new knowledge and tools for improving court administration took her to Denver, Colorado, where, under the USAID-funded Georgetown University Scholarship Program, she became the first international student in the University of Denver master's program in Legal Administration. In fact, Denver is the only U.S. university to offer such a degree, making Judge Furnadjieva the first non-American to receive it. The degree is designed to prepare students for careers in legal administration at law firms and in court administration. Now back in Bulgaria, she is working with her judicial colleagues to streamline the way the courts function. Newly appointed to the Supreme Court of Cassation, she believes that her court should be a leader in this field. She praised the work of the USAID Judicial Strengthening Initiative (JSI), which trained a large percentage of the administrative secretaries in Bulgarian courts, but indicated that such training needs to be institutionalized and delivered by the National Institute of Justice (NIJ). Judge Furnadjieva plans to continue working as an NIJ trainer and to use her newly-learned skills and experience in the United States to further court administration reforms in Bulgaria after USAID closes its Mission. Several months after her return to Bulgaria, Judge Furnadjieva was also selected as the new chair of the supervisory board of the Bulgarian Judges' Association, where she will no doubt have further opportunities to change the system from within.

VI

**2. WORLD LEARNING'S
PARTICIPANT TRAINING
PROGRAM**

USAID provided more than \$18 million for short-term training to over 3,200 Bulgarians during the lifetime of its Participant Training Program (1993–2007). Most people were trained in the United States and third countries, although a small number benefited from training in Bulgaria under the program. Through consecutive Task Orders under various centrally-managed Indefinite Quantity Contracts, the E&E Bureau administered a Europe region-wide Participant Training Project that included Bulgaria starting with Partners for International Education and Training (PIET) in 1993, moving to Global Training for Development (GTD) in 1996 and then finally finishing under Strategic Technical Assistance for Results and Training (START). Although under these various Indefinite Quantity Contract (IQC) names, Participant Training in Bulgaria was always implemented by World Learning.

The Participant Training Program in Bulgaria evolved over its lifetime, adapting to the Mission's and country's needs. In the early years, most

participants traveled to the United States for training, while in later years, as Bulgaria moved closer to EU membership, participants were mostly trained in European countries. For example, in 2000–2001, World Learning organized 50 trainings in the United States for 159 participants, and 19 programs in third countries for 95 participants. By 2004–2005, World Learning organized only 5 programs in the United States involving 35 participants, while training 167 participants in third countries under 16 different programs.¹¹⁰ In the final years of the program, a plurality of training was conducted in Bulgaria. World Learning reports that the move away from U.S.-based training was also motivated by the complex and cumbersome visa procedures introduced by the Department of Homeland Security after 9/11, although World Learning and the Mission found a way to fully comply with the new requirements by having the Regional Security Officer screen all applicants for U.S.-based programs.

In the early years, a large number of the programs were for individual leaders and potential leaders; later the focus changed to group programs. This change in approach coincided with the shift in the overall USAID programmatic approach from “targets of opportunity” in the early days to more focused, tailored assistance programs. Group programs allowed for a broad array of stakeholders to witness U.S. and third country approaches to a problem, thus increasing the likelihood of a critical mass of key decision makers to implement a specific change or reform. For example, by sending 11 MPs from different political parties on the same municipal finance study tour to the United States in 2006, USAID and World Learning along with the Research Triangle Institute, fostered relationships across party lines, allowing for the parliament to subsequently pass Constitutional amendments which finally enabled municipalities to set their own tax rates.

In 2000, training-related small grants were added to the program to further enhance training impact. A total of 66 small grants averaging \$5,000 each were made to assist participants with implementation of their action plans upon training completion. For example, after a study tour in Denmark and Poland on municipal council management practices in 2003, the Mayor of Strumyani published several brochures informing citizens about available services and established a new Center for Information and Services for Citizens using a small grant he received through the program. A honey producer in the Veliko Tarnovo region, who participated on another study tour to learn about producing organic honey in France, used a small grant to improve brand recognition for honey producers in his region. World Learning Bulgaria was instrumental in developing this unique Participant Training Program component for the region, publishing a manual on managing the small grants program that is still used in several E&E countries. In 2004, the E&E Bureau gave an award to the Bulgaria Mission and World Learning “for excellent in Small Grants Administration Best Practices.”

From early on, the USAID Bulgaria Mission ensured that the Participant Training Program was strategic and closely aligned with its

¹¹⁰ World Learning, “The USAID Participant Training Program in Bulgaria, June 2004–2005,” (Sofia, Bulgaria: 2005).

technical assistance in the various sector programs. A 1995 Europe-wide Participant Training evaluation¹¹¹ lauded the Bulgaria Mission, stating “The degree to which the training has been highly relevant and very useful for the participants is dramatically higher in Bulgaria than in Poland and Hungary. The Bulgaria program is very actively managed by the USAID Mission and has a more specific training strategy and greater degree of focus than the other programs. This indicates that opportunities exist to make these programs more effective.” Another practice used by the Participant Training Program in Bulgaria was to require participants to develop individual or group action plans. World Learning Bulgaria conscientiously followed up to the maximum extent practicable to ensure that action plans were implemented. In 2004, the E&E Bureau recognized the Bulgaria Mission and World Learning Office with an award for “Excellence in Training Planning and Best Practices.”

Although only one measure of a program’s effectiveness, participant satisfaction and self-reporting is still useful to gauge. One training impact assessment report covering 1997 and first half of 1998¹¹² found that in Bulgaria, 31% of those interviewed were “very satisfied” and 69% were “satisfied” with the U.S. Training Program after the application of skills learned. Probably more importantly, with respect to accomplishing their objectives, 27% reported that they had “completely,” 55% reported that they “almost completely,” 5% reported that they had only “partially,” and 5% reported that they had “not at all” achieved their objectives. On a more personal level, 11 of the 19 people surveyed indicated that following the program, they received increased responsibilities, 5 were promoted, and 1 received a salary increase. Although only a snapshot of results from one short period of the program,¹¹³ these statistics give a sense of Bulgarian participants’ satisfaction with and personal growth resulting from the Participant Training Program. The following examples illustrate the Participant Training Program’s significant impact and how it has complemented and strengthened sector technical assistance programs over the years:

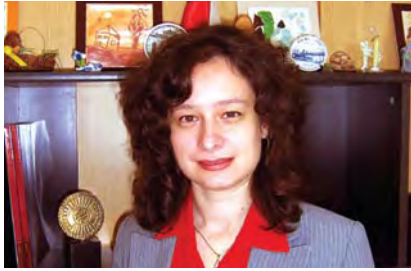
Civil Society/Community Funds: The Participant Training Program complemented Counterpart International’s in-country technical assistance, training and support for community funds with two U.S. study tours, a European Study tour, in-country conferences and seminars and small grants to help the young community fund boards learn from and draw upon the experience and insight of successful community foundations in the United States, Poland and Russia. When the Counterpart Program ended in 2006, an Association of Community Funds was established by the six funds that were operational at the time. Now the number of active community funds

111 John Gillies, “Participant Training Project for Europe (PTPE) Monitoring and Evaluation Contract Final Report,” (Rosslyn, Virginia: Aguirre International and Development Specialists International, April 1995).

112 Aguirre International, “Central and Eastern Europe and New Independent States Training Program Impact Fiscal Year 1998,” (Washington, D.C.: March 1999).

113 Unfortunately, similar data from other periods is not available.

in Bulgaria has grown to ten and the Association continues to play an important role representing, strengthening and advocating for community funds.



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.”

Public and Private Sector Financial Management/Internal Auditors:

In 2003, USAID sponsored a one-week training for 10 Bulgarian internal auditors with expert audit practitioners at the Czech Internal Auditors’ Association, which was recently accepted as an affiliate of the Florida-based Institute of Internal Audit. The training enabled the participants to develop an application for the Bulgarian Association of Internal Audit Practitioners to also become an affiliate of the Institute of Internal Audit, which approved the application. As a result, Bulgaria now has a single, non-governmental, professional association certified to set auditing standards throughout the country and to improve auditing capabilities. This should lead to improved public and corporate financial management and reduced corruption.

Judicial Strengthening/Prosecutors: After a World Learning Study Tour for 11 Bulgarian prosecutors to Brussels and the Hague in 2007, the group designed a curriculum through which prosecutors across the country will be trained on mechanisms for cooperating with international institutions. Prosecutors are a weak link in Bulgaria’s judicial process; thus strengthening their capacity will improve the functioning of the judiciary overall.

Public Revenue Collection/Citizen Outreach: After a World Learning study tour for National Revenue Agency personnel to study the U.S. model of Internal Revenue Service (IRS) call centers to help citizens, the group is establishing a similar call center in Bulgaria. After completing construction, installing equipment, and placing advertisements on billboards around the city, the call center is partially operational. Once staff selection and development are complete, the call center will be fully operational.

Local Government/Municipal Finance: Within two weeks after completing World Learning training on municipal debt in Romania, the city of Stara Zagora issued municipal bonds totaling BGN 5 million making it the largest issuance of municipal bonds in Bulgaria with the longest maturity period (10 years). Capital from the bonds was used for financing refurbishment of the city opera and historical museum as well as for road repair and maintenance.

In 2004, USAID Bulgaria commissioned an assessment to recommend the best approach “to continue to promote and disseminate the training methodologies and processes introduced through USAID development programs and to establish and maintain networks of institutions and individuals who have received U.S.-sponsored

training.”¹¹⁴ The assessors reported very positive results from USAID Bulgaria’s Participant Training Program, stating that “With nearly unanimous feedback from former participants, institutions served and USAID technical assistance contractors and grantees, the [Participant Training Project (PTP)] appears to have been successful in most respects. Most importantly, the PTP has had a measurable beneficial impact on Bulgaria’s development toward a market-oriented, democratic society as it moved toward membership in the European Union.” Although the assessment recommended the best “legacy” approach would be to “affiliate the training contractor capacity with an indigenous training NGO or university,” neither USAID nor World Learning chose this approach. In January 2006, World Learning’s local staff registered as a local NGO, the Bulgarian Center for Development and Training (BCDT). While it is too early to determine whether this NGO and legacy approach will be sustainable, already BCDT has successfully secured funding for several training activities, including, as part of a consortium, \$70,000 to conduct training on EU funding mechanisms for the World Bank, and \$24,000 to organize the Democracy Commission’s close out conference in February 2007.

3. LESSONS LEARNED FROM IMPLEMENTING TRAINING PROGRAMS

By their very nature, Participant Training Programs are focused on delivering and organizing training, but do not effectively track participants’ implementation of reforms and changes, which oftentimes do not happen until much later. Greater attention to and tracking of long-term program results would help USAID to better determine the impact and importance of Participant Training Programs.

During the last few years before close out, USAID and World Learning improved the program by allowing World Learning local staff to monitor study tours/trainings. Because of the nature of the transition in Bulgaria (and indeed the region), very few Bulgarians had been outside the country. Thus, some of the people organizing the training programs had never been to the United States or even to Europe. This administrative change improved the capacity of World Learning staff, World Learning itself and ultimately the Participant Training Program.

E. PUBLIC OUTREACH ACTIVITIES

USAID began to increase efforts to explain U.S. development assistance to the Bulgaria public with the establishment of the Development Outreach and Communications (DOC) program in 2003. The hiring of a full-time DOC specialist in 2006 allowed the Mission to devote greater time and resources to the outreach effort.

Public opinion polling conducted by USAID in late 2006 revealed that awareness of U.S. development assistance among the Bulgarian public was surprisingly low. This confirmed the need to significantly expand

¹¹⁴ USAID/EGAT, “Bulgarian Participant Training Program Legacy Assessment,” (Washington, D.C.: 30 November 2004).

outreach prior to the Mission's closing in 2008.

The Mission's close-out communications strategy included numerous media activities, the launch of the Mission website, coordination of closing events, more consistent messaging, and the development of USAID-branded materials such as pens and folders. A major component of the strategy was a paid media campaign to raise awareness among the Bulgarian public about the accomplishments of the U.S.-Bulgaria partnership. Planning for the campaign began in the fall of 2006 and the campaign launched in September 2007. USAID worked with a local public relations/advertising firm, Membrand, to develop and execute the campaign, which had an overall budget of approximately \$200,000.

The creative concept of the campaign was “from black and bleak to the color of life,” using color as a metaphor for Bulgaria's development and progress over the past 17 years. USAID sought to emphasize key accomplishments of its assistance that would resonate with the Bulgarian public. These concrete achievements became the messages of the campaign. Another key message that USAID sought to convey was that these accomplishments were the result of strong partnerships forged with Bulgarian organizations. The slogan “17 years hand in hand” was repeated in all ads. Different ads were developed to reach the key target groups for the campaign: families, young people, and businesspeople.

The paid media campaign consisted of TV, radio, print, and internet advertising. Four thirty-second TV ads ran over a six-week period with two airings a day on three national TV stations. Radio versions of the ads aired on Bulgarian National Radio and a wide variety of private national and regional stations at least five times a day. Print ads ran once a week during the campaign in two of Bulgaria's major daily newspapers, Trud and 24 Hours. Internet banners on Bulgaria's main internet portal, dir.bg, ran for five weeks. More intensive prime-time broadcasting was conducted during the week of the Mission's closing ceremony.

Broadcasting of the TV and radio spots was conducted by the Association of Bulgarian Broadcasters (ABBRO), an independent media advocacy organization that received early assistance from USAID. This approach enabled the campaign to have a broad reach: the spots ran on approximately 160 ABBRO member stations throughout Bulgaria.

Feedback on the ad campaign was generally positive, and public opinion polling conducted in late October 2007 revealed that public awareness about USAID increased dramatically since the last poll was conducted in May 2007. To the question “Are you aware that the U.S. is providing technical and financial assistance to Bulgaria,” 24.8% of respondents said yes, compared to 12.6% in the May poll. To the question “Are you familiar with the activity of USAID in Bulgaria,” 12.3% said yes, compared to just 2.6% in May. Fifty-three percent of respondents said that knowing that the American people have provided more than \$600 million in aid to Bulgaria improved their opinion of the United States.

F. SUMMARY OF RESULTS FOR CROSS-CUTTING AND SPECIAL INITIATIVES

These activities spanned almost the entire history of USAID in Bulgaria. Some of the major results included:

- Supported the American University since its founding in 1991. AUBG graduated more than 2,000 students from 29 different countries by 2007.
- Helped establish and support the CSD's *Corruption Monitoring System* to track corruption trends, and the adoption of a *National Strategy for Good Governance, Prevention and Counteraction of Corruption (2006–2008)*.
- Assisted in strengthening and streamlining the government's system of public procurement including the adoption of a new public procurement law and establishment and utilization of a Public Procurement Register.
- Trained more than 3,200 Bulgarians under the Participant Training Program in support of virtually all sector programs.

VII. THE ROLE OF USAID ASSISTANCE SINCE 1990

USAID supported Bulgaria's transition through the many programs described in this Assessment. This section summarizes the various developmental roles that USAID most productively played as it implemented these programs to accomplish its objectives.

A. THE EVOLUTION OF ASSISTANCE

In order to effectively and quickly deliver assistance to ten new countries while at the same time establishing a new bureau and beginning to work in an entirely new geographical region, the earliest USAID assistance was provided through regional programs run from Washington. Also, it was believed at the time, that the assistance would be provided for no more than 3–5 years, as these were not developing countries, thus setting up a huge in-country USAID infrastructure was not necessary. However, by the mid-1990s USAID began to realize that the transition in every country would take longer than 5 years, and particularly in southeast Europe, it would take longer. Thus, USAID Representative Offices became Missions which led the strategic planning and implementation process in cooperation with the U.S. Embassy, USAID Washington, host country counterparts, and other donors. This helped ensure that USAID programmed and managed its limited resources collaboratively with local partners. In Bulgaria, this approach also ensured that USAID focused on important priorities and niches either not covered by other large donors, or by developing programs that complemented other donor efforts and provided synergies that helped ensure greater impact.

B. DEVELOPMENT PIONEER

USAID was a proactive donor promoting change as early as possible in the country. Among the different roles that the Agency played during the years, “pioneer for development” was certainly one of the most important ones. Ahead of most other donors and often even before the country was entirely ready for many changes, USAID exposed Bulgarian officials and future leaders to new ideas, concepts, and working models, thus nurturing a new mentality of its local counterparts. The “touch and see” approach used widely by the Agency through its participant training programs was an eye-opener for thousands of Bulgarians, many of whom creatively applied the relevant foreign experience to domestic needs.

Another aspect of the USAID pioneering role acknowledged that larger donors were better positioned to take on the lion's share of donor support, but that USAID could use its greater flexibility and quick response to problems to provide useful models for others to follow. This was the scenario, for example, with the EU in the privatization scheme of thirty large state-owned enterprises (SOEs). USAID established an innovative approach for privatizing three chemical firms in the early 1990s, later applied by the EU for privatizing another 27 SOEs. In another example, USAID was the first donor to support judicial reform in Bulgaria by building the institutional capacity of the Magistrates Training Center (later transformed into the National Institute of Justice) and improving the efficiency and transparency of court administration. Years after ground-breaking USAID interventions, later donors continue to build on the achievements of the early involvement of USAID.

C. USAID AS INNOVATOR

USAID introduced innovative practices and approaches which were instrumental in promoting many reforms in the country. In one example, two USAID micro-lending schemes for individual and group lending addressed the needs of self-employed and disadvantaged people for easier access to credit. Since 1993 they together provided more than 53,000 loans worth over \$64 million, which supported 78,000 jobs in Bulgaria. This reduced unemployment and increased income opportunities for the poor and other marginalized sectors of society. USAID loan guarantee schemes introduced at a time when banks were reluctant to fund long-term projects are another example of the creative approaches the Agency applied.

Another form of innovation was the USAID success in piloting models for further replication. Examples are many and are discussed throughout this Assessment. For example, USAID supported the first municipal customer service centers — or “one-stop shops” as they are popularly called in Bulgaria — to support timely, accountable and transparent municipal services to citizens. Over a third of all Bulgarian municipalities replicated these centers, often with their own resources. In cooperation with USDA, the World Bank and other donors, USAID led the introduction of the Grain Warehouse Receipts System, a new financial instrument that has proven highly efficient in mobilizing working capital for farmers. This successful U.S. model was implemented countrywide, with more than 45 public grain warehouses licensed by 2006. The Career Development Centers that were opened at 35 Bulgarian universities and one vocational school is another successful model developed with USAID assistance.

D. ESTABLISHING SUSTAINABLE INSTITUTIONS

The USAID pioneering and innovating roles were important for Bulgaria's progress. But an equally if not more important role that often built on these pioneering efforts was helping to build sustainable institutions. These ensured that reforms and innovations were maintained and continued to evolve into the future. USAID helped to establish and nurture many such institutions, and they will undoubtedly remain as key legacies and accomplishments well after USAID closes. This Assessment discusses many such institutions, but one shining example is certainly the USAID role in supporting the development of key local government institutions. USAID was the leading local government donor over the years, making a significant impact on the development of the sector. Recognizing the importance of building capacity for reform at the local level, USAID was the only donor to systematically and comprehensively support municipal governments in Bulgaria. The 16 years of support paid rich dividends. Institutions such as the Foundation for Local Government Reform, the National Association of Municipalities, and several regional and professional associations all credit USAID with their beginnings and critical support.

E. TIMELY SUPPORT FOR EMERGING NEEDS

USAID is perhaps unique in providing long-term sustained support for key development challenges but at the same time responding nimbly and flexibly to more immediate needs. This is one of the Agency's pre-eminent comparative advantages, and it served well the rapidly evolving and often unpredictable transition in Bulgaria. In the first of many examples, the Agency supported Bulgaria's first democratic parliamentary elections by quickly disbursing over \$2 million through the National Endowment for Democracy in 1990. The flexibility and responsiveness of USAID assistance were also vital in crisis situations when quick access to funds or commodities saved human lives. At a time of severe need in 1991, USAID financed the donation of some \$1 million worth of critical medicines and supplies for hospitals. In FY 1997, SEED resources were among the first provided to meet a humanitarian crisis directly resulting from the sharp collapse in Bulgaria's financial system. Commodity support to the Bulgarian Red Cross's targeted feeding programs (family packages and student coupons) and emergency pharmaceutical supplies constituted the most significant and timely assistance to Bulgaria during that emergency situation. In 2005, Bulgaria experienced several waves of torrential rains that caused heavy flooding throughout the country. The damage proved extensive and over 3.2 million people, or one-third of Bulgaria's population, were affected. The U.S. Government, through USAID, was the first and the biggest donor to immediately provide assistance to the affected population. In all of these situations, timely USAID support helped to save many lives.

VIII. SUMMARY OF OVERALL LESSONS LEARNED

Each section of the Assessment discusses lessons learned during the USAID program. This section summarizes some of the main lessons discussed elsewhere, and also notes potential applications.

A. POLITICAL WILL IS NECESSARY FOR REFORM AND MUST BE APPROPRIATELY ADDRESSED

Many early attempts by USAID to support reform (e.g., financial reform, market privatization, energy reform, judicial reform) were generally unsatisfactory because the government was not stable enough or committed enough to carrying them out. This was due to a number of factors including the rapid turnover of governments during the early 1990s and the election of a regressive government in 1994.

However, it is also apparent that much of the training and institutional development work that was started by USAID in the early years helped to create a vision of reform and helped to empower key individuals and groups as “champions of reform.” These entities would later very effectively press for reforms (e.g., business and trade associations, local government associations, NGOs, institutions such as the CSD, IME, and FLGR). Indeed, without these kinds of champions, the pace of reform in later years would likely have been very much slower. Thus, the timing of interventions is very important. Efforts to directly bring about reforms without the necessary political will had little impact. But early programs to train and nurture reform leaders and reform organizations were crucial to later reforms, and USAID partnered with them to accomplish reforms when timing was propitious. This kind of long-term, “bottom up” development was used very effectively in Bulgaria.

The support of the IFIs and the EU was a vital component of many reform efforts. These institutions provided a roadmap and incentive to the government for many important reforms. They fostered successful programs for privatization, creating a free market, environmental protection, energy restructuring, and rule of law. By cooperating with the IFIs and EU to help develop the reform agenda in some cases, and in helping to carry it out in others, USAID

played a productive role and more effectively used its resources for mutual benefit.

Finally, programs that supported lobbying efforts in parliament and that had good public outreach components helped to mobilize the necessary public support for important reforms (e.g., pension reform, energy efficiency, LGI, and CLRP). Reform programs without such components (e.g., privatization) were often delayed or even stymied.

Future programs in transition countries could benefit from recognition of these factors, and should focus on training future reform leaders and developing reform-oriented organizations when there is problematic political will. These local partners can be very effective change agents when the time is right. Also, whenever possible, strong linkages should be established with the IFIs so that USAID can lend its technical and project expertise to the IFIs' financial and political clout for carrying out reforms. Development programs should be designed with political will in mind, and they should incorporate appropriate elements to address it.

B. SERIOUS REFORMS TAKE SERIOUS TIME AND RESOURCES — TO ENGAGE OR NOT TO ENGAGE?

The results of the overall USAID program demonstrated that a lot of time, resources and commitment were necessary to see through many reforms to completion. Often the costs and time were much more than USAID expected. Many years of continuous commitment and many millions of dollars of assistance were required for achieving USAID objectives in local government reform, banking reform, energy reform, and biodiversity conservation for example. Many successful activities also benefited from a sequence of projects that built on accomplishments and lessons learned from their predecessors. Results in some areas such as judicial reform and anti-corruption will require continuous attention long after USAID programs close. In some areas, such as addressing the social impact of reform, health finance reform, parliamentary strengthening and agricultural reform, USAID was simply not able to devote the resources or time to achieving satisfactory results. For some programs, such as the Open Government Initiative that was launched in 2004 and which focused on public procurement and internal audit, sustainable results were hampered by the shortage of time before close out.

A lesson for others is that donors should be realistic about the commitment needed before entering a complex reform area and be prepared to stay engaged until the job is done. This requires extensive analysis and appraisal of all program priorities, and a careful evaluation of available resources and time. In this regard, one could argue that USAID should have engaged in more comprehensive health, education and other social sector programs from an early date,

given the consequences of poor social services. However, a significant improvement in these sectors would have required vast resources, and government commitment to social reform was questionable during much of the transition. Moreover, channeling more resources to social reform would have reduced resources for other priorities. In the end, USAID made a conscious choice to limit its engagement in social issues. The choice seems defensible, although for some areas such as health financing one could also argue that USAID should not have engaged at all if it were not prepared to complete the process.

C. SHORT-TERM UNCOORDINATED EFFORTS YIELD FEW RESULTS

A corollary of the above lesson is that short-term efforts, unless they are part of a larger package of coordinated interventions, yielded few results. For example, early and uncoordinated programs in small enterprise support by volunteers, legal reform efforts by CEELI, parliamentary support, and Treasury advisor support for financial reform would all have benefited from a more strategic focus and better coordination with other USAID program elements such as training and other projects in the same sector.

Teamwork and coordination must be emphasized from the very beginning of any assistance effort. Unless a program element has clear objectives and adequate resources to make an impact it should be either modified accordingly or abandoned.

D. COMPARATIVE ADVANTAGES SHOULD BE CONSCIOUSLY EXPLOITED

The focused and strategic USAID approach to programs that were developed in a collaborative way with stakeholders was widely lauded by Bulgarian counterparts (e.g., pension reform, local government support). Well-funded and integrated multi-intervention activities designed to address all major constraints in key reform areas were often cited as advantages of the USAID program when compared to other donors. At the same time, flexibility and ability to move quickly when the occasion warranted this were also clear strengths of many elements of the USAID program (e.g., humanitarian assistance and rapid support for reforms after 1996). Another useful approach in some USAID programs was helping to pioneer new concepts that were later institutionalized or replicated more widely (e.g., mortgage lending, corruption monitoring, energy efficiency models, public-private partnerships, municipal “one-stop shops”).

USAID benefited from a broad and deep cadre of competent and experienced technical assistance providers, and this fact was often noted by counterparts in successful programs. Many USAID programs, and particularly those at the grassroots with local governments, community funds, small enterprises, and NGOs, benefited from USAID (and its long-term consultants) in-country

presence which permitted close and frequent consultations at the local level and a good understanding of constraints and progress. Indeed, the long-term presence of resident advisors was a key strength and comparative advantage of USAID programs compared to most other donors.

USAID programs should be structured to take maximum advantage of these comparative advantages. Many gaps left by other donors, because they do not have these strengths, can be productively filled by USAID.

IX. USAID LEGACIES AND MAJOR ACCOMPLISHMENTS

All preceding sections of this document have tried to capture and analyze what USAID has done in Bulgaria and the impact of USG assistance. While most of the programs, particularly the ones launched after 1997, have been successful, this chapter is an attempt to summarize the major accomplishments during the past seventeen years of USAID presence in Bulgaria. Instead of examining the individual program achievements or approaches, this section takes a future perspective and reviews those accomplishments that will stay long after USAID leaves Bulgaria. USAID involvement has varied from program to program. In many cases the Agency was one of the numerous key players contributing to the achievements. In an attempt to better capture USAID role in and impact on Bulgaria's transition to democracy and free market economy, the major achievements are divided into two categories: **legacies and major accomplishments.**

The definition of a USAID legacy used in this document is the following: *Something that is initiated and developed almost entirely with USAID technical and financial assistance, (Bulgarians associate it with the USG support), and that will continue to promote U.S. objectives on a sustainable basis after USAID is gone.* All other significant successes of USAID programs that do not meet the definition (for example, there were other contributors to the activity, we have only improved something that was already there, or we have supported the government to implement something of major importance for the country) are defined as major achievements or successes.

A. USAID LEGACIES IN BULGARIA

THE AMERICAN UNIVERSITY IN BULGARIA (AUBG)

By all standards, AUBG is the most visible and significant legacy the USG is leaving in Bulgaria. This four-year liberal arts institution established with the objective to educate Bulgaria's and the region's future leaders will continue to successfully carry out its mission in the years ahead. The University opened in September 1991 with a first-year class of 208 students and 16 full-time faculty members and has grown steadily since that time. In 2005 enrollment reached 950 students with about 50 full-time faculty members. More than 2,000 students graduated from AUBG between 1995 and 2007 from 29 different countries. AUBG students have and are attending prestigious graduate schools such as Harvard, Duke, Cornell and Stanford. The University has Full Independent Accreditation from the New England Association of Schools and Colleges and Accreditation by the Bulgarian National

Accreditation Agency for Evaluation and Accreditation. The University has received over \$60 million in USAID funding since 1991. USAID contributions have aided AUBG to become the best private educational institution in the region.

BULGARIAN AMERICAN CREDIT BANK

The Bulgarian American Credit Bank (BACB) is the most noticeable and respected entity established with USG funds to support the development of a competitive private sector in the country. BACB was incorporated in 1996 in Sofia by the USAID-funded Bulgarian-American Enterprise Fund. The bank provides long-term financing to small and medium sized companies in a variety of industries. The bank helped to pioneer mortgage loans to individuals and households. BACB also pioneered the use of mortgage bonds, issuing the first such bond in Bulgaria in 2001. As of Sept 30, 2006 the mortgage market has grown to nearly \$2 billion and there have been 18 mortgage bond issues totaling nearly \$200 million. BACB, through its construction lending program has financed the construction of over 5,000 apartment units in Bulgaria. In 2005 BACB was ranked first in Bulgaria on Return on Investment, and in 2007 it was ranked by *Euromoney* as having the most convincing and coherent strategy of all companies in Bulgaria. In 2006, its total assets were valued at nearly \$327 million. As a result of BACB direct investments in SMEs, close to 4,000 new jobs were created by 2007.

MUNICIPAL ASSOCIATIONS

The National Association of Municipalities in the Republic of Bulgaria and the Foundation for Local Government Reform: These are two unique indigenous organizations that are fully sustainable and will continue to be associated with USAID presence in the country. The establishment of both entities was inspired by USAID and their path to sustainability was a direct outcome of the consistent USAID strategic approach to local governance reform.

THE NATIONAL ASSOCIATION OF MUNICIPALITIES IN THE REPUBLIC OF BULGARIA (NAMRB)

As the most influential advocacy and membership organization in Bulgaria, the NAMRB led fiscal decentralization efforts, institutionalized a dialogue between central and local governments, developed and clarified standards and responsibilities, and raised the profile of local authorities and municipalities throughout the country. All 264 Bulgarian municipalities belong to the NAMRB.

IX

THE FOUNDATION FOR LOCAL GOVERNMENT REFORM (FLGR)

A local government think tank, FLGR provides training and customized, needs-based information and assistance to municipalities and NGOs primarily relating to over 700 innovative best municipal practices, with a particular focus on transparency, the EU integration process and local economic development (LED). LED offices have been established in 39 municipalities. As a result, and with dedicated FLGR municipal marketing, training and certification efforts, 120 million Euros in new investments flowed into participating Bulgarian cities since 2004. More than 20 million Euros were used to expand existing local companies and 1,640 new jobs were created.

REGIONAL ASSOCIATIONS OF MUNICIPALITIES (RAMS)

Since the mid-1990s, USAID has been the driving force for the establishment of regional associations of municipalities in Bulgaria in an attempt to better represent the interests of local governments. The Black Sea and Rhodope RAMs were the pioneers. Throughout the years, more associations were established covering the entire country. Today, eight RAMs serve as demand-driven and vibrant local government support organizations uniting member municipalities on the bases of geographic proximity and common regional economic development issues: “Rhodope,” “Trakia,” “Black Sea,” “Maritza,” “Danube,” “Yantra,” “South-West,” and “Hebar.” RAMs provide training, technical assistance, and other services to member-municipalities. They are strategically positioned to represent and support municipalities in the context of EU regional development funds and trans-border cooperation programs.

MICRO-CREDIT ORGANIZATIONS

Two Nation-wide Micro-Credit Organizations: In late 1999, at a time when Bulgarian banks had a very conservative lending policy, two micro-lending programs launched by the Agency encouraged the development of small, family and start-up businesses, thus addressing the needs of small entrepreneurs. Seven years later, USAID leaves behind *two fully sustainable Bulgarian micro-lending institutions — Nachala and Ustoi*, which will continue to meet the credit needs of indigenous micro and small businesses. The two institutions are considered the best performing micro-lending providers in Bulgaria. (See Accessible Credit — below).

THE BROADCAST TRAINING CENTER (BTC)

The BTC is a direct result of long-term USG efforts to promote independent media in Bulgaria and to train a new cadre of responsible journalists. The Center works with TV journalists from the country and the region and has been recognized for the two highly visible TV shows: *Na Chisto* (Clean Slate), a nationwide investigative journalism weekly program with 20% audience share, and *Faces*, which provides positive examples of ethnic integration and tolerance. More than 150 individual *Na Chisto* TV shows were aired over the past four years, with average viewership of 400,000 people per TV episode. More than 4.5 million people have watched at least one *Na Chisto* TV show.

USAID programs have resulted in the establishment of numerous indigenous NGOs. All of them deserve special recognition, and several will continue to play a key role in the reform efforts of their respective areas.

INSTITUTE OF MARKET ECONOMICS (IME)

Established in 1993 with USAID support, IME was the first independent economic think tank in Bulgaria, and has played a major role over the years in providing independent economic advice and research on free market systems to policy makers, the press, private businesses and business associations. One of IME’s greatest early contributions was the research and support in 1994 and 1995 for Bulgarian securities legislation that formed the basis of Bulgaria’s capital markets. IME worked with the SEC and U.S. Stock Exchange in this endeavor, as well as with the World Bank. Other important

IME contributions to Bulgaria have included research and public information on the “pyramid schemes” that drained millions of dollars of savings from many Bulgarians from 1993 to 1995. In 2002, it received recognition from the Bulgarian Government for its contribution to democracy and civil society, a rare recognition for a private economic think tank.

BULGARIAN INSTITUTE FOR LEGAL REFORM INITIATIVES (BILI)

BILI is the follow-on organization created by the local staff of ABA CEELI. It will continue to enhance the professionalism of the attorneys as they constitute a quintessential element of any effectively functioning judiciary.

BULGARIAN CENTER FOR NOT- FOR-PROFIT LAW (BCNL)

BCNL helped develop a supportive legislative framework for NGOs by removing obstacles to registration, obtaining favorable tax concessions, allowing economic activity and opening political space for activities. BCNL legal activities continue with second generation reform initiatives such as social contracting.

FOUNDATION FOR BUSINESS EDUCATION

The Foundation will continue to work for the improvement of the labor market in Bulgaria by supporting the 36 Career Development Centers established with USG funds and to meet the needs of the employers for well-educated and skillful workforce.

CENTER FOR ENTREPRENEURSHIP AND EXECUTIVE DEVELOPMENT (CEED)

CEED supports emerging entrepreneurs and mid-level executives in small and medium sized companies in Bulgaria and in neighboring countries by providing them with the knowledge and skills to manage their companies now and into the future. It was established in Bulgaria in 2005 with the financial support of the Small Enterprise Assistance Fund (SEAF) from revenue reflows from USAID grant funds to SEAF. It employs strategies that were successfully pioneered in the U.S.–Russia Center for Entrepreneurship in Moscow, focusing on practical topics requested by entrepreneurs and delivered by entrepreneurs in networking sessions that allow for maximum interaction.

ENEFFECT

The Center for Energy Efficiency, EnEffect, was established as an NGO in 1992 with USAID assistance. EnEffect’s main objective is to support the efforts of the Bulgarian Government and local authorities towards sustainable development by improving energy efficiency. EnEffect focuses on providing consulting and engineering services for development of energy efficiency programs, supporting energy efficiency investments, and capacity building. The organization built its own capacity in energy auditing. It also developed software for energy audits of buildings, which was officially recognized by the Bulgarian Energy Efficiency Agency as the tool for energy audits of buildings to be used by licensed energy audit companies in the energy efficiency certification process. Today EnEffect is a sustainable organization, acting as Secretariat of the Bulgarian Municipal Energy Efficiency Network and of the Regional Network for Efficient Use of Energy and Water Resources jointly with the Black Sea Regional Energy Center.

BULGARIAN CENTER FOR DEVELOPMENT AND TRAINING (BCDT)

The Center was established by the staff of the U.S.-based World Learning (WL) in Bulgaria. WL worldwide focuses on international education and development, and has implemented the USAID Participant Training Program in Bulgaria since 1993. BCDT is working as the local European partner through which WL will continue to support development in Bulgaria and Central and Eastern Europe. BCDT's mission is to promote international and intercultural understanding, democracy, social justice, and economic development through education, training, and field projects.

B. MAJOR ACHIEVEMENTS (SUCCESSES) RESULTING FROM USAID SUPPORT IN BULGARIA**I. INDIGENOUS ORGANIZATIONS CREATED AND SUSTAINED**

One of the creative approaches USAID used in Bulgaria has been to encourage the *establishment of indigenous organizations, which in turn have become its partners and key players in the reform efforts in the country*. These institutions are already sustainable and will continue to effectively operate and promote change in the future. Examples of such organizations and institutions include:

NATIONAL INSTITUTE OF JUSTICE (NIJ)

The NIJ provides entry level training to all new magistrates (judges, prosecutors and investigators) and continuing legal education. The training emphasizes practical skills and ethical practices as well as substantive law and court administration/case management. Founded with substantial USAID assistance in 1999 as an NGO, known as the Magistrates Training Center (MTC), the organization was transformed into a sustainable governmental organization in 2004 so as to ensure adequate Bulgarian Government funding and support. The MTC and NIJ have trained a total of 8,061 magistrates and clerks since 2000 and, the majority of those, 3,878, since January 2005.

MUNICIPAL ONE-STOP SHOPS

The one-stop shops, pioneered by the USAID-funded, Foundation for Local Government Reform, have expanded exponentially (over 140 in 2007) across the country owing to their ability to: 1) save citizens time, 2) reduce opportunities for corruption, and 3) alleviate redundant bureaucracy.

CENTER FOR THE STUDY OF DEMOCRACY (CSD)

A non-profit think tank, CSD was one of the early participants in the democratic change in Bulgaria supported by the USG. The Center has played a key role in bringing representatives of political parties and civil society to the table to discuss and agree upon a common agenda when dealing with transitional issues of vital importance for the Bulgarian society, particularly corruption. With USAID support, CSD pioneered the coalition approach in Bulgaria to address the escalating corruption in the late nineties. The *Corruption Monitoring System* created by the think tank, continues to help to create widespread awareness of corruption among the Bulgarian public. CSD was instrumental in assisting government officials draft anti-corruption legislation and

publishes its own policy papers that focus on government efficiency, transparency, and trustworthiness. The annual Corruption Assessment Report, referenced by various international institutions and foreign governments in reviewing Bulgaria's progress, has introduced a rigorous, though consensual, process of assessment of government, civil society and business in their efforts to thwart corruption. The institution of the ombudsman, championed from the very beginning by CSD with support from USAID, is now accepted as a key element of a transparent governance mechanism and has received and acted on 1,200 cases this past year.

COMMUNITY FUNDS

USAID programs have made local philanthropy better organized and more effective. In 5 years, the 10 community funds covering 18% of the country's population have *raised more than half a million dollars* from local sources. These funds sponsored initiatives that directly responded to community needs, such as improving schools, parks and recreation facilities and renovating hospitals. The Mott Foundation is continuing to support the Funds to help ensure they are sustained into the future.

PLEDGE FOUNDATION

PLEDGE (Partners in Local Economic Development and Government Effectiveness) is a unique partnership-based organization jointly funded by USAID and the U.S. Department of Labor. PLEDGE combines local economic development with community development. PLEDGE's approach represents an integrated strategy aimed at reducing unemployment, rebuilding the economic foundation of municipalities, and enhancing small businesses. Financial resources guarantee the maximum impact of the cross-sector program at local and regional levels.

ACTIVE NETWORK OF CIVIC ADVOCATES

USAID-funded non-governmental organizations, watch-dog agencies, and civil society groups created a new and growing network of civic advocates that are dedicated to continuing to make significant advances on reform issues. Examples of this network include:

- The Bulgarian Center for Not-for-Profit Law
- A network of five law school legal clinics that provide practical advocacy skills training to law students and that serve vulnerable populations such as Roma. As of September 2006 over 400 students have been trained and 1,500 cases handled.
- The Attorneys Training Center, a subsidiary organization of the Supreme Bar Council, now provides financially and programmatically sustainable continuing legal education to attorneys.
- The network of Career Development Centers established at 35 Bulgarian Universities and one vocational school that provide career counseling and guidance to more than 170,000 students around the country.

2. SECTOR ACHIEVEMENTS

EFFECTIVE AND ACCOUNTABLE LOCAL GOVERNMENT

With more than \$50 million allocated to local government programs in Bulgaria, USAID has been by far the largest bilateral donor to local government reform. Intensive training programs and study tours, twinning of Bulgarian municipalities with U.S. counterparts, and technical advice all helped local governments develop new models for better serving their constituencies. These included the highly successful “one-stop shops” to improve service delivery, a transparent and fair system for privatizing municipally-owned companies, and public-private partnerships for developing infrastructure. With strong USAID support, progressive municipalities formed informal groups that eventually led to highly successful regional associations, an active Foundation for Local Government Reform, and a national association that strengthened municipalities’ abilities and voice for decentralizing authorities to the local level. After twelve years of a strategic and systematic approach to local government assistance, numerous legislative and regulatory changes, and introduction of dozens of best practices and approaches, the major barrier to fiscal decentralization was overcome in February 2007 with the constitutional amendment to allow the municipalities to set their own tax rates.

EFFICIENT, TRANSPARENT AND INDEPENDENT JUDICIARY

Achieving an efficient, transparent and independent judiciary has entailed a three-pronged approach of providing training and technical assistance for court administration and legal/policy reforms. The establishment of the National Institute of Justice, which provides practical, skills-based training to all magistrates constitutes the crown jewel of judicial reform. The implementation of the Court Improvement Plan in 32 of 156 courts and its adoption by the Supreme Judicial Council for all remaining courts provided a blueprint for court administration/case management reform. USAID supported the development of constitutional amendments and the Judicial Systems Act which provided the enabling environment for these reforms.

PRIVATE, WELL-REGULATED BANKS

To a large extent, successful bank reform in Bulgaria was a direct result of USAID involvement from 1997–2003. Through high-quality and well-targeted assistance to the Bulgarian Bank Consolidation Company (BCC), USAID established processes and systems that attracted top private strategic investors for seven state-owned banks for an overall investment of nearly \$1 billion. More than 97% of Bulgarian banks are now private and 84% are controlled by well-respected foreign financial institutions, providing essential capital and management expertise to fuel Bulgaria’s economic growth.

Concurrently, extensive USAID assistance helped the National Bank of Bulgaria meet international standards for bank supervision. Launched in late 1997 in response to a severe financial crisis, USAID support focused on all aspects of bank supervision (policy, on-site, off-site and special), as well as the institutional development of the Deposit Insurance Fund established in 1999. As a result, now both on-site and off-site supervision follow international best practices. An internal bank rating system, CAMELS, was developed to rate major risk factors of banks. In addition, as an important component of the

bank supervision program, USAID has been providing assistance, since its creation in 1999, to the Bulgarian Deposit Insurance Fund covering all areas of fund operation: public awareness and education, deposit insurance management, premium assessment and collection and portfolio management. Additionally this resulted in all depositors being insured for up to 20,000 Euros per depositor per bank. This integrated approach to the financial sector has resulted in a sound and stable Bulgarian banking system that operates with international best practices.

STRONGER AND MORE COMPETITIVE PRIVATE SECTOR

The multi-pronged long-term approach of USAID has been the key to the remarkable achievements of USG private sector programs. Three major accomplishments deserve special attention:

A Better Business Enabling Environment: USAID programs contributed to the development of laws, policies and institutions that enable participation in crafting a legislative agenda to support policy changes essential to continued economic growth in the private sector. USAID facilitated private-public sector policy dialogue, supported economic and policy analysis, and introduced advocacy and lobbying skills to business association members. As a result, USAID-supported business associations advocated successfully for the removal of several onerous licensing and administrative requirements that constrained new business start-up and operations.

USAID programs effectively addressed the three main issues the business community identified as obstacles to doing business in Bulgaria in the later years. First, a fundamental reform in judgments enforcement went into effect in 2006 that allowed private enforcement agents (PEAs) to collect claims, thus, greatly improving the efficiency of collection. The demand for this service has exploded; during the first six month period in 2006 approximately 20,000 collection cases were filed with PEAs and while only 600 were filed with the state enforcement agents. Second, the enactment and implementation of mediation legislation gave businesses access to a network of mediation centers to quickly and cheaply resolve disputes. The 19 mediation centers USAID helped to establish, have mediated over 1,000 cases to date and trained 276 mediators. Third, the new Commercial Registry Law, which came into force in July 2007, changes the existing process from the cumbersome and non-transparent judicial procedure to an administrative procedure. Finally, USAID has supported the establishment and growth of business support organizations providing business services to hundreds of Bulgarian companies and foreign investors interested in the Bulgarian market.

Accessible Credit: Continuous provision of micro-lending services in Bulgaria through two legacy institutions (Nachala and Ustoi — see above) addresses the needs of self-employed and disadvantaged people for easier access to credit. This has reduced unemployment and increased income opportunities for the poor and other marginalized

sectors of society. In addition, an improved micro-finance system teaches clients to better utilize loan capital, enabling their businesses to grow and promote higher levels of economic and social welfare. Nachala has opened 11 regional offices covering 88% of the country. Since 1993 they have together provided more than 53,000 loans worth over \$64 million, which have supported 78,000 jobs in Bulgaria.

Private Capital In-flows: The USAID-supported Bulgarian-American Enterprise Fund (BAEF) has been a leader in starting new businesses, encouraging entrepreneurship, establishing joint ventures, and in providing assistance to Bulgarian businesses. The BAEF was a leader in drafting the Mortgage Law, Mortgage Bond Law and the Special Purpose Vehicle Law, which together drove development of the mortgage and bond markets and real estate investment trusts (REIT). The fund also established a private Bulgarian Credit Bureau to further financial intermediation and access to credit by SMEs and individuals. Finally, BAEF put in place a wholly owned bank — the Bulgarian American Credit Bank, a recognized leader in mortgage and construction lending (See Bulgarian American Credit Bank — above).

SME Growth: The unique USAID program approach for delivery of firm-level assistance focused on competitive industry sectors and clusters and addressed the competitiveness and performance needs of the private sector. A large number of USAID-assisted companies are generating employment now in disadvantaged and poor regions, and more than half of the targeted firms are either woman-owned or woman-managed. Exports from USAID-assisted companies increased by more than 10% annually and sales per employee increased by more than \$500 each year between 1998 and 2002.

From 2002 to 2004, USAID assisted 848 businesses, resulting in an increase of \$471,500 in exports and a \$5,909,700 increase in domestic sales. The Mission's successful assistance in business management targeted individual firms and competitive industry sectors, focusing on improving quality standards, marketing, export product development, production efficiency, and forward and backward integration. Training in supply chain management resulted in over BGN 100 million in one-time savings for the nearly two dozen participating companies and millions of leva expected in annual savings in coming years. USAID activities also assisted companies in improving customer service, reducing inventory costs, increasing productivity, and achieving ISO quality standards. The tourism industry has been one of the greatest beneficiaries of this focus on quality service, leading to the establishment of a unique quality mark for hotels providing superior service and an “authentic” Bulgarian experience. At the end of 2005, small and medium enterprises made up 99% of all Bulgarian businesses and generated 79% of private employment.

New Private Companies: USAID long-term presence in the country and work with U.S. experts have inspired and resulted in the establishment of a pool of private companies which continue to successfully operate on the Bulgarian and Balkan markets as providers of consulting, training, and other business related services. VOCA consult, e-FLAG, and Flag-APEX are three key representatives of this group.

A SECURE PENSION SYSTEM AND VIBRANT CAPITAL MARKET

Between 1998 and 2005 USAID assisted the Government of Bulgaria to design and implement an ambitious and highly successful pension reform program. As a result, Bulgaria moved from a financially-crippled public assistance pension system to a modern three-pillar pension system that combines public and private involvement, promotes individual rights and strives to achieve risk diversification for its future retirees. At the end of September 2006 assets managed by supplementary pension companies totaled BGN 1.4 billion (\$1 billion), and 2.1 million people, approximately 90% of the working aged population, participate in the system.

Capital markets, investment regulations and policies are of particular importance to a healthy private pension system. An underdeveloped capital market could jeopardize the stability of the private pension system. As a result of USAID programs, Bulgaria's capital market reached important milestones, including establishment of the institutional framework and legislation for the Bulgarian Capital Market, and creation of the infrastructure to support the needs of market participants. The Bulgarian Stock Exchange has become a thriving, dependable investment tool with increasing diversification of trading instruments.

MODERN, COMPETITIVE ENERGY SECTOR

For the past 15 years USAID assisted the reform of the energy sector in Bulgaria focusing on four major objectives: restructuring the electric power sector, increasing the efficiency of energy use in industry and buildings, improving the safety of Bulgaria's nuclear power plants, and creating an environment for increased investment in the sector. With macro-stabilization and the evolution of reforms in the country, the environment became more receptive to energy assistance programs and the final phase of USAID interventions resulted in major achievements in the sector.

USAID assistance helped Bulgaria reform its electricity system including a modern legal and regulatory framework, including the State Energy and Water Regulatory Commission (SEWRC), and the restructuring, commercialization, introduction of competition and privatization of most of the system. USAID support to SEWRC strengthened its authority, autonomy and accountability including tariff reforms and development of a Uniform System of Accounts (USOA) for electricity, natural gas and heating companies. The resulting transparency from SEWRC regulatory reporting, monitoring and auditing reduced the risk of corruption. The resulting regulatory stability and predictability enabled Bulgaria to privatize successfully to international investors its electricity distribution companies in 2005 for

693.2 million Euros (\$890 million) and a major electricity generation plant for 206 million Euros (\$264 million). In addition, USAID assistance was central in fostering energy efficiency through the creation of, and support to, the non-governmental organization EnEffect which continues to promote, support and implement energy efficiency; the development of private sector energy service companies and the Association of Energy Engineers; and the initiation of municipal borrowing for energy efficiency investments through the USAID Development Credit Authority (DCA). Finally, early and substantial USAID funding for upgrading the safety of the Kozloduy Nuclear Power Plant and strengthening the Bulgarian nuclear regulator through the U.S. Department of Energy, Nuclear Regulatory Commission and EBRD Nuclear Safety Account reduced the risk of accidents and facilitated the closure dialogue and decision.

BIODIVERSITY CONSERVATION

USAID-funded programs were instrumental in creating a sound legislative framework in the field of environmental protection and biodiversity conservation in Bulgaria. USAID assistance helped develop the National Biodiversity Conservation Strategy (1995), the Protected Areas Law (1998) and the National Ecotourism Strategy (2004). With the development of the first management plans for the Rila and Central Balkan National Parks (two of the three Bulgarian national parks) and the Rila Monastery Nature Park (the Monastery is one of the UNESCO's World Cultural Heritage Sites), USAID programs helped Bulgaria establish 183,622 hectares as internationally recognized protected areas in compliance with accepted European levels of operation and maintenance. As a result, in 2004 the Central Balkan National Park was certified as a member of the European Protected Areas Network (PAN Parks) — a reliable and respected trademark for conservation management and sustainable development. Finally, USAID support helped establish the first Protected Areas Fund (PAF) in Bulgaria intended to become a sustainable tool for financing protected areas activities.

EMPOWERED INDIVIDUALS TO PROMOTE REFORM

The USAID Participant Training Program (PTP), launched in 1993, funded the training of over 3,055 active civic advocates, local and national government officials, lawyers, and business professionals to successfully incorporate foreign best practices, and policy tools into their work. These training activities directly supported the institutions, leaders, and other professionals associated with the USAID portfolio. One of the most important results of this program was the strengthened training capacity of numerous indigenous organizations. For example, the Bulgarian Center for Not-for-Profit Law has become the major Bulgarian resource for NGO legislation and consulting; the Center for Entrepreneurial and Executive Development and the Center for European Programs (Elieff Center) of AUBG are now major providers of EU accession and related training programs; and the Regional Economic Development Agency (REDA) in Stara Zagora has become a key training provider for regional economic development issues for similar organizations in other Eastern European and Eurasian countries.

Additionally, prominent Bulgarian politicians and/or governmental officials benefited from the training and part of their success can be directly attributed to it. The new Bulgarian commissioner to the EU Meglena Kuneva, the MPs Tatyana Doncheva and Marina Dikova, former MPs Ralitsa Agaim and Valeri Dimitrov — all acknowledge the importance of this program to their political careers.

X. FUTURE PERSPECTIVES

A. WHAT REMAINS TO BE DONE: PRIORITIES FOR FOLLOW-UP AND OPTIONS TO ADDRESS

Despite Bulgaria's successes, its reforms are far from complete. EU membership is becoming a bigger challenge for the country in the near-term. The backsliding that has occurred in Poland, Hungary, and to some extent in the Czech Republic, in the years after their EU accession is a cautionary signal for what Bulgaria might face in the next two-three years. The purpose of this section is to summarize the major issues that will drive reform efforts in Bulgaria in the near-term. Successful implementation of the remaining reforms is a key to Bulgaria's prosperous future as a strong EU and NATO member and a reliable ally of the United States in the Balkan region. Addressing the remaining issues in the country will help guarantee and preserve the achievements of Bulgaria as well as the USAID investment totaling over \$600 million during the past 17 years.

Many of the major issues that Bulgaria will continue to face in the near future concern *rule of law*:

JUDICIARY

Although Bulgaria has made important strides in reforming the judiciary over the past several years, it started from a very low base and there are still a considerable number of outstanding weaknesses, issues and needs in the sector. These include: clarification of responsibilities between the Supreme Judicial Council (SJC) and the Ministry of Justice (MOJ) (and reduction of executive control over the judiciary); increased SJC capacity to determine court personnel needs; increased transparency of all phases of the judicial process (including better public and media access to files and case decisions); transparent selection, evaluation and remuneration of judges and other judicial staff; and greater investments to improve court facilities. Although a private enforcement system has been established, impact on enforcement of judgments — a major factor affecting citizens' confidence in the judiciary — remains to be seen and should be monitored. In addition, in spite of the recent movement on reform of the prosecutorial function, issues of accountability and corruption remain. Likewise, the capacity of police to perform their expanded investigative duties needs to be improved.

ORGANIZED CRIME AND CORRUPTION

CSD reports that “while significant progress has been made in reducing administrative corruption among the general population and the business sector, political corruption involving members of

the government, MPs, senior state officials, mayors and municipal councilors remains a serious challenge yet to be tackled... the management of state assessments (including land, public works, and other property) together with public procurement and concession granting mechanisms are becoming the key areas of political corruption risks.”¹¹⁵

EU membership and particularly the considerable amount of EU Structural Funds that Bulgaria is scheduled to receive constitute a new major corruption issue. The executive and judicial branches are not prepared to serve as a control on these funds to prevent them from being siphoned off for corrupt purposes. The judiciary itself does not have sufficient mechanisms in place to prevent the courts from being corrupted by bribes coming from this onslaught of EU money. Finally, the public procurement system will need further strengthening.

Organized crime remains a serious issue in Bulgaria. In its final monitoring report on the state of preparedness before Bulgaria acceded to the European Union, the European Commission noted that the number of cases prosecuted successfully related to organized crime was still low, and established as one of six benchmarks related to the judiciary and corruption, “Implement a strategy to fight organized crime, focusing on serious crime, money laundering as well as on the systematic confiscation of assets of criminals. The EU has requested Bulgaria to report on new and ongoing investigations, indictments and convictions in these areas.”¹¹⁶

ANTI-TRAFFICKING

The Bulgarian Government still does not provide requisite resources to ensure the effective functioning of and coordination among the different institutions working in the area of anti-trafficking. Political will, starting with establishing the National and Local Anti-Trafficking Commissions, remains weak. The government’s efforts to move Bulgaria into Tier 1 of U.S. State Department ranking system are not sufficient and cooperation between the local and international non-governmental organizations in combating human trafficking is not efficient.

LOCAL GOVERNMENT

There are three major issues that USAID has identified. The 2007 passage of the constitutional amendments to allow local government taxing authorities was the most important, but only the first step. The next priority is the development and passage of implementing legislation. Second, in spite of the progress local governments have made in capital planning, there is still a huge need in this area. The 2006 UN National Human Development Report for Bulgaria highlights that “there are still significant barriers to effective use of EU funds by municipalities and districts. The most essential constraints are associated with the structure and quality of information and training, capabilities to provide co-financing and to pay for project design cost, experience with project development, implementation and partnership-

¹¹⁵ Center for the Study of Democracy, “Anti-Corruption Reforms in Bulgaria: Key Results and Risks,” (Sofia, Bulgaria: 2007).

¹¹⁶ Commission of the European Communities, “Communication from the Commission, Monitoring Report on the State of Preparedness for EU Membership of Bulgaria and Romania,” (Brussels, Belgium: 26 September 2006).

building, and size and structure of administrations. Barriers are most visible and most difficult to overcome in smaller municipalities.”¹¹⁷ There is a real danger that the gap between larger municipalities and smaller municipalities will grow as a result.

Third, municipal councils, particularly in larger municipalities, are too large and cumbersome. Legislation to reduce the size of municipal councils is necessary, as is further work with municipal councils to improve their functioning and accountability to citizens. Entrenched political interests may prevent reform in the size of municipal councils; thus it may have been better to address this early in the reform process before such interests developed and became powerful. Further, territorial reform of regional government is an outstanding issue. Regional governments can play a stronger role in forging cooperation between municipalities and in fostering regional development.

CIVIL SOCIETY

With the closure of USAID, donor support for NGOs is being significantly reduced. As a major source of grants, USAID closure is perhaps more symbolic than real, as its most important grant program — DemNet — ended almost five years ago, and USAID support in this sector has significantly contracted since then. Many NGOs have unrealistic expectations about the possibility to access EU Structural Funds and this will exacerbate the problem as other donor resources also diminish. While some NGOs, primarily the larger associations and think tanks located in the bigger cities, are quite capable and well-placed to play a role in the use of Structural Funds, this is not true for the smaller organizations scattered all over the country. Thus similar to large and small rural-based municipalities, EU Structural Funds are likely to expand the gap between large, Sofia-based and small regional NGOs.

Ironically, the NGO sector in Bulgaria does not have a vehicle such as an umbrella organization or association to advocate for the sector itself. Although NGOs are proficient at advocating for specific policies in their particular area of expertise, there is no organization poised to advocate for the sector as a whole. Further, public perception of NGOs is still very negative as a result of the weak relationship with their constituents, thus impeding rapid progress on developing local philanthropy. Although improved public relations and public outreach by individual NGOs helps to make public attitudes towards NGOs more favorable, working together, Bulgarian NGOs would have a greater impact on this problem.

Finally, nationalism appears to be on the rise, not only in Bulgaria, but across Europe. The Bulgarian Helsinki Commission indicates that it is beginning to see more attacks against Roma, which hasn't been an issue since the early 1990s. In spite of all the progress in addressing ethnic minority issues and ethnic integration in Bulgaria, ethnic minorities, especially the Roma, remain marginalized.

MEDIA

Content of radio and television programs remains an issue. Entertainment programming is developed and will always find funding.

¹¹⁷ United Nations Development Program, *Bulgaria National Human Development Report 2006: Are we prepared for European Union funds?*, (Sofia, Bulgaria: 2006), 41.

Attracting resources for current affairs programming, on the other hand, will continue to be difficult. University journalism faculties remain weak, unable to produce good quality journalists. Although libel is no longer a criminal offense, fines are beyond the financial means of media outlets and journalists. Self-censorship of journalists and editors continues to be a problem in Bulgaria. The 2005 Media Sustainability Index¹¹⁸ suggests that “this practice arises because some outlets are either owned by certain business groups or the media owners have certain political or business affiliations.”

POLITICAL PROCESSES

Voters in Bulgaria remain alienated from the political system. Voter turnout steadily decreased from a high of 83.9% in the 1991 parliamentary elections to only 55.8% in the 2005 parliamentary elections. Voter turnout for presidential elections declined even more dramatically. In the first democratic presidential elections in 1992, voter turnout was 75.2%. In the 2006 presidential election, turnout was only 42% for the first round, forcing a second round, which was even worse in terms of turnout — 39%. Some read this to mean that public disappointment in democratic institutions and processes is growing. Others interpret it as Bulgarian democracy “normalizing,” falling into a pattern similar to Western democracies. Voter turnout in the last U.S. presidential election was only 55.3%, and even less, 37%, in the 2002 congressional elections. Although probably both factors are at play, supplemental public polling data reinforce the idea that in general, Bulgarians are not satisfied with political parties or government institutions. Although political participation in Bulgaria is at an advanced stage, segments of the population, and in particular the Roma, have been left behind. Reportedly, vote buying and serious manipulation of the electoral process is a norm in some Roma and Turkish areas.

PARLIAMENT

Due to the fact that USAID has done only limited work with the parliament, most of which was ad hoc and many years ago, we were not able to identify remaining issues or needs in the parliament, although no doubt there are many. For example, interviews related to judicial strengthening revealed that poor quality legislation passed by parliament is impacting reforms in other sectors, particularly the judiciary.

PRIVATE SECTOR COMPETITIVENESS

The competitiveness of the private sector is becoming even more important now that Bulgaria is an EU member. The issue is exacerbated by the out-migration of young educated Bulgarians and weakness in the education sector. In order to survive on the European market, Bulgarian businesses need continued deregulation and less involvement by the state. The biggest issue, though, is tied to the need for further development of human resources. Upgrading education and skills, developing better approaches to life-long learning, and better matching training and qualifications are major areas of concern. These can be addressed by further improving communication between the educational system and the private sector so that the educational system

¹¹⁸ IREX, “2005 Media Sustainability Index,” Available from http://www.irex.org/programs/MSI_EUR/archive.asp; Internet.

can adjust to the needs of the labor market. Further, improving the efficiency of the energy sector will contribute to the competitiveness of the private sector.

ENERGY

Regulatory autonomy and the sustainability of the regulatory framework developed during the privatization process are worrisome. Political interference in the regulatory process is a concern for private investors. Regulatory monitoring and enforcing the quality of service standards on new owners is a major challenge for the regulator. In addition, consumer expectations have risen. Finally, the necessity of meeting the requirements of the Energy Community Treaty for southeast Europe and EU membership impose even greater demands. The unfinished unbundling of the National Electric Company (NEK) remains an issue and as is how it will impact the introduction of competitive electricity trading, the transit of electricity across Bulgaria and the financial status of NEK. These necessitate continued engagement of the Bulgarian energy sector in regional issues both in Southeast Europe and the Black Sea region.

ENVIRONMENT

Though ecotourism is an important income generator that can help ensure long-term sustainability of national parks and other protected areas, there are competing pressures from sizeable economic interests aiming to exploit Bulgaria's environment. Many of these interests disregard current environmental legislation for personal gain. This is a significant problem that needs to be addressed. The Government of Bulgaria needs to hold developers accountable to environmental regulation and in some cases, prevent development in areas that are not suitable for massive urban growth. This can be done by: measures such as establishing more protected areas, enhancing the MoEW's monitoring capacity, increasing the MoEW's capacity at the regional and municipal level, and holding municipal government officials responsible for upholding national environmental legislation

SOCIAL SECTOR ISSUES

In the long run, health and educational reforms will continue to be issues. While Bulgaria was recognized for its well-trained workforce in the early 1990s, major competitive sectors such as IT now face a lack of qualified job applicants. Additionally, the current health system is inefficient, corrupt practices are abundant, and the health status of the population is worsening. The aging Bulgarian population further aggravates workforce issues and raises concerns as to the financial soundness of the pension system. Although Bulgaria's pension system is meeting its obligations, and the private component is particularly sound, there are still issues that Bulgaria must address in its public pension system. Pension payroll taxes currently are insufficient to finance the basic public pension system. The system consequently must be subsidized from other tax revenue. Bulgaria's high dependency ratio of more than one pensioner for every active contributor to the public pension system, as well as high non-compliance and a declining working-age population, further exacerbates the situation. Last but not least, poverty and social exclusion remain important issues in Bulgaria.

B. LEGACY SUPPORT MECHANISMS

The strategic approach to closing the USAID program involved a very thoughtful and systematic process. While developing the strategy in 2003, it was clear that not all reforms would be completed. Furthermore, some of the institutions that USAID planned to leave behind would still be fragile and need additional support. Thus, the Mission established two legacy support mechanisms that would continue to provide funds for remaining needs after the assistance programs closed.

LONG-TERM LEGACY SUPPORT MECHANISM — AMERICA FOR BULGARIA FOUNDATION

This long-term mechanism will utilize the significant resources (estimated at \$200 million) to be generated from the liquidation of BAEF assets. USAID, in consultation with the BAEF board, decided that a foundation with meaningful resources can 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

This will encompass programs and training initiatives for present and future SME executives, entrepreneurs, journalists, economic specialists in the public and private sectors. Activities will also support business and economic education to help Bulgarian institutions become more relevant to Bulgaria's current market-based economy.

LEADERSHIP DEVELOPMENT

The Foundation will target assistance that would encourage Bulgarian youth to remain in Bulgaria, and promote the return of Bulgarian expatriates abroad with opportunities that would contribute to building a stronger private sector. Also, such programs will support reform in the public sector by training and educating relevant financial sector administrators, and stimulating entrepreneurial initiatives in public sector agencies.

SUPPORT NGOS

The Foundation will support the development of private sector philanthropy and private voluntary organizations in Bulgaria and, as appropriate, in the western Balkans. It might also support trade promotion activities of Chambers of Commerce, as well as research to support economic reforms. This focus area provides the opportunity to support a broad range of advocacy organizations addressing key issues related to the success of economic development, namely:

- a. *Rule of Law, Crime, and Anti-Corruption:* Support to professional organizations advocating for continued policy and legislative reform, legal clinics, NGOs promoting the transparency of the Bulgarian Government's public procurement, professional associations working in compliance with international standards, commercial mediation centers, and indigenous watchdog NGOs monitoring the work of public institutions.

SUPPORT KEY COMPETITIVE BUSINESS SECTORS

SHORT-TERM LEGACY SUPPORT MECHANISM — THE BULGARIA FUND

GOOD GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY IN THE THREE BRANCHES OF GOVERNMENT AND AT BOTH THE NATIONAL AND LOCAL LEVEL

b. Local Economic Development: Continued support of organizations which stimulate municipalities to lead proactive economic development programs, establish public-private partnerships and advocate for greater local autonomy in expanding revenue base, and development of municipal capacity for economic planning and better utilization of funds (particularly the influx of EU funds).

c. Promote independent media and inter-ethnic tolerance.

- *Tourism:* Bulgaria's rich biodiversity and location at the crossroads of Asia Minor and Western Europe have endowed the country with great opportunities for development of different types of tourism. Continued U.S. support and sponsorship of programs to protect and develop the country's important "tourist sites" would strengthen political and cultural ties with the United States and other potential tourists coming to the Southeast Europe region.
- *Technology:* The IT sector has been identified as having potential to become highly competitive. The Foundation will identify programs to help Bulgaria capitalize upon this strength.

The Bulgaria Fund will give targeted grants to NGOs, civil society organizations, and other groups that continue to work in areas which demonstrate the sustained impact of USAID efforts in the country.

USAID will provide approximately \$3 million to the German Marshall Fund (GMF) to establish the Bulgaria Fund. Modeled after a similar GMF grant making entity, the Balkan Trust for Democracy (BTD), the Bulgaria Fund will award grants of approximately \$25,000 each to further the USAID reform agenda. Bulgaria's accession into the EU not only marked a milestone in the country's development path, but also marked the end of most donor assistance to the country. Operational by mid-2007, the Bulgaria Fund will not only continue the USAID reform agenda and increase the sustainability of indigenous development NGOs, but will also bridge the gap between the end of donor assistance and the availability of EU and other development funding such as the America for Bulgarian Foundation.

The two goals of the Bulgaria Fund are to: (1) continue the USAID reform agenda in specified program areas where reforms are ongoing and incomplete; and (2) increase the likelihood of sustainability of indigenous and historic USAID partner organizations that will continue working towards the completion of important reforms following the Mission's close out.

The Bulgaria Fund will award sub-grants to various entities to achieve the aforementioned goals in the program areas highlighted below:

From 1999 through 2007, USAID focused the majority of its assistance on the executive, legislative and judicial branches of government at both national and local levels. More recently its assistance has targeted the most critical weaknesses and roadblocks to EU accession as well as the overall sustainability of Bulgaria's democratic institutions. In



addition to USAID assessments, the EC has identified the weak judicial system, organized crime, corruption, and money laundering as the major impediments to Bulgaria's EU accession in January 2007. Even as an EU member, Bulgaria will have to maintain momentum in these reform areas and continue to address the critical issues of governance, transparency, and accountability at different levels and in the three branches of government.

SUPPORT TO VULNERABLE GROUPS

Within the broad range of vulnerable groups, USAID has been focusing on ethnic integration and anti-trafficking issues. Both categories require long-term involvement, political will, active civic participation, and last but not least — change of mindset. Economic development of the regions is another key factor in addressing the needs of vulnerable populations. Organizations and activities promoting ethnic integration and tolerance are unlikely to reach sustainability before USAID closes.

EMPLOYMENT, EDUCATION, AND COMPETITIVENESS

In order to generate a more competitive work force and labor market, the Bulgaria Fund will support programs that focus on: advancing technical skills through IT and other certificate programs, continued training in the workforce and the introduction of quality standards in various industries, supporting small and medium sized enterprises through business development training, practical training (in terms of internships, fellowships, and private sector interaction), and career development services for Bulgarian university students.

XI. ANNEXES

ANNEX A: USAID PROGRAM TABLES*

ECONOMIC GROWTH PROGRAMS

Privatization and Enterprise Restructuring

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
01.6.1992	20.6.2005	* Privatization	Barents Group, Deloitte & Touche, Coopers and Lybrand, KPMG, Bearing Point.	USAID provided technical assistance toward early privatization efforts in Bulgaria. Such support comprized advisory assistance for market privatization, support for municipal pruvatization, and assistance for mass privatization through the Center for Mass Privatization. Acivities included: designing the model for the municipal privatization programmes, developing the technical framework for mass privatization, and assisting cash privatization of three chemical firms. Technical assistane was provided to the Government of Bulgaria for the concessioning of the Varna and Bourgas airports.	\$10,064,000

Technical Assistance to Micro, Small and Medium Enterprises

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 1996	* Technical Assistance to Enterprises	International Executive Service Corps (IESC), Citizens Development Corps (CDC), Master of Business Administration (MBA) Enterprise Corps, Entrepreneurial Management and Executive Development (EMED), University of Delaware	To stimulate the development of private enterprise growth, especially in the SME sector, firm-level business support for small and medium enterprises was provided by a number of USAID programs that placed U.S. volunteers and experts with SMEs to help them with business planning and development. Technical support for SMEs was supplemented with local training from the University of Delaware. The Entrepreneurial Management and Executive Development program provided training and study tours in the United States and Europe.	\$5,006,000
FY 1997	31.12.2003	* Firm Level Assistance	Firm Level Assistance Group Consortium members: International Executive Service Corps (IESC), Citizens Development Corps (CDC), Master of Business Administration (MBA) Enterprise Corps, Entrepreneurial Management and Executive Development (EMED), University of Delaware, Land O'Lakes, ACCDI/VOCA	In April 1996, seven USAID-financed providers of assistance organized themselves into the Firm Level Assistance Group (FLAG) to coordinate service delivery to Bulgarian enterprises, thus becoming the primary Implementers of all USAID firm level assistance for seven years. FLAG co-ordinated marketing advisory and training services, conducted analysis, delivered integrated service packages to Bulgarian enterprises. FLAG's objectives included: strengthening Bulgarian private companies through direct, firm-level assistance as a way to increase their competitiveness; support to change-oriented enterprises in the agriculture sector and firms with export operations across several business sectors.	\$22,270,919
03.12.2003	01.3.2008	* Young Entrepreneurial Spirit Initiative	Junior Achievement Bulgaria (JAB)	The first phase of the USAID-financed initiative supported JAB in conducting an active search for new business partners and private sector donors for the creation of public-private partnerships in support of entrepreneurship and the establishment of student-operated mini-enterprises. In 2006 the program was re-focused on the expansion and improvement of the quality of business and entrepreneurship education in Bulgarian schools. Junior Achievement Bulgaria worked with key governmental institutions in order to ensure support and implement changes in the subject curricula with a view of incorporating economic, business and entrepreneurship education and training.	\$220,000

* The information in Annex A. is based on the best information available to USAID in July 2007 and therefore should be considered indicative only. USAID/Bulgaria apologizes for any inconvenience this may cause.

01.10.2004	30.11.2007	* Business and Trade Development Program	Volunteers for Economic Growth Alliance (VEGA)	Initially, the main focus of the program was technical assistance, training and small grants to assist the further development of indigenous business support organizations. The program targeted high growth sectors with export potential such as tourism, financial services, and information and computer technologies. The program provided a technical and regulatory impact review of draft legislation in support of the Council of Economic Growth. However, the program achieved its greatest impact from an innovative program establishing the "Authentic Bulgaria" quality mark and awarded 55 such certifications in 2006. This program helped small hoteliers improve quality and was designed to attract higher paying tourists by developing a high-quality niche market in the tourism sector.	\$4,200,000
------------	------------	--	--	--	-------------

Pension and Labor Market Reform

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1998	FY 2000	* Bulgaria Pension Reform I	Carana Corporation	USAID provided technical assistance and training to Bulgaria's Ministry of Labor and Social Policy on how to reform the existing single tier government mandated pension system and how to develop voluntary and mandatory private pension funds in Bulgaria. In 1999, based on these activities and input from the international community, including USAID, the Supplementary Voluntary Pension Insurance Act and the Mandatory Social Insurance Code, the cornerstone of the pension reform, were enacted into laws.	\$1,720,864
FY 1999	FY 2001	* Bulgaria Pension Reform II	Carana Corporation	The second phase of the Pension Reform project focused on creating the appropriate statutory and policy environment for pension reform, ensuring consumer protection and transparency in pension asset management, and developing safeguards to minimize fraud. Assistance was provided to the institutional building of the National Social Security Institute to help it develop an integrated social security system consisting of all three pillars. A pension regulator — the State Insurance Supervision Agency was established to supervise the new three-pillar pension system and USAID was actively involved in the process of licensing of private pension companies.	\$1,985,136
FY 2001	FY 2007	* Bulgaria Pension and Labor Market Reform Project	Carana Corporation	The last phase of the Pension Reform Project focused on educating the general public about the new aspects and benefits of the new social insurance system. By 2003 the social security legislation was consolidated into a comprehensive Social Insurance Code, covering all pillars of the pension system. In 2004 USAID retargeted its technical assistance at the inefficiencies in the labor market in Bulgaria and promotion of employment opportunities for its people. The National Internship Program introduced the concept of career counseling at university level; the Training and Certification Program worked with organizations from the tourism and apparel industries on short-term training programs, and the Model Labor Offices Program enhanced the capacity of the Employment Agency to provide value-added services to the public.	\$4,040,012
30.9.2004	28.2.2007	* Employment Opportunities Program	Carana Corporation	The program focused on the implementation of three main programs at the regional level to help increase the flexibility and capacity of the Bulgarian labor market to respond to growing global competitive pressures on the supply of and demand for workforce skills. The project targets included: improving the capacity of universities and vocational schools to deliver the skills sought by employers, the availability of modern quality training and certification programs in important economic sectors, and the capacity of Bulgarian government institutions to deliver improved customer services to employers and the unemployed. The various programs implemented – the National Internship Program, the Training and Certification Program, and the Model Labor Offices Program had a distinct national focus.	\$2,408,000
30.9.2005	30.9.2007	*Capacity Building for Training High Level IT Professionals	Stevens Institute, Sofia University	Under the activity a novel Master of Science in Information Systems program was launched in Bulgaria, delivered jointly by Stevens Institute of Technology and Sofia University.	\$100,000
01.3.2007	01.3.2008	* Career Development Centers Support	Business for Education Foundation	The activity provided technical support to the University Career Centers for ensuring their programmatic and financial sustainability.	\$100,000

Agriculture and Agribusiness

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 1996	* Volunteers in Overseas Cooperative Assistance Grant	Volunteers in Overseas Cooperative Assistance (VOCA)	The grant to VOCA provided for volunteers working in areas such as the legal aspects of cooperatives, cooperative banking, and young farmer training. USAID also provided privatization support in the agricultural sector and training to municipal officials on how to support agriculture sector. The program also provided help in founding associations both for meat processors and flour millers.	\$3,338,000
FY 1991	FY 1994	* Cooperatives Training Grant	Agricultural Cooperative Development International (ACDI)	USAID provided technical assistance in selected fields of Bulgaria's emerging private cooperative agriculture/agribusiness sector. Technical assistance was provided in the development of agricultural marketing, processing, supply, credit and related services to play a vital role in fostering independent, economically viable, producer-owned private enterprises in the agricultural sector. ACDI trained more than 170 meat processors in the U.S. and Bulgaria between 1993 and 1996.	\$578,000
FY 1991	FY 1996	* Land o'Lakes	Land o'Lakes	Technical assistance in selected fields of Bulgaria's emerging private cooperative agriculture/agribusiness sector. Technical assistance was provided in the development of agricultural marketing, processing, supply, credit and related services to play a vital role in fostering independent, economically viable, producer-owned private enterprises in the agricultural sector. The program also supported the newly found Association of Milk Producers.	\$3,840,000
FY 1991	FY 1991	* Bulgaria Land Restitution	USAID	Assistance in agriculture and agribusiness were central of the USAID program for Bulgaria in the beginning of USAID operation in the country. USAID assisted initial land restitution efforts with a \$10 million commodity import grant to support Bulgaria's balance of payments and to generated local currency to finance the operating expenses of more than 200 land reform offices throughout Bulgaria.	\$10,000,000
FY 1992	FY 1994	* Agribusiness Technical Assistance and Training	Pragma	Technical assistance in selected fields of Bulgaria's emerging private cooperative agriculture/agribusiness sector. Technical assistance was provided in the development of agricultural marketing, processing, supply, credit and related services to play a vital role in fostering independent, economically viable, producer-owned private enterprises in the agricultural sector.	\$2,086,000
FY 2003	FY 2004	* Center for Educational Excellence	Center for Excellence in Education	The short-term project organized two educational seminars for dairy farmers.	\$51,220

Micro-Enterprise Credit

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1999	FY 2006	Microfinance Program	Catholic Relief Services/ Ustoi, Oportunity International/Nachala	The program developed micro-finance mechanisms as a way of improving financial intermediation, mobilizing capital, and enhancing the competitiveness of micro, small and medium-sized enterprises. Two credit schemes — Opportunity International/ Nachala Cooperative and Catholic Relief Services/ Ustoi — provided entrepreneurs with access to non-banking financial services, with a particular focus on less economically developed regions. Both individual and group lending was provided.	\$6,638,000
30.9.1999	30.4.2003	Modernization of the Bulgarian Mutual Kassa System	World Council of Credit Unions (WOCCU)	The project goal was to strengthen and modernize the Bulgarian Mutual Kasa System in order to achieve financial viability and institutional and financial self-sustainability. Throughout the life of the project it worked with 13 cooperative financial institutions — 5 community based credit cooperatives (called Popular Kasas) and 8 employee based credit unions (called Mutual Kasas). Project trained managers, members of the boards of directors and staff of the popular and mutual kasas at 11 different technical courses, covering aspects of risk managements, financial analysis and operations management.	\$1,890,000
19.11.1999	19.11.2004	* Micro and Small Enterprise Development Program (MSED)	United Bulgarian Bank	USAID, through the MSED program, provided linkages between financial institutions and small and microenterprises lacking full access to formal financial markets. Its primary tool was the Loan Portfolio Guaranty program, which provided loan guarantees covering up to 50% of the principal loss on a portfolio of small business loans, and up to 70% for micro-loans, made by financial institutions. Guarantees were combined with training and technical assistance to improve the capacity of banks to assess small and micro business credits, and to assist borrowers to present bankable proposals to lending institutions.	\$410,000

10.9.2001	10.9.2008	* Development Credit Authority: Private Sector	First Investment Bank	A loan guarantee facility was established with First Investment Bank, providing 50% U.S. Government-guaranteed loans to support and attract financing for small and medium enterprises. The DCA program helped the bank to finance private enterprises in competitive, but still high risk sectors such as agriculture, light industry, IT companies and tourism	\$346,000
24.9.2003	24.9.2010	* Development Credit Authority: Agricultural Sector	Post Bank	A loan guarantee facility was established with Post Bank, providing 50% U.S. Government-guaranteed loans to support and attract financing to the agricultural sector to improve access to credit for farmers and agriculture processing industries.	\$451,000
24.9.2003	24.9.2010	* Development Credit Authority: Agricultural Sector	UniCredit Bulbank	A loan guarantee facility was established with UniCredit Bulbank, providing 50% U.S. Government-guaranteed loans to support and attract financing to the agricultural sector to improve access to credit for farmers and agriculture processing industries.	\$451,000
FY 2006	FY 2014	* Development Credit Authority: Municipal Lending	UniCredit Bulbank	A loan guarantee facility was established with UniCredit Bulbank, providing 50% U.S. Government-guaranteed loans to support and attract financing to municipalities for implementing critically needed infrastructure upgrades, and improving their ability to serve their communities.	\$225,000
FY 2007	FY 2011	* Development Credit Authority: Nachala Cooperative	Nachala Cooperative	A DCA Portable Guarantee established with Nachala Cooperative securing access to capital and debt financing for Nachala. The DCA guarantee expands the outreach of Nachala's program to creditworthy micro and small entrepreneurs, sole proprietors and other private businesses to include those operating in the trade, light manufacturing, agribusiness, tourism sectors and other competitive sub-sectors.	\$57,000
01.10.2006	31.3.2008	* Roma Microfinance Project	Catholic Relief Services, Ustoi, Microfond	The alliance-based program in the regions of Sofia and Sofia district, Sliven, Pazardzhik, Burgas, Omurtag, Razgrad, and Silistra provided financial support to micro and small enterprises of vulnerable and ethnically discriminated Roma groups, thus addressing broader developmental goals such as poverty alleviation, economic development, and tolerance for Roma. This activity sustained a microfinance network in marginalized Roma communities and helped to alleviate poverty, improve economic development and increase ethnic tolerance for Roma minorities in Bulgaria.	\$450,000
05.2.2002	12.4.2002	Microfinance Assessment	The Peoples Group	The objective of the project was to assess the applicability of various microlending activities in the context of the Bulgarian environment, equip USAID/Bulgaria with concise information and knowledge about most current trends and prospects for future programming and present a detailed overview of the existing microfinance activities in Bulgaria.	\$50,000

Improvig Business Climate

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 2004	Competition Policy, Laws and Regulations	IRIS, IDLI, ABA, State Department, DOJ/FTC, Chamber	USAID provided technical assistance to help Bulgaria develop a modern collateral law system that allowed lenders to take and to register a secured lien on a debtor's assets.	\$2,647,000
01.6.1996	30.4.2000	* Implementing Policy Change Program	Management Systems International (MSI)	The aim of the program was to introduce a sustainable process by which the private sector engages more actively in developing and advocating its policy agendas to government and other public institutions. The project provided assistance for establishing laws, policies and regulations to foster a competitive market economy with special emphasis on small and medium-sized enterprises development.	\$1,483,000
01.5.2000	30.4.2005	* Implementing Policy Reform Project	MSI	The project strengthened the process of economic policy formation and implementation in Bulgaria. By directing efforts at the key elements of policy change management, i.e., communication and information exchange, stakeholder participation, policy analysis, strategic management, and institutional capacity building, the activity introduced innovative concepts into pivotal areas of economic policy-making culture. Concepts particularly targeted by the program were government encouragement of SME sector development, sustainable competitiveness, and institutionalized public/private dialogue. Other important areas of technical assistance included commercial law reform and alternative dispute resolution. The program provided direct assistance to the Ministry of Economy, the Economic Growth Council, the Agency for Entrepreneurship, and the Bulgarian Investment Agency.	\$6,041,668

30.9.2003	30.9.2007	* Commercial Law Reform Program	Bearing Point	The project helped to develop and advocated for legislation creating a private judgment enforcement system to supplement the overburdened and largely ineffective state debt collection system. It also helped develop a better system for registering new companies in Bulgaria and pioneered a system for commercial alternative dispute resolution. Assistance focused on: streamlining business laws and regulations (particularly company registration); commercial alternative dispute resolution; enforcement of contracts; and training, public education and other implementation activities for the first three tasks. The courts with the largest commercial law case load received tailored assistance on commercial alternative dispute resolution and enforcement of judgements.	\$4,683,000
FY 2000	FY 2003	* Program Support Cost	Various	The funding supported the implementation of the programs under Improving Business Climate.	\$832,000

Financial Services

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
01.1.1992	30.9.2006	* Bulgarian American Enterprise Fund	Bulgarian American Enterprise Fund (BAEF)	The Bulgarian American Enterprise Fund was a private U.S. corporation established by the U.S. Congress to promote private enterprises and entrepreneurship in Bulgaria. It provided debt and equity financing to private companies. The Fund has helped and had a major influence on the development of western-style capital markets, created and sponsored the country's first home mortgage program, the first mortgage bonds and the first special purpose investment vehicles that increase capital formation and provide investment products for the newly-emerging private pension system. The Fund's bank, the Bulgarian American Credit Bank, is and has been an innovator and a leading financial performer. BAEF assets are to be used to continue and expand upon the Fund's work to date via a new organisation — the Bulgarian American Freedom Foundation.	\$57,600,000
06.1.1995	01.7.2005	* Small Enterprise Assistance Fund (SEAF)	CARE Small Business Assistance Corporation (CARESBAC)/SEAF	The program provided venture capital for equity investments in private small and medium-sized enterprises, mainly in agriculture, food processing and light manufacturing — with an emphasis on the export sector. CARESBAC combined the availability of equity capital with operational and business support assistance to entrepreneurs by local professionals, thus helping clients to better manage their businesses. CARESBAC also assisted firms in attracting debt capital.	\$7,000,000

Trade and Investment Regimes

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1992	FY 1993	* Encouraging Investment and Trade	U.S. Trade and Development Agency, Overseas Private Investment Corporation	Various activities to increase trade and investment in the countries of Central and Eastern Europe, thus supporting their efforts to become market economies. Those included trade development initiatives, removing impediments to trade, customer service training and feasibility studies.	\$2,439,000

Transfer to USDA

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 2006	* Technical Assistance to Agriculture	United States Department of Agriculture (USDA)	USDA provided technical assistance and training to help Bulgaria develop the organizational structure necessary to promote a private agricultural economy. These included: sector assessments and training in fruit and vegetable production, processing, and marketing. Training was provided at the farm, intermediate and policy levels. USDA programs also included support to the Ministry of Agriculture to reform the agriculture extension service, to develop an economic research service and to improve the agriculture statistics service. In later years funding was focused on technical assistance and training for food safety and improved animal genetics, technical support (through Iowa State University) for farmers to obtain agricultural loans, Borlaug fellowships in agriculture, and three agricultural trade and investment missions to Bulgaria. In addition, in 2004 and 2005 seven professors from various Bulgarian universities participated in faculty exchange programs in the United States under these programs	\$10,708,000

Transfer to State Department

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 2000	FY 2003	* Customs Reform DOS EUR/ ACE WB TTFSE	U.S. Customs	The program targeted customs administrative reform and strengthening. The effort supported the efforts spearheaded under the Southeast European Cooperative Initiative, which sought to reduce customs and border-related obstacles to trade. Activities were carried out in Plovdiv, Rousse, at the seaport of Varna and the Kapitan Andreevo Border Station. Some of the results in accelerated shipment processing and more effective physical examinations.	\$2,075,000

Energy

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 1995	* Participating Agency Service Agreement with Department of Energy	United States Department of Energy, Battelle National Laboratory	USAID provided support through the U.S. Department of Energy's Battelle National Laboratory to foster development of an indigenous Bulgarian non-governmental organization to promote energy efficiency. In 1992 EnEffect was established to promote energy efficiency and expand public awareness and adoption.	\$1,900,000
FY 1991	FY 1996	* Power Sector Reform	United States Energy Association	Early USAID assistance for the reform in the power sector included training on tariff and pricing development which was the first introduction to commercial market oriented methods for utility operators. Assistance also focused on the operations and structure of the National Electric Company. Together with the European Community and the World Bank, USAID developed an action plan for the reform and modernisation of the power sector.	\$1,898,000
FY 1992	FY 2007	* Regional Energy Efficiency		The project assisted in increasing energy efficiency in industry and buildings and in establishing transparent pricing methodology for district heat and electricity. A special emphasis was placed on expanding the role of private sector in the delivery of energy efficiency services.	\$2,094,000
FY 1992	FY 1998	* Industry Contracts/Restructuring and Reform	John Brown Inc., International Resources Group	USAID financed energy efficiency audits on industrial plants and installation of energy efficiency equipment in each plant. Trainings in energy efficiency services and business development were provided to local companies. Bulgaria established a chapter of the U.S. Association of Energy Engineers.	\$3,789,000
FY 1993	FY 1995	* Nuclear Energy Safety	United States Department of Energy, Nuclear Regulatory Commission	To improve safety, the U.S. Government joined in a multilateral effort to reduce risk by improving operational safety at Kozloduy Nuclear Power Plant while upgrading the capabilities of Bulgaria's safety regulation agency. Funds were provided for safety equipment, training for regulators and plant operators, as well as limited support for plant upgrades.	\$862,000
FY 1999	FY 2010	* Development Credit Authority Program: Municipal Energy Efficiency Program	United Bulgarian Bank	USAID established a Development Credit Authority program that provided a partial loan guarantee to a local bank. This was the first commercial energy efficiency funding mechanism that addressed municipal borrowers. This pilot effort, carried out through United Bulgarian Bank with USAID technical assistance in loan preparation and evaluation, led to the successful completion of 33 loans for municipal energy efficiency projects with no defaults. Loans made for energy efficiency were effective in reducing pollution and energy use from a number of municipal and private sector facilities. Energy efficiency activities also generated significant cost savings for borrowers.	\$637,375
01.7.1999	FY 2004	* Municipal Energy Efficiency Project	Electrotek	USAID provided technical assistance for developing sustainable energy efficiency financing in Bulgaria, particularly for municipalities and industrial enterprises. The assistance included identification and development of bankable municipal and industrial projects, structuring of commercial project financing from private lenders under the Municipal Energy Efficiency Development Credit Authority loan guarantees, and project monitoring and "after-care" to provide the project implementation success.	\$1,956,000

01.6.2003	06.12.2006	* Free Market Energy Regulatory System	Pierce Atwood Attorneys	USAID assistance proved instrumental for the reform in the power sector. The significant steps in energy reform included approval of the energy sector reform strategy, major tariff reforms in electricity and heat, substantial improvement of the State Energy and Water Regulatory Commission, strengthening the regulatory framework, and privatization of 7 electricity distribution companies and three generation companies for over \$1.1 billion. The privatization of these utilities generated the largest foreign direct investment ever for Bulgaria.	\$3,658,500
FY 2004	FY 2007	* Development Credit Authority: Regional Energy Efficiency	United Bulgarian Bank	A regional loan guarantee facility established with United Bulgarian Bank, providing 50% U.S. Government-guaranteed loans to Bulgarian municipalities and private energy service companies for energy efficiency projects and services development.	\$4,700
FY 2006	FY 2006	* Development of Renewable Energy Projects in Bulgaria	EnCon Services International	Development and operation of a pilot wind farm in partnership with a local government and local energy services company.	\$350,000
		* Program Support Cost	Various	The funding supported the implementation of the programs under Energy.	\$99,805

Environment

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1990	FY 1991	* Regional Environmental Center		The Eastern European Regional Environmental Center headquartered in Budapest, Hungary, was established with the financial support from USAID. This center has been an important part of subsequent environmental efforts throughout Bulgaria as it has allowed the country to draw on the centers' information and technical resources for use in designing new programs and training environmental professionals. The REC Country Office in Bulgaria was established in 1993.	\$522,000
FY 1991	FY 1993	* USDA	USDA	The USDA implemented a three-tier agro-environmental program which focused on water quality, integrated pest management, and policy analysis.	\$418,000
FY 1991	FY 1993	* Water for Sanitation and Health Program Buy-in (Danube)	Camp Dresser & McKee International, Inc.	USAID provided technical assistance to Bulgaria's Ministry of the Environment to develop a system for selecting policies and investments to reduce water pollution in the Danube River. Under this regional program USAID provided funding for the implementation of the Danube Emissions Management Decision Support System water quality information management system due to the rapid environmental deterioration of the Danube River.	\$562,000
FY 1991	FY 1994	* Environmental Initiatives	Environmental Protection Agency (EPA)	The Environmental Protection Agency provided training courses in environmental policy, economic analysis, and risk assessments, as well as technical assistance to improve indigenous capabilities in information systems and monitoring. EPA also provided the assistance necessary to initiate the community based comparative risk project in Troyan, Bulgaria which led to the eventual development and implementation of the Bulgarian Community Environmental Action Plan.	\$2,918,000
FY 1991	FY 1996	* Waste Minimization Project	World Environment Center (WEC)	The project provided technical assistance and training in industrial environmental efficiency, industrial health safety, pollution prevention, and environmental economics. WEC provided technical assistance, guidance, training and monitoring equipment to selected companies in establishing Waste Minimization Demonstration Programs. WEC activities included work with a number of different entities including steel corporations in Pernik, the Municipal Public Service Department in Sofia, SODI Ltd. soda ash producers in Devnya, Svilosa rayon yarn mill, various textile factories in Gabrovo, Neftochim Petrochemical Company in Bourgas, and manufacturing companies in other cities that emitted hazardous waste.	\$1,292,000
FY 1991	FY 1996	* Waste Minimization Project	University of Minnesota	The program provided trainings in environmental management to private sector and non-government organizations. The private sector trainings supported U.S. investments and joint ventures. The non-government organizations training promoted leadership development, management, technical skills, and conflict mediation.	\$5,217,000

FY 1992	FY 1996	* Biodiversity Support Program	World Wildlife Fund	Under the project USAID supported the development of a National Biodiversity Conservation Strategy, trained Bulgarian scientists in geographical information systems technology; provided technical assistance to the Ministry of Environment on biodiversity legislation; and held a workshop presentation on alternative funding mechanisms for conservation.	\$603,000
FY 1992	FY 1997	* Nature Protection	U.S. National Park Service	The program aimed at the institutional development of nature protection in Bulgaria. Activities included a U.S. study tour for Bulgarian nature protection experts, National Nature Conservation Strategy Workshop, Central Balkans Management Plan Workshop, and trainings for park managers.	\$1,325,000
FY 1993	FY 1994	* Improved Public Sector Environmental Services	EPA	In order to improve public sector performance, the EPA provided assistance and training to improve environmental management capacity of the Ministry of Environment. Assistance was provided in environmental policy development assessments, environmental economics, and management of monitoring systems.	\$1,742,000
FY 1994	FY 1998	* Central and Eastern Europe Environmental Economics and Policy (C4EP) Project	Harvard Institute for International Development (HIID)	The purpose of the project was to ensure environmentally sound and sustainable development for the economies of Central and Eastern Europe through development of national policies, laws, and regulations. Various public-private partnerships were developed to leverage additional funding for environmental initiatives focusing on municipal solid waste management.	\$615,000
FY 1990	FY 1997	* Program Support Cost	Various	The funding was used for studies, assessments and support for the implementation of the programs.	\$73,000
FY 1995	FY 1998	* Environmental Action Program Environmental Investments	Chemonics International Inc.	The program was designed specifically to help the city of Stara Zagora convert boilers in 21 municipal facilities from light diesel oil to natural gas in order to reduce ambient air pollution and achieve reliability in fuel supply through a joint venture with a Sofia based gas distribution company, Overgas.	\$1,200,000
FY 1996	FY 2000	* The Global Environmental Fund Facility	Associates in Rural Development	The project strengthened the Government of Bulgaria's overall environmental management capacity by focusing on biodiversity conservation at the local and national level, and created a national setting in which eco-tourism could be expanded as a significant source of income for the inhabitants of the targeted areas. Among the most noteworthy project accomplishments are development and passage of the Protected Areas Act and the development of two national park management plans (Central Balkan and Rila National Park).	\$4,200,000
FY 2000	FY 2003	* Biodiversity Conservation and Economic Growth Project I	Associates in Rural Development	The major objectives of the project were the improved institutional framework and capacity for protected areas management in Bulgaria with benefits to communities surrounding key protected sites. The program assisted the Ministry of Environment and Water in the implementation of the management plans for the Rila and Central Balkan National Parks. Significant assistance was also provided for the management planning process of the newly established Rila Monastery Nature Park. USAID support helped establish the first Protected Areas Fund in Bulgaria intended to become a sustainable tool for financing protected areas activities.	\$1,179,000
FY 2003	FY 2004	* Biodiversity Conservation and Economic Growth Project II	Associates in Rural Development	The major objectives of the project were the improved institutional framework and capacity for protected areas management in Bulgaria with benefits to communities surrounding key protected sites. The main achievement of the second phase of the project was the finalization of of Bulgaria's National Ecotourism Strategy and Action Plan.	\$600,000
FY 1999	FY 2005	* EcoLinks	Regional Program	EcoLinks grants and quick response awards were used to develop project pre-feasibility studies and facilitate travel for business negotiations that could lead to further financing for viable projects and environmental technologies partnerships. This program facilitated the formation of cross-border business partnerships between Bulgaria and other Eastern Europe countries and assisted businesses and organizations in identifying environmental issues, adopting best practices, and increasing trade and investment in environmental goods and services. Through the regional program Bulgaria received \$ 2,060,000.	\$26,000
07.2.2002	07.2.2004	* Forest Fires Management	Bulgarian Civil Protection Agency	The main purpose of the project was to increase the preparedness and capacity of the Bulgarian Civil Protection Agency to combat wildland fires. The project provided equipment and trained firefighters.	\$250,000

FY 2003	FY 2005	* Water Quality and Investment	Delaware Technical and Community College	The goal of this activity was to provide support for the establishment of a center for training of water and wastewater operators in Bulgaria, allowing them to operate their plants better and more efficiently, resulting in an improved Bulgarian environment.	\$300,000
01.6.2005	01.12.2006	* Support to the Protected Areas Fund	National Trust Eco Fund	Grant provided to the National Trust Eco Fund as a follow up to USAID biodiversity program completed in 2004.	\$72,000

Banking Reform

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
01.2.1999	30.9.2003	* Bank Sector Privatization	Barents Group	Activities provided support to the Government of Bulgaria and the Bank Consolidation Company in privatization and restructuring of the banking sector, including privatization of the state-owned banks. Assistance was provided to the Privatization Agency and other state entities in refining and implementing the privatization policies, procedures, and strategies for specific companies.	\$6,069,107
01.3.1999	28.5.2004	* Bank Supervision and Deposit Insurance	Barents Group	The program fostered the institutional development of the Bank Supervision Department of the Bulgarian National Bank (BNB) and strengthened its capacity to regulate and monitor the banking system and individual banks. USAID also supported the creation and strengthening of a Bulgarian Deposit Insurance Fund (BDIF) and enabled the BNB to meet international standards in bank supervision including on-site and off-site supervision.	\$7,515,300
FY 1999	FY 2004	* Banker Training	Barents Group	USAID provided assistance to the International Banking Institute to develop and institutionalize a program to train bank staff to meet international standards in credit analysis, collections, and basic operations and management.	\$2,481,593
20.9.2004	30.6.2007	* Financial Sector Integrity Program	Emerging Markets Group	The program addressed remaining issues in the area of banking and non banking sectors oversight. It improved capabilities to detect and report money laundering activities, and improved the transparency of the financial system through public education and outreach. An additional activity was added to the project in late 2006 to help improve actuarial skills of pension regulators. A major thrust of the project was to improve information sharing among and within the major regulatory agencies for the Central Bank, the Bulgarian Deposit Insurance Fund, and the Financial Supervision Commission, which oversees capital markets, pensions and insurance.	\$2,717,000

Non-Bank Financial Institutions Development

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1993	FY 1993	* Capital Development Initiative Grants	U.S. Securities and Exchange Commission	Technical assistance to Bulgarian legislators in drafting a functioning securities law. The initiative promoted U.S. private industry participation in Central and Eastern European telecommunications, energy and environmental sectors.	\$124,000
FY 1998	FY 2000	* Assistance to the Agency for Economic Analysis and Forecasting	Harvard Institute for International Development (HIID)	The project provided technical assistance to the Agency for Economic Analysis and Forecasting, accomplishing several important benchmarks: The competitiveness indicators were calculated for Bulgaria for year 2000 and the country was included in the official World Competitiveness Report; The National Statistics Institute national accounts database was linked to the AEAFF facilitating the data flows between the two agencies. Several research papers were published: Evaluating and Enhancing Bulgaria's competitiveness, Leading Indicators for the Bulgarian economy, Determinants of Inflation in the Bulgarian Economy, The Shadow Economy in Bulgaria.	\$350,000
FY 1997	01.5.2000	* Assistance to the Bulgarian Securities and Stock Exchange Commission	International Business and Technical Consultants (IBTCI)	The Capital Markets Initiative was launched in late 1996 to support the development of a Central Securities Depository and strengthen the relevant regulatory bodies. Efforts were focused on increasing confidence in market integrity and stimulating secondary market trading in securities generated by the mass privatization program.	\$1,720,000

04.9.1998	28.2.2001	* Capital Markets Development Program	CARANA Corporation	The program contributed: (1) legal, technical, training, and financial support for establishing a Central Depository for Securities, (2) technical and financial support for establishing the regulatory framework and software for the Bulgarian Stock Exchange, (3) training and other support to establish a professional cadre of broker/dealers, (4) technical and legal support to enable the fledgling Securities and Stock Exchange Commission to adequately regulate and oversee the capital markets, and (5) comprehensive support to establish a modern "three pillar" pension system that helped to mobilize savings to deepen the capital markets. The primary beneficiaries of the assistance were the Bulgarian Securities Commission, Bulgarian Stock Exchange, the Central Depository and the Broker/Dealer Association.	\$7,438,000
17.4.2000	30.4.2003	* Capital Markets Regulation Program	Financial Markets International	The program focused on improving the Law on Public Offering of Securities, drafting required regulations and ordinances, improving the integrity and transparency of Bulgaria's capital markets, increasing financial disclosure and best practices in corporate governance, and education and training of regulators and market participants. The primary beneficiary of the assistance was the Bulgarian Securities Commission.	\$2,740,000

Health Reform

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
01.6.2000	31.5.2005	Health Care Financing and Policy Reform Program	Barents Group	USAID provided on-going support to health financing and policy reform in Bulgaria to establish a sound legal and regulatory framework; build the institutional and investment management capacity of the National Health Insurance Fund; and increase public awareness and education. The program focused on building the capacity of the National Health Insurance Fund and the Ministry of Health (MOH). Other activities included: improving efficiency and effectiveness of the inpatient care sector, enhancing the transparency of public health providers, institutionalizing National Health Accounts, and enhancing existing laws that impact the financing and provision of health care services.	\$4,451,890

Fiscal Reform

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1994	FY 1995	* Financial Service Volunteers Corps	Financial Service Volunteers Corps	The Financial Service Volunteers Corps provided technical assistance in developing a sound banking and financial system in Bulgaria.	\$143,000

Transfer to U.S. Department of the Treasury

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1992	FY 1995	* Technical Assistance in Financial Services	U.S. Department of Treasury	Technical assistance was provided in the areas of bank restructuring, training, privatization and supervision, bank consolidation, monetary policy; credit administration; and tax policy. Training services, course materials, instructors, and related assistance was provided to the Bulgarian Institute for Banking and Finance. As a result of the technical assistance provided, the first commercial bank consolidation was completed in October 1992. Tax reform was a bright spot, when a Bulgaria launched a value added tax in April 1994. Supported the application of modern tax laws.	\$5,730,000
FY 1998	FY 2007	* Treasury Technical Assistance Programs	U.S. Department of Treasury	Tax Program: The program provided technical assistance in the form of training and guidance to the Bulgarian Tax Directorate in numerous specific operational areas. The program aimed at improving the efficiency and effectiveness of the tax administration to one of total self-sufficiency. The advisors helped the government establish a unified National Revenue Agency, improved tax administration and management, and supported the development of a professional workforce in the Agency.	\$7,991,600

				Debt Management Program: Under the program Treasury advisors provided technical assistance to the Ministry of Finance and the Bulgarian National Bank. Work was directed at improving debt and government cash balance management and the development of liquid financial markets. Efforts were also directed at obtaining an appropriate legal foundation for sovereign debt issuance.	
				Financial Crimes Law Enforcement Program: The program was designed to assist in improving financial crimes legislation; strengthen the capacity of government institutions charged with combating financial crimes; and promote cooperation and collaboration among those institutions.	

DEMOCRACY PROGRAMS

Civil Society (including Ethnic Integration and Labor Unions)

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 2005	* Trade Union Development	FTUI, American Center for International Labour Solidarity (ACILS)	FTUI began working with and providing financial support to the Confederation of Labor "Podkrepa" in 1990. The program provided technical assistance and educational services to Bulgarian trade unions in the areas of labor education, labor counseling, policy reform and tripartite cooperation. Early programs consisted mainly of seminars for trade union members and leaders on democratic trade union management and free market economies. Later, the program focused on educating labor union membership and included a considerable effort to train-the-trainers, thus strengthening the education department of Podkrepa. Trainings in the late 90s included CITUB.	\$5,793,640
FY 1992	FY 1994	* Civil Society and Ethnic Relations	German Marshall Fund	The small grants program financed through the German Marshall Fund supported human rights NGOs in addressing minority issues and strengthening democratic practice and citizen participation in Central and Eastern Europe.	\$295,000
FY 1995	30.10.2002	* Democracy Network Program (DemNet)	Institute for Sustainable Communities	USAID Democracy Network Program in Bulgaria aimed to strengthen civil society organizations, build local government/NGO partnerships, and increase public participation in decisionmaking. The program's priorities in Bulgaria were: economic development, social safety net, environmental protection, and democracy building. The second phase of the program — DemNet II — established a network of intermediary support organizations (ISOs) to provide the civil society sector with improved political access, services and funds. This support strengthened the management, public outreach, and public policy advocacy effectiveness of civic ISOs working on a variety of citizen participation, public policy and advocacy issues throughout the country.	\$9,634,000
1994	FY 2006	* Various Civil Society Programs and Program Management Costs	International Center for Not-for-Profit Law (ICNL), Freedom House, Graceland College, conflict assessment, etc.	The regional ICNL program financed by USAID focused on developing the enabling environment for civil society throughout Central and Eastern Europe. Freedom House supported cross border and regional interchange and relationships between and among leaders of the emerging civil society sector.	\$2,330,000
FY 2000	FY 2007	* Conflict Prevention and Ethnic Integration Program	Partners Bulgaria Foundation	The program was launched to address the situation of the Roma and Turkish minorities in 13 Bulgarian towns by building sustainable structures for inter-ethnic cooperation, facilitating ethnic conciliation, and increasing the effectiveness of minority groups and others working with them.	\$5,906,000
FY 2001	30.9.2006	* Community Funds and Social Enterprises	Counterpart International	Counterpart worked with communities to address the priorities identified during public fora. Counterpart supported the development of ten community funds located throughout Bulgaria, providing institutional as well as financial support. Counterpart granted almost \$500,000 to the funds, and the funds themselves mobilized almost \$600,000 in additional resources. Community funds now serve as a locus of philanthropic giving at the local level, providing resources to grassroots community projects. Counterpart also introduced the concept of social enterprise to the civil society landscape in Bulgaria, promoting yet another avenue for financial sustainability for some NGOs.	\$4,346,000

FY 2001	FY 2004	* Community Development through the Chitalishta Network	United Nations Development Program (UNDP)	The Chitalishte Project had several project aims: building the capacity of the chitalishte as community centers; stimulating community participation and local development through the chitalishte network, and promoting access to modern Information Technologies (IT), mainly in IT-isolated communities. Activities included 67 one-year chitalishte demonstration projects and 25 internet centers established in chitalishtes. A Chitalishte Development Foundation was also established to carry on the work of the Project, as was an Association of Chitalishtes.	\$1,000,000
FY 2006	31.3.2008	* Community Funds Assistance	Trust for Civil Society in Central and Eastern Europe	The purpose of the grant is to strengthen local philanthropy and community development through enhancing the growth of community funds in Bulgaria. Specifically, the grant will support the Community Fund members of the Association of Community Foundations in Bulgaria, to become effective local grantmakers.	\$150,000
FY 2007	FY 2010	* Bulgaria Fund	Balkan Trust for Democracy	The Balkan Trust For Democracy is a legacy funding mechanism that will provide targeted grants to NGOs, civil society organizations, and other groups that continue to work in areas which demonstrate the sustained impact of USAID efforts in the country.	\$3,000,000

Political Process Support

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1990	FY 1991	* Early Elections and Political Process	National Endowment for Democracy, NDI, IRI, Free Trade Union Institute (FTUI)	USAID assistance in this early period provided the Union of Democratic Forces with the tools and know-how to compete in elections, and supported civil society actors involved in the struggle for democracy, including the Bulgarian Association for Fair Elections and Civil Rights (BAFECR) and the independent trade union confederation, Podkrepa.	\$2,567,000
FY 1991	FY 2003	* Elections and Political Process	National Democratic Institute for International Affairs (NDI), International Republican Institute (IRI), The Atlantic Council, and others	NDI assisted The Bulgarian Association for Fair Elections and Civil Rights (BAFECR) to develop its civic education and election monitoring programs. NDI enhanced BAFECR's non-electoral efforts as a government watchdog, its programs to develop civic organizing skills of other Bulgarian civic groups, its election-related activities and its organizational management and fundraising capacities. IRI provided technical assistance and equipment support to the Union of Democratic Forces. Technical advice was provided to parliamentary party representatives on the issues of accountability to constituents in the legislative process. Later in the years both organizations implemented political process programs during this period. In later years, IRI continued party support and NDI addressed civic involvement in elections.	\$8,148,000
		Program Support Cost	Various	The funding supported the implementation of the programs under Political Process Support.	\$2,000

Parliamentary Assistance

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 1995	* Frost Task Force — Technical Assistance and Equipment to the National Assembly	Library of Congress, the Congressional Research Service, and the House Information Systems Office	Through this initiative of the House of Representatives, USAID financed and training for Members of Parliament and staff. The program provided automation and telecommunication equipment, books and library materials to the Parliamentary Library.	\$2,250,000
FY 1991	FY 1994	* North Atlantic Assembly	North Atlantic Assembly	One-year grant to support Bulgarian members of parliament's participation in the North Atlantic Assembly's (NAA, now the NATO Parliamentary Assembly) security and defense seminars. Essentially, USAID funded Bulgarian parliamentarians' participation in meetings of the NAA, and several so-called "Rose-Roth" seminars.	\$115,000
FY 1999	FY 2006	* Parliamentary Internship Program	Bulgarian National Assembly	The Parliamentary Internship Program aimed to improve the quality of Bulgarian legislation and to broaden public participation in the legislative process. Over the life of the program 220 students worked as volunteer legislative assistants completing independent research on more than one hundred draft laws and amendments during three Bulgarian parliaments.	\$232,000

FY 2001	FY 2001	* Parliamentary Support	State University of New York (SUNY), Center for International Development	SUNY organized two workshops: one on communication and interaction between parliament and NGOs, and the other on strengthening committee operations. An additional six workshops were run at the MP conference itself focusing on the following topics: media, ethics, constituency relations, lobbying, public hearings, and bridging the "perception-reality" gap. SUNY also produced a handbook on the 39th National Assembly, a management review of the National Assembly's administration, and two informational brochures. SUNY supplemented these activities with assistance to the Parliamentary Information Center on public outreach and to the Research, Analysis and Forecast Department on organizational structure.	\$506,000
---------	---------	-------------------------	---	--	-----------

Independent Media

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1995	FY 1999	* Professional Media Program I (ProMedia I)	International Research and Exchanges Board (IREX), the National Forum Foundation (subsequently Freedom House) and the Center for Foreign Journalists (subsequently the International Center for Journalists)	The first phase of the program focused mainly on strengthening relevant legislation and the media associations most closely involved in laws. It trained professional and trade associations and NGOs, helping them to protect free speech and advocate on behalf of journalists and the media. It fostered the development of the Association of Bulgarian Broadcasters (ABBRO), ProMedia worked to develop a draft Radio and Television Law, establish the Bulgarian Media Coalition to cooperate on media regulatory and professional issues in Bulgaria, and the Broadcast Training Center in Sofia for television training.	\$1,114,000
FY 1999	30.8.2004	* Professional Media Program II (ProMedia II)	International Research and Exchanges Board (IREX)	The second phase of the media program was on legislation and support for media-related associations. ProMedia continued to impact legislative reform, supporting effective advocacy campaigns by media-related NGOs on the Access to Public Information Law. ProMedia also supported amendments to the Radio and Television Law, effectively moving licensing authority from the government to an independent body, the Council for Electronic Media. Also with ProMedia support, independent media organizations successfully fought against jail sentences for journalists in libel cases. The later phases of the program provided support for the development of investigative reporting in the areas of anti-terrorism and anti-corruption, including endowment of fellowships and awards for investigative print and broadcast reporting projects, intensive short-term investigative journalism training, and educating journalists on the legal aspects of their work.	\$2,032,000
FY 2004	FY 2008	* Advocacy and Public Awareness through Media Program	Broadcast Training Center	Provides advocacy and public awareness activities in the areas of rule of law, decentralization of government, anti-corruption, increased effectiveness of the legislation and resolution of ethnic issues. It provides professional support for high quality coverage of the key policy issues in the Bulgarian media and assists USAID-funded programs in achieving their goals by providing media support for their advocacy activities. "Na Chisto" (Clean Slate) Program.	\$727,023

Transfer to State Department/Public Diplomacy

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 2006	* Public Diplomacy	State Department/Public Diplomacy	United States Information Agency complemented USAID's earlier democratic initiatives through a number of activities, including support for administrative law reform and parliamentary process, development of a Center for public Affairs at the University of National and World Economy in Sofia, supporting Bulgarian university students studying in the U.S., providing equipment to the Center for the Study of Democracy. In the latter years of USAID assistance, Public Diplomacy programs focused on media training, book translations, and civic education.	\$17,846,620
FY 1995	FY 2006	* Democracy Commission	U.S. Information Service/Public Affairs Office, U.S. Embassy	The objective of the Democracy Commission was to support the development of democratic institutions and a civil society in Bulgaria, with an emphasis on projects targeting the rule of law/administration of justice, free and equal access to information, civic education and citizen participation, awareness and observance of human rights, and ethnic/political harmony.	\$4,071,500

Rule of Law					
Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 2007	* Rule of Law	American Bar Association's Central and East European Law Initiative (ABA/CEELI)	The project supported the institutionalization of democracy through assistance in developing and revising constitutional, criminal, and civil laws, focusing on human rights and freedoms. Project activities included judicial training, technical assistance for constitutional reforms, legislative oversights, technical legal assistance workshops, assessments of draft laws, restructuring legal education and law school curriculum development, consultations in criminal law and dispute resolution. During the later years CEELI's work led to the establishment of several Bulgaria legal reform institutions that were instrumental in later judicial reform efforts — the Bulgarian Legal Initiative for Training and Development and the Bulgarian Judges' Association, and the Magistrates Training Center. Under the Attorneys Professional Development Initiative, USAID supported the Supreme Bar Council in developing legislation governing attorneys that tightened admission requirements for the bar, required that a new code of ethics be passed, required mandatory malpractice insurance, and established the Attorneys Training Center. USAID collaborated with the Supreme Bar Council to organize a bar exam, essential for ensuring the basic competency level of any candidate being admitted to the practice of law. USAID also worked with the Supreme Bar Council to draft a new code of professional conduct. USAID promoted mediation with assistance culminating in adoption of a Law on Mediation, development of mediation centers, with corresponding court-referred mediation programs, in five cities covering nine courts. The initiative's legal education work focused on increasing clinical legal education opportunities at Bulgarian law faculties resulting in better access to legal services for disadvantaged populations.	Over \$7 million
FY 1991	FY 2007	Various small rule of law activities and program management	Sabev and Partners Law Firm, PSCs and others	Assessments, program management, technical assistance to the Registration Agency	\$1,788,000
FY 1998			Partners for Democratic Change		\$76,000
FY 1999	30.12.2002	* Magistrates Training Center	Magistrates Training Center	In March 1999, the Ministry of Justice, the Association of Judges in Bulgaria, and the Alliance for Legal Interaction formed the Magistrates Training Center (MTC) — the only specialized training entity providing continuing legal education for new and sitting judges. USAID provided technical support, including management and administrative assistance, training of a cadre of judicial educators, and developing and implementing a comprehensive program of course offerings for judges and judicial staff. In 2003 the MTC was succeeded by the National Institute of Justice created by statute via the Judicial System Act in 2002.	\$320,000
23.9.1999	30.9.2004	* Judicial Development Program	East West Management Institute (EWMI)	To step up judicial reform efforts, USAID initiated the Judicial Development Program. The program established model courts, assisted with legal and procedural reforms, trained judges and provided organizational and development assistance to the Supreme Judicial Council. The project added a public education component to raise public awareness about the judiciary and ongoing reforms. The program also involved institutional capacity building of the Magistrates Training Center, the only specialized entity providing training to judges and court personnel, and policy assistance for legal and procedural reforms. The project added a public education component to raise public awareness about the judiciary and ongoing reforms.	\$9,887,000
01.10.2004	30.9.2007	* Judicial Strengthening Initiative	East West Management Institute (EWMI)	The program included three main tasks: improve court administration; improve capacity of magistrates and court staff, and draft and implement key laws and regulations to support effective rule of law. USAID continued to improve court administration through its Model Courts and Courts in Partnership programs, strengthening the Supreme Judicial Council, addressing court automation, and working on criminal law issues. USAID also improved the capacity of magistrates and court staff by strengthening the National Institute of Justice (NIJ), and working on curriculum development. In support of key laws and regulations for an effective rule of law, USAID implemented three activities: a grants program, drafting laws and regulations, and increasing public awareness and support for the judiciary. A Prosecutors Training Component was added in the last stage of the program implementation.	\$9,754,000

FY 2003	30.9.2007	* Anti-Trafficking Program	International Organization for Migration (IOM)	The program was designed to build the capacity of Bulgaria's National and Local Anti-Trafficking Commissions to combat human trafficking. In 2006 it was modified to refurbish a shelter for children, pregnant women and women with children who have been trafficking victims, and to support small grants to indigenous organizations for community-based work addressing root causes of trafficking in persons. It also broadened the work with Commissions to allow IOM to work on other aspects of capacity building in implementing the anti-trafficking legislation.	\$515,694
---------	-----------	----------------------------	--	--	-----------

Anti-Corruption

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
01.1.1998	30.4.2002	* Coalition 2000	International Development Law Institute	By supporting a grassroots anti-corruption coalition USAID Bulgaria sought to build public awareness on the economic and social impact of corruption as well as transform that awareness into active participation on behalf of the Bulgarian society in combating corruption through a public-private partnership. The civil society component of the program supported the advocacy building and public awareness efforts of Coalition 2000, a well-known partnership of Bulgarian NGOs, aimed at combating corruption through a collaborative process among government institutions, media, and the private sector.	\$1,850,000
30.4.2002	30.4.2007	* Anti-Corruption — Open Government Initiative	DPK Consulting, Center for the Study of Democracy	The scope for the first phase of the program (2002-2005) was very broad, and it targeted civil society, government, parliament and the private sector in a multi-faceted approach to limit corruption. The National Audit Office, the Ministry of Finance, the Public Procurement Agency, and major ministries benefited most from USAID assistance. In 2005, in order to better target the effort, USAID, in close cooperation with the EU Delegation to Bulgaria, refocused the program on strengthening and streamlining public procurement, internal controls and government audit systems. The program helped the Bulgarian Government to establish and utilize a Public Procurement Register in 2005, and to develop and refine a new Public Procurement Law in 2006.	\$9,760,000
27.6.2006	05.8.2007	* Consolidating Anti-corruption Reforms	Center for the Study of Democracy (CSD)	The Center for the Study of Democracy provides policy advice to various government institutions involved in the fight against corruption focusing in the areas of Justice and Home Affairs. It supported the National Strategy for Good Governance, Prevention and Counteraction of Corruption 2006-2008, developed in response to EU pressure. CSD considers one of the key results of its work to be the establishment of a national ombudsman and local ombudsman offices.	\$649,700

Transfers to State Department/INL

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 2001	FY 2006	Programs of the U.S. Department of Justice/Office of Overseas Prosecutorial Development, Assistance, and Training (DOJ/OP-DAT)	State Department/INL	The program has focused on reform of criminal justice legislation and capacity building for justice sector personnel. Accomplishments of the program include: criminalization of human trafficking in the Penal Code; passage of the National Combating Trafficking in Human Beings Act; an institutionalized system of probation; passage of the Witness Protection law; amendments to the Law on Measures Against Money Laundering; passage of the Civil Asset Forfeiture Law; and amendments to the Penal Code. Most significant is the human trafficking law, which is touted as the best human trafficking legislation in the region.	\$9,049,174

Local Government

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 1997	* Local Government Training Support	University of South Carolina and other early programs	The program provided technical assistance in city management to local governments including in Sofia, Varna, Stara Zagora, Haskovo, and other municipalities. University of South Carolina also fostered the development of many regional municipal associations as well as the National Association of Municipalities.	\$1,772,000

FY 1991	FY 1998	* Urban Sector Assistance	PADCO, ICMA, The Urban Institute, The Eastern European Real Property Foundation	USAID support for a private housing market was initiated early in the Agency's operations in Bulgaria. Housing sector assistance was focused primarily on housing policy and finance, private sector development, and local government assistance. The Urban Institute was a primary implementer of the first phase of the Local Government Initiative (LGI I). The first phase of the local government program helped with institution-building of local government associations, provided advice to central government entities implemented capacity-building activities in 10 pilot municipalities and provided training and economic development assistance to local governments.	\$11,065,000
FY 1997	30.9.2007	* City Links/Technical Twinning	International City/County Management Association (ICMA), Foundation for Local Government Reform (FLGR)	The program successfully partnered Bulgarian and U.S. cities to address chronic issues in Bulgarian local communities. It worked in 14 cities throughout Bulgaria and achieved notable results. The program was originally implemented with a "sister cities" approach of exchanges between higher level officials and managers from each participating city. The activity evolved into an exchange of working level technical experts, producing mostly, but not exclusively, city-level impacts. The last phase multiplied the impact of the overall program reaching an increased number of Bulgarian municipalities, and adding a strong local economic development focus. The partner cities identify the most urgent municipal issues to be addressed and develop and implement solutions in a collaborative manner; the program is highly demand driven and technically focused.	\$3,440,000
FY 1998	FY 2001	* Local Government Initiative II (LGI II)	Management Systems International (MSI), RTI, DA	The second phase of the local government program provided technical assistance in four major areas: association building, training and training institutionalization, municipal management, funding, finance and decentralization, and public participation and information. LGI II helped local governments to positively influence the substance of laws such as the Tax Procedure Code, Public Procurement Act, Local Taxes and Fees Law, the Urban Development Law and the Local Self-Government and Local Administration Act. During this period, USAID helped five municipalities to open municipal service centers or "one stop shops," an important first step in improving public access to and transparency of local governments.	\$6,760,000
FY 2001	FY 2007	* Local Government Initiative III (LGI III)	Research Triangle Institute (RTI)	The third phase of the program focused on promoting decentralization policy reforms. USAID provided targeted assistance to key national partners such as the National Association of Municipalities, the Ministry of Finance, and the Local Government Commission in Parliament. As a result of USAID's assistance the basic legal framework for municipal fiscal decentralization was in place by the beginning of 2007. While providing policy level support, USAID also addressed capacity building issues with municipalities and other Bulgarian institutions.	\$10,897,000
FY 2005	FY 2005	* EU Structural Funds Course	American University in Bulgaria (AUBG)	An EU Structural Funds Course for mayors, organized by AUBG's Elieff Center.	\$25,000
FY 1998	FY 2004	* Partners in Local Economic Development and Government Efficiency (PLEDGE)	U.S. Department of Labor	The program supported local economic revival and enterprise competitiveness in poor, underdeveloped municipalities with high level of unemployment. It promoted job creation and enterprise competitiveness through the establishment of an economic planning process that involved the public sector, the private sector and civil society. The training component of the program aimed at employment generation and worker retraining as to alleviate the process of labor restructuring and economic transition.	\$3,750,000

FY 1999	FY 2007	* Grants to local government think-tanks and associations	FLGR, National Association of Municipalities in the Republic of Bulgaria (NAMRB), Regional Associations of Municipalities	The program consisted of a series of small, one-year individual grants to municipal associations and think-tanks to develop their authority and capacity for democratic decentralized administration through empowering the local organizations to acquire new skills and influence the policy environment. USAID supported FLGR's leadership in promoting dialogue and building public consensus on local government issues; training and technical consulting services for local governments, particularly in the area of improving customer services through the establishment of municipal service centers or "one-stop shops" increasing transparency, and citizen participation in local government; promoting innovative practices in local government administration; and information dissemination on a range of topics of interest to local governments. Later, a Municipal Revolving Fund was added for FLGR to provide small one-year loans to finance the development of project proposals for EU Pre-Accession funds, to establish or upgrade one-stop shops, or to finance local economic development activities with municipalities participating in the ICMA Citylinks program. USAID supported NAMRB's fiscal decentralization advocacy work; training programs and information dissemination to improve local government capacity; and institutional strengthening of NAMRB itself. In addition to advocating on the substance of laws, NAMRB has played an important role in developing model municipal council ordinances as responsibilities are allocated to local governments as a result of these new laws, thus facilitating the smooth and successful implementation of the laws.	\$8,589,000
FY 1991	FY 2007	Various small local government activities and program management support costs	PSCs	EU Structural funds training; Program management	\$3,291,000

SOCIAL SECTOR PROGRAMS

Humanitarian Response to Crises

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 1993	* Food Aid	U.S. Department of Agriculture	At the outset of the transition, the U.S. Government, through USDA, sent to Bulgaria 300,000 metric tons of feed grain at a value of approximately \$48 million.	\$48,000,000
FY 1991	FY 1993	* NGO development and Humanitarian Grants	Young Men's Christian Association, Citizens Democracy Corps	In 1991, USAID launched the East European Private Voluntary Organization (PVO) Humanitarian Development Initiatives Project which delivered critical services to populations in need and contributed to the strengthening of the PVO movement in Bulgaria.	\$1,832,000
FY 1991	FY 1996	* International Eye Foundation	International Eye Foundation	The project was successful in establishing a Center for Sight in Sofia which provides high quality out-patient ophthalmologic care and surgical services in a well-equipped facility, and which provides excellent training to ophthalmologists and residents in ophthalmology. A local NGO, "Sight for All, the Bulgarian Eye Foundation," was established to continue to work on preventing blindness in Bulgaria.	\$547,000
FY 1991	FY 1992	* Humanitarian Emergency Medical Supply	Project HOPE and Catholic Relief Services (CRS)	USAID provided basic hospital equipment including anesthesia machines, ventilators, ultrasound machines and EKG machines to several regional hospitals, the Pirogov Institute for Emergency Medical Care and the Medical Academy of Bulgaria.	\$1,317,000
FY 1997	FY 1997	* Humanitarian Emergency Medical Supply 2	Medical Service Corporation International, Project HOPE, American Red Cross	Witnessing the sharp decline in hospitals' ability to provide medical care because of lack of supplies, USAID provided lifesaving pharmaceuticals to 12 regional hospitals as well as institutional support to strengthen the Bulgarian Red Cross.	\$2,500,000
FY 1997	FY 1998	* Food for Peace Program	International Federation of the Red Cross, CRS	The American Red Cross delivered delivered over 8,400 metric tons of commodities to approximately 160,000 pensioners. CRS received commodities and funding worth slightly over \$5 million for a bread distribution program for unemployed workers and their families.	\$10,979,000

01.8.2005	01.5.2006	* Humanitarian Emergency Assistance	CARE International-Bulgaria	Relieve flood stricken areas of Bulgaria through procurement and delivery of water pumps, generators, protective clothing, water, etc	\$1,700,000
FY 2006	FY 2007	* Avian Influenza	World Health Organization, CARE International-Bulgaria, Foundation for Community Development, Development Alternatives Inc.	To enhance the Avian Influenza preparedness of Bulgaria USAID through several implementers provided a sustainable mechanism for surveillance, crisis management and increase of public awareness regarding Avian Influenza. Working in close collaboration with the Bulgarian National Veterinary Medical Service and the Ministry of Health, USAID provided various trainings, technical assistance and specialized equipment to Bulgarian veterinary doctors throughout the country. In addition, USAID equipped a new laboratory of the National Veterinary Medical Service in Varna, which will help detect and lessen the effects of a possible Avian Influenza outbreak in the northeastern part of Bulgaria.	\$950,000

Health Partnerships

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
01.9.1991	FY 1994	* Partnerships in Health Care	Medical Service Corporation International (NSCI), Michigan State University, Sparrow Hospital	Under the program USAID initiated partnerships between American and Bulgarian hospitals to provide training, technical assistance and equipment. A pediatric trauma unit was established at the Pirogov Emergency Medical Institute and equipment was provided to St. Ekaterina Hospital to enable it to provide training to doctors out in the regions. Bulgarian doctors from St. Ekaterina Hospital received specialized training in the U.S., and then they, along with a team of American doctors, traveled around Bulgaria training doctors on advanced cardiac care and surgical procedures.	\$5,322,000
FY 1992	FY 1996	* Promotion of Health Markets		To support reform efforts aimed at improving the quality and efficiency of care by creating the appropriate mix of incentives, USAID assisted the Center for Health Informatics to design and implement a pilot project for measuring resource use and determining the funding of hospitals.	\$955,000

Labor

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1992	FY 1997	* Labor Market Transition	United States Department of Labor	The US Department of Labor helped the Ministry of Labour and Social Policy to enhance the capacity of the National Social Security Institute by delivering training on the technical framework and organization of an office of the Actuary. The project provided intensive specialized services to socialwelfare recipients.	\$3,536,000
01.1.2001	01.1.2002	* Labor Force Restructuring	Ministry of Defense, AUBG, NGO Resource Center, Bulgarian Association of Employers	The two-year program for re-training early released military personnel was initiated in July 2001 to mitigate the hardships of the downsizing of the Bulgarian army from 107,000 to approx. 45,000 by 2006 in response to the NATO and EU pre-accession requirements. The program offered re-training courses, linkages with businesses on potential internships and continuing coaching and guidance to 86 released military personnel to facilitate their transition to civilian employment. Thirty more officers were enrolled in English, computers and business tracks. The partnership of the implementer — the American University in Bulgaria (AUBG) — with the Bulgarian Ministry of Defense, the NGO Resource Center, and with Industry and Commerce Chambers contributed for the national coverage of the program and was essential for the internships offered and post-training monitoring and evaluation of this pilot effort.	\$250,000

CROSS-CUTTING AND SPECIAL INITIATIVES

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
02.6.1997	31.7.2003	Internet for Economic Development Initiative	ARC Fund, Center for Economic Development, Academy for Educational Development	In 2002 USAID/Bulgaria initiated three activities under the framework of President Clinton's Internet for Economic Development Initiative to boost economic development, to gain access to knowledge, to improve standards of living, and to foster the free flow of ideas. The three projects implemented under this initiative were: Public Computer and Communication Centers (PC3), Bulgarian Economic Portal (econ.bg), and South East Europe Online (www.southeasteurope.org)	\$696,447
FY 1997	FY 2005	Early Warning System	UNDP	The project supported the development and publication of Early Warning Reports providing up-to-date information to decision-makers on key socio-economic indicators, enabling strategic preventive policy decisions through the development of a national Early Warning System.	\$341,000
01.9.1999	01.3.2001	Bulgaria Crisis Recovery Program	CRS; OI, AUBG, University of Delaware	The program was designed to accelerate the recovery process for Danube River communities affected by the Kosovo conflict; to restore local governments' capacity; generate employment and improve commercial life in those municipalities. The program included a training and education element for Kosovars at the American University in Bulgaria.	\$5,000,000
FY 2000	FY 2000	Economic Support Funds Grant (Balance-of-payments Support)	Government of Bulgaria	USAID provided support funding to the Government of Bulgaria for emergency balance-of-payments support to cushion the negative effects of the Kosovo crisis on Bulgaria's economy. The funding was used for external debt services of the Government of Bulgaria to the US and the World Bank. That enabled the Bulgarian Government to redirect its local currency resources to support four major social and economic welfare programs.	\$25,000,000
FY 2003	FY 2003	Social Sector Assistance (incl. LG USPSC)			\$22,000

Education

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 1995	* American University Bulgaria (AUBG)	AUBG	The American University in Bulgaria opened for class for over 200 freshman in September 1991. The University was a cooperative project of the University of Maine, the Soros Foundation (Open Society Fund), USAID, and United States Information Agency. AUBG is the first American university established in Eastern Europe.	\$14,669,000
FY 1991	FY 2006	* American Schools and Hospitals Abroad (ASHA) Grants	AUBG	ASHA grants in support of AUBG's efforts to attain financial sustainability and to grow its student body.	\$8,820,000
01.1.1996	01.1.2006	* AUBG Sustainability Endowment 1996	AUBG	The endowment was set up to support the American University in Blagoevgrad with U.S. Faculty and American-modeled curriculum through funding salaries, operating expenses, library acquisitions and vehicles. The endowment capital fund was provided for the AUBG in a Cooperative Agreement in partnership with the Open Society Institute.	\$14,883,000
30.5.2002	01.6.2012	* AUBG Sustainability Endowment 2002	AUBG	The endowment was established for implementation of a financial and operations plan that will result in sustainability of the university.	\$21,171,000

Training

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1993	FY 1996	Partners for International Education and Training (PIET)	World Learning	The first human capacity development program of USAID providing opportunities for vocational training in the U.S. and third countries, such as Poland and Hungary.	\$3,184,000

FY 1997	FY 2001	* Technical Training for Societies in Transition (TRANSIT-Europe)	World Learning	The primary human capacity development program of USAID in the early years of its assistance program, providing short-term trainings in the U.S. and countries in the region. The program provided a broad base of leaders and professionals with the skills and practical knowledge to develop and support democratic processes, free markets, and private sector growth. The program included a Small Grants component which provided funding to projects designed and implemented by returned participants.	\$7,771,000
FY 1998	FY 2008	* Georgetown University East and Central Europe Scholarship Program (ECESP)	Georgetown University	Since 1998 Bulgarian leaders, experts and administrators have benefited from the ECESP academic training program by participating in more than 90 long-term (6 to 12 months) and 70 short-term programs at U.S. and third-country universities. The program has resulted in the enhanced capacity of mid-level managers and professionals to contribute to Bulgaria's transition to a market-based democracy, while working in the areas of risk management, public administration, local governance, health and pension reform, conflict resolution and civil society organizations.	Regional
FY 2001	FY 2007	* START Participant Training Program	World Learning	The START Participant Training Program (PTP) came as the logical continuation in FY 2002 of the TRANSIT human capacity development program in Bulgaria, providing short-term in the U.S., in Bulgaria or in third countries. Training through PTP supported long-term technical assistance in all sectors by equipping Bulgarian leaders and professionals with skills and practical knowledge necessary to support the transition processes in the country. The program also provided competitive small grants to program beneficiaries to apply the skills and knowledge acquired. In the early years of the program trainings conducted were in the areas of public administration, economics, marketing and in policy reform.	\$7,261,000

Program Development and Support Activities

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
FY 1991	FY 2008	* Audit, Evaluation and Project Support and PSC	Various	The program supported various evaluations, audits and assessments conducted in support of the implementation of USAID programs in Bulgaria.	\$9,560,000

Other Programs

Start Date	End Date	Program/Project Name	Implementers	Program/Project Description	Funding
01.10.1993	01.9.2008	* Small Project Assistance Program	Peace Corps	The Small Project Assistance Program was a unique activity that joined the human resource capabilities of the Peace Corps Volunteers' community with the financial resources of USAID in an effort to "help community groups help themselves". The program enhanced communities' ability to organize, plan and implement group decisions, and transferred technical skills and promoted self-reliance. In Bulgaria, the SPA Program has funded more than 450 community projects.	\$2,892,000

ANNEX B: USAID ASSISTANCE IN NUMBERS

FREE MARKETS AND PRIVATE ENTERPRISE GROWTH

SMALL BUSINESS DEVELOPMENT

- **Almost 4,000** jobs created as a result of Bulgarian American Credit Bank (BACB) direct investments in SMEs
- **More than \$380 million** worth of BACB **loans and investments** to almost **5,000** Bulgarian companies
- **Over 5,000** apartment mortgages through BACB construction lending program
- **78,000** jobs supported through Nachala and Ustoi loans since 1993
- **More than 53,000 loans worth over \$68 million** provided by Nachala and Ustoi to small and start-up businesses
- **\$69 million** generated in local economy as result of Small Enterprises Assistance Fund (SEAF) investment
- **SEAF: For every 1 dollar of investment made in a sampling of companies, an additional 10 dollars on average was generated** in the local economy (2004 Report)
- **Up to 34%** growth of employee wages in enterprises impacted by SEAF
- **More than 500 SME clients** receiving technical assistance in early USAID program (1997)
- **The managers of more than 650** companies were trained by FLAG in 1997
- **More than 50 business support organizations** (business associations, chambers, business centers) **representing more than 100,000 workers** assisted by FLAG in 1998
- **More than 10% annual** increase in exports from FLAG-assisted firms (1998–2002)
- **More than \$500** increase in sales per employee in FLAG-assisted firms (1998–2002)

BANKING SECTOR REFORM

- **Nearly \$1 billion** private investments in 7 state-owned banks attracted by the Bank Consolidation Company with USAID assistance (1997–2003)
- **1,269% increase** in market capitalization of the stock exchange between 2000–2007
- **500% increase** in bank system assets (1997–2007)

DEVELOPMENT CREDIT AUTHORITY (DCA)

- **Almost \$100 million in 548 loans** disbursed thanks to USAID loan guarantees (1999–2006)
- Areas where DCAs were primarily used: **municipal infrastructure, municipal energy efficiency, competitive sector and SME development, agriculture**

ENERGY SECTOR

- **693.2 million Euros (\$890 million)** total revenue from the privatization of electricity distribution companies in 2005
- **206 million Euros (\$264 million)** revenue from the privatization of a major electricity generation plant in 2005

LABOR MARKET DEVELOPMENT

- **36 Career Development Centers** were attached to universities and vocational schools around the country by 2007
- **More than 170,000** students have access to counseling and guidance from career centers in 2007
- **More than 10,000 internships** facilitated through career development centers, career fairs and the www.staj.bg website
- **44,000** students have benefited from Junior Achievement's programs
- **292 schools in 115 cities** have implemented Junior Achievement entrepreneurship and business programs

PENSION REFORM

- **\$1.16 billion** worth of assets managed by supplementary pension companies (March 2007) (USD 1 = BGN 1.43)
- **43%** increase in pension insurance funds assets, 2006–2007
- **2.68 million** people participate in the system of supplementary pension security
- **3.25 million** pension insured persons (supplementary and voluntary)

TOURISM DEVELOPMENT

- **72** small hotels and bed & breakfasts certified by Authentic Bulgaria

COMMERCIAL LAW REFORM

- **37,280** cases filed with private enforcement agents from April-December 2006
- **Over 5,000** terminated cases from April-December 2006
- **\$60 million** collected by private enforcement agents in eight months (April-December 2006)

DEMOCRACY AND GOVERNANCE**ELECTIONS**

- **\$2 million** in assistance to the first democratic parliamentary elections in 1990

CIVIL SOCIETY

- **900** NGO representatives trained under Democracy Network (DemNet), 1995–1998
- **More than 250** NGO projects supported under DemNet II (1998–2002)
- **71** projects implemented by Community Funds in Bulgaria
- **77 local organizations and more than 400,000 people** benefited from Community Funds

ETHNIC INTEGRATION AND COMMUNITY DEVELOPMENT

- **205** small projects funded
- **\$1 million** distributed in small grants
- **438 (253 for women)** permanent jobs created
- **More than 1,500** beneficiaries of projects implemented in 2006
- **436** projects funded by the Peace Corps Small Project Assistance (SPA) Program (1993–2007)

LOCAL GOVERNMENT

- **All 264 Bulgarian municipalities** are members of NAMRB
- **29 municipalities** with established Local Economic Development offices
- **120 million Euros** of investment flowing into 39 municipalities participating in USAID City Links Program since 2004
- **1,640 new jobs created in 39 municipalities** participating in USAID City Links Program since 2004
- **20% of the municipal budgets** go to capital investment in 2006 (7% in 2000)
- **\$103 million surplus in municipal budgets** in 2006 compared to \$110 million (BGN 160 million) deficit in 2000
- 35% of the municipal budgets made up of own-source revenues in 2006 (17% in 2000)
- **140 municipal one-stop shops**
- **Two-thirds of Bulgarian population** served by one-stop shops

PLEDGE (Partners in Local Economic Development and Government Effectiveness) (1998–2004)

- **5,251** jobs created
- **941** jobs saved
- **188** businesses started
- **283** businesses expanded
- **13,074** square kilometers of fallow land reclaimed

MEDIA

- Current *Na Chisto* tv-program (investigative journalism program) ratings: **20% market share in Sofia, 12–13% nationally**
- **350,000 viewers** (as of April 2007) **saw at least one episode of *Faces*** (ethnic tolerance program)
- **More than 500** journalists trained at the Broadcast Training Center

LEGAL EDUCATION

- **4 law school legal clinics (in Rousse, Varna, Bourgas, Veliko Tarnovo)** provide practical advocacy skills training to law students
- **Over 400** students trained in legal clinics (1999–2006)
- **1,500** cases handled by law school clinics (2000–2006)

JUDICIAL REFORM

- **A pool of 800** judicial trainers already provides training services to Bulgarian judges
- **2,844 magistrates** and **5,217 clerks** trained at the Magistrates Training Center and the National Institute of Justice since 2000
- **32 out of a total of 156 courts** implemented Court Improvement Plan
- Public perception of quality of service in USAID-assisted courts is **15% higher than in non USAID-assisted courts**

MEDIATION

- **19** mediation centers established with USAID support (including commercial mediation centers, court-referred mediation, PBF mediation centers), 2001–2006
- **Over 1,000** cases mediated since 2001
- **276** mediators trained since 2001

ANTI-CORRUPTION

- **1,200** cases filed with the Ombudsman and acted on in 2006
- **100** state administration employees trained as trainers in public procurement
- **300** officials trained in procurement practices
- **More than 20,000** public procurements logged in electronic register
- **BGN 16.5 billion (more than \$11 billion)** annual amount of public procurements
- **440,000** hits on Public Procurement Agency web site in 2006

ENVIRONMENT

- **1,836 square kilometers** of protected areas established with support of USAID environmental protection and biodiversity conservation programs
- **Central Balkan National Park and the Rila Monastery Nature Park** assisted in improving park management
- **45,700 (in 2003) and 64,000 (in 2006)** officially counted visitors to Central Balkan National Park

HUMANITARIAN ASSISTANCE

- **More than \$50 million** in humanitarian assistance (feed grain and medicines) during early years of Bulgaria's transition (1991–1993)
- **\$11 million** in USAID humanitarian assistance (food commodities) to Bulgaria in 1997–1998
- **Over 300,000** beneficiaries of food assistance December 1997 — December 1999
- **3.2 million (40% of population)** people affected by flooding in 2005–2006 for which USAID provided emergency assistance
- **3,750** direct beneficiaries of immediate humanitarian assistance after 2005 floods
- **3,000** households received post-flooding recovery assistance (2005–2006)
- **432** public and private veterinarians trained under the Avian Influenza program in 2006–2007

CROSS-CUTTING AND SPECIAL INITIATIVES**AUBG**

- **2,000** students **from 29 different countries** graduated (1995–2007)

HUMAN CAPACITY BUILDING

- **Almost 4,000** participants trained in the Participant Training Program (PTP) since 1993
- **68** small training-related grants distributed by PTP
- **\$315,256** value of PTP grants

ANNEX C: BIBLIOGRAPHY

I. DOCUMENTS

A

- Abt Associates, Inc. “Final Report: Mid-term Evaluation of the Eastern Europe Housing and Urban Program.” Washington, D.C.: April 1994.
- ACDI/VOCA. “ACDI/VOCA’s CEE II Project Annual & Final Report for the Period FY95 Through FY99.” Washington, D.C.: 1999.
- ACDI/VOCA. “Final Activity Report, Agribusiness Support Project (ASP) ACDI/VOCA/Firm Level Assistance Group (FLAG).” Sofia, Bulgaria: March 2004.
- Agency for Social Analysis. “Analysis of the Socio-Economic Situation of the Roma Community in Bulgaria.” Sofia, Bulgaria: 2004.
- Agricultural Cooperative Development International. “Bulgaria Assistance for Private Poultry Producers Final Report.” Washington, D.C.: July 1993.
- Agricultural Development Consultants, Inc. “Final Report: Program Evaluation of Central and Eastern Europe Agriculture Sector Grants.” Washington, D.C.: May 1995.
- Aguirre Division of JBS International, Inc. “Strategic Review of the Interethnic Interaction Program for Inclusive Community Development.” Washington, D.C.: 2007.
- Aguirre International. “Central and Eastern Europe and New Independent States Training Program Impact Fiscal Year 1998.” Washington, D.C.: March 1999.
- Aguirre International. “Private Pensions in Bulgaria: Comments and Recommendations to USAID Bulgaria.” Washington, D.C.: January 1999.
- Aguirre International. “Training for Central and Eastern Europe and the New Independent States, A History of USAID-Sponsored Training 1989–1998.” Washington, D.C.: February 1999.
- Alexieva, Assia, Katia Alexieva and Ivica Vasev, “Impact Evaluation of the Peace Corps Small Project Assistance (SPA) Project.” Sofia, Bulgaria: USAID, August 2003.
- Alpha Research. “SME and the Business Environment in Bulgaria.” Sofia, Bulgaria: 2005.
- Althaus, William J., J. Hugh Nichols and Andrey Ivanov, “Bulgaria Local Government Strategic Assessment.” Arlington, Virginia: Development Associates, Inc., September 2000.
- American Bar Association Central and East European Law Initiative. “Country Strategies for the Rule of Law Program for Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, and Slovakia.” Washington, D.C.: 23 August 1993.
- American Bar Association Central European and Eurasian Law Initiative. “Rule of Law Reform Programs in Bulgaria 1991–2006.” Sofia, Bulgaria: 2006.
- American Center for International Labor Solidarity, AFL-CIO (SC). “Trade Unions and the Danube River Initiative (DRI), Final Report Covering the Period January 2000-March 2001.” Sofia, Bulgaria: March 2001.
- American Center for International Labor Solidarity (Solidarity Center). “Final Report, Bulgaria Trade Union Development-Social Partnership Program.” Washington, D.C.: 31 December 2004.
- American Embassy Sofia. United States SEED Act Assistance Strategy for Bulgaria, 1993–1995. Sofia, Bulgaria: 1993.

American Embassy Sofia. United States SEED Act Assistance Strategy Update for Bulgaria, 1994–1996. Sofia, Bulgaria: 26 July 1994.

American National Red Cross. “Final Report on Bulgaria Floods Program.” Washington, D.C.: 3 November 2005.

American University in Bulgaria. Fifteen Years of Opportunity. Blagoevgrad, Bulgaria: October 2006.

B

Baser, Fred R. and Paul M. Holmes, “World Environment Center, Central and Eastern Europe Program, An Evaluation of Cooperative Agreement no. ANE-0004-A-00–0048–00.” New York, New York: World Environment Center, November 1992.

Bell, John, Ronald A. Gould, Richard G. Smolka, Charles E. Lasham, Morton H. Sklar and Norbert J. Yasharoff, “An Orderly Rebellion, Bulgaria’s Transition from Dictator to Democracy.” Washington, D.C.: International Foundation for Electoral Systems, August 1990.

Bendavid-Val, Avrom, “Environmental Action Programme Support Project Final Report.” Washington, D.C.: Chemonics International Inc., March 2001.

Biddle, C. Stark and Richard Blue, “The Regional Components of the Democracy Network Program, Evaluation of Performance and Potential, Final Report.” Washington, D.C.: Management Systems International, 15 March 1998.

Biddle, C. Stark, Mark Hopkins and Oleg Harenar, “Evaluation of the USAID Professional Media Program in Central and Eastern Europe.” Arlington, Virginia: Development Associates, October 1998.

Blair, Harry, Susan Burgerman, Duaa Elzeney and Robert Herman, “Draft Report on Civil Society Financial Viability: Key Factors, Challenges and Prospects in a Changing Strategic Environment.” Washington, D.C.: Management Systems International, January 2006.

Blue, Richard N., Brian LeDuc and Lynn Carter, “Rule of Law Assistance Impact Assessment: Bulgaria.” Washington, D.C.: Management Systems International, 2004.

Blue, Richard N., Marguerite Galaty and Andrew Green, “The International Center for Not-for-Profit Law: The CEE/SEE Program: Impact and Potential, An Impact Evaluation.” Washington, D.C.: USAID, 11 April 2006.

Bonnell, James, Jack Armitage, Slav Gatchev and Charles Tesar, “American University in Bulgaria: Financial Assessment.” Sofia, Bulgaria: Millennium International Consulting and Grant Thornton, August 2006.

Borish, Michael, “An Assessment and Rating of the Bulgarian Banking System.” Ottawa, Canada: Michael Borish and Company, Inc. and Triumph Technologies, Inc., April 1998.

Bondelid, Tim, Kathy Alison, Jonathan Darling, Lee Jennings and John Tippet, “DEMDESS Summary 1993, Danube Emissions Management Decision Support System.” Cambridge, Massachusetts: Camp Dresser & McKee International, Inc., September 1993.

Boteva, Dimitrina, “Biodiversity Conservation & Economic Growth (BCEG) Project, Development and Implementation of an Ecological Monitoring System for Rila and Central Balkan National Parks.” Sofia, Bulgaria: Associates in Rural Development, 2003.

Brinkerhoff, Derick W., William Coletti and Russell Webster, “Case Studies: Small and Medium Enterprise Policy Reform in Bulgaria.” Washington, D.C.: Management Systems International, March 2000.

Bulgarian Government. National Ecotourism Strategy and Action Plan for Bulgaria. Sofia, Bulgaria: 2004.

Bulgarian Government. “The Regional Initiatives Fund Project, Final Internal Project Assessment.” Sofia, Bulgaria: June 2002.

Bulgarian Government, Ministry of Culture. “Community Development and Participation Through the Chitalishte Network, Final Report.” Sofia, Bulgaria: October 2004.

Bulgarian Government, Ministry of Economy and Energy. Annual Report on the Condition and Development of SMEs in Bulgaria. Sofia, Bulgaria: 2004.

Bulgarian Industrial Association — Union of the Bulgarian Business. Services — Clean Industry Center.” Available from http://www.bia-bg.com/info/cleancenter_en.html#4; Internet.

Bulgarian Red Cross. “Memo from Hristo Grigorov to Christopher Frost on Relief Supplies Purchased from USAID/ARC Funds as of 09 August 2005.” Sofia, Bulgaria: 10 August 2005.

Bunce, Glenda, “Local Government and Public Administration (Bulgaria), Final Report.” Columbia, South Carolina: University of South Carolina, 23 April 1997.

C

CARE. “Final Report, Bulgaria Flood Response Program.” Atlanta, Georgia: 30 August, 2006.

Case, Charles G., “Commercial Law Reform Project Trip Report.” Sofia, Bulgaria: Bearing Point, February 2004.

Cassidy, Marc W., “Assessment of Sustainability Prospects of the Bulgarian Parliamentary Internship Program (PIP).” Sofia, Bulgaria: USAID, February 2005.

Catholic Relief Services. “CRS Romania–Bulgaria Project, Cooperative Agreement EUR-0032-A-00–1074–00, Progress Report #1.” Baltimore, Maryland: May 31, 1992.

Catholic Relief Services. “DRI Final Report, October 1999–July 2001.” Sofia, Bulgaria: August 2001.

Center for the Study of Democracy. Anti-Corruption Reforms in Bulgaria: Key Results and Risks. Sofia, Bulgaria: 2007.

Checchi and Company Consulting, Inc. “Final Report: Program Evaluation of USAID’s Investments in Assistance to Democratic Institutions in Bulgaria, Lithuania and Poland.” Washington, D.C.: 26 November 1993.

Checchi and Company Consulting, Inc. and Louis Berger International, Inc. “Evaluation of Firm Level Assistance Group (FLAG) Program in Bulgaria.” Washington, D.C.: October 2002.

Chemomics International, Inc. “Environmental Action Program Support Project, Bulgaria Final Report.” Washington, D.C.: October 1998.

Chemomics International, Inc., Environment International, PA Government Services and Virginia Polytechnic Institute and State University. USAID and Sustainable Tourism: Meeting Development Objectives. Washington, D.C.: June 2005.

Citizens Democracy Corps. “Annual Report — FY97, Citizens Democracy Corps Bulgaria.” Washington, D.C.: 1997.

Commission of the European Communities. “Commission Opinion on Bulgaria’s Application for Membership of the European Union.” Brussels, Belgium: 15 July 1997.

Commission of the European Communities. “Communication from the Commission, Monitoring Report on the State of Preparedness for EU Membership of Bulgaria and Romania.” Brussels, Belgium: 26 September 2006.

Conflict Management Group and the Center for the Study of Democracy. "Conflict Vulnerability Assessment." Cambridge, Massachusetts and Sofia, Bulgaria: March 2002.

Coopers & Lybrand. "Micro-enterprise Innovation Project, Assessment of the Nachala Foundation." Sofia, Bulgaria: May 1996.

Counterpart International. "Community Funds (Foundations) in Bulgaria: A Case Study on Structure of Local Giving." Washington, D.C.: 30 September 2006.

Counterpart International. "Social Contracting in Bulgaria." Washington, D.C.: 30 September 2006.

Counterpart International. "Social Enterprises in Bulgaria: How to Start and Successfully Develop a Social Enterprise." Washington, D.C.: 30 September 2006.

Creative Associates International. "Workshop Report: PVO Humanitarian Development Initiatives Project in Eastern Europe." Washington, D.C.: 4 December 1995.

D

Daly, Jane, "PLEDGE Final Report, 1998–2004." Sofia, Bulgaria: Worldwide Strategies, Inc. September 2004.

Deloitte Touche Tohmatsu International. "Bulgaria Food Industry Privatization Phase II: Final Report." Washington, D.C.: 31 July 1995.

Dennison, Steven, "Biodiversity Conservation & Economic Growth Project II (BCEG II) Draft Final Report." Burlington, Vermont: Associates in Rural Development, Inc., March 2004.

Department of State. SEED Act Implementation Report Fiscal Year 1991. Washington, D.C.: February 1992.

Department of State. SEED Act Implementation Report Fiscal Year 1992. Washington, D.C.: January 1993.

Department of State. SEED Act Implementation Report Fiscal Year 1993. Washington, D.C.: January 1994.

Department of State. SEED Act Implementation Report Fiscal Year 1994. Washington, D.C.: January 1995.

Department of State. SEED Act Implementation Report Fiscal Year 1995. Washington, D.C.: February 1996.

Department of State. SEED Act Implementation Report Fiscal Year 1996. Washington, D.C.: February 1997.

Department of State. SEED Act Implementation Report Fiscal Year 1997. Washington, D.C.: February 1998.

Department of State. SEED Act Implementation Report Fiscal Year 1998. Washington, D.C.: March 1999.

Department of State. SEED Act Implementation Report Fiscal Year 1999. Washington, D.C.: March 2000.

Department of State. SEED Act Implementation Report Fiscal Year 2000. Washington, D.C.: 2001.

Department of State. SEED Act Implementation Report Fiscal Year 2001. Washington, D.C.: 2002.

Department of State. SEED Act Implementation Report Fiscal Year 2002. Washington, D.C.: January 2003.

Department of State. SEED Act Implementation Report Fiscal Year 2003. Washington, D.C.: January 2004.

Department of State. SEED Act Implementation Report Fiscal Year 2004. Washington, D.C.: January 2005.

Department of State. SEED Act Implementation Report Fiscal Year 2005. Washington, D.C.: January 2006.

Department of State. SEED Act Implementation Report Fiscal Year 2006. Washington, D.C.: January 2007.

E

East-West Management Institute, Inc. “Final Report, Bulgaria Judicial Development Project, September 1999 through December 2004.” New York, New York: 31 March 2005.

East-West Management Institute, Inc. “Judicial Strengthening Initiative for Bulgaria, 2005 Annual Report and Fourth Quarterly Report 2005.” Sofia, Bulgaria: 31 January 2006.

EcoLinks programs list/description//best practices in Bulgaria. Available from <http://www.rec.org/ecolinks/bestpractices/ByCountry.html>; Internet.

EcoLinks Bulgaria Fact Sheet. Available from <http://www.ecolinks.org/resources/>; Internet.

Economist Intelligence Unit. “Country Profile 2006: Bulgaria.” London, United Kingdom: 2006.

Epstein, Peter, Katherine Mark, Ritu Nayyar-Stone, Carol Rabenhorst and Jeffrey Telegarsky, “Housing and Urban Development Assistance in Central and Eastern Europe: Final Report.” Washington, D.C.: The Urban Institute, October 2000.

Eriksen, John H., Wade E. Martin and Peter J. Bloom, “Mid-term Project Evaluation Report: Central and Eastern Europe Environmental Economics and Policy (C4EP) Project.” Cambridge, Massachusetts: Harvard University, 5 December 1995.

European Bank for Reconstruction and Development. “Strategy for Bulgaria, As Approved by the Board of Directors on 12 December 2005.” London, United Kingdom: 12 December 2005.

European Bank for Reconstruction and Development. Transition Report 2006, Finance in Transition. London, United Kingdom: 1 October 2006.

European Union PHARE Twinning Project. “Sixth Quarterly Report, Assessment of Progress, Recommendations and Conclusions in the Reporting Period.” Sofia, Bulgaria: 20 February 2007.

European Union PHARE Twinning Project. “Improvement of the Magistrates’ Legal Status and Strengthening the Capacity of the Supreme Judicial Council, Report on the Draft Law for the Fourth Amendment to the Constitution of Bulgaria.” Sofia, Bulgaria: 20 October 2006.

F

Forum for Entrepreneurship Development. “Interim Evaluation: Ethnic Integration and Conflict Resolution Project in Assenovgrad, Dupnitsa, Samokov and Targovishte.” Sofia, Bulgaria: December 2006.

Foster, Barbara Barrett, David A. Grossman and April L. Young, “Phase I Local Government Program Evaluation: Democracy Activities in Poland and Bulgaria.” Arlington, Virginia: Technical Support Services, Inc., 30 September 1994.

Foundation for Local Government Reform. Annual Report 2005. Sofia, Bulgaria: 2005.

Foundation for Local Government Reform. “Danube River Initiative Program, Final Performance Report.” Sofia, Bulgaria: January 2003.

Foundation for Local Government Reform. “Final Technical Report.” Sofia, Bulgaria: 31 July 2001.

Foundation for Local Government Reform. “Final Technical Report.” Sofia, Bulgaria: July 2000.

Foundation for Local Government Reform. “Small Infrastructure Projects Accomplished Through the Danube River Initiative Program.” Sofia, Bulgaria: 2002.

Foundation for Local Government Reform. “Presentation — Vision, Missions & Achievements.” Available from <http://www.flgr.bg/?act=cms&sort=1&cid=674&sub=0&lang=1&print=1>; Internet.

Free Trade Union Institute. “Quarterly Report to the U.S. Agency for International Development Regarding Activities and Expenditures Undertaken Pursuant to Grant No. EUR-0017-G-00–2025–00 for the First Quarter of 1993 (January 1, 1993 through March 31, 1993.” Washington, D.C.: 31 March 1993.

Free Trade Union Institute. “Quarterly Report to the U.S. Agency for International Development Regarding Activities and Expenditures Undertaken Pursuant to Grant No. EUR-0017-G-00–2025–00 for the Fourth Quarter of 1992 (October 1, 1992 through December 31, 1992.” Washington, D.C.: 31 December 1992.

Free Trade Union Institute. “Quarterly Program Performance Report to the U.S. Agency for International Development Regarding Activities and Expenditures Undertaken Pursuant to Grant No. EUR-0017-G-00–2025–00 for the Period of Inception, December 9, 1991 through June 30, 1992.” Washington, D.C.: 30 June 1992.

Free Trade Union Institute. “Quarterly Report to the U.S. Agency for International Development Regarding Activities and Expenditures Undertaken Pursuant to Grant No. EUR-0017-G-00–2025–00 for the Second Quarter of 1993 (April 1, 1993 through June 30, 1993.” Washington, D.C.: 30 June 1993.

Free Trade Union Institute. “Quarterly Report to the U.S. Agency for International Development Regarding Activities and Expenditures Undertaken Pursuant to Grant No. EUR-0017-G-00–2025–00 for the Third Quarter of 1992 (July 1, 1992 through September 30, 1992.” Washington, D.C.: 30 October 1992.

Free Trade Union Institute. “Quarterly Report to the U.S. Agency for International Development Regarding Activities and Expenditures Undertaken Pursuant to Grant No. EUR-0017-G-00–2025–00 for the Third Quarter of 1994 (July 1, 1994 through September 30, 1994.” Washington, D.C.: 31 October 1994.

Freedom House. “Freedom in the World Country Ratings 1972–2007.” Available from <http://www.freedomhouse.org/uploads/fiw/FIWAllScores.xls>; Internet.

Freedom House. “Nations in Transit, Country Report Bulgaria (2006).” Available from <http://www.freedomhouse.org/template.cfm?page=47&nit=392&year=2006>; Internet.

Fritz, Susan Kosinski and Svetozara Petkova, “Trafficking in Persons Assessment and Recommendations.” Sofia, Bulgaria: USAID, March 2006.

G

Gavrilova, Mila, “Ustoi Microfinance Project in Bulgaria Final Project Implementation Narrative Report.” Sofia, Bulgaria: Catholic Relief Services, 4 October 2005.

Gavrilova, Rayna, “Executive Letter, Trust for Civil Society in Central & Eastern Europe.” Available from <http://www.cectrust.org/index.php?ar=15>; Internet.

Georgetown University, Center for Intercultural Education & Development. “The East Central European Scholarship Program (ECESP).” Available from <http://63.135.104.120/templates/cied/alumni/template.cfm?page=52>; Internet.

Georgetown University, Center for Intercultural Education & Development. “Meglena Kuneva, Public Administrators Program, Bulgaria.” Available from <http://63.135.104.120/templates/cied/alumni/template.cfm?page=58>; Internet.

Georgieva, Nelly, “Biodiversity Conservation & Economic Growth (BCEG) Project, Report on the Institutional Development of the Ecotourism Initiative Groups in the Pilot Regions of the BCEG Project.” Burlington, Vermont: Associates in Rural Development, Inc., 2002.

Georgieva, Kamelia, “Biodiversity Conservation & Economic Growth (BCEG) Project, The First National Forum, Ecotourism, Mountains, and Protected Areas: Partners in Prosperity.” Burlington, Vermont: Associates in Rural Development, Inc., October 2002.

German Marshall Fund. "Balkan Trust for Democracy, Overview." Available from <http://www.gmfus.org/balkantrust/index.cfm?print=yes&>; Internet.

German Marshall Fund. "Final Report to the United States Agency for International Development: Small Grants Program to Address Minority Issues and Strengthen Democratic Practice and Citizen Participation in Central and Eastern Europe." Washington, D.C.: 31 May 1996.

Gillies, John, "Georgetown University's East Central Europe Scholarship Program (ECESP), A Program Review." Washington, D.C.: Aguirre International and Development Specialists, June 1994.

Gillies, John, "Participant Training Project for Europe (PTPE) Monitoring and Evaluation Contract Final Report." Rosslyn, Virginia: Aguirre International and Development Specialists, April 1995.

Glaeser, Edward, Bruce Grogan and Mary Ann Radebach, "Evaluation of DOL's Labor Market Transition Program in Poland, Hungary and Bulgaria." Arlington, Virginia: BHM International, 6 September 1996.

Goehring, Jeannette and Kristie Evenson, "Wrong Turn." Washington, D.C.: Freedom House (originally published in *Transitions on Line*), 3 July 2007. Available from http://www.freedomhouse.org/printer_friendly.cfm?page=72&release=523; Internet.

Goldsmith, Arthur A. and Derick A. Brinkerhoff. "Strengthening Local Government Associations in Bulgaria, Draft." Research Triangle Park, North Carolina: Research Triangle Institute, September 2004.

Goshgarian, Sandra, "Development Credit Authority Biennial Review, First Investment Bank, Bulgaria." Washington, D.C.: USAID/EGAT, 6 October 2006.

Goshgarian, Sandra, "Development Credit Authority Biennial Review, United Bulgarian Bank (UBB), Bulgaria." Washington, D.C.: USAID/EGAT, 5 October 2006.

Grimes, Alicia, Gregory Myers and Jeff Ploetz, "Assessment of Natural Resources and the Environment." Washington, D.C.: USAID/E&E and DevTec Systems, Inc., 22 February 2002.

H

Hagen, Roy, Curt Meine and Petar Iankov. "Midterm Evaluation of the Bulgaria GEF Biodiversity Project." Burlington, Vermont: Associates in Rural Development, Inc., September 1997.

Harvard Institute for International Development and the International Resources Group. "Measuring the Environmental Transition in Eastern Europe and the Newly Independent States." Washington, D.C.: 1 May 1998.

Heilman, Lawrence C. and Frank R. Pavich, "Final Report, Independent Mid-Term Evaluation of the Democracy Network Program." Washington, D.C.: Management Systems International, 21 April 1997.

Heilman, Lawrence C. and Steven Voien, "Evaluation of the Activities of the International Republican Institute and the National Democratic Institute in Albania, Bulgaria, Ukraine and Lithuania." Washington, D.C.: Management Systems International, April 1996.

Hetz, Peter, "Final Report Draft, GEF Biodiversity Project." Burlington, Vermont: Associates in Rural Development, Inc., July 2000.

I

Index Foundation. "Georgetown University, ECESP Director and Three U.S. Professors to Conduct Orientation for Participants in the ECESP Program from Bulgaria, Romania, Macedonia and Albania." Sofia, Bulgaria: 2006.

Institute for Regional and International Studies and the Institute for Democracy, Solidarity and Civil Society. "The Process of Decentralization in Macedonia: Prospects for Ethnic Conflict Mitigation, Enhanced

Representation, Institutional Efficiency and Accountability.” Sofia, Bulgaria and Skopje, Macedonia: Freedom House and USAID, 2006.

Institute for Sustainable Communities. “Bulgaria Democracy Network Program.” Montpelier, Vermont: October 1999.

Institute for Sustainable Communities. “Bulgaria Democracy Network Program, DemNet I, 1995–1998, Final Report.” Montpelier, Vermont: May 1999.

Institute for Sustainable Communities. “Bulgarian Community Environmental Action Project, Final Results and Evaluation.” Montpelier, Vermont: July 1994.

Institute for Sustainable Communities. “Democracy Network Program ... strengthening the organizations that support a vibrant civil society in Bulgaria.” Montpelier, Vermont: April 2001.

Institute for Sustainable Communities. “Democracy Network Program, DemNetII: Building Civil Society in Bulgaria, 1998–2002, Final Report.” Montpelier, Vermont: April 2003.

Institute for Sustainable Communities. “Descriptions of ISC Projects in Bulgaria.” Available from <http://www.iscvt.org/programs/psbulgaria.html>; Internet.

Institute for Sustainable Communities. “Leading Lights: A Report from the Field on Civil Society in Bulgaria.” Montpelier, Vermont: September 2001.

Institute for Sustainable Communities. “Voices for Change: A Field Report from Bulgaria on Building Civic Advocacy.” Montpelier, Vermont: April 2002.

International Bank for Reconstruction and Development and International Finance Corporation. “Country Partnership Strategy for the Republic of Bulgaria for the Period FY07-FY09.” Washington, D.C.: 16 May 2006.

International City/County Management Association. “Final Report, Local Government Reform in Bulgaria, Current Issues, Constraints & Opportunities.” Washington, D.C.: September 1994.

International City/County Management Association and the Foundation for Local Government Reform. “Final Report, Bulgarian Technical Twinning Program — Phase III, May 25, 2000–August 24, 2002.” Sofia, Bulgaria: July 2002.

International Executive Service Corps. “Final Program Report IESC/Firm Level Assistance Group (FLAG).” Sofia, Bulgaria: January 2004.

International Eye Foundation. “Quarterly and Final Report for Program for Prevention of Blindness and Public Eye Health in Bulgaria.” Bethesda, Maryland: 16 July 1994.

International Republican Institute. “Final Report, Bulgaria: Political Party Assistance Program for Parliamentary Elections 2005.” Washington, D.C.: 31 December 2005.

International Republican Institute. “IRI Report on Bulgarian Primary Election.” Washington, D.C.: 1 June 1996.

IREX. “2005 Media Sustainability Index.” Available from http://www.irex.org/programs/MSI_EUR/archive.asp; Internet.

IREX. “2006/7 Media Sustainability Index.” Available from http://www.irex.org/programs/MSI_EUR/index.asp; Internet.

IREX. “Bulgaria Annual Report: ProMedia II Year One.” Sofia, Bulgaria: 30 September 2000.

IREX. “Bulgaria ProMedia II Final Report.” Sofia, Bulgaria: 30 September 2004.

IREX. “ProMedia II Bulgaria, Annual Report.” Sofia, Bulgaria: 31 December 2001.

IREX. “ProMedia, Year 3 — Regional Annual Report.” Washington, D.C.: 31 December 2002.

IREX. “ProMedia/Bulgaria 2003 Annual Report.” Sofia, Bulgaria: 30 September 2003.

J

Jacobstein, Roy and T. Otis Paul, “The International Eye Foundation, Seeing 2000 Program: Expansion of Clinical and Surgical Eye Care Services for Children Through Support for NGOs Worldwide, Final Evaluation.” Kensington, Maryland: AMA Technologies, Inc., December 2000.

Jones, Derek C. and Charles Rock, “Privatization in Bulgaria.” College Park, Maryland: Center for Institutional Reform and the Informal Sector, University of Maryland, February 1994.

K

Kapitanova, Ginka and Henry P. Minis, “Case Study on Bulgaria: From Totalitarianism to Democratic Local Governance.” Sofia, Bulgaria: Foundation for Local Government Reform and the Research Triangle Institute, August 2003.

Kelly, Carol, “Final Report for Bulgaria (January 2002-July 2005).” Sofia, Bulgaria: U.S. Treasury, 30 June 2005.

Kosinski, Susan, John Tennant, Larry Birch, Brad Fujimoto and Burke Kappler. “Bulgaria Municipal Development Strategy.” Sofia, Bulgaria: USAID, 28 April 1995.

L

Lamante, Denise, “Bulgaria’s Pension Reform.” Washington, D.C.: USAID, 30 July 2004.

Leeth, Jon A., Frederick C. Humphreys and Peter G. Yanachkov, “The Bulgaria Judicial Development Project (JDP): An In-House Evaluation Conducted for the East-West Management Institute (EWMI).” New York, New York: East-West Management Institute, 27 January 2005.

Library of Congress. “A Country Study: Bulgaria.” Available from <http://lcweb2.loc.gov/frd/cs/bgtoc.html>; Internet.

Liroff, Richard A., “Parks and Protected Areas in Bulgaria: Environmental NGOs in Bulgaria.” New York, New York: World Environment Center, 5 September 1991.

Lunn, Simon, “Final Report on the 1991 AID Grant to the North Atlantic Assembly.” Brussels, Belgium: North Atlantic Assembly, 4 November 1992.

M

MacCorquodale, Donald W., “Final Evaluation: Program for Prevention of Blindness and Public Eye Health in Bulgaria.” Bethesda, Maryland: International Eye Foundation, March 1994.

MacCorquodale, Donald W. and James B. Sprague, “Mid-Term Evaluation: Program for Prevention of Blindness and Public Eye Health in Bulgaria.” Bethesda, Maryland: International Eye Foundation, 1993.

Machol, Margot, “Final Project Report: EUR-0249-A-00-2073-00.” Sofia, Bulgaria: Chesapeake Associates, 17 January 1995.

Management Systems International. “Bulgaria Democracy and Governance Assessment.” Washington, D.C.: June 2001.

Management Systems International, Development Alternatives, Inc. and Research Triangle Institute. “Final Report for the Local Government Initiative.” Sofia, Bulgaria: 28 March 2001.

Management Systems International. “Memo to Assessment Team for USAID Enterprise Growth and Investment Project, Bulgaria.” Sofia, Bulgaria: 10 January 2005.

Mason, John, Mark Hopkins and Sarah Birch, “Bulgaria Political Party Development Assistance Assessment and Program Design.” Arlington, Virginia: Development Associates, Inc., 29 April 2002.

McCullough, James S. and Stefan Ivanov, “Final Report on Lessons Learned (Plovdiv Project).” Washington, D.C.: The Urban Institute, May 1999.

Merrill, Sally, Carol Rabenhorst and Paul Sacks, “Developing Secondary Mortgage markets in Southeast Europe, Assessment of the Mortgage Market in Bulgaria.” Washington, D.C.: The Urban Institute, January 2003.

Michael Borish and Company, Inc. “Strategic Considerations and Recommendations in the Area of Banking and Financial Sector Development.” Ottawa, Canada: 2001.

Microfinanza srl. “Microfinanza Rating, Nachala Cooperative.” Milan, Italy: December 2004.

Microfinanza srl. “Microfinanza Rating, Nachala Cooperative.” Milan, Italy: January 2006.

N

Nathanson, Neal W., Elliot J. Berg, Mary M. Miller, Steve Warner, Maureen H. Berry, Michael Sipos and Barbara M. Wheeling, “Program Evaluation of the Central and Eastern Europe Enterprise Funds.” Bethesda, Maryland: Development Alternatives, Inc., April 1995.

National Association of Municipalities in the Republic of Bulgaria. Annual Report 2005. Sofia, Bulgaria: 2005.

National Association of Municipalities in the Republic of Bulgaria. Fact Sheets. Sofia, Bulgaria: 2005.

National Association of Municipalities in the Republic of Bulgaria. “Ginka Chavdarova.” Available from <http://www.namrb.org/?act=cms&id=128>; Internet.

National Association of Municipalities in the Republic of Bulgaria. “Powers.” Sofia, Bulgaria: September 2003.

National Association of Municipalities in the Republic of Bulgaria. “Report on the Activity of the NAMRB for the Period August 1997 — July 1998.” Sofia, Bulgaria: July 1998.

National Association of Municipalities in the Republic of Bulgaria. “Strategic Plan, 2006–2013, Summary.” Sofia, Bulgaria: 2006.

National Democratic Institute for International Affairs. “CEPPS/NDI Final Report, Bulgaria: Voter Education and Get-Out-The-Voter in Advance of the 2005 Parliamentary Elections.” Washington, D.C.: 31 July 2005.

National Democratic Institute for International Affairs. “Final Report, Bulgaria: Bulgarian Association for Fair Elections and Civil Rights Program.” Washington, D.C.: June 1999.

National Democratic Institute for International Affairs. “Final Report, Bulgaria: Voter Education and Get-Out-The-Vote in Advance of Local Elections.” Washington, D.C.: 29 February 2004.

National Democratic Institute for International Affairs. “Get-Out-The-Vote: A Guide for Civil Society Organizations, Best Practices and Lessons Learned in Bulgaria.” Sofia, Bulgaria: 2003.

National Democratic Institute for International Affairs. “USAID Project Report, Bulgaria: Strengthening Citizen Participation, January 1 to June 30, 1993.” Washington, D.C.: 30 June 1993.

National Democratic Institute for International Affairs and the International Republican Institute. “The October 13, 1991 Legislative and Municipal Elections in Bulgaria.” Washington, D.C.: 1992.

National Endowment for Democracy. “Democracy Projects Database.” Available from <http://www.ned.org/dbtw-wpd/exec/dbtwpub.dll>; Internet.

National Endowment for Democracy. “Second Quarterly Report, Grant No. EUR-0017-G-00–2044–00.” Washington, D.C.: 11 February 1993.

National Republican Institute for International Affairs and the National Democratic Institute for International Affairs. “The June 1990 Elections in Bulgaria.” Washington, D.C.: 1990.

Nenkovic, Aleksandar, Alma Kospiri and Kalina Vanova, “Evaluation of Junior Achievement Bulgaria, Final Report.” Sofia, Bulgaria: 5 August 2005.

O

Opportunity International. “Nachala Cooperative.” Sofia, Bulgaria: 31 July 2006.

P

Partners Bulgaria Foundation. “Ethnic Integration and Conflict Resolution, FY2006 Accomplishments.” Sofia, Bulgaria: 2006.

Project HOPE. “Final Report: Humanitarian Emergency Medical Supply Program.” Millwood, Virginia: September 1997.

R

Raviez, R. Marisol, “Bulgarian Banking System and Housing Market.” Washington, D.C.: Urban Institute, October 1991.

Remington, John, “Draft Final Evaluation Report: The Podkrepa Labor Education Program.” Minnesota: University of Minnesota, 5 September 2002.

Research Triangle Institute. “Quarterly Report, April–June 2001, Local Government Initiative.” Sofia, Bulgaria: June 2001.

Research Triangle Institute. “Quarterly Report, April–June 2002, Local Government Initiative.” Sofia, Bulgaria: June 2002.

Research Triangle Institute. “Quarterly Report, April–June 2003, Local Government Initiative.” Sofia, Bulgaria: June 2003.

Research Triangle Institute. “Quarterly Report, April–June 2004, Local Government Initiative.” Sofia, Bulgaria: June 2004.

Research Triangle Institute. “Quarterly Report, April–June 2005, Local Government Initiative.” Sofia, Bulgaria: July 2005.

Research Triangle Institute. “Quarterly Report, April–June 2006, Local Government Initiative.” Sofia, Bulgaria: July 2006.

Research Triangle Institute. “Quarterly Report, January–March 2002, Local Government Initiative.” Sofia, Bulgaria: April 2002.

Research Triangle Institute. “Quarterly Report, January–March 2003, Local Government Initiative.” Sofia, Bulgaria: March 2003.

Research Triangle Institute. “Quarterly Report, January–March 2004, Local Government Initiative.” Sofia, Bulgaria: April 2004.

Research Triangle Institute. “Quarterly Report, January–March 2005, Local Government Initiative.” Sofia, Bulgaria: March 2006.

Research Triangle Institute. “Quarterly Report, January–March 2006, Local Government Initiative.” Sofia, Bulgaria: April 2006.

- Research Triangle Institute. “Quarterly Report, July–September 2001, Local Government Initiative.” Sofia, Bulgaria: September 2001.
- Research Triangle Institute. “Quarterly Report, July–September 2002, Local Government Initiative.” Sofia, Bulgaria: September 2002.
- Research Triangle Institute. “Quarterly Report, July–September 2003, Local Government Initiative.” Sofia, Bulgaria: October 2003.
- Research Triangle Institute. “Quarterly Report, July–September 2004, Local Government Initiative.” Sofia, Bulgaria: September 2004.
- Research Triangle Institute. “Quarterly Report, July–September 2005, Local Government Initiative.” Sofia, Bulgaria: October 2005.
- Research Triangle Institute. “Quarterly Report, July–September 2006, Local Government Initiative.” Sofia, Bulgaria: October 2006.
- Research Triangle Institute. “Quarterly Report, October–December 2001, Local Government Initiative.” Sofia, Bulgaria: January 2001.
- Research Triangle Institute. “Quarterly Report, October–December 2002, Local Government Initiative.” Sofia, Bulgaria: December 2002.
- Research Triangle Institute. “Quarterly Report, October–December 2003, Local Government Initiative.” Sofia, Bulgaria: December 2003.
- Research Triangle Institute. “Quarterly Report, October–December 2004, Local Government Initiative.” Sofia, Bulgaria: December 2004.
- Research Triangle Institute. “Quarterly Report, October–December 2005, Local Government Initiative.” Sofia, Bulgaria: January 2006.
- Research Triangle Institute. “Quarterly Report, October–December 2006, Local Government Initiative.” Sofia, Bulgaria: January 2007.
- Roush, James, Paul Mansfield, Thaddeus Bejnar and Kay McClanahan, “Evaluation of Parliamentary Assistance in Central and Eastern European (CEE) Countries Under the Democratic Governance and Public Administration Project, 180–0019.” Arlington, Virginia: Development Associates, Inc., January 1996.
- S**
- Schulz, Keith, “Report of the Legislative Strengthening Assessment of the Bulgarian National Assembly: A Proposal for a Strategic Approach to Strengthening the Effectiveness, Transparency, Accountability and Responsiveness of the National Assembly.” Washington, D.C.: USAID/DCHA/DG, May 2001.
- Shehata, Ibrahim, “USAID Bulgaria Health Reform Project Final Report.” Sofia, Bulgaria: Bearing Point, November 2005.
- Silcox, Stephen C., John F. Else, Mary M. Miller, James N. May, Edmund N. Wise and Robert R. Hansen, “A Comparative Assessment of Specific Aspects of USAID Programs to Develop Small and Medium Sized Enterprises in Bulgaria, Poland, Russia and Ukraine.” Washington, D.C.: Management Systems International, 31 October 1997.
- Silcox, Stephen C., Kristin Lobron and Neal Nathanson, Final Report, Assessment of the Bulgarian Enterprise Growth and Investment Project (EGIP).” Washington, D.C.: USAID/EGAT and E&E, 22 February 2005.
- Silcox, Stephen C., “Mid-term Evaluation USAID/Opportunity International Matching Grant Final Report.” Washington, D.C.: Management Systems International, 15 March 1997.

Silverstein, Cathy, “Final Report on ACDI’s Agribusiness Exchange Program for Central and Eastern Europe 1991–1995.” Washington, D.C.: ACDI, August 1995.

Small Enterprise Assistance Funds. “SEAF TBBF Portfolio Companies Summary.” Sofia, Bulgaria: 30 September 2006.

Small Enterprise Assistance Funds. “Small Enterprise Assistance Funds Final Report Bulgaria II Grant.” Washington, D.C.: 30 May 2005.

Small Enterprise Assistance Funds. “The Success of Equity Investing in SMEs.” Washington, D.C.: August 2006.

Sposato, Stephen R. and Thomas Pomeroy, “Evaluation of the USDA-USAID Restructuring Agriculture and Agribusiness Project.” Washington, D.C.: USAID/EUR/DR and Chemonics International, 6 June 1993.

State University of New York, Center for International Development. “Final Activities Report, Legislative Strengthening for the Bulgarian National Assembly.” Albany, New York: July 2002.

Sweet, Charles and David Holt, “Final Report: A Program Evaluation of AID’s Investments in Voluntary Assistance to Private Enterprise Development in Central and Eastern Europe.” Washington, D.C.: Checchi and Company Consulting, Inc., October 1993.

T

Technical Support Services, Inc. “Evaluation of Local Government Activities in USAID Programs in Central/Eastern Europe.” Arlington, Virginia: September 1995.

The Atlantic Council. “Civilian Oversight of Military Establishments in Post Communist Central and Eastern Europe, Final Report.” Washington, D.C.: 1 June 1994.

The Peoples Group, Ltd. “Bulgaria Microfinance Assessment.” Arlington, Virginia: March 2002.

tns bbss. “Judicial Performance Index Bulgaria, Report 2005.” Sofia, Bulgaria: 2005.

Transparency International. “Corruption Perceptions Index 2006.” Available from http://www.transparency.org/policy_research/surveys_indices/CPI/2006; Internet.

U

United Nations Development Program. Bulgaria National Human Development Report 2006: Are we prepared for European Union funds?. Sofia, Bulgaria: 2006.

University of Delaware. “Final Report, Firm Level Assistance Group, Danube River Initiative (DRI) Program.” Sofia, Bulgaria: 30 April 2001.

University of Delaware. “Final Report, Period Covering April 1, 1996 — December 31, 2003.” Sofia, Bulgaria: 2003.

University of Delaware. “Firm Level Assistance Group Annual Report, Period Covering October 1, 2001-September 30, 2002.” Sofia, Bulgaria: 30 September 2002.

University of Delaware. “Firm Level Assistance Group Annual Report, Period Covering October 1, 2002-September 30, 2003.” Sofia, Bulgaria: 30 September 2003.

USAID. “Agriculture Sector Grant: Republic of Bulgaria (Program Assistance Approval Document).” Washington, D.C.: 22 July 1991.

USAID. “Bulgaria Strategy Framework, 1996–2000.” Sofia, Bulgaria: April 1995.

USAID. “Contract, Local Government Initiative II, Management Systems International.” Budapest, Hungary: 11 May 1998.

USAID. “Grant Agreement, A Program to Reduce Childhood Morbidity and Mortality from Traumatic Injuries in Bulgaria, Medical Service Corporation Incorporated.” Washington, D.C.: 19 September 1991.

USAID. “Grant Agreement, Amendment 1, ANE-0003-G-SS-0009–00, Program to Support East European Democracy, National Endowment for Democracy.” Washington, D.C.: 17 April 1990.

USAID. “Grant Agreement, Amendment 2, Bulgaria Pilot Community Fund and Social Enterprise Program, Counterpart International.” Washington, D.C.: 29 September 2003.

USAID. “Grant Agreement, Amendment 3, Bulgaria Pilot Community Fund and Social Enterprise Program, Counterpart International.” Washington, D.C.: 10 September 2004.

USAID. “Grant Agreement, Bulgaria Pilot Community Fund and Social Enterprise Program, Counterpart International.” Washington, D.C.: 28 September 2001.

USAID. “Grant Agreement, Central and East European Law Initiative, American Bar Association.” Washington, D.C.: 1992.

USAID. “Grant Agreement, Improving the Management of Cardiovascular Diseases in Bulgaria, Medical Service Corporation Incorporated.” Washington, D.C.: 19 September 1991.

USAID. “Grant Agreement, Political Process Project under the Democratic Pluralism Initiative, National Endowment for Democracy.” Washington, D.C.: 6 July 1992.

USAID. “Grant Agreement, Private Voluntary Organization (PVO) Humanitarian/Development Initiatives Project, Catholic Relief Services.” Washington, D.C.: 28 September 1991.

USAID. “Grant Agreement, Private Voluntary Organization (PVO) Humanitarian/Development Initiatives Project, Young Men’s Christian Association of the U.S.A.” Washington, D.C.: 2 April 1991.

USAID. Loan Guarantees: Examples and Lessons Learned. Washington, D.C.: September 2005.

USAID. “Program Description, Alliance for Inclusive Business Development of Roma Population in Bulgaria, CRS/Bulgaria in Cooperation with Ustoi and MicroFund.” Sofia, Bulgaria: 2004.

USAID. “Program Description, Bulgaria Citylinks Program, International City/County Management Association and the Foundation for Local Government Reform.” Sofia, Bulgaria: 2004.

USAID. “Program Description, Bulgarian Institute for Legal Initiatives.” Sofia, Bulgaria: 2006.

USAID. “Program Description, Conflict Resolution and Ethnic Integration Program, Partners Bulgaria Foundation.” Sofia, Bulgaria: 2000.

USAID. “Program Description, Foundation for Local Government Reform.” Sofia, Bulgaria: 2001.

USAID. “Program Description, Foundation for Local Government Reform.” Sofia, Bulgaria: 2004.

USAID. “Program Description, Modification 2, Conflict Resolution and Ethnic Integration Program, Partners Bulgaria Foundation.” Sofia, Bulgaria: 18 July 2002.

USAID. “Program Description, Modification 4, Conflict Resolution and Ethnic Integration Program, Partners Bulgaria Foundation.” Sofia, Bulgaria: 2004.

USAID. “Program Description, National Association of Municipalities in the Republic of Bulgaria.” Sofia, Bulgaria: 2001.

USAID. “Program Description, National Association of Municipalities in the Republic of Bulgaria.” Sofia, Bulgaria: 2005.

USAID. Programs for Bulgaria: Supporting the Transition to a Sustainable Democracy and a Free Market Economy. Sofia, Bulgaria: 1995.

USAID. “Scope of Work, Bulgarian Local Government Initiative III.” Sofia, Bulgaria: 2001.

USAID. “Scope of Work, Judicial Development Project.” Sofia, Bulgaria: 1999.

USAID. “Scope of Work, Judicial Strengthening Initiative.” Sofia, Bulgaria: 2004.

USAID. “Scope of Work, Task Order for the Extension of the Local Government Initiative (LGI) Project.” Sofia, Bulgaria: 2004.

USAID. “The Enterprise Funds in Europe and Eurasia: A USAID/USG Success Story.” Washington, D.C.: October 2006.

USAID. U.S. Assistance to Bulgaria: Supporting the Transition to a Stable Democracy and a Sustainable Free Market Economy. Sofia, Bulgaria: 1996.

USAID. U.S. Assistance to Bulgaria: Supporting the Transition to a Stable Democracy and a Sustainable Free Market Economy. Sofia, Bulgaria: 1999.

USAID/Bulgaria. “ACILS Portfolio Review, Trade Union Development — Social Partnership Program, FY 2002.” Sofia, Bulgaria: 5 May 2003.

USAID/Bulgaria. “Close-out Plan.” Sofia, Bulgaria: June 2006.

USAID/Bulgaria. “Graduation Strategy, 2003–2007.” Sofia, Bulgaria: June 2003.

USAID/Bulgaria. Pension Reform 1998–2004, Labor Market Project — Bulgaria. Sofia, Bulgaria: 2004.

USAID/Bulgaria. “Strategic Objective Close Out Report, A More Competitive and Market-Responsive Private Financial Sector.” Sofia, Bulgaria: 2003.

USAID/Bulgaria. “USAID/Bulgaria Strategic Plan, 1998–2002.” Sofia, Bulgaria: 1998.

USAID/DCHA/DG. “Guidance for Promoting Judicial Independence and Impartiality.” Washington, D.C.: June 2002.

USAID/E&E/DG. “Lessons in Implementation: The NGO Story — Building Civil Society in Central and Eastern Europe and the New Independent States.” Washington, D.C.: October 1999.

USAID/E&E/EG/EI. “Europe and Eurasia: Report on Global Climate Change Activities.” Washington, D.C.: 2003.

USAID/EGAT. “Bulgarian Participant Training Program Legacy Assessment.” Washington, D.C.: 30 November 2004.

USAID Office of American Schools and Hospitals Abroad. “Grant Agreement, Grant # HSH-1422-G-00–3032–00.” Washington, D.C.: 1 November 1995.

USAID Office of the Inspector General. “Audit of the Department of the Treasury’s Technical Assistance Activities in Bulgaria.” Bonn, Germany: 25 February 1994.

W

Webster, Russ, Tom Gray and Mariana Kotzeva, “Strategies for Small and Medium Enterprise Development in Bulgaria.” Washington, D.C.: Management Systems International, September 1995.

Weihe, Ted and Helen Nelson, “Mid-term Evaluation Land O’Lakes AID-Funded Programs in Central and Eastern Europe.” Arlington, Virginia: Land O’Lakes, September 1993.

World Bank and International Finance Corporation. “Doing Business in 2006: Creating Jobs.” Washington, D.C.: 2006.

World Council of Credit Unions, Inc., WOCCU Bulgaria. “Project Quarterly Report, 2nd Quarter, 2000.” Sofia, Bulgaria: 2000.

World Economic Forum. “Global Competitiveness Report 2006–2007.” Davos, Switzerland: 2006.

World Environment Center. “Status Report — 1996, Waste Minimization Program, Monetary and Environmental Benefits.” New York, New York: 1997.

World Environment Center, “International Environment and Development Service (IEDS), Summary of Activities in Bulgaria, 1990–1995.” New York, New York: 1995.

World Learning. Europe & Eurasia Regional Participant Training Program, April 2003 — May 2004, Certificate Awards Ceremony. Sofia, Bulgaria: May 2004.

World Learning. “Semi-Annual Report: April-September 2002, E&E Regional Participant Training Program.” Washington, D.C.: 30 October 2002.

World Learning. “Semi-Annual Report: October 2001-March 2002, E&E Regional Participant Training Program.” Washington, D.C.: 30 April 2002.

World Learning. The USAID Participant Training Program in Bulgaria, June 2004 — May 2005. Sofia, Bulgaria: May 2005.

World Learning. United States Agency for International Development — Bulgaria, Europe & Eurasia Regional Participant Training Program Managed by World Learning, Certificate Awards Ceremony for Participants in Training Programs, June 2001 — March 2003. Sofia, Bulgaria: 12 May 2003.

World Wildlife Fund. “Evaluating the First Eight Years: 1988–1996, Biodiversity Support Program.” Washington, D.C.: March 1997.

Worldwide Strategies, Inc. “PLEDGE Danube River Initiative Report.” Sofia, Bulgaria: February 2002.

Worldwide Strategies, Inc. PLEDGE=SUCCESS. Sofia, Bulgaria: 2004.

Y

YMCA. “Annual Program Evaluation Report for YMCA Humanitarian/Development Initiatives in Eastern Europe, Year II, April 1, 1992-March 31, 1993.” Washington, D.C.: 29 April 1993.

YMCA of Bulgaria information. Available from <http://www.ymca.int/index.php?id=425>; Internet.

Z

Zarr, Gerald, Karen Otto, Jon A. Leeth and Todor Tabakov, “Judicial Strengthening in Bulgaria.” Washington, D.C.: Management Systems International, Inc., 13 November 1998.

Zhelev, Zhelyu, “Letter to USAID Mission Director Michael Fritz.” Sofia, Bulgaria: 30 January 2007.

2. PEOPLE INTERVIEWED/CONTACTED

Nikola Abadjiev, Bulgarian Association of Supplementary Pension Security Companies

Rouslan Abadjiev, eFLAG.CC

Anton Andronov, current Stara Zagora City Council Chairman, former Stara Zagora Mayor

Apostol Apostolov, Financial Supervision Commission

Robert Archer, USAID/E&E Energy Advisor

Peter Arnaudov, Nachala Cooperative

Lyudmila Atanassova, Bulgarian Charities Aid Foundation

Petya Atsinova, Stara Zagora Regional Economic Development Agency

Alexander Babinov, VEGA

Galina Bankovska, Chairperson, Gabrovo Community Fund

Frank Bauer, Bulgarian-American Enterprise Fund

Javid Betula, 2000 Farmer of the Year

Dessislava Bijeva, current Judicial Strengthening Initiative, former USAID

Avis Bohlen, former U.S. Ambassador to Bulgaria (1996–1999)

Alexander Boshkov, former Deputy Prime Minister (1997–1999)

Valentin Bossevski, former Minister of Environment (1992–1995)

Matt Brown, current World Learning Bulgaria, former Peace Corps Bulgaria

Jim Budds, current Urban International Associates, former University of South Carolina

Neil Buhne, former UNDP Resident Representative

Ginka Chavdarova, National Association of Municipalities in the Republic of Bulgaria

Emil Cohen, current Bulgarian Helsinki Committee, former Human Rights Project, former Tolerance Foundation

Bozhidar Danev, Bulgarian Industrial Association

Radocvet Darakchiev, Pashev Center for Sight

Philip Dimitrov, former Prime Minister (1991–1992)

Daniela Dimitrova, Stara Zagora Community Donation Fund

Natalia Dimitrova, Ministry of State Administration and Administrative Reform

Rosen Dimov, AIESEC

Dimitur Dinev, Trakia University

Todor Dotchev, Bulgarian Institute for Legal Initiatives

Darina Draganova, Stara Zagora Regional Economic Development Agency

W. Michael Easton, American University in Bulgaria

Florian Fichtl, The World Bank

Mimi Furnadjieva, Supreme Court of Cassation

Vera Gantcheva, World Learning Bulgaria

Rayna Gavrilova, Trust for Civil Society in Central & Eastern Europe

Petko Georgiev, ProMedia

Maya Georgieva, First Investment Bank

Vanya Gonevska, World Learning Bulgaria

Yonko Grozev, current private lawyer, former ABA CEELI, former Helsinki Committee Bulgaria

Bilyana Gyaurova-Wegersteder, Bulgarian Institute for Legal Initiatives

Carl Hammerdorfer, former Peace Corps Bulgaria

Thomas Higgins, Balkan Accession Fund

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

Jordan Hristoskov, National Social Security Institute

Alexei Hristov, American Foundation for Bulgaria

Jerry Hyman, current Center for Strategic and International Studies, former USAID/Washington

Diana Iskrevva-Idigo, Earth Forever

Dobrinka Jordanova, Teletek Group

Kamelia Kaloyanova, VEGA

Zoya Kalvacheva-Tsvyatkova, National City Secretaries Association of Bulgaria

Krassimir Kanev, Bulgarian Helsinki Committee

Kantcho Kantchev, PLEDGE

Teodora Kantutis, SEAF Trans-Balkan Bulgaria Fund

Ginka Kapitanova, Foundation for Local Government Reform

Krassimir Kiriakov, VOCA Consult

Mila Kolarova, Planet Children Parliament

Nelly Kordovska, Bank Consolidation Company, PLC.

Violetta Kostadinova, Bulgarian Institute for Legal Initiatives

Kapka Kostova, Supreme Court of Cassation

Nelly Koutskova, Bulgarian Judges Association and Supreme Court of Cassation

Milko Kovachev, former Minister of Energy (2001–2005)

Magdalena Kowalska, SEAF Trans-Balkan Bulgaria Fund

Velcho Krastev, Technitari Social Enterprise

Virginia Leavitt, former Judicial Strengthening Initiative, Judicial Development Project, East-West Management Institute

Marin Lessenski, Institute for Regional and International Studies

Robert Maffin, former University of South Carolina

Nadya Magunska, Nachala Cooperative

Evdokia Maneva, former Minister of Environment (1997–2001)

Stoyan Manolov, Bulgarian National Bank

Luben Manov, Bulgarian Center for Not-for-Profit Law

Andrey Markov, St. Ekaterina University Hospital
 Tonka Mateva, Vision International People Group
 Manuel Mazuelos Fernandez-Figueroa, EU PHARE Twinning Project
 Ginka Mihailova, Open Society Club Stara Zagora
 Richard Miles, former U.S. Ambassador to Bulgaria (1999–2002)
 Daniel Minov, Veliko Tarnovo District Court
 Hristina Mitreva, National Social Security Institute
 Branimir Natov, former Deputy Minister of Environment
 Rumen Nenkov, Supreme Court of Cassation
 Ivan Nikolov, Teletek Group
 J. D. Panitza, The Free and Democratic Bulgaria Foundation
 Solomon Passy, current MP, former Minister of Foreign Affairs (2001–2005)
 Pencho Penev, National Institute of Justice
 Elena Petkova, TIME Foundation
 Tatyana Petrova, Bulgarian National Bank
 Peter Pojarski, The World Bank
 Katilin Popov, Enforcement Officer
 Georgi Prohaski, Center for Economic Development
 Gergana Rakovska, USAID Labor Market Project
 Irina Rasheva, First Investment Bank
 Nella Ratchevits, Central Balkan National Park
 Mariana Revenska, World Learning Interpreter
 Denitsa Sacheva, International Healthcare and Health Insurance Institute
 Emil Savov, current Local Government Initiative, Research Triangle Institute,
 former Urban Institute, former Varna Deputy Mayor
 Tomislav Savov, former Medical Service Corporation Incorporated
 Ilko Semerdjiev, former Minister of Health (1999–2001)
 Ognian Shentov, Center for the Study of Democracy
 Julian Simidjiyski, USAID Labor Market Project
 Vladislav Slavov, Constitutional Court Justice and Head of the Union of Jurists
 Detelina Smilkova, Council for Economic Growth, Adviser to the Minister of Economy and Energy
 Dimitur Sotirov, Bulgarian Media Coalition
 Krassen Stanchev, Institute for Market Economics
 Iren Stephanova, 3 NET Association

Oleg Stoilov, Chamber of Commerce and Industry Stara Zagora

Stefan Stoyanov, Partners Bulgaria Foundation

Filip Stoyanovich, MSI

Sylvia Stoyniva, The World Bank

Ken Stuart, Judicial Strengthening Initiative, Judicial Development Project, East-West Management Institute

Miglena Tacheva, Minister of Justice (July 2007–present), 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)

Vanya Theodorova, Judicial Strengthening Initiative, East-West Management Institute

Chris Thompson, Commercial Law Reform Project, Bearing Point

Boyko Todorov, Center for the Study of Democracy

Ladislav Tsvetkov, World Learning Bulgaria

Penka Tsvetkova, Bulgarian Charities Aid Foundation

Marieta Tzvetkova, Foundation Resource Center

Venelin Uzunov, current MP, former Razgrad Mayor

Gergana Valova, Business Center Serdon

Ivan Varlyakov, Regional Association of Municipalities Trakia

Petya Vasileva, Pashev Center for Sight

Deyan Vassilev, Eastisoft

Nikolay Vassilev, Minister of State Administration and Administrative Reform

Kiril Vatev, Tandem

Pavel Velev, Ustoi Microfinance

Mimi Vikova, current United Health Insurance Fund, former Minister of Health (1995–1997)

Magan Vol Unangst, NDI Washington

Sevdalina Voynov, NDI Bulgaria

Julia Watkins, former American University in Bulgaria

Richard Webb, former Financial Sector Integrity Project, Emerging Markets Group

Grant Wilson, Open Government Initiative, DPK Consulting

Tzanko Yablanski, former Stara Zagora Mayor

Nikolay Yarmov, current Center for Entrepreneurship and Executive Development, former USAID

Eduardo Yugendhat, CARANA Corporation

Evgeni Zhelev, current Stara Zagora Mayor, former Stara Zagora Hospital Director

Zhelyu Zhelev, former President of Bulgaria (1990–1997)

ANNEX D: GLOSSARY OF ACRONYMS

A

ABA	American Bar Association
ABBRO	Association of Bulgarian Broadcasters
ACDI	Agricultural Cooperation Development International
ACILS	American Center for International Labor Solidarity
ADPB	Association of Dairy Processors of Bulgaria
ADR	Alternative Dispute Resolution
AEE	Association of Energy Engineers
AI	Avian Influenza
AIDS	Acquired Immune Deficiency Syndrome
ARC	American Red Cross
ARD	Associates in Rural Development, Inc.
ASHA	American Schools and Hospitals Abroad
ASME	Agency for Small and Medium Enterprises
AUBG	American University in Bulgaria

B

BACB	Bulgarian American Credit Bank
BAEF	Bulgarian-American Enterprise Fund
BAFECR	Bulgarian Association for Fair Elections and Civil Rights
BANU	Bulgarian Agrarian National Union
BAP	Bulgarian Association of Partnerships
BCAF	Bulgaria Charity Aid Foundation
BCC	Bank Consolidation Company
BCEG	Biodiversity Conservation and Economic Growth
BCNL	Bulgarian Center for Not-for-Profit Law
BCRP	Bulgaria Crisis Recovery Program
BCDT	Bulgarian Center for Development and Training
BDIF	Bank Deposit Insurance Fund
BEEF	Bulgaria Energy Efficiency Fund
BGN	Bulgarian Lev
BHR	Bureau for Humanitarian Response
BIA	Bulgarian Industrial Association
BILI	Bulgarian Institute for Legal Initiatives
BJA	Bulgarian Judges Association
BMC	Bulgarian Media Coalition
BNB	Bulgarian National Bank
BRC	Bulgarian Red Cross
BSD	Bank Supervision Department
BSE	Bulgarian Stock Exchange
BSO	Business Support Organization
BSP	Bulgarian Socialist Party
BTC	Broadcast Training Center
BTD	Business and Trade Development
BTD	Balkan Trust for Democracy

C

C4EP	Central & Eastern Europe Environmental Economics & Policy Project
CARESAC	CARE Small Business Assistance Corporation

CBA	Currency Board Arrangement
CDC	Citizens Development Corps (formerly Citizens Democracy Corps)
CDCs	Career Development Centers
CDIE	Center for Development Information and Evaluation
CDS	Central Depository for Securities
CED	Center for Economic Development
CEE	Central and Eastern Europe
CEED	Center for Entrepreneurship and Executive Development
CEELI	Central Europe and Eurasian Law Initiative (formerly Central and East European Law Initiative)
CEG	Council for Economic Growth
CEO	Chief Executive Officer
CEPPS	Consortium for Elections and Political Process Strengthening
CIC	Clean Industry Center
CIP	Court in Partnership
CIPE	Center for International Private Enterprise
CITUB	Confederation of Independent Trade Unions in Bulgaria
CLRP	Commercial Law Reform Project
CMP	Central Maine Power
CMS	Case Management System
CMS	Corruption Monitoring System
CoE	Committee of Energy
COMECON	Council for Mutual Economic Assistance
CRS	Catholic Relief Services
CSD	Center for the Study of Democracy
CSO	Civil Society Organization

D

DAI	Development Alternatives Inc.
DCA	Development Credit Authority
DEMDESS	Danube Emissions Management Decision Support System
DemNet	Democracy Network
DOD	Department of Defense, U.S. Government
DOJ	Department of Justice, U.S. Government
DOL	Department of Labor, U.S. Government
DP	Democratic Party
DRG	Diagnostic Related Grouping
DRI	Danube River Initiative

E

EAPS	Environmental Action Program Support
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECESP	East Central European Scholarship Program
E&E	Europe and Eurasia
EFF	Extended Fund Facility
EGAT	Bureau for Economic Growth, Agriculture and Trade
EGIP	Enterprise Growth and Investment Project
EKG	Electrocardiogram
EMED	Entrepreneur Management and Executive Development
EMTC	Environmental Management and Training Program

ENI	Bureau for Europe and New Independent States (now Europe and Eurasia)
EPA	Environmental Protection Agency, U.S. Government
ERRA	Energy Regulators Regional Association
ESF	Economic Support Funds
EU	European Union
EUR	Europe Bureau (now Europe and Eurasia)
EWMI	East-West Management Institute

F

FARA	Fixed Amount Reimbursement Agreement
FORA	Foundation for Community Development
FDWG	Fiscal Decentralization Working Group
FESAL	Financial and Enterprise Sector Adjustment Loan
FFP	Food for Peace
FH	Freedom House
FLAG	Firm Level Assistance Group
FLGR	Foundation for Local Government Reform
FSIP	Financial Sector Integrity Project
FSN	Foreign Service National
FTUI	Free Trade Union Institute (now the American Center for International Labor Solidarity, ACILS)
FY	Fiscal Year

G

GDA	Global Development Alliance
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIS	Geographic Information System
GMF	German Marshall Fund
GOTV	Get-Out-The-Vote
GTD	Global Training for Development

H

HRP	Health Reform Project
HRP	Human Rights Project

I

IBI	International Banking Institute
IBRD	International Bank for Reconstruction and Development (World Bank)
IBTCI	International Business and Technical Consultants
ICMA	International City/County Management Association
ICNL	International Center for Not-for-Profit Law
ICT	Information and Communications Technology
IDLO	International Development Law Organization (formerly International Development Law Institute, IDLI)
IDEE	Institute for Democracy in Eastern Europe
IEDS	International Environment and Development Service
IEF	International Eye Foundation
IESC	International Executive Service Corps
IFC	International Finance Corporation
IFI	International Financial Institution
IFRC	International Federation of the Red Cross

IME	Institute for Market Economics
IMF	International Monetary Fund
IOM	International Organization for Migration
IPC	Implementing Policy Change
IPO	Initial Public (Stock) Offering
IPR	Implementing Policy Reform
IQC	Indefinite Quantity Contract
IREX	International Research and Exchanges Board
IRG	International Resources Group
IRI	International Republican Institute
IRIS	Center for Institutional Reform and the Informal Sector (at the University of Maryland)
IRIS	Institute for Regional and International Studies (a Bulgarian NGO)
IRS	Internal Revenue Service
ISC	Institute for Sustainable Communities
ISO	Intermediary Support Organization
ISO	International Standardization Organization
IT	Information Technology

J

JAB	Junior Achievement Bulgaria
JDP	Judicial Development Project
JSI	Judicial Strengthening Initiative

K

KPMG	Klynveld Peat Marwick Goerdeler
------	---------------------------------

L

LCC	Labor Counseling Center
LED	Local Economic Development
LGI	Local Government Initiative
LIC	Laboratory Information Center
LOL	Land O'Lakes
LMP	Labor Market Project

M

MBA	Master of Business Administration
MOEW	Ministry of Environment and Water (successor to MOE, Ministry of Environment)
MOJ	Ministry of Justice
MOLSW	Ministry of Labor and Social Welfare
MOU	Memorandum of Understanding
MP	Member of Parliament
MRF	Movement for Rights and Freedoms
MSCI	Medical Service Corporation International
MSI	Management Systems International
MT	Metric Tons
MTC	Magistrates Training Center
MTC	Ministry of Transport and Communication
MWH	Montgomery Watson Harza

N

NAA	North Atlantic Assembly (now the NATO Parliamentary Assembly)
NAMRB	National Association of Municipalities in the Republic of Bulgaria
NAO	National Audit Office
NATO	North Atlantic Treaty Organization
NBCS	National Biodiversity Conservation Strategy
NDI	National Democratic Institute for International Affairs
NED	National Endowment for Democracy
NEK	National Electric Company
NETSAP	National Ecotourism Strategy and Action Plan
NGO	Non-Governmental Organization
NHIF	National Health Insurance Fund
NIJ	National Institute of Justice
NIT	Nations in Transit
NMS	National Movement Simeon II
NNPS	National Nature Protection Service
NSI	National Statistics Institute
NTC	National Tourism Council
NTEF	National Trust EcoFund

O

OECD	Organization for Economic Cooperation and Development
OFDA	Office of the Foreign Disaster Assistance
OGI	Open Government Initiative
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training

P

PADCO	Planning and Development Collaborative International
PAL	Program Adjustment Loan
PAO	Public Affairs Office
PAF	Protected Areas Fund
PBF	Partners Bulgaria Foundation
PCV	Peace Corps Volunteer
PEA	Private Enforcement Agent
PIET	Partners for International Education and Training
PIOR	Legal Initiative for Training and Development (Bulgarian acronym)
PL	Public Law
PLEDGE	Partners in Local Economic Development and Government Effectiveness
PPP	Public-Private Partnership
PR	Public Relations
PTP	Participant Training Project
PTPE	Participant Training Project for Europe
PU	People's Union Coalition
PVC	Office of Private Voluntary Cooperation
PVO	Private Voluntary Organization

R

RAM	Regional Association of Municipalities
REC	Regional Environmental Center
REDA	Regional Economic Development Agency
REITS	Real Estate Investments Trusts

RIF	Regional Initiatives Fund
RLA	Resident Legal Advisor
ROA	Return on Assets
ROE	Return on Equity
ROL	Rule of Law
RTI	Research Triangle Institute

S

SEWRC	State Energy and Water Regulatory Commission
SEAF	Small Enterprise Assistance Funds
SEC	Security and Exchange Commission
SEED	Support for East European Democracy
SJC	Supreme Judicial Council
SME	Small and Medium Enterprise
SOE	State-owned Enterprise
SPA	Small Project Activities
SPV	Special Purpose Investment Vehicles
SSF	Social Safety Fund
START	Strategic Technical Assistance for Results and Training
SUNY	State University of New York

U

UDF	Union of Democratic Forces
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USC	University of South Carolina
USDA	United States Department of Agriculture
USG	United States Government
USIA	United States Information Agency
USIS	United States Information Service (now Public Affairs Office, PAO)
USOA	Uniform System of Accounts

V

VAT	Value Added Tax
VEGA	Volunteers for Economic Growth Alliance
VOA	Voice of America
VOCA	Volunteers in Overseas Cooperative Assistance

W

WASH	Water for Sanitation and Health Program
WEC	World Environment Center
WHO	World Health Organization
WL	World Learning
WMDP	Waste Minimization Demonstration Program
WOCCU	World Council of Credit Unions
WWF	World Wildlife Fund

Y

YES	Young Entrepreneurial Spirit
YMCA	Young Men's Christian Association

ACKNOWLEDGEMENTS – IN APPRECIATION OF USAID BULGARIA STAFF



Front row, L-R: Plamen Katzarski, 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:

Katia Alexieva	Michael Fritz	Petar Kovachev	Thomas Potocki
Assia Alexieva	Susan Fritz	Edward LaFarge	Peter Pozharski
John Allelo	Christopher Frost	Jay Lee	Katherine Pyle
Diana Arnaudova	Brad Fujimoto	Nadereh Lee	Snezhana Shtonova
Antoaneta Arsova	Snezhina Gabova	David Lieberman	Radina Simeonova
John Babylon	Evgenia Georgieva	Gergana Lazarova	Ina Sirakova
Doncho Barbalov	Gene Gibson	Nora Marinova	Krasimir Sokolov
Ivanina Beleva	Vesselina Goleminova	Svetoslav Matkov	Mira Stefanova
Desislava Bizheva	Bill Granger	Todor Matuski	Emilia Stoyanova
Mihail Boyadzhiev	John Grant (d.)	Debra McFarland	Lada Strelkova
Tamika Cameron	Antoaneta Gugleva	Lyudmila Mincheva	Emil Stratiev
Anne Chermak	Katherine Ingmanson	John Morgan	John Tennant
William Cherry	Rumiana Iotova	Gergana Nucheveva	Robin Trevillian
Jennifer Croft	Thomas Jefferson	Nora Ovcharova	Ivanka Tzankova
Adela Delcheva	Plamen Katzarski	Milen Peev	Kalina Vanova
Krassimir Dimitrov	Kiril Kiryakov	Vera Petkantchin	Nikolay Yarmov
Kostadin Dimitrov	Skip Kissinger	Svetozara Petkova	Emilia Yoncheva
Rayna Dimitrova	Scott Kleinberg	Gergana Petkova	Antoaneta Yoveva
Zornitsa Dimitrova	Nikolay Kolev	Bistra Petrova	Vesselin Zahariev
Deliana Dineva	Bozhil Kostov	Ulyana Petrova	Gerald Zarr
William Foerderer	Borisslav Kovachev	Latinka Popova	Siyka Zhivkova

USAID/Bulgaria
American Embassy Sofia
16 Koziak Street
1407 Sofia
Bulgaria

<http://bulgaria.usaid.gov>