
FOREWORD

For a number of years, CSD's *Corruption Monitoring System* has indicated that administrative corruption in Bulgaria shows little signs of abating. The same applies to an even more potent form of corruption – state capture. These two manifestations are closely linked because they represent different facets of the same phenomenon: corruption behavior. Rampant **administrative corruption** in the country is indicative not only of violations by public officials in their dealings with business and members of the public. Such a situation is exacerbated by high levels of **political corruption** – that is, high prevalence of corrupt transactions perpetrated by management level public officials and elected politicians. Typically, corrupt transactions occurring at the various levels of the institutions of public governance are generally congruous and precipitate each other. In the last decade, there has been increased attention to a type of bundles of corruption transactions commonly referred to as **state capture**. This refers to the practice of powerful (mostly business) actors capable of acquiring preferential treatment through complex corruption deals and other violations of the law. They achieve this by steering government policies towards furthering their private benefit rather than the public good.

The corresponding situation in the Bulgarian economy has been the monopoly position of some companies in specific markets. The same companies typically manage to obtain privileged access to public resources through government procurement contracts. State capture has also been used by shady businesses to ensure protection for their operations in the hidden or even black economies.

While both administrative corruption and state capture include abuse of public discretionary power for private gain, they differ in the way the deliberate abuse is conducted. While administrative corruption could be regarded as a single abuse transaction which is associated with single activities, state capture is rather a system of abuse transactions carried out by the same actors. This makes it possible for “captors” to systematically have their private interest served and to have long-term privileged access to public resources.

High levels of administrative corruption and state capture result in the formation of **areas with systemic problems which continuously “resist” or block most policies of prevention and repression**. These are problematic areas like:

- Procurement violations. Clientelistic or paternalistic distribution of procurement contracts to selected groups of companies.
- Hidden economy mechanisms. Systematic violation of tax and labor legislation ensuring relative economic advantages of companies.

- VAT and other tax fraud. Systematic operation of groups which extract VAT or violate the tax and excise legislation in order to generate illegal income.
- Smuggling and stable functioning of illegal markets (drugs, prostitution, car theft, trafficking in persons, etc.). Violations of the customs and tax legislation and large scale engagement in activities that are prohibited by law.
- Blocking of law enforcement institutions. Systematic corruption of law enforcement officials aimed at preventing due legal sanctions for violations of the law.
- Blocking of different institutions of the control system. Systematic violation of industry standards and other market regulatory legislation aimed at extracting additional profits and gaining undue market advantage.
- Media capture. Hidden ownership and control of media, PR and advertising contracts secure media comfort to both political and business elites.