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Food Safety Agency Reform After Director Dismissal

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Report Highlights:

On May 22, the Executive Director of the Bulgarian Food Safety Agency (BFSA) was hastily dismissed following allegations in corruption by a leading local food chain. The company's statements were supported by two more food manufacturers which soon after opened the door for an avalanche of industry complaints. The Head of BFSA lost his job just hours after the press conference. This scandalous case for the first time revealed to the public some questionable practices which were rumored to exist in BFSA since its establishments in 2011. Although the quick move by the authorities demonstrated a strong anti-corruption will, it raised questions about the systemic reasons behind these practices. It remains to be seen if the authorities will go further and announce reform plans for the near future.

General Information: Summary

On May 22, the Executive Director of the Bulgarian Food Safety Agency (BFSA) was hastily dismissed following allegations in corruption by a leading local food chain. The food chain (Aladdin Foods) owner held a special press conference on which he said the company had been asked to make payments in return for being left alone by inspectors. The company said it was forced to halt some of its operations after refusing to pay €10,000/month allegedly requested by the BFSA. The company's statements were supported by two more food manufacturers (baby foods and dairy products) who announced the same experience with extortion practices. The Director of BFSA lost his job just 36 hours after the press conference. He responded with a statement saying he would launch a court case against the company for 'defaming the agency's reputation'. It is interesting to note that no investigation has been undertaken so far.

BFSA Role on the Ag/Food Market

The BFSA was established in 2011 through an administrative reform by merging the Vet Office, the Phyto Sanitary Office and the Hygiene Office. It gave the new superagency huge power to control the entire agricultural and food chain. Despite the debate that such agency should be under the Council of Ministers, it was located under the MinAg. However, the mechanic merger of offices did not result in a coherent structure which often suffered from internal tension between various offices.

As of today, the BFSA has 2,283 employees and controls 650,000 establishments/food trade outlets with a budget of 23 million Euro for 2015. In 2014, the BFSA made 198,700 inspections, 13,400 recommendations/prescriptions and shut down 158 establishments/food trade outlets.

The BFSA scope of food safety control includes food manufacturing and related businesses: 4764 dairy farmers and milk collection points; 2136 manufacturers of food additives; 1994 producers of cereal and bakery products; 861 producers of nuts, condiments, ready- to-eat meals; 845 producers of confectionary products; 544 producers of meat and seafood products; 444 producers so processed fruits and vegetables; 260 producers of drinks; 110 egg products producers; 103 vegetable oils manufacturers; 37 packaging manufacturers; 72 producers of poultry; 90 manufacturers of coffee and cocoa.

In addition, it controls the entire food trade chain as follows: 43,838 retail outlets; 25,500 food service outlets; 22,000 café, cafeterias, night bars and wine bars; 10,543 street food vendors; 7,304 nurseries, school canteens, hospital and other institutional food outlets; 3,400 shops with food consumption; 2,991 pet food shops; 1,327 food storages and warehouses; 267 food additives shops.

Food Legislation Implementation

After EU accession in 2007, Bulgaria chose to implement EU food legislation in a conservative way. Many regulations, which allowed flexibility and more industry friendly approach to lower risk businesses, were adopted in their heaviest version and many "can/may" in EU regulations were translated as "must". This reportedly raised the financial resources needed to enter the food industry

and created additional costs for industry and consumers.

Later on, the ever growing amount of new and increasingly complex EU regulations in a combination with often bureaucratic implementation by BFSA and a never sufficient budget for salaries created an environment of uncertainty. In some cases, food companies (especially SME) were getting lost in the ocean of regulations and instead of trying to follow strictly all new norms, reportedly preferred to avoid them by simply paying small payments to inspectors.

In other cases, the complex regulations gave BFSA the power to manipulate or extort the industry with unnecessary heavy requirements depending on the professional attitude of its management. Often, the approach has been “one size fits all” and this was hurting industries where the family SMEs prevailed (meat, dairy, bakeries). It also led to more grey sector activities in food manufacturing and trade. In addition, although the BFSA is an executive agency, in reality it can initiate and introduce new rules or requirements for the ag/food operators. There is no clear division of powers. The BFSA can make rules, implement them and control itself. This has been one of the main complaints of the industry since sometimes there were “internal” rules which were not published and operators did not know the legal basis for the inspections or prescriptions. Local food lawyers describe this situation as chaotic, burdensome and not transparent.

In the case with the recent director’s practices, soon after his appointment (during the previous administration), he introduced so called mobile patrols units for surprise checks and a new “Risk Analysis” unit. Both units were reportedly established on a questionable legal base and were not involved in regular inspections. Instead, these groups were allegedly targeting companies to be manipulated for payments. After the dismissal, the MinAg was flooded with hot line notifications from market players and with lists of allegedly corrupt BFSA staff from these two units.

Stakeholders, however, are unanimous that questionable practices have been coming from the top of BFSA and not from working level officers or inspectors. They opine that Director Mollov is not the founder of these practices and that he had inherited them from the previous directors but he encouraged instead of eliminating them. Although market players confirm that corrupt practices exist, ironically, the company which “fired” Mollov (Aladdin Foods) does not enjoy a good reputation on the market and industry sources indicate that the sanitary/hygiene conditions there are “not very good”.

The industry has been balanced in its vows praising the professionalism of most BFSA staff, especially at the working level in recognition of the fact that the inspectors are constantly short in staff and in budget, and that the workload is too heavy. The stakeholders opposed the public rage against the BFSA by defending the reputation of the institution and calling for urgent reforms.

Political and Media Reactions, Failings Highlighted

Prof. Mollov came to the position of the Head of BFSA in 2013 after years in academia, a mandate as a MP, and a mandate as a head of the Wine Chamber. Reportedly, he was supported by two political parties as one of them is in opposition now and the other one backs the ruling coalition. Although Agricultural Minister Taneva who came to the office in October 2014, was reportedly against this appointment, she could not obtain a political decision for a replacement. However, she undertook a number of changes in BFSA to mitigate or eliminate some of the corrupt practices such as the mobile

patrols unit for surprise checks. Minister Taneva also initiated numerous public and Parliament hearings to encourage more transparency of BFSA work.

Speaking at an event after the scandal, Minister Taneva said there had been deficiencies in the BFSA's work – not only with regard to food safety but also animal health - as evidenced by the spread of bluetongue disease last year. She went on to say quality checks and the labeling of food products should in future be done in a way that meets the needs of both customers and manufacturers. Some media fiercely criticized the BFSA and depicted the scandal as “a demonstration of arrogance” and “a corruption machine”. It emphasized on its effects on the competitiveness of the food industry and on the food safety/consumers health. A few MPs opined that the BFSA should be investigated. However, the ex-director was not arrested, no official accusations have been raised, and no inspections or checks have been undertaken in BFSA to date.

Next Steps

According to FAS/Sofia sources, the recent dismissal is the first step to a more comprehensive reform of BFSA. The MinAg already established a task force for a major revision of the key Food Act which plans to incorporate all recent food safety legislation changes at the EU level. The MinAg is already in consultation process with the food industry not only regarding the legislative reform but also about the implementing regulations.

The emphasis is reportedly put on several key principles:

- Transparency;
- Simplification;
- E-government;
- Risk Assessment;
- Less freedom and flexibility of BFSA to choose the type and size of fines and other administrative sanctions; no room for bias decisions;
- Clear rules for all market players: description of criteria, duties and rights for inspections, timely responses of the administration etc.

The draft of the new Food Act should be ready by early fall. It still remains to be seen if the current administration will undertake in-depth reforms in BFSA. This case will be also a good test for the Cabinet anti-corruption policy which is increasingly supported by the food industry and the consumer organizations.

