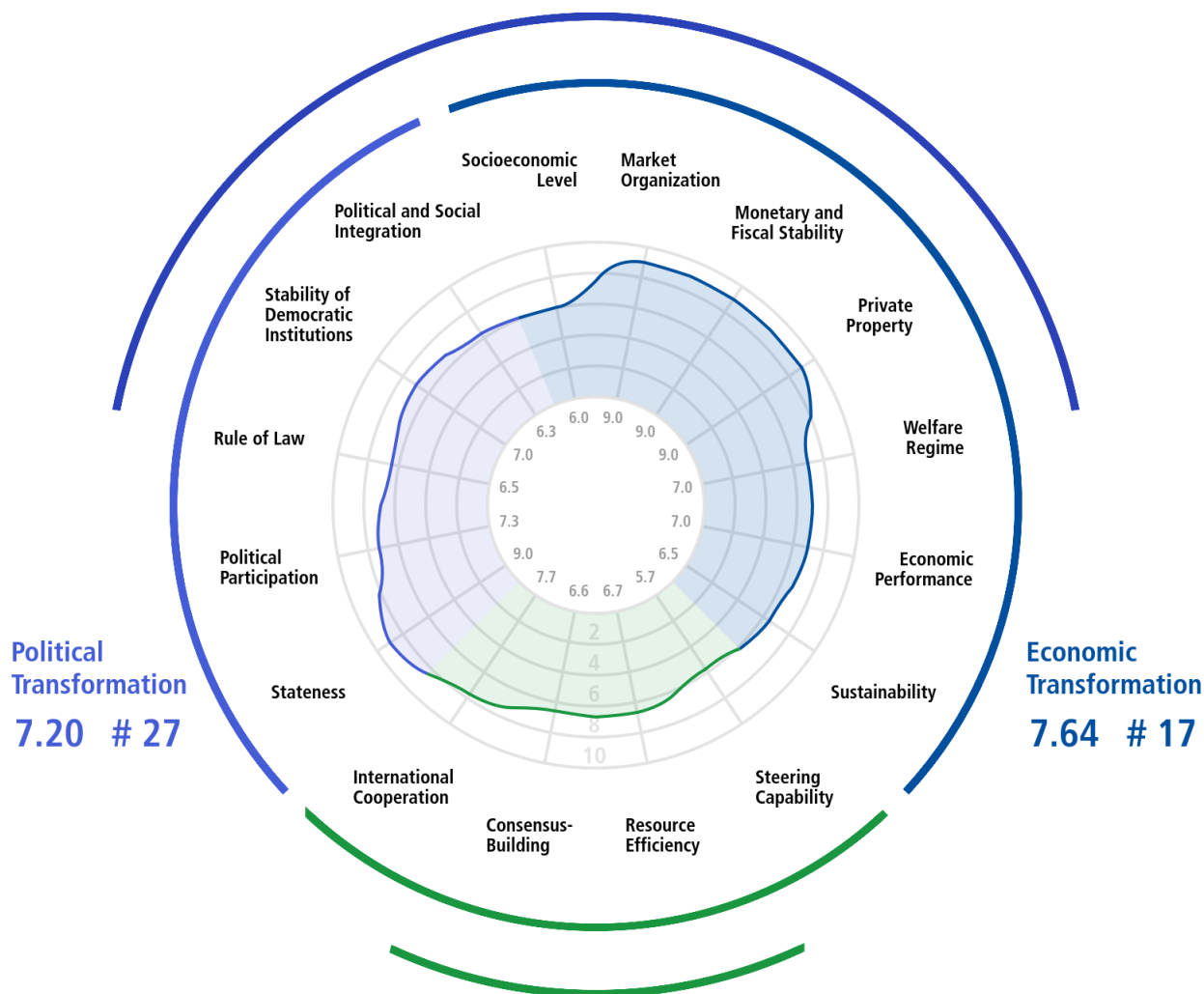


# Bulgaria

## Status Index

**7.42 # 18**

on 1-10 scale out of 137



**Political Transformation**  
**7.20 # 27**

**Economic Transformation**  
**7.64 # 17**

## Governance Index

**5.65 # 35**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>6.5</b>	HDI	<b>0.795</b>	GDP p.c., PPP \$	<b>33582</b>
Pop. growth <sup>1</sup>	% p.a.	<b>-6.2</b>	HDI rank of 189	<b>68</b>	Gini Index	<b>40.5</b>
Life expectancy	years	<b>71.5</b>	UN Education Index	<b>0.766</b>	Poverty <sup>3</sup>	% <b>1.4</b>
Urban population	%	<b>76.4</b>	Gender inequality <sup>2</sup>	<b>0.210</b>	Aid per capita \$	-

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

After experiencing a 4% economic slump in 2020, Bulgaria emerged from the COVID-19 pandemic in 2021 with a growth rate of 7.6%, surpassing even the most optimistic forecasts. To provide support to households and businesses during the pandemic, the government incurred budget deficits exceeding 3% for several years. However, overall macroeconomic stability has been successfully maintained despite these challenging economic circumstances. In 2022, there was progress made in reforming social safety nets. In response to various recommendations, it was decided to link the volume of social benefits, specifically the guaranteed minimum income, to the official poverty line. This adjustment ensures that social transfers are automatically indexed so as to benefit some of the most impoverished members of society.

The overall picture looks less reassuring when politics and society are taken into account. From 2020 to 2022, Bulgaria entered a near-perpetual election cycle. After the period's third general election, held in November 2021, a coalition government with an unusual composition was formed by Kiril Petkov, the leader of We Continue the Change (PP), a newly formed liberal party. Petkov ran on an anti-corruption program and initially enjoyed the support of President Rumen Radev.

The coalition government had to address the consequences of COVID-19, as well as alarmingly rising energy prices and overall inflation, the latter of which was gaining momentum. The war in Ukraine added a new dimension of instability and unpredictability in terms of the security situation in the Black Sea region, complicated energy and raw material supplies, gave a fresh boost to inflation, and added cracks in the fragile societal consensus. The Petkov cabinet found itself torn between the pro-Western PP and Democratic Bulgaria on one side and the pro-Russian Bulgarian Socialist Party on the other. The Bulgarian Socialist Party vetoed the provision of military aid to Ukraine. Just six months later, the fragile coalition collapsed following a no-confidence vote staged by the third coalition partner – the anti-establishment There's Such People party, led by TV showman Slavi Trifonov.

The early elections on October 2, 2022 produced yet another fragmented and polarized parliament that appeared unlikely to allow the formation of a majority. In the meantime, Bulgaria lost its immediate prospects of entering the Schengen area, introducing the euro and adopting the necessary prerequisite laws for the national Recovery and Resilience Plan, notably in the area of the rule of law.

On a positive note, the parliament finally managed to override the veto on North Macedonia's negotiations with the European Union and, after painful discussions, voted to provide technical assistance to Ukraine. The political crisis turned President Rumen Radev into an unusually strong player, as between elections, the Bulgarian constitution provides for caretaker governments appointed by the president, who otherwise enjoys only limited powers. Thus, Radev was able to single-handedly govern the country for most of the period under review.

During the period of political instability, both incumbent and new political parties, leaders and opinion-makers have openly questioned Bulgaria's commitments to EU policies and values. Examples of this include calls for a referendum against the adoption of the euro; a mandate given to the government by the parliament to initiate a renegotiation of strategic commitments made in the context of the European Green Deal; challenging and ridiculing the very idea of an urgent need to decarbonize the economy; proposals made long after the start of the war in Ukraine to extradite a Bulgarian journalist targeted by Putin's regime to Russia; and draft laws that copy Russia's legislation on "foreign agents."

## History and Characteristics of Transformation

Bulgaria's democratic and market economy transformation after 1989 has been slow and often muddled. In 1989, the country's former communist political elites declared plans for gradual reforms and a smooth transition to avoid social cataclysm – yet this also helped the elite maintain their political leverage during the process in order to keep control. The economic elite, which emerged in the early 1990s, involved itself in redistributing and establishing indirect control over state property, often with dubious legality. At the same time, the intertwined political and economic elite showed no genuine interest in establishing a functioning or truly impartial judiciary. This created the basis for a stable symbiosis between the state and private economic interests. From 1996 to 1997, Bulgaria experienced its deepest crisis, as GDP fell by 10.1%, the banking system collapsed, and a drop in foreign reserves destroyed confidence in the national currency.

Until 2001, Bulgarian politics was deeply polarized between the anti-communist right and ex-communist left. Rightist reformist parties missed the opportunity to offer a viable reform agenda. Instead, nationalist populist rhetoric proved to be a more effective way of mobilizing support. In 2001, Bulgarians elected the exiled monarch, Simeon Saxe-Coburg-Gotha, as prime minister. In 2005, a tripartite coalition government was formed with Sergei Stanishev from the BSP as prime minister. The Stanishev government successfully led Bulgaria's accession to the European Union

in 2007. However, the EU's renowned transformative power had an uneven impact on promoting democracy and the rule of law. Although Bulgaria's economic performance improved, it remained the poorest country in the EU. After advocating a law-and-order agenda, a new right-leaning party called Citizens for the European Development of Bulgaria (GERB) won the parliamentary elections in 2009. Since then, with some short interruptions, they have governed the country for the past 12 years under the leadership of three-time Prime Minister Boyko Borissov.

After dominating Bulgarian politics for most of the time since the EU accession, in 2020 Borissov faced a series of serious corruption allegations. Mass anti-government protests demanded his resignation, accusing the political elite of abusing the rule of law and weakening state institutions for their own benefit. The general prosecutors' failure to investigate high-level corruption resulted in sanctions against Bulgaria under the U.S. Magnitsky Act.

Between 2020 and 2022, Bulgaria entered a near-perpetual election cycle. After the period's third general election, held in November 2021, a coalition government with an unusual composition was formed by Kiril Petkov, the leader of We Continue the Change (PP), a newly formed liberal party, running on an anti-corruption program. Six months later, the fragile coalition collapsed. The early elections on October 2, 2022 produced yet another fragmented and polarized parliament, unable to vote in a government.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

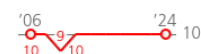
#### 1 | Stateness

There is no challenge to the state's monopoly on the use of force in Bulgaria.

Question  
Score

Monopoly on the  
use of force

10



According to its constitution, Bulgaria is a nation-state that respects ethnic, linguistic and religious differences. The main population groups support the official concept of the nation-state. The constitution does not explicitly recognize minorities but guarantees the right to self-determination.

State identity

10



Any person born in the country is considered a Bulgarian citizen unless they acquire another citizenship at birth. The law prohibits the deprivation of citizenship, which could result in statelessness. However, the potential risk of statelessness remains a concern, especially for children born to Roma and same-sex parents. In a prominent case, the Bulgarian Supreme Administrative Court overturned a ruling from the EU Court of Justice, refusing to grant a birth certificate to a child known as “baby Sarah” with two mothers, one of whom is a Bulgarian citizen.

Despite changes to the law in 2021, procedures for obtaining Bulgarian citizenship remain complicated, and authorities have broad rights to deny citizenship on numerous grounds. Decisions on applications to acquire Bulgarian nationality are not subject to appeal.

The state is predominantly secular. The Bulgarian constitution protects the freedoms of religion and belief. The Bulgarian Orthodox Church enjoys a privileged position in society, and its clergy often perform religious rituals on public festive occasions. The Holy Synod periodically calls for the introduction of religious education in schools in the form of a compulsory study subject called “Religion.”

With its official statements, the BOC occasionally interferes in state affairs by taking sides in public policy debates. In recent years, it effectively contributed to the country’s failure to ratify the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence. Its position against the National Strategy for the Child and the Social Service Law was taken into account. During the period under review and in the midst of the so-called migrant crisis, it issued an extraordinary appeal for Bulgaria not to accept any migrants in the country.

Bulgaria maintains all the basic structures of a state apparatus. State resources are collected and distributed broadly following strict constitutional procedures. Taxation services are performed efficiently. Bulgaria has a three-tiered administration, which includes 1) the central government with its line ministries, agencies and commissions; 2) 28 district administrations appointed by the central government; and 3) 262 elected municipalities. Despite the prolonged political crisis and frequent elections, the administrative structures functioned well.

Court delays are a systemic problem. The main reasons that most often impede citizens and companies from filing a lawsuit and seeking their rights under the law are cumbersome and slow procedures, a lack of sufficient funds, corruption, and insufficient knowledge of the ways in which they can protect their rights. The Bulgarian criminal justice system has not performed well in the so-called cases of high public interest.

There are more than 180,000 people without identity documents, most of whom identify as Roma. Basic infrastructure and services, such as social housing, high-quality transport infrastructure, access to health services, garbage collection and permanent water supplies, are nonexistent or poorly maintained in some remote areas, and particularly in Roma neighborhoods.

Access to sanitation services is still spotty, and there are acute problems with maintaining a sufficient quantity and quality of drinking water. About 30% of the population in Bulgaria does not have access to sewage, a little less than 1% lacks access to water supply, and there are entire cities whose water pipes are more than 60 years old. As of July 2022, 35,000 people in Bulgaria lacked reliable access to drinking water. According to various rankings, the country is the leader in the European Union in terms of water loss.

A total of 99.70% of the population had access to electricity as of 2020.

According to the WHO, Bulgaria has the third-highest death rate from air pollution globally, and the government is grappling to implement suitable measures.

No interference of religious dogmas

8



1

Basic administration

8



1

## 2 | Political Participation

Bulgaria is a parliamentary republic with a National Assembly that is elected every four years. In an unprecedented political crisis, 2021/2022 witnessed a record number of elections. These included a regular general election in April 2021 and a series of two consecutive early elections in July and November 2021, followed by a third early election in October 2022. The elections were generally considered free and fair.

The Central Election Commission is considered impartial and generally effective. The electoral code requires equal treatment of all candidates in broadcast, print and online media and guarantees free public media airtime. The existing framework for the financing of political parties allows certain private interests to intervene, including through social media advertising, where expenditures are not reported.

Certain elements of the electoral legislation remain inconsistent with international standards. Frequent and hasty changes to the electoral regulations continue to be made, creating mistrust in the electoral process. The problem of electoral manipulation remains acute. Unlike in other European countries, Bulgaria's use of paper ballots has been associated with voter fraud, miscounting and a significant percentage of invalid votes for years. In a last-minute vote in December 2022, a majority in parliament decided to bring back paper ballots and manual counting of machine-printed ballots.

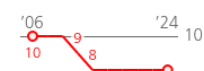
The return of paper ballots is regarded as a significant setback for electoral fairness and as an effort by the "paper coalition" of GERB, MRF and BSP to regain power.

Allegations that large-scale private interests are deeply embedded in Bulgarian politics are not new and remain valid. Russia's war in Ukraine and the deep divisions in Bulgarian society that it revealed exposed the significant role of Russian influence and propaganda conduits in the country. It is believed that Kiril Petkov's government was overthrown by representatives of the same hidden interests that remained intact during the years of political and economic transition. Gazprom's cutoff of supplies after the refusal to pay in rubles and the expulsion of 70 Russian diplomats are some examples of "unacceptable" decisions that harmed hidden anti-European/undemocratic interests. According to some analysts, Putin's decision to cut off gas supplies to Bulgaria at the beginning of the war was intended to hurt the country, considered by Russia to be the weakest link in NATO and the EU.

Bulgaria lacked a regular government for the majority of 2021/2022, as successive parliaments failed to form a majority. Instead, President Rumen Radev, who secured a second five-year term in November 2021, appointed three caretaker governments, enabling him to maintain power for a longer duration than Kiril Petkov's regular government.

Free and fair elections

8



1

Effective power to govern

7



1



The Bulgarian constitution guarantees the freedoms of association and assembly. Public demonstrations were not restricted and took place regularly, including anti-government protests.

In 2021, reports of wiretapping and police violence in Bulgaria during protests in 2020 caused a significant public reaction. The refusal of Chief Prosecutor Ivan Geshev to investigate the cases of police violence was one of the reasons why Justice Minister Nadezhda Yordanova demanded his early dismissal.

The draft law on the registration of foreign agents, which was submitted to the National Assembly on October 27, 2022, by the pro-Russian political party Vazrazhdane, was the latest in a series of attempts to impede and stigmatize the activities of civil society organizations that defend liberal values. It was considered an attack on the freedom of association and peaceful assembly.

According to Bulgarian law, freedom of expression is unrestricted. Technically, there is media pluralism; however, no significant reversal of the generally poor media environment was observable in 2021/2022. Business interests and anti-Western propaganda are present in the public media without restraint. Censorship and self-censorship persist, and the current system of media self-regulation is ineffective. The political affiliation of the members of the Council for Electronic Media negatively affects the editorial independence of the public media. Bulgarian media often give an uncritical platform to racist, xenophobic and homophobic views. The issue is especially acute on social media, which is highly influential in Bulgaria.

Independent media and investigative journalists are regularly subject to abusive procedures known as strategic lawsuits against public participation (SLAPP). Whether the court is complicit in repressing media freedom directly depends on the independence and professional training of the judges. Observers have noted that many of the visible problems in the media environment are actually rooted in other areas where reform seems even more difficult, most notably in the judicial system.

The right to information is enshrined in the constitution, and access to public information is further regulated in the Access to Public Information Law, adopted in 2022. However, the law did not create a body for monitoring and controlling its implementation. According to the Access to Information Foundation, tacit refusal continues to be the most common reason for denying citizens access to public information.

Association /  
assembly rights

8



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Freedom of  
expression

6



1

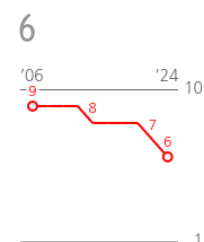
### 3 | Rule of Law

A system of checks and balances is enshrined in the constitution, but its effectiveness during the review period should be seen in the context of the political crisis and the impossibility of establishing a government. In such cases, the president appoints “caretaker governments” that, according to experts, create an institutional environment in which the principle of separation of powers is violated. Caretaker governments are normally intended to be in power during the absence of a parliament, but even though they coexisted with a parliament during the review period, the caretaker governments were not subject to proper parliamentary control in the sense of political accountability.

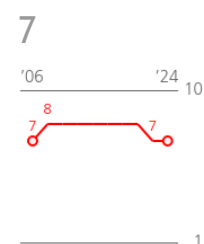
An outstanding issue is the excessive powers of the Prosecutor’s Office and, in particular, the arbitrary way these are exercised by the current prosecutor general. Bulgaria has been criticized since November 2009 for the prosecutor general’s immunity from criminal prosecution. The constitution and the Judiciary Act do not provide any possibility of real control or restraint by any of the other branches of government (executive or legislative), or any of the other structures in the judiciary – either due to an election or during the term of office. Judicial oversight of the executive and legislative branches is in turn undermined by the intertwining of political interests between the judiciary and the prosecution service, as there are many questionable relationships between politicians and magistrates.

The principle of judicial independence is enshrined in the constitution. Unlike most European countries, the judiciary comprises three groups of magistrates: judges, prosecutors and investigators. The Supreme Judicial Council (SJC) is supposed to be an independent, elected body overseeing the administration of the judiciary and ensuring respect for the principle of judicial independence. However, appointments to the SJC are highly politicized, a fact that affects its activities and functioning. According to the constitution, the president appoints the prosecutor general on the recommendation of the SJC and cannot refuse to appoint or dismiss this figure. The prosecutor general has extensive powers within the judiciary and can annul any act of a prosecutor, give instructions and binding orders to prosecutors, and play a decisive role in the promotion of prosecutors and in disciplinary proceedings. The appointment of Prosecutor General Ivan Geshev, his protection of senior political figures (including former Prime Minister Borisov), and his refusal to resign under government pressure are seen as symptomatic of Bulgaria’s corrupt political system, where the line between oligarchs, politicians and the judiciary is severely blurred. In 2021, parliament considered the appointment of a special prosecutor to investigate the prosecutor general and his deputies. The bill was vetoed by President Radev and, after the veto was overridden by parliament, declared unconstitutional by the Constitutional Court. The government’s attempts at genuine judicial reform have also been discredited by vested interests.

Separation of powers



Independent judiciary



The judges are appointed by the SJC, which consists of 25 members with at least 15 years of experience as lawyers. 11 members of the SJC are elected by the National Assembly by a two-thirds majority of parliamentarians, and 11 are elected by judicial authorities. The SJC organizes the qualification of judges, prosecutors and investigators. Updating and improving legal education was one of the leading goals of the Updated Strategy for Judicial Reform (2014 – 2020). In 2022, a new regulation on legal education finally entered into force, setting new standards for the quality and scope of education. Laws and mechanisms aimed at countering and punishing cases of corruption in the legal system exist, but the results of their application are often questioned. Magistrates can only be investigated after their immunity is lifted by the SJC, which has been reluctant to take such action.

Reforms in the area of the rule of law were initially pursued by the European Commission under the Cooperation and Verification Mechanism (CVM) and are currently monitored through the Rule of Law Mechanism. The Council of Europe and the Venice Commission have also periodically offered recommendations and expectations for addressing the issue of judicial independence. In the context of the Recovery and Resilience Plan, the Bulgarian government has committed to establishing an effective mechanism for holding the prosecutor general accountable and imposing criminal liability, as well as restoring the rule of law. Despite being a high priority and a significant obstacle to the country's progress, including its admission to the Schengen area, the vote on such a control mechanism has been consistently delayed in successive National Assemblies in 2021/2022.

The closure of the Specialized Criminal Court in April 2022 was regarded as a positive development in ensuring the judiciary's independence and safeguarding citizens' constitutional rights. Prime Minister Boyko Borissov established the court in 2011 to carry out the suggestions of the CVM. However, due to the intricate nature of the Bulgarian legal culture, it evolved into a separate court system that neglected fundamental principles of criminal law.

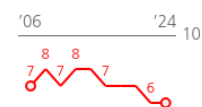
Bulgarian institutions do not effectively combat corruption and crime at the highest levels of government. The persistently low efficiency of law enforcement agencies in investigating and prosecuting high-level corruption and organized crime remains a risk to democratic governance.

Rampant corruption and a deterioration in the rule of law were the main triggers for the mass anti-government protests of the summer of 2020. Thousands of people with different backgrounds and political preferences marched on the streets of Bulgarian cities, also demanding the resignation of Prosecutor-General Ivan Geshev. His appointment is considered symptomatic of Bulgaria's corrupt political system, where the line between the oligarchs, politicians and the judiciary is severely blurred.

The coalition government led by Kiril Petkov (December 2021 – August 2022) demonstrated a staunch commitment to anti-corruption efforts but faced significant resistance from those who stood to be most impacted by these measures. Critics contend that the government's pursuit of judicial reform amounted to an assault on

Prosecution of  
office abuse

6



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the principles of the rule of law. In 2021, the parliament approved amendments that called for a “special prosecutor” to investigate the prosecutor general and his deputies. However, on May 11, 2021, the Constitutional Court ruled this reform to be unconstitutional.

In July 2021, the United States imposed sanctions on Delyan Peevski, a former member of parliament from the Movement for Rights and Freedoms (MRF); Vasil Bozhkov, the owner of some of the country’s largest gambling businesses; and a former deputy chairman of a structure responsible for overseeing the use of special intelligence. Bozhkov, who had already fled to Dubai, did not deny the allegations but stated in numerous public statements that he had faced constant and direct corruption pressure from the government. However, the Bulgarian Prosecutor’s Office did not find anything worthy of serious investigation in Bozhkov’s claims that he had personally negotiated with former Finance Minister Goranov to obtain favorable treatment for his businesses and secure support for tax evasion, which had resulted in hundreds of millions of euros in losses for the national budget.

In 2022, Bulgaria’s Supreme Judicial Council, which elected Ivan Geshev as chief prosecutor in 2019 without proposing any alternative nominations, resorted to various formalities to reject two formal requests made in 2021 and 2022 by ministers of justice for his dismissal from office. The vote revealed the stable majority that Geshev has in the judiciary’s top personnel body – 16 members of the SJC supported his retention in office, while only two voted for his dismissal. All members of the prosecutorial quota on the SJC are subordinates to their chief prosecutor, while the majority of SJC members from the political quota are supporters of the status quo in the prosecution office. The SJC plenary initially refused to rule on Minister Stoilov’s request for Geshev’s dismissal, arguing that the minister of justice has no right to request a dismissal. The Constitutional Court then declared that the decision of the SJC was unconstitutional. In the meantime, Kiril Petkov’s government was elected, and the new minister of justice, Nadezhda Yordanova, demanded Geshev’s dismissal on new grounds.

In March 2022, former Prime Minister Boyko Borisov and several members of his party were detained as part of a police operation related to investigations by the European Union Prosecutor’s Office into the misuse of EU aid funds. The arrests came after a visit by European Chief Prosecutor Laura Koevesi to Bulgaria. The Prosecutor’s Office refused to file charges and conduct a proper investigation due to a lack of evidence. In 2022, the Administrative Court in Sofia declared the arrests to have been illegal, stating in its ruling: “Up to the moment of Borisov’s detention, no evidence had been collected to indicate a connection with the alleged crime.”

Civil rights are guaranteed by the constitution and protected by mechanisms and institutions established to prosecute, punish and redress violations. The ombudsman intervenes when citizens' rights and freedoms have been violated by state or municipal authorities or public service providers. The Commission for Protection Against Discrimination is an independent agency specializing in preventing discrimination and ensuring equal opportunities.

Despite the widespread belief that the rights of minorities in Bulgaria are protected, surveys reveal persistent discriminatory attitudes. In 2021, 56% of Roma respondents disagreed with the statement that minority rights are protected.

Despite Bulgaria's obligations under international and regional human rights standards, the domestic framework is ineffective in addressing gender-based violence, as well as homophobic and transphobic hate crimes. Human rights and dignity, particularly for migrants, refugees, Roma, prisoners and LGBTI+ individuals, are not adequately guaranteed.

Domestic violence victims are not protected by the system. The regulation is contained in the Law on Protection from Domestic Violence, which was adopted in 2005, and the criminalization of domestic violence was regulated in 2019 in the Criminal Code. However, the Code's requirement that the violence be "systematic" limits opportunities to sanction perpetrators. The failure of the state to deal with the problem has prompted the European Court of Human Rights to condemn Bulgaria several times. In one of the most recent such decisions, the court found that the inaction of Bulgarian authorities is causing deaths. However, Bulgarian nationalists and the Bulgarian Socialist Party have thwarted any attempt to pass modern legislation that could compensate for the lack of an overarching domestic violence policy framework such as the Istanbul Convention, which has been declared to be unconstitutional in the country. Moreover, according to a 2021 ruling of the Constitutional Court, Bulgarian institutions cannot be obliged to accept citizens' self-determination regarding a sex different from that assigned at birth.

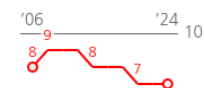
#### 4 | Stability of Democratic Institutions

Democratic institutions and public administrative structures are in place at the national, regional and local levels. They perform their functions with stability and competence.

Technically, the cascade of various crises in 2021/2022, resulting in a series of democratic early elections, demonstrates the overall resilience of democratic institutions. However, this cannot hide the fact that for most of the review period, Bulgaria was not governed by a politically accountable, regular government legitimized by the political will of the electorate.

#### Civil rights

7



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#### Performance of democratic institutions

6



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The highly fragmented and short-lived parliaments operating in 2021 and 2022 failed to adopt laws and make important legislative changes, and the quality of some legislative acts has been strongly criticized. The inability to muster a parliamentary majority prevented the renewal of the composition and leadership of a large number of important regulatory bodies, institutions and agencies. Clashes with the chief prosecutor over judicial reform deepened and culminated with two requests for his removal from two justice ministers in 2021 and 2022. Efforts to dismiss Prosecutor General Ivan Geshev were justified on the grounds of alleged serious violation or systematic dereliction of his official duties and actions damaging the prestige of the judiciary.

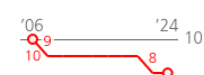
In 2022, friction between coalition partners in Kiril Petkov's cabinet led to its collapse less than seven months after taking office due to disagreements over key priorities. The rift between Petkov and President Rumen occurred after the termination of gas supplies from Russia. The conflict was further fueled by an open dispute between the government and President Radev regarding the provision of military aid to Ukraine.

A number of political actors, including former opposition parties and newly established political formations that emerged with the 2020 civic protests, as well as civic organizations, are actively campaigning to strengthen democratic institutions in Bulgaria. The clash between these interest groups and supporters of the status quo, such as the GERB party, has resulted in an acute political crisis and a lack of willingness to cooperate and form a stable government.

The legitimacy of democratic institutions is steadily declining. By the end of 2022, the share of people expressing trust in parliament had reached an all-time low (only 7%). Voter turnout continues to decline, reaching only 37.8% in the last elections in October 2022, the lowest such level since 1989. However, despite these low participation rates, Bulgarian citizens recognize the right to vote as the only legitimate way to hold institutions accountable and request political change. Nevertheless, electoral manipulation undermines the legitimacy of democratic votes. An analysis by the Anti-Corruption Fund NGO found that 8.74% of votes cast in the October 2, 2022 snap parliamentary elections were cast in polling stations where a high risk of controlled or manipulated voting was identified. Overall, during the period from 2017 to 2022, the MRF and GERB-UDF parties persistently received the largest shares of all high-risk votes in the country.

Commitment to democratic institutions

8



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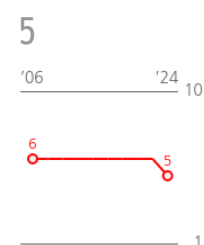
## 5 | Political and Social Integration

The political space in Bulgaria is highly fragmented and volatile. Voters often change their preferences and are not afraid of supporting newly emerging parties that challenge the status quo. Results from subsequent early elections show a division into two main camps with relatively equal forces, neither of which has been able to forge a governing majority. On one side are the two parties that dominated the state's government for 12 years – GERB and the Movement of Rights and Freedoms (DPS), which officially have never entered into a coalition together but seem to share similar interests. In the other camp are the parties that advocate for deep reforms and a rule of law agenda – the newly established We Continue the Change (established in 2021) and Democratic Bulgaria (2018). Once the most powerful opposition party, the Bulgarian Socialist Party (BSP) has become a small political actor with a shrinking social base. BSP is part of the anti-corruption camp, but the populist rhetoric it maintains on issues such as gender equality and the green transition, as well as its pro-Russian stance, bring it much closer to the voters of the openly anti-European and pro-Russian Vazrazhdane party. This latter party appeals to Bulgarian nationalists and Russophiles and is increasingly attracting the votes of people who feel disappointed in life despite their high educational status, or those who feel pushed to the margins of society, including representatives of the Roma community. Paradoxically, it also appeals to Bulgarians abroad. This approach has allowed it to double its electoral vote share to 10.2%, allowing it to become the fourth-largest faction in the national assembly. A year and a half out of power in the central government was not enough time to dismantle GERB, as its supporters continue to hold powerful positions in local public administrations, which are considered to be broadly staffed with its political clientele. Still, GERB is considered a “toxic” coalition partner, as several parties have made cooperation with it conditional on party leader Borissov's departure from active politics.

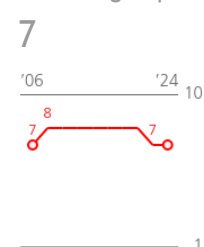
Societal interests are well represented in the political system. Bulgaria has established an institutional framework of social dialogue and social partnership at all levels. However, certain economic and professional lobbies are better represented in decision-making than others, thanks to the clientelist nature of the political system. In recent years, interest groups have consolidated around issues of values and identity and have become more confrontational. Marginalized groups, especially the Roma and other socially and economically deprived groups, still cannot fully participate in society, as they are barely represented in mainstream political parties. Overall, civil society has become more vocal and deeply rooted, but parties turn to it intermittently when it suits their interests. Civil society organizations (CSOs) defending the rule of law, democracy and human rights continue to be attacked by political actors sympathetic to Russia.

Cooperation between interest groups exists and evolves around shared or noncontroversial causes such as volunteering in times of crisis or collecting money for children's health treatments.

### Party system



### Interest groups



In Bulgaria, 56% of respondents in 2021 and 52% in 2022 agreed with the statement that democracy is the best form of governance. These are the highest levels of support since 2015, according to the methodology applied by the Open Society Institute – Sofia to measure this indicator.

In 2022, Globsec found that 76% of Bulgarian survey respondents agreed that democracy, as a system based on equality, human rights and freedoms, and the rule of law, was good for their country, compared to 82% in 2021. Survey data from various sources suggest negative public assessments of the government’s effectiveness in solving key national problems, low levels of trust in major institutions, and a belief that the political and administrative elites are formed by connections rather than merit. About 65% to 63% of the populace is dissatisfied with how democracy works in Bulgaria, according to the Eurobarometer 98.1 survey – with this share climbing to slightly above 70% in the Globsec survey.

In 2022, 83% of respondents in Bulgaria said they tended not to trust their national parliament, while the same figure for the European Parliament was only 19%. The European Union maintains a positive image among 49% of Bulgarian respondents, as compared to an EU-wide average of 47%.

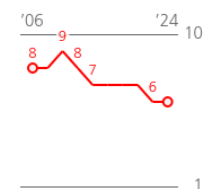
Data from the latest European Values Study (2020) indicates that Bulgarians are among the more cautious nations in Europe when it comes to interpersonal trust. Approximately 17% of Bulgarians believe that people can generally be trusted, while a significant majority of 80% believe that one can’t be too careful. Citizens’ rate of participation in organized forms of public life is alarmingly low, with around 80% of Bulgarians not being members of any organizations. Only 2% to 5% of the population are members of political parties, and a mere 4% are part of trade unions.

The share of respondents who file complaints with institutions has increased to 49%, compared to 32% to 33% in 2006 and 2007. Additionally, the readiness for strike action remains relatively steady at around 20%, which indicates the limited influence of trade unions. However, over the past decade, there has been a notable 14% increase in the number of individuals participating in volunteer initiatives in Bulgaria. In 2022, it was primarily volunteers and civil society organizations in Bulgaria who took to the frontlines to assist refugees fleeing the war in Ukraine.

Although the increase has been slight, there is a growing group of people making donations, rising from 56% to 58%. In 2022, Bulgarian citizens generously donated over €1 million to causes they deemed important, as well as to individuals in need of medical treatment.

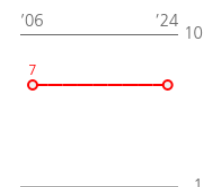
## Approval of democracy

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## Social capital

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## II. Economic Transformation

### 6 | Level of Socioeconomic Development

The poverty line estimated by the National Statistical Institute (NSI) in 2021, using the official Eurostat definition employed by the Bulgarian government, was an income of €3,094 per year (€258/month) for a single-person household. Approximately 22.1% (20.3% of men and 23.9% of women) of the population lived below this poverty line. Specifically, the poverty rate among elderly women was 40%. Moreover, poverty levels were particularly high among single parents (35.7%) and families with more than two children (49.3%). Although official data by ethnicity is not regularly released, poverty rates among the Roma community are reported to be even higher.

The Eurostat indicator of “at risk of poverty or social exclusion” integrates monetary poverty and a list of items related to material deprivation. Bulgaria experienced a significant decline in the at-risk-of-poverty rate during the 2010s due to economic development and technological advancement, which led to lower prices and increased accessibility of household items. However, in 2021, Bulgaria still maintained one of the highest such rates in the European Union (31.7%).

Measures of inequality place Bulgaria among the most unequal societies in the EU. Based on data from the National Statistical Institute in 2021, the income of the poorest 20% of Bulgarians was 7.4 times lower than that of the richest 20%. This ratio does not appear dramatic from a global perspective but is very high within the EU.

In 2021, Bulgaria’s Human Development Index (HDI) score was 0.795, ranking 68th out of 191 countries. The HDI score decreased compared to 2019 (0.816). Overall, between 2015 and 2021, Bulgaria dropped nine positions in the ranking. In 2021, Bulgaria ranked eight positions lower than would normally be predicted by the gross national income (GNI) per capita, indicating that Bulgaria has untapped potential to achieve a more equitable distribution of its economic output. This is also reflected in Bulgaria’s lower inequality-adjusted HDI score (0.701 in 2021). Bulgaria’s score in the Gender Inequality Index was 0.210 in 2021, indicating a relatively small gender gap. Women fare well compared to men in two components of the HDI, but fare much worse in terms of income per capita. However, the authors of the methodology consider this indicator rather crude, as it does not align well with other sources of income data disaggregated by gender, which indicate a significantly smaller gap.

Question  
Score

Socioeconomic  
barriers

6

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	68911.9	70404.4	84061.4	<b>89040.4</b>
GDP growth	%	4.0	-4.0	7.6	<b>3.4</b>
Inflation (CPI)	%	3.1	1.7	3.3	<b>15.3</b>
Unemployment	%	4.2	5.1	5.3	<b>4.4</b>
Foreign direct investment	% of GDP	3.2	5.1	3.0	<b>3.6</b>
Export growth	%	4.0	-10.4	11.0	<b>8.3</b>
Import growth	%	5.2	-4.3	10.9	<b>10.5</b>
Current account balance	\$ M	1263.6	-31.2	-1515.8	<b>-591.7</b>
Public debt	% of GDP	18.3	23.2	22.5	<b>21.8</b>
External debt	\$ M	40501.4	46906.5	44942.6	-
Total debt service	\$ M	5749.0	5084.3	5949.7	-
Net lending/borrowing	% of GDP	2.3	-4.1	-4.0	-
Tax revenue	% of GDP	20.5	20.3	20.6	-
Government consumption	% of GDP	16.7	19.4	18.9	<b>18.6</b>
Public education spending	% of GDP	4.2	4.5	4.5	-
Public health spending	% of GDP	4.2	5.1	-	-
R&D expenditure	% of GDP	0.8	0.8	-	-
Military expenditure	% of GDP	3.1	1.6	1.5	<b>1.5</b>

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Market competition has a strong institutional framework and benefits from mostly uniform and consistent rules for all market participants. The market primarily determines the majority of prices, with the exception of energy, water supply and pharmaceutical prices. The National Health Insurance Fund negotiates pharmaceutical prices, and the Energy and Water Regulatory Commission regulates energy prices. The cost of electricity and heating, which together make up a significant portion of household expenditure, is of critical importance and politically sensitive.

Bulgaria has a well-functioning commodity exchange and a stock exchange that includes the Independent Bulgarian Energy Exchange. The state is the main shareholder (44%) in the Bulgarian Stock Exchange.

Licensing procedures generally relate to regulated professions such as law and medicine; trade in pharmaceuticals; producers and importers of various types of goods that might pose hazards to consumer health and safety, such as tobacco products or products used as raw materials in the chemical industry; as well as various types of equipment, such as military goods or those with possible double use and some IT equipment. Many licensing procedures are closely related to standards and product requirements set in EU legislation and can thus be considered unavoidable.

Data published by the International Labor Organization show that Bulgaria's informal economy accounts for a 15.9% employment share, a favorable outcome when compared to the majority of neighboring countries in the Balkans and Southern Europe. Notably, there is a relatively modest gap between men (17.6%) and women (13.9%) in terms of informal employment.

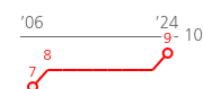
A systematic country diagnostic of Bulgaria released by the World Bank in 2021 concluded that Bulgaria performs well in the area of labor market regulation but quite poorly in terms of collective bargaining coverage when compared to peers.

Bulgaria has special legislation ensuring fair competition, and an independent Commission on Protection of Competition (CPC) oversees the application of the relevant European and Bulgarian rules of fair competition. The CPC is a member of the International Competition Network.

The Energy and Water Regulatory Commission (EWRC) regulates the operation of natural monopolies, including the prices of electricity, renewable energy, water, heating and natural gas in Bulgaria. Starting in October 2020, all non-household consumers have been able to purchase electricity on the free market. This allows them to choose their supplier and negotiate special arrangements for the supply. Bulgaria has made a commitment to fully liberalize the market for electricity for household

Market  
organization

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Competition policy

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consumers by 2024. However, in 2022, some experts raised concerns about the rationale for further liberalization of the electricity market. They suggest that renegotiating with the European Union may be necessary due to the emergence of the war in Ukraine, which is seen as having introduced special circumstances.

The CPC addresses issues of vertical and horizontal market integration that qualify as abuse of dominance or excessive concentration of market power – that is, monopoly power.

Vertical integration within the pharmaceutical market remains an issue. The market is regulated by a complex system of drug approval and rules for full and partial reimbursement. In 2022, shortages of some key prescription drugs were reported in pharmacies, arguably related to pharmaceutical companies' excessive market power, or potentially just to issues of poor information exchange and logistics bottlenecks.

Bulgaria is a member of the EU, meaning that all EU trade regulations apply, and the government has little discretion to apply its own foreign trade policies. Bulgaria is a small and open economy that relies heavily on foreign trade flows. Goods produced within the European Union are exempt from tariffs, while those imported from countries outside the customs union are subject to generally low tariffs. Nontariff barriers primarily arise from the extensive EU legislation on standards and product requirements, which also apply to imports from non-EU countries.

The ratio of foreign trade to GDP has increased since 2000, with some fluctuations due to the global economic crisis and other temporary factors. Within the EU, the countries of Germany, Italy and Romania are Bulgaria's main export and import partners. Outside the EU, Türkiye is the most important trade partner, both as an exporter and importer. Russia used to be one of the largest net importers to Bulgaria until 2022, when Russian gas imports were disrupted due to the war in Ukraine. The cutoff was framed as a trade dispute and referred to the relevant courts by the Bulgarian government, but in reality, it was a manifestation of a profound and potentially irreversible severing of ties with the Russian gas supplier.

Contrary to pessimistic expectations stemming from the COVID-19 pandemic, foreign trade experienced a robust rebound in 2021. Exports increased by 26.2%, while imports rose by 27.7%. For the year 2021, imports totaled 52.5% of GDP, while exports totaled 48.4%.

At the end of 2022, 18 banks were registered in Bulgaria. Five banks holding two-thirds of the sector's assets are considered significant according to the ECB classification. The less significant institutions hold approximately 30% of sector assets. Additionally, seven branches of foreign banks operated in Bulgaria, holding less than 4% of the sector's assets (BNB, September 2022).

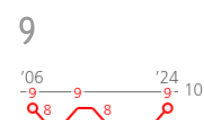
Outside the banking sector, there is an organized capital market with a single stock exchange – the Bulgarian Stock Exchange (BSE), which is a member of the Federation of European Security Exchanges.

#### Liberalization of foreign trade



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#### Banking system



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In September 2022, according to a regular report by the Bulgarian National Bank (BNB), the banking system held approximately BGN 93 billion in loans and advances and BGN 128 billion in deposits. About one-third of the loans are denominated in euros, and about 4% are in other foreign currencies. The BNB reported an overall capital adequacy ratio of 20.47% for the banks. Additionally, the BNB noted that the long-term trend of reducing impaired credits appears to have ended, while the share of loans with increased credit risk (IFRS 9 phase 2 loans) is persistently high. According to the BNB analysis, this indicates an overall increase in credit risk, which can be attributed to accelerated inflation and overall economic insecurity. The BNB also reported a nonperforming loan ratio of 5.1% and emphasized that these loans are fully covered by the banks' own capital.

The cooperation framework between the BNB and the European Central Bank (ECB) entered into force in October 2020. Under this framework, the ECB became responsible for the direct supervision of 18 financial institutions, five of which are considered significant. The involvement of the ECB provides further assurance of the strength and stability of the Bulgarian banking system.

## 8 | Monetary and fiscal stability

In 1997, Bulgaria introduced a currency board arrangement (CBA) with the goal of macroeconomic stabilization and the management of the banking crisis. Since then, confidence in the Bulgarian lev has been restored, and the banking sector has been strengthened. The Bulgarian National Bank (BNB) is fully independent, both legally and in practice.

The CBA continues to provide a stable anchor and discipline in maintaining tight fiscal policies. The value of the Bulgarian lev is fixed at 1.96 to the euro. The BNB must fully back all its monetary assets with an equal amount in euros. The CBA leaves the BNB little room to maneuver in monetary policy; the BNB has only one policy instrument, the reserve requirement, and has only a limited role as lender of last resort.

Bulgaria achieved one long-term government goal by becoming a member of ERM-II in 2020. The country has been working to meet the eurozone convergence criteria in order to adopt the euro by 2024. However, Bulgaria initially missed its original date for joining the eurozone, and the new provisional target date has been set for January 1, 2025.

The 2022 ECB Convergence Report concluded that progress has been hampered by the challenging economic situation in the European Union and globally. Bulgaria easily meets the exchange rate criterion due to its currency board and is unlikely to exceed the reference debt ratio in the foreseeable future.

### Monetary stability

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It has been difficult to maintain the Harmonized Index of Consumer Prices (HICP) below the reference value, not least because powerful economic forces of global scale are at play. In 2022, for example, the reference value was 4.9%, while Bulgaria recorded a HICP inflation rate of 5.9%. In March 2022, the month-on-month HICP inflation rate crossed the 10% mark on an upward trend and remained above 14% at the end of 2022. Despite some optimistic forecasts, inflation rates will likely remain volatile, as the Bulgarian government has few levers to contain it beyond utterly unpopular measures of restricting the growth of certain incomes, for instance by delaying the indexation of pensions, freezing social payments or arresting minimum wage increases.

According to statistics published by the European Central Bank (ECB), until February 2022, Bulgaria had very low and stable long-term interest rates (well below 1%) – comparable to those in the euro area – and had fulfilled the convergence criterion by a wide margin. In 2022, long-term interest rates started to rise in line with the rest of Europe, reaching 1.85% in July and remaining at this low level until the end of 2022.

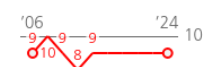
In 2020, the pandemic forced the government to allocate additional public expenditure toward containment and recovery measures, resulting in a budget deficit of 3.8% after a series of budgetary surpluses in the previous four years. The EC forecast had predicted a budgetary deficit of 3% in 2021 and 1.5% in 2022. However, the deficit for 2021 surpassed expectations, reaching 3.9% and once again exceeding the EU's 3% Maastricht criterion. At the conclusion of 2022, the Ministry of Finance provided a preliminary estimate for a budget deficit of 2.9%. Despite the adversity, the government remained cautiously optimistic at the end of 2022, aiming to keep the budget deficit within the 3% margin and thus meet the criterion for eurozone membership. Total government spending in 2022 amounted to BNG 38.904 billion (EUR 19.891 billion), up from 2021's expenditure of EUR 17.191 billion.

Despite incurring some new public debt in the third quarter of 2022, Bulgaria still had the second-lowest debt-to-GDP ratio (Maastricht debt) in the EU, at 23.1% of GDP, up from 20.5% in the first quarter – well below the 60% reference mark. In 2022, total payments for debt service amounted to BGN 611.6 million (€312.73 million), while new borrowing reached €1.303 billion. In 2021, debt service totaled €296 million. The total fiscal reserve at the end of 2022 was BGN 13.417 billion (€6.860 billion EUR), marking an increase from €5.496 billion at the end of 2021.

However, keeping the budget deficit below 3% remains a challenge. In 2021, the government had to work to soften the effect of rising energy prices for businesses. In 2022, the compensation ceiling was raised. Employer organizations warned of possible bankruptcies and threatened the government with mass protests if this compensation was not maintained and regularly disbursed. This is just one example of significant unforeseen budgetary expenditures.

#### Fiscal stability

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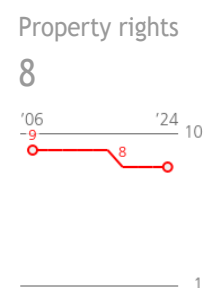
The pension system continues to be a source of concern in the long run as, contrary to the original plan, it runs large deficits every year that are filled via government transfers from the country's general tax revenues. The performance of private pension funds has not been spectacular, as for much of their existence, they have had to operate under conditions of economic crisis. Ensuring adequate pensions in the coming decades may require further unpopular reforms, such as raising the pensionable age beyond the current schedule or increasing social security contributions.

## 9 | Private Property

Property rights are regulated by law, and there are no legal restrictions against majority foreign-owned companies acquiring real estate if these companies are locally registered. Enforcement of contracts by the courts remains slow, while corruption remains a major issue. Concerns have repeatedly been raised about the independence and efficiency of the Counter-Corruption and Unlawfully Acquired Assets Forfeiture Commission (CACIAF), which was created in 2012. The CACIAF, which had previously lost some landmark court cases, reported forfeiture of assets worth BGN 5.5 million in the second half of 2022, as confirmed by court decisions. In 2022, the commission was again accused by the media of shielding its claims for asset forfeiture from public view, despite a court decision ruling that these claims have to be made public.

In 2022, Bulgaria's International Property Rights Index (IPRI) score fell by 0.614 to 4.972, giving the country a ranking of 64th place globally (down from 50th in 2020) and 10th (four positions down) in the regional ranking. Not surprisingly, Bulgaria lost points on physical and intellectual property protection, as well as on legal and political stability. The scores and rankings in 2022 represent some of the worst performances on the IPRI scales since Bulgaria joined the European Union in 2007.

At the start of 2023, the outgoing U.S. ambassador, like her predecessors, drew attention to the persistent corruption and voiced concerns that are shared by potential investors and foreign businesses operating in Bulgaria. Previously, top-ranking diplomats from EU countries had also commented on cases of business raiding in Bulgaria – practices that are supported by perceived weaknesses in the judicial system.



Private companies in Bulgaria have adequate legal protections. At the end of 2021, there were more than 400,000 registered private companies, of which fewer than a thousand were large companies. Both the privatization and operation of private companies follow market rules, including EU rules, and companies benefit from mechanisms of state support.

The majority of enterprises attractive to investors were privatized in the 1990s. Currently, there are no discussions about deficiencies in the process of privatization or related rules. By 2022, all but a few public enterprises had been privatized, except for those on a special list of strategic enterprises and some for which no private interest had been demonstrated. As of 2022, there were 265 state-owned enterprises, some of which had been established under special laws. The health sector contains the highest number of public enterprises, mostly large regional hospitals, but in terms of equity, the largest companies are overseen by the Ministry of Energy and the Ministry of Transport and Communications.

## 10 | Welfare Regime

In 2000, Bulgaria introduced a three-pillar pension system consisting of a pay-as-you-go state pension fund, as well as mandatory and voluntary supplementary private pillars. Additionally, Bulgaria provides noncontributory social and disability pensions, which are granted based on criteria such as age, disability and income. An indicator of the overall level of social support is the social pension for old age, which is granted to individuals aged 70 and older with low incomes. In July 2022, this was increased from €87 to €126 per month. Meanwhile, the minimum contributory pension in the second half of 2022 was €239.

The health care system is based on a contribution-driven insurance system. A set of criteria – which have been subject to several changes before the review period – determine the rules by which citizens can lose and regain access to the basic package of health care services. There are no official statistics on the number of people who have no health insurance and, therefore, have to pay for all health services. Estimates provided by various institutions vary because many who do not pay their health care contributions actually live abroad and do not need access to the Bulgarian health care system. The latest figures provided by the Ministry of Finance, in response to media requests, indicate that there are between 500,000 and 600,000 Bulgarian residents without health insurance. Health insurance for all children is paid by the state.

In December 2022, the parliament finally adopted amendments to the legislation concerning social benefits in response to long-standing recommendations from the European Commission. Starting in July 2023, the guaranteed minimum income (GMI) will be tied to the official poverty line. For many decades, the GMI was subject to the government's annual discretionary decisions – as a result, the incomes of the poorest households lagged behind the overall income level, with the GMI sometimes

### Private enterprise

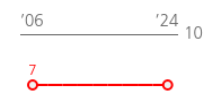
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### Social safety nets

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remaining unchanged for many years. Since the official poverty line in Bulgaria is based on the Eurostat methodology (monthly income of approximately €259 for 2022), which utilizes empirical data on incomes, monthly social benefits will begin to move in line with overall income growth starting in 2023.

Bulgaria's anti-discrimination legislation defines a wide range of protected characteristics, including gender, ethnicity, sexual orientation and social status, among others. These characteristics could serve as grounds for discrimination and are therefore subject to special protection by anti-discrimination bodies such as the Commission for Protection against Discrimination, the National Ombudsman and other specialized ombudspersons. Socioeconomic inequalities are significant and structurally ingrained, especially for the Roma, which limits opportunities for participation in society. This is the case even when direct or indirect discrimination cannot be legally proven. There are very few employers in Bulgaria that have corporate policies for diversity management or equal opportunities. These employers are primarily subsidiaries or branches of foreign companies.

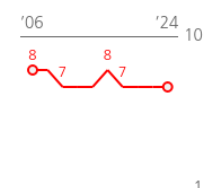
The employment rate for women remains some 10 to 12 percentage points lower than the comparable rate for men. In 2021, the female employment rate was 46.6%, compared to a male employment rate of 58.6%. Women's labor market participation rate has persistently been lower than that for men, both during times of economic distress and during times of strong growth, due to maternity and traditional roles in the household. These gaps have a significant impact on pensions, which heavily rely on the years spent in employment and on uninterrupted careers.

The gender pay gap in Bulgaria varies by sector, but it is also influenced by the fact that women are overrepresented in certain occupations that generally offer lower incomes. Some gender equality indicators show positive results for Bulgaria. As of 2020 (according to the latest available data from the NSI), the overall gender pay gap was 12.3%. However, this gap was not evenly distributed across sectors. For example, in administrative and support services, women's average wages were 25% higher than men's. Conversely, in the information and communication sector, women earned nearly a quarter less than men. In sectors such as construction, where women are a minority but occupy more skilled positions than men, they also earned significantly more. The wage gap was relatively low (9% in 2021) in sectors that employ highly qualified professionals, such as those in professional, scientific and technical activities. Additionally, the gap is smaller in the public sector but larger in sectors where women tend to hold lower-paying jobs. The ratio of female representation in the parliament is average (24%) compared to regional standards.

School and university enrollment rates are higher for girls than for boys, and in general, gender disparities in education do not seem to work against girls – although there may be exceptions among certain vulnerable groups.

#### Equal opportunity

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## 11 | Economic Performance

Before the economic shock of the COVID-19 pandemic, Bulgaria experienced five years of stable growth and low unemployment. GDP at market prices in 2021 was €71.1 billion, up from €60.3 billion in 2020. Preliminary data for 2022 indicates that GDP reached €84.6 billion. Real GDP per capita in 2021 was €6,950 (an 8.4% increase compared to 2020) and grew by 4.3% to €7,250 in 2022.

In 2022, Bulgaria may be able to keep its budget deficit below 3%. Public debt remains low, at below 25% of GDP. The Bulgarian National Bank (BNB) expects that the economy will be impacted by slower growth in major global economies, as well as by the volatility of energy and other raw material supplies due to the war in Ukraine. At the end of 2022, the stock of foreign direct investment (FDI) in Bulgaria reached €53.8 billion (BNB). New net FDI in 2022 totaled €2.4 billion, representing a 49% increase from 2021.

During the COVID-19 pandemic, the unemployment rate in Bulgaria rose but did not reach extreme levels. In 2021 and 2022, unemployment steadily decreased and was not affected by seasonal fluctuations, dropping to 3.7% by the third quarter of 2022, which is one of the lowest levels on record. In 2022, labor productivity, measured as gross added value per person employed, grew by an average of 3% compared to 2021. In a 2021 report, the World Bank highlighted the challenges that the country needs to address in order to increase productivity and improve the skills of its labor force. Specifically, Bulgaria's growth model may require significant revisions to successfully decarbonize and promote more inclusive economic growth.

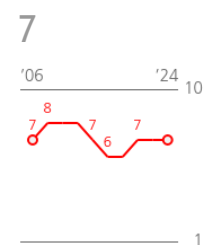
## 12 | Sustainability

In 2020, Bulgaria spent slightly less than 0.8% of its GDP on environmental protection, which is close to the European Union average. However, after deducting expenditures for waste management (0.6% of GDP), there is very little public funding left for all other environmental protection functions. The total expenditure on restoration and protection of the environment has been consistently increasing since the country joined the EU, although at a relatively slow pace. It went from BGN 1.27 billion (€649 million) in 2010 to BGN 2.47 billion (€1.26 billion) in 2020, according to the National Statistical Institute (NSI).

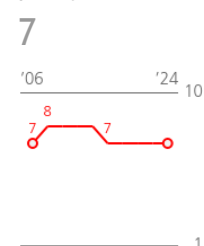
In 2021, Bulgaria faced only two new infringement procedures for its failure to adopt EU environmental legislation. This is a smaller number than in the previous two years, which saw seven procedures in 2020 and eight in 2019.

In 2020, Bulgaria requested help from the European Union in its efforts to phase out coal. The country argued that, without assistance, it would be unable to commit to reducing greenhouse emissions by more than 40% by 2030 compared to 1990. (The common EU target is set more ambitiously at 55%.) However, the war in Ukraine

Output strength



Environmental policy



and the resulting risk of fuel shortages and high inflation rates changed public sentiment regarding the closure of coal-fired thermal power stations, leading to a populist backlash. This reached its culmination in 2022, when the parliament requested that the government renegotiate the deadlines for reducing carbon emissions with the EU. Given that the European Union is highly unlikely to make this concession, the process could bolster euroskepticism and push Bulgaria further away from other shared EU policies.

Bulgaria has persistent problems with air quality in the capital and other major cities, primarily due to traffic but also due to the use of outdated heating technologies, especially the burning of solid fuel. The country is vulnerable to flash floods as a result of poor maintenance and management of a significant number of privatized dams and irregular cleaning of river beds.

Despite significant progress over the past decades, both the average years of schooling and rates of participation in education remain low, as demonstrated by one of the lowest U.N. Education Index scores in the European Union (0.721 in 2021). Additionally, the overall expenditure on education falls below the EU average, at 3.8% of GDP, compared to 5% in the EU-27 in 2020. In recent election campaigns, various political parties, such as GERB, the former ruling party, have included pledges in their manifestos to significantly increase education spending. However, the prevalence of frequent snap elections has rendered these strategic commitments in manifestos largely ineffective.

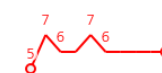
A functioning university ranking system has contributed to the realignment of higher education in the labor market by providing detailed information on the occupations and incomes of university graduates on an annual basis. However, rates of participation in higher education still lag behind those in most other EU member states. In particular, Bulgaria has a relatively low number of new STEM graduates (13.1 per 1,000 inhabitants aged 20 to 29 in 2020) compared to other EU member states. In Bulgaria, in 2021, similar to the European Union on average, the proportions of persons who had completed secondary education in general education and vocational tracks were roughly equal.

Despite some increases in the 2010s, Bulgaria's domestic expenditure on R&D remained below 1% of GDP, the fourth-lowest such figure in the EU. Reform in the research and higher education sectors was announced by the minister of education in the last regular government but was postponed indefinitely beyond 2022 after the government was toppled in a no-confidence vote. Previous attempts at reforms were also impeded by the regular change of government. The main issues at stake are the requirements for obtaining academic titles and positions at universities, as well as the very high number of universities, some of which offer teaching and research of inferior quality.

Education policy /  
R&D

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## Governance

### I. Level of Difficulty

Structural constraints on governance continue to be moderate.

Infrastructural deficits have been reduced with the help of EU funds that have supported highway construction and repairs to the primary road infrastructure. Railway transport, managed by a state-owned company, continues to be inefficient but remains strategically important.

The main challenges regarding access to health care are the uneven distribution of health care resources, inadequate emergency care, a severe shortage of nurses and high out-of-pocket costs.

The shrinking workforce due to low birth rates and emigration remains one of Bulgaria's greatest challenges. The rapidly aging population is putting further pressure on the pension and health care systems.

The geographic proximity of the war in Ukraine can be considered a structural constraint due to its potentially long-term disruptive impact on local economies, trade, transport, shipping, tourism and investment across the Black Sea region – not to mention the direct security risks.

Bulgaria has a robust NGO sector that helps drive reform and provides a critical voice. Civil society also encompasses numerous public figures from academic, cultural and other professional circles who actively engage in public discourse and public life.

Currently, more than 23,000 CSOs are registered in Bulgaria, but many are not active. The lack of funding is a persistent problem – only a handful of CSOs receive annual state support without being required to participate in competitive calls for proposals. In recent years, CSOs that rely on foreign funding and uphold liberal democratic positions have come under intense pressure. In October 2022, the Vazrazhdane (Revival) party submitted a draft law for a Foreign Agents Registration Act to the Bulgarian parliament. A similar draft law was also submitted in 2020.

Informal groups and online communities have begun to play an increasingly significant role in civic mobilization. Distinguishing such groups and communities from registered associations is not always straightforward, as movements that originate spontaneously and informally can occasionally evolve into established organizations or even serve as the bedrock for new political parties.

According to the European Quality of Life Survey, levels of social trust in Bulgaria are generally very low, among the lowest in the EU, with an average score of three when measured on a scale ranging from one to 10.

Structural  
constraints

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Civil society  
traditions

4

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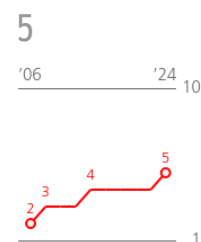
In 2021 and 2022, conflict intensity in Bulgarian society increased markedly along existing social cleavages. The war in Ukraine awakened old and painful divisions deeply embedded in Bulgarian history, in which clashes between Russophiles and pro-Westerners, both on and off the political scene, have often shaped politics. Today, these controversies overlap awkwardly with sentiments about the communist past and resentments based on hardship and exclusion in the wake of the marketization of the economy.

The war in Ukraine coincided with a profound political and institutional crisis – not caused by the war but certainly exacerbated by fundamentally irreconcilable positions on issues such as the supply of arms to Ukraine.

The political leaders and institutions did find a workaround, but it was not based on talking through the issues. Instead, it relied on tacit disagreement and withdrawal. For example, the leadership of the BSP – which has a strongly pro-Russian base of supporters – was content to vote down a proposal to send arms to Ukraine directly. However, they agreed to ignore massive arms shipments sent to Ukraine through intermediaries. Despite adverse reactions, Kiril Petkov’s government found ways to provide crucial support to Ukraine. It did this by providing diesel fuel and selling ammunition through intermediaries, possibly with the tacit support of its coalition partner BSP, which publicly opposed any such involvement. The issues related to the war overshadowed but did not eliminate other points of division, such as the fight against corruption and the clientelist judicial system. These divisions brought completely new political parties into parliament amid a tide of popular discontent.

There is a significant risk that the strong sentiments generated by the war in Ukraine will resonate with other agendas that feed on hatred and disinformation, including xenophobia and homophobia – especially if the political system remains unable to produce a stable government.

Conflict intensity



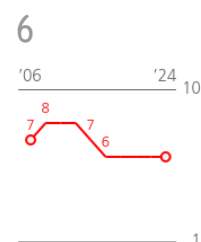
## II. Governance Performance

### 14 | Steering Capability

The Bulgarian administration does possess strategic capabilities. Many ministries have established units to handle sector-specific data or generate ad hoc and regular analyses, forecasts and other analytical products. Strategic planning is especially crucial in the development of extensive multisectoral documents, which are frequently necessary to access EU funding, such as the NRRP, as well as numerous sector-specific strategies, plans and programs. This capacity has generally shown improvement, although certain units of this nature have also undergone closure or restructuring.

Question  
Score

Prioritization



Regulatory impact assessment is a requirement under Bulgarian legislation and is an essential part of the legislative process. However, it is often carried out superficially, with significant sections of legislative drafts devoted to arguments and justifications for proposed amendments. The process of public consultation is also mandatory. Draft legislation, as well as other policy documents, are published in advance on a special web portal. Drafts that generate significant public interest typically receive detailed feedback, which state institutions must review and eventually respond to or take into account.

The caretaker and regular governments continued to pursue some long-term priorities, including maintaining fiscal stability to the extent possible under adverse economic circumstances.

Joining the eurozone has been established as a long-term priority for Bulgaria, but in 2021/2022, this objective was opposed by several political parties represented in the parliament. It now seems that a referendum on this issue may be organized.

Other strategic priorities include upgrading the infrastructure with EU funding and diversifying the country's gas supplies, which proved vital after the termination of supply by Russia's Gazprom. Some of these priorities were made more urgent by the war in Ukraine.

In other fields, priorities were declared but less clearly defined and were sometimes contested. The judiciary reform is the clearest example of how complex reforms are difficult to prioritize given the lack of political consensus and low levels of trust in institutions. Furthermore, it also illustrates that priorities have sometimes been identified as a means of placating voters or international partners without the genuine intention of pursuing them. Bulgaria's efforts to join the Schengen area provide an example of another priority that was not successfully completed, not least because of failures in the fight to control high-level corruption.

In general, in 2021/2022, the ability of governments to prioritize was significantly impeded by political instability. For a long time, shifting Bulgarian governments could not present their EU partners with a consistent version of the National Recovery and Resilience Plan, a document containing key strategic priorities. Additionally, at the end of 2022, an overwhelming parliamentary majority mandated the caretaker government to attempt renegotiation with the European Union regarding important strategic commitments related to the decarbonization of the economy.

Throughout most of 2021/2022, Bulgaria was governed by caretaker governments. Within the Bulgarian constitutional model, caretaker governments function without a parliament, while many tasks – particularly strategic ones – are difficult to implement efficiently without a functioning legislature. During the period under review, parliaments had a very short life. Thus, little time was left for taking on issues that require long preparation and the building of complex ad hoc coalitions before a vote.

Budgetary procedures, allocating public investment for large infrastructural projects, and elaborating and gathering support for complex strategic documents such as the National Resilience and Recovery Plan are all examples of tasks that require stable governance mechanisms and significant operational time. The implementation of these and other similar tasks experienced significant disruptions and delays in the period under review.

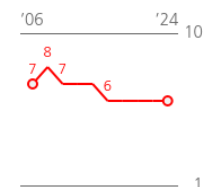
However, the Petkov government acted very decisively to discontinue Russian gas supplies, which were abruptly terminated. Retrospectively, it was also revealed that the government had found a way to support Ukraine. They did so by sending weapons and fuel through intermediaries. Direct support would have undoubtedly resulted in a government collapse, as the leadership of the BSP, a crucial coalition partner, staunchly opposed supplying “even a single bullet” to Ukraine. Therefore, support for Ukraine was organized without garnering parliamentary support.

The frequent changes in government during the review period were not conducive to policy learning, especially in the context of sharp shifts in policy. In a situation of sharp political divisions, every new government, including caretaker governments, typically established its own list of priorities and focused on dissociating itself from predecessors rather than promoting continuity. One very important example was the reintroduction of paper ballots, which resulted in the rollback of machine voting. The key justification for this decision was framed as a reaction to negative feedback – that machine voting had proven difficult for certain voters, such as the elderly and those lacking digital skills. However, the move was criticized as an attempt to revive certain practices of electoral fraud.

The Petkov government’s swift reaction to the unforeseeable circumstances of disrupted natural gas supplies stood out as a positive event. This included the government’s efforts to contract with new suppliers and expedite the final stages of bringing the new natural gas infrastructure connecting Bulgaria with Greece into operation.

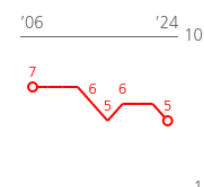
#### Implementation

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#### Policy learning

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## 15 | Resource Efficiency

The regular analyses published by the Bulgarian NSI show that, at the end of 2021, Bulgaria reported the EU's second-lowest debt level (23.9% of GDP) after Estonia – much lower than the overall debt in the European Union (87.9% of aggregate GDP). The budget deficit in 2021 was 3.9%, which was also among the lowest such figures in the EU. Public expenditure in 2021 was estimated by the NSI at 40.6% of GDP, while public revenue was 36.7% of GDP.

The transition to e-government continues. This process holds immense potential to reduce administrative costs for both the government and citizens who utilize public services.

Bulgaria has an independent National Audit Office (NAO) that supervises the public budgets of institutions and other public expenditures. The NAO is independent of the executive and reports directly to parliament. The NAO is regarded as a reliable institution that has consistently performed well over the years.

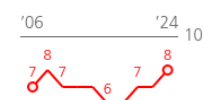
Procedures for hiring public administrators on a competitive basis have been implemented, and they appear to have been successful in providing some institutional stability during the period of dramatic political instability and the unprecedented pace of change in successive parliaments and governments from 2021 to 2022. Bulgaria has a functional and transparent system for determining wages in the public administration, which incorporates a range of criteria, including performance-based ones.

In general, politically motivated appointments and dismissals within the professional administration and in the public sphere have not been practiced for a long time. However, political processes have a strong influence on the dismissal and appointment of individuals in senior management positions. This influence was particularly evident in 2021, when two caretaker governments were in charge. Even though such actions are technically legal, the observed correlation between the frequency with which the managers of administrative structures are replaced and the budgets of these institutions is concerning.

Decentralization was not an important part of the government's agenda in the period under review, despite the fact that Bulgaria has a decentralization strategy (2016 – 2025) that is in its second 10-year period. Bulgaria has transferred the management of numerous services, including education and many social services, to the municipalities. However, even the larger and wealthier municipalities still rely on grants from the central government.

Efficient use of assets

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Policy coordination between different sectors in Bulgaria is implemented by government bodies such as councils or agencies rather than the ministries. However, policy coordination does not occur uniformly and is not equally effective across all policy areas.

The first driver of such activity is Bulgaria's participation in policies and processes driven by the EU. This participation has necessitated the preparation of complex intersectoral strategies and plans, as well as their implementation and monitoring. Bulgaria's Recovery and Resilience Plan is the latest such example; this was developed and continuously modified in a context of high political instability, with the actors involved continually shifting. The Bulgarian experience from 2020 to 2022 demonstrates that when leadership rotates frequently, personal qualities can no longer serve as a driver for the process; rather, established procedures for combining expert input from a variety of agencies remain the only firm anchor.

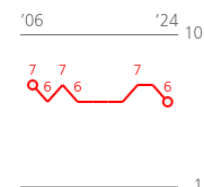
Second, procedures for public consultation that evolved over the 2010s and beyond also appear to contribute to policy coordination. Large-scale consultative processes that cross the boundaries of traditional policy silos have emerged in areas concerning education, skills, employment, the environment and energy, among others.

Much policy implementation still takes place at the ministerial level and is not subject to any form of substantive coordination. However, the state of the environment, the energy sector and energy prices, the volatile international situation, and challenges to the health care system have all demanded continuous change, strategic planning and the revision of existing plans. All of these factors require much deeper coordination.

During the review period, Bulgaria experienced political instability, which led to an unprecedented pace of change in successive governments. In more normal times, a parliament and the government it elects should last for four years until the next parliamentary elections, and the entire institutional setup in Bulgaria is designed for multiannual mandates. In the period under review, Bulgaria had five different governments – two regular and three caretaker governments, most of them with their own different agendas. This situation, which obviously puts considerable strain on horizontal coordination mechanisms, has led to delays in elaborating some important strategic documents, resulting in lost payments from the EU, delays in the discussion and approval of budgets, and other failures.

## Policy coordination

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In 2018, Bulgaria adopted a comprehensive reform of its anti-corruption legislation in an attempt to prevent conflicts of interest, illicit enrichment and corruption. However, the legal changes do not appear to have strengthened the fight against corruption.

A 2020 EC report that marked the end of the implementation of the Cooperation and Verification Mechanism diplomatically invited Bulgaria to continue improving its anti-corruption framework and strive to build a strong reputation for its anti-corruption institutions. Levels of public trust in the fight against corruption have remained low and were likely further undermined by the lack of action from the Prosecutor's Office following some highly visible displays of impunity.

In 2020, Bulgaria acceded to the European Public Prosecutor's Office (EPPO) – which, in principle, should provide additional guarantees for the transparent and efficient spending of EU funds and for the fight against corruption in Bulgaria in general. The first EPPO report said that in 2022, its activity in Bulgaria had gained momentum, with the agency initiating close to 100 investigations based on over 250 reports. The vast majority of these reports were submitted by institutions, with only a few originating from private individuals.

Since September 2022, the Bulgarian authorities have no longer maintained a blacklist of individuals and corporations sanctioned for corruption under the worldwide American “Magnitsky” law. Individuals who were targeted by the Magnitsky law have successfully challenged their inclusion on the blacklist in Bulgarian courts.

A reform of the Anti-Corruption Commission (CACIAF) is envisioned under Bulgaria's Resilience and Recovery Plan. However, the reform's specifics generated substantial disagreement among political parties when they came up for discussion in parliament. Meanwhile, the Anti-Corruption Commission effectively ceased operations in 2022 after the chair and former prosecutor general resigned in January of that year. Specifically, the commission faced accusations of neglecting to report that certain prominent politicians had not submitted the required asset declarations.

The independent National Audit Office (NAO) carries out regular and ad hoc monitoring of key institutions' spending of public money. The auditing process does not focus solely on financial rules and procedures but also encompasses issues of compliance and adherence to a broader set of operational rules related to public procurement and resource efficiency. After the establishment of the Anti-Corruption Commission, it assumed some of the tasks related to the control of conflicts of interest that had previously been carried out by the NAO. Violations of the existing public procurement legislation, as reported by the NAO, typically include issuing contracts without public tenders and producing terms of reference that do not comply with the rules, potentially favoring certain bidders. The NAO is also responsible for conducting follow-up monitoring to check whether recommendations have been implemented. In many cases, according to statements and conclusions from the NAO, as well as external experts and observers, recommendations have not led to any significant reforms or changes in practices.

Anti-corruption  
policy

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Under Bulgarian law, conflicts of interest are considered administrative violations that are subject to a range of sanctions. The responsibility for uncovering conflicts of interest among high-ranking public officials lies with the Anti-Corruption Commission, as outlined in the anti-corruption law. This legislation also contains a list of these officials to be monitored.

Access to information is regulated by a special law that defines the rules and procedures for requesting and obtaining such information. Some NGOs that specifically deal with access to information report that there are still cases in which agencies tacitly refuse to comply with the law without any consequences. However, in general, the amount of publicly available information is increasing as part of an open data policy pursued by a growing number of institutions.

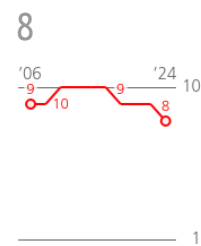
## 16 | Consensus-Building

The degree of agreement between major political parties on democracy as a strategic long-term goal appeared lower in 2022 than in 2020 – not least because existing cleavages were widened by controversies sparked by the war in Ukraine.

The strategic goal of becoming and remaining a part of the circle of developed western democracies had appeared very stable for a long period of time. Although this goal is not yet directly or openly challenged, influential actors have emerged who question some of the main tenets of Bulgaria's strategic orientation. As one example, some have called Bulgaria's NATO membership into question. During the period of political instability, Bulgaria's planned adoption of the euro has been opposed by several political parties that have gained significant parliamentary representation in successive elections. The opponents of euro adoption may be able to initiate a referendum, the outcome of which is uncertain. Neither NATO membership nor the adoption of the euro are essential elements of a democracy per se, but in the current Bulgarian context, they represent important dividing lines that relate to the country's geopolitical orientation. These lines are increasingly aligned with support for or opposition to Western liberal democracy, in contrast to models and examples of autocratic rule.

All major political actors agree on the goal of maintaining a market-based economy but hold diverging positions on the state's role. Bulgaria's membership in the European Union and the common market continues to attract the largest political consensus. By joining the ERM-II in 2020, Bulgaria came one step closer to its aim of joining the eurozone, but at least two political parties represented in the Bulgarian parliament now question this goal or the timing for achieving it. As of the end of 2022, it appeared possible that a referendum on this issue could be called. Revival, a euroskeptic party, announced its intention to collect the necessary number of signatures for a referendum on the adoption of the euro.

Consensus on goals



Euroskeptic parties had a significant presence in Bulgarian parliaments and governments during the 2010s. Among them were the nationalistic party Ataka (Attack); IMRO (Bulgarian National Movement), a nationalistic party with an irredentist background and claims; the National Front for the Salvation of Bulgaria, to the extent that its nationalistic agendas conflicts with common EU policies; and, in some aspects, the Bulgarian Socialist Party, especially in terms of its tacit or even open approval for Putin's Russia. The parties represented in the parliament have changed over time, with the exception of the BSP, which has lost much of its support but has always had parliamentary representation. The general pattern is that these parties tend to lose support after staying in parliament or taking part in coalition governments. Another feature that unites all these parties is a rejection of LGBTQ+ rights that is framed as traditionalism or moral conservatism, which has translated into active opposition to the related international instruments and EU policies.

In addition to euroskeptic tendencies, these parties are characterized by a marked nationalism, as well as xenophobic and homophobic traits. The change in the popularity and electoral success of the various leaders and parties, combined with the retention of basic values and ideas, suggests that they rely on a relatively constant electorate. However, this electorate is not tied by tradition or emotional attachment to a specific leader or political party.

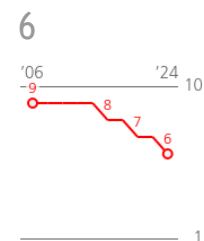
Over the period of political instability that spanned from 2021 to 2022, the Revival party has emerged as the main euroskeptic and anti-liberal political force and is gaining increasing electoral support. Within the Revival party, the nationalist and xenophobic features, while still present, are somewhat less pronounced. At the same time, the influence of ideas and agendas directly inspired by the Kremlin's playbook is very strong.

The Revival party openly supports Russia and opposes the provision of arms to Ukraine. At the end of 2022, the leadership of the party announced its intention to initiate a referendum in which it hopes to tilt the popular vote away from the adoption of the euro.

After a series of repeated parliamentary elections that failed to produce a government, the Revival party does not appear to be a likely member of any ruling coalition for two main reasons: First, openly receiving support from Revival as part of a formal or informal coalition can be highly detrimental to most political parties that have a chance of being elected into parliament. Secondly, Revival's strategy seems to be to remain an anti-systemic opposition party. This approach is likely motivated by the fact that support for previous analogs of Revival consistently collapsed after those parties' involvement in government.

Actors that can sideline overtly anti-democratic and illiberal agendas include democratically oriented reformers, such as newly established political formations (some of which have incorporated some previous ones), including We Continue the Change and Democratic Bulgaria, as well as their main political opponent – the

Anti-democratic actors



GERB party, which ruled almost intermittently throughout the 2010s. However, democratic reformers and the GERB party are bitterly opposed to each other on issues concerning corruption, the structure of the judiciary, and the prosecution of allegedly corrupt practices and mechanisms implemented during the succession of GERB governments.

Until the popular protests that started in the summer of 2020, political elites were generally able to depolarize conflicts, but at the expense of consistency in their actions. Prime Minister Boyko Borissov was known for skillfully maneuvering between different political and economic interests, narratives and values that otherwise appeared irreconcilable. Borissov's government survived until the regular parliamentary elections in 2021, but what followed was a rather divisive and unpredictable political season. Against the backdrop of the pandemic, which caused significant loss of life, Bulgaria entered a prolonged and unprecedented period of snap elections with only one short-lived regular government.

During the pandemic, society proved very vulnerable to disinformation and conspiracy theories. The strong presence of Russian propaganda in Bulgaria also made a significant contribution. The war in Ukraine exposed previously subdued but highly divisive conflicts, making it impossible to build true consensus around important issues such as support for Ukraine, relations with Russia and the threat emanating from Putin's regime. According to some analysts, the cleavage over the response to the Ukraine war is not as deep among political elites as it appears in public. Ultimately, key political parties that publicly opposed providing arms to Ukraine appear to have tacitly accepted it.

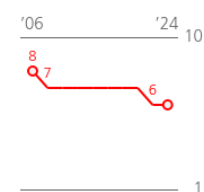
As of the end of 2022, it appears that the conflicts and cleavages are here to stay for some time. None of the current political leaders or parties are able to mitigate the conflicts or mediate between policy agendas that appear very difficult to reconcile.

Public consultation is mandated by law for both the national government and municipalities. Strict rules govern the publication of draft legislation and certain nonlegal policy documents that are produced by the government and intended to gather feedback from interested parties and the general public. This process also includes strategic documents related to the use of EU funds. However, there is no legal requirement for the institutions to accept such feedback or report on the degree to which it has been incorporated into finalized policies. In some cases, the feedback received is contradictory and controversial. For example, discussions on the Istanbul convention and other "culture war" topics have spurred numerous ideologically driven and controversial proposals. Similarly, the discussions on judicial reform exhibit polarization and political motivations.

Involving marginalized groups in public consultation processes remains a challenge, even when their interests are at stake. Public consultation is a field in which stronger and more competent civic groups, and sometimes those in line with powerful vested interests and political agendas, can exert influence or provide further legitimacy to decisions that have already been made.

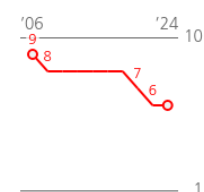
Cleavage /  
conflict  
management

6



Public  
consultation

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No signs of genuine reconciliation exist within Bulgarian society, especially regarding Bulgaria's communist past or the period from World War I to the end of World War II. Victims of the antifascist movement and communism are commemorated separately, evoking conflicting narratives. Occasionally, key political figures make restrained attempts to symbolically acknowledge both, but these efforts remain limited.

The war in Ukraine has widened cleavages in society that stem from the lack of reconciliation focused on the past. The role of Russia in Bulgarian history has proven to be particularly controversial. Those who feel nostalgic about the communist past inexplicably tend to associate it with the imperialist policies of today's Russia.

Interpretations of the past, especially focused on the World War II period, have further exacerbated strained relations with North Macedonia, where the antifascist movement is a significant component in national formation and identity. In Bulgaria, there is no consensus on whether fascism existed locally between the two world wars, or on the nature of the regime that was overthrown with the coming of communism. The unsettled issue of Bulgaria's responsibility for the deportation of 11,434 Jews to the death camps from territories that were under Bulgarian control during World War II has had a destructive impact on relations with North Macedonia.

Perceptions of contemporary Türkiye and the large minority of Bulgarian Turks are also marked by narratives of the past related to Ottoman rule in Bulgaria, which still shape contemporary political platforms and election campaigns.

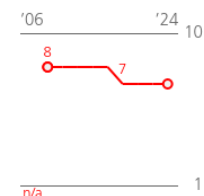
## 17 | International Cooperation

EU funds continued to play an important role in the post-pandemic period. In 2021, Bulgaria received €66 million of additional funding under the REACT-EU instrument intended to mitigate the consequences of the COVID-19 pandemic. EU funds have a significant macroeconomic impact and have contributed to transparency and accountability in the management of public budgets and public procurement. They are the primary source of public investment in innovative practices across various policy areas, particularly regarding employment, education and social policy.

Since the beginning of 2021, Bulgaria has accessed approximately €200 million of EU funding, with expectations of receiving a total of around €7.5 billion for the period through 2027. The Recovery and Resilience Facility is tied to various reforms outlined in the Bulgarian National Recovery and Resilience Plan (NRRP). Disbursement of funds will be based on the satisfactory fulfillment of targets delineated in the plan, which include reforms related to the institutional setup and the rule of law.

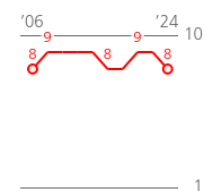
### Reconciliation

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### Effective use of support

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The utilization of EU funds is closely connected to illustrations of how more rigorous audit and control mechanisms can be implemented for public financing. In 2021, a case that garnered significant coverage in Bulgarian media culminated in the European Anti-Fraud Office's (OLAF) identification of manipulated tenders for vehicle procurement within the Ministry of Interior. They recommended the recovery of €6 million by the EU. In 2022, OLAF disclosed further investigations into wastewater treatment projects, revealing irregularities in the tendering process, falsified documents and entire facilities constructed using EU funds that were never put into operation. Following its initial series of investigations, the recently established European Public Prosecutor's Office is expected to make comparable discoveries.

Other international partners, including the World Bank, have significantly downscaled their activities in Bulgaria. These previously had a developmental impact in certain critical policy areas, such as Roma inclusion. World Bank support, specifically through technical assistance and policy reviews, has played a role in driving significant advancements across various sectors.

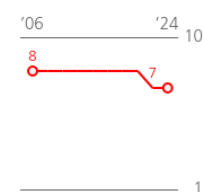
In 2020, Bulgaria was admitted to ERM-II after a long campaign in recognition of the country's very prudent fiscal policy. Upon joining the ERM-II, Bulgaria made commitments to amend its legislation; however, the GERB government failed to pursue these, further undermining Bulgaria's chances to adopt the euro within the planned timeline. Since then, Bulgaria's accession to the eurozone has faced increasing attacks from euroskeptic and pro-Russian circles and political parties. The Bulgarian Socialist Party and the right-wing populist party Revival, which openly promotes a pro-Kremlin agenda, are the most notable opponents and are increasingly aligned on a number of issues. At first glance, the arguments raised against adopting the euro beginning in January 2024 appear pragmatic, focusing on concerns about the economy, trade and inflation, and referencing alleged disagreements within the Governing Council of the Bulgarian National Bank. However, in reality, the debate appears to be shifting more toward mobilizing nationalistic and pro-Russian sentiment with the aim of obstructing Bulgaria's strengthening alignment with the European Union economically, institutionally and in terms of identity.

For a long time, EU leaders saw Bulgarian Prime Minister Borissov as a comfortable and predictable pro-European partner. However, in 2020, anti-corruption protests erupted in Bulgaria and among various Bulgarian communities abroad, calling for the government's resignation and the prosecutor general's removal. Such developments prompted a number of European politicians to distance themselves from Borissov.

Bulgaria's veto on the opening of negotiations for EU membership with North Macedonia largely discredited the country's previous efforts to serve as a mediator in complicated Balkan politics, as well as its professed support for the integration of the Western Balkans into the EU. After continuous pressure from the European Union

Credibility

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and the French presidency of the Council of the European Union, the veto was finally lifted in June 2022 by a decision of parliament. The lifting of the veto was accompanied by a declaration confirming that Bulgaria does not recognize the Macedonian language and insisting that the presence of Bulgarians must be noted in the North Macedonian constitution. Both the veto and the painful process of its conditional lifting seem to have led to further deteriorations in relations with North Macedonia, which were already quite strained even before Bulgaria's veto. Efforts to lift the veto in an atmosphere of strong populist opposition to this move contributed to the fall of Kiril Petkov's government.

Bulgaria has signed more than 60 bilateral treaties on the issue of investment, particularly the settlement of disputes between the state and foreign investors, taxation, and other related matters. Many of these treaties coexist with and supplement foreign-trade agreements between the European Union and the corresponding countries. Additionally, Bulgaria is a party to several multilateral sector-specific treaties. Some analyses indicate that, as a result of these agreements, the Bulgarian state has become the target of a growing number of arbitration claims referred to the relevant bodies under each treaty. Some of these claims are related to abrupt changes in policy, which have put investors who responded to previous incentives in a difficult situation. However, overall, Bulgaria is considered a reliable international partner.

Bulgaria maintains good relations with its two EU neighbors, Romania and Greece. Romania plays a crucial role in Bulgaria's road freight transport and the development of transport infrastructure on both sides of the Danube. The accession of both countries to the European Union has greatly facilitated this process. Additionally, following the commencement of the war in Ukraine and the cessation of gas supply by the Russian company Gazprom, Greece has become a strategically important hub for gas supplies. Specifically, Greece provides access to its liquefied gas terminals.

Bulgaria's veto on North Macedonia's EU accession also effectively delayed accession negotiations for Albania until July 2022 and undermined Bulgaria's position with regard to regional cooperation more generally. The motives for the veto stemmed from nationalism, outdated understandings of history and the incomprehensibility of national identities to the international community. As a result, Bulgaria faced increased international pressure.

Although the veto over North Macedonia was lifted, some analysts say it is still implicitly in place. Bulgaria's demands for the adoption of changes in the North Macedonian constitution that acknowledge the presence of ethnic Bulgarians in the country became an EU condition for Skopje to move forward to the negotiation stage. This condition may prove very difficult to meet.

After the start of the war in Ukraine and Russia's cutoff of gas supplies to Bulgaria, Bulgaria's investment in strategic energy projects – such as connecting its gas network with Serbia to import Russian gas through the TurkStream pipeline – appeared less promising. However, Bulgaria did not impede gas supplies to other countries via the TurkStream conduit, despite its disagreement with Gazprom.

#### Regional cooperation

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At the initial stage of Russia's war against Ukraine, Bulgaria joined the ranks of the most restrained and cautious European Union countries and North Atlantic Treaty Organization allies, refusing to send even nonlethal and protective military equipment. The reason for this was primarily the complex architecture of a coalition government that included the BSP, whose base of support traditionally nurtures strong sympathies for Russia that are firmly grounded in history. In 2022, journalistic investigations in the international media revealed that, in fact, Bulgaria had sold large quantities of ammunition and fuel to intermediaries, who then shipped them to Ukraine, bypassing a parliamentary decision. This support was considered crucial in the first phase of the war.

## Strategic Outlook

Bulgaria emerged from the pandemic with good prospects for economic recovery, but with one of the world's highest death rates from COVID-19. In 2021, the country entered an unprecedented series of snap parliamentary elections: after the regular elections early in 2021, which failed to produce a regular government, two snap elections followed in 2021, and then another in 2022 after the fall of Kiril Petkov's government, which stayed in power for only six months. Snap elections were expected again in the first quarter of 2023. For most of 2021/2022, Bulgaria had caretaker governments appointed by President Rumen Radev. Further elections in 2023 were seen as possible, and meanwhile, Bulgaria was being run by governments appointed by President Radev, raising concerns about the concentration of power in the hands of one person.

The reasons for political instability stem not from the structure of the political system but from the divisions in society. Political parties represented in parliament are not able to form a government without making coalitions with political opponents, which are unacceptable to a large majority of their voters. Building such coalitions would involve a compromise that erodes voter trust.

Problems with the rule of law, corruption and institutional integrity were at the root of popular street protests that propelled several newly established political parties with significant electoral support into successive parliaments. The need for comprehensive judicial reform and accountability for those who may have exploited high government positions remains a contentious matter. However, this issue was overshadowed by the emergence of new rifts caused by Russia's aggression in Ukraine, which created new fault lines that cut across potential ruling coalitions.

After the start of the war in Ukraine, Kiril Petkov's government decisively cut relations with Gazprom. This necessary and justified move came against the backdrop of already-rising prices for electricity – a development that made it urgent to look for new sources of energy supplies and raised the risk of a dramatic increase in energy poverty.

Bulgaria still needs to address the long-term demographic challenges of an aging population combined with shortages of human capital. The pandemic laid bare deep structural problems in Bulgaria's health care system, which have been known for years but remained unaddressed, including the unbalanced distribution of resources, shortages of key medical staff and uneven access.

The war in Ukraine has added further uncertainty to the political instability, requiring a reformulation of the strategic challenges. The new economic and political situation calls for some reprioritization. The country must now:

1. Address the challenges raised by the war in Ukraine, specifically those related to energy security and energy poverty.
2. Remain aligned with the common EU response to Russia's invasion of Ukraine.
3. Confirm commitments to forward-looking EU policies regarding climate change and the green transition.
4. Enhance health care and education, as both remain persistent challenges.
5. Restore a sense of justice in society by tackling corruption and improving the functioning of the judiciary, particularly the prosecution services.