



Bulgaria Country Strategy 2025-2030

Approved by the Board of Directors on 29 May 2025



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		FDI Foreign Direct Investment	RSF Risk Sharing Facility
		FI Financial Institution	SEE South-Eastern Europe
		GCAP Green City Action Plan	SESA Strategic Environmental and Social Assessment
		GDP Gross Domestic Product	SME Small and Medium sized Enterprise
		GHG Greenhouse Gas	SOE State-Owned Enterprise
		GVC Global Value Chain	TC Technical Cooperation
		HPP Hydropower Plant	TES Total energy supply
		ICA Industry, Commerce & Agribusiness	TVET Technical and Vocational Education and Training
		ICT Information and communication Technology	TFP Trade Finance Programme
		IEA International Energy Agency	WB World Bank
		IFC International Finance Corporation	WEO World Economic Outlook
		IFI International Financial Institution	WIB Women in Business Programme
		ILO International Labour Organisation	YIB Youth in Business Programme
		IMF International Monetary Fund	

Bulgaria's commitment to and application of principles set out in Article 1 continued over the period since the previous Country Strategy. The country has made further progress in certain areas of democratic reform, including the rule of law. In 2023, the European Commission (EC) formally closed the Cooperation and Verification Mechanism (CVM), which had been established when Bulgaria joined the EU in 2007 to help it address the shortcomings in the areas of judicial reform and anti-corruption. Despite progress, some challenges remain as regards policy implementation amidst recent political volatility and frequent early general elections.

Since the global financial crisis, Bulgaria's economy has grown moderately, driven mainly by private consumption, supported by rising incomes and a tightening labour market. While EU funding is available, these resources are not fully leveraged to further boost productivity, resulting in low investment rate and persistent infrastructure gaps. Bulgaria also lags regional peers in economic complexity, reflecting a less developed export base, despite a competitive tax regime and a growing ICT sector. Matching income growth with more productive investments would ensure a more sustainable growth model in the long-term.

Governance has improved since the EU accession, but gaps remain, particularly among corporates and SOEs. Bulgaria faces pressure to decarbonise its energy-intensive economy, including through renewable energy investments, and is currently lagging in meeting EU targets. Labour market inclusion has improved, but significant challenges persist, such as high youth unemployment, skills gaps and regional disparities. The economy's resilience has strengthened, particularly in energy security and the financial sector, though capital markets remain underdeveloped. Trade and value chain integration have stagnated, with further progress depending on infrastructure upgrades and improved regional connectivity. As of 1 January 2025, Bulgaria has joined the Schengen Area and is aiming to join the Eurozone and complete OECD accession process in the coming years.

Given Bulgaria's transition challenges, the EBRD is well-positioned to support growth-enhancing reforms, and help strengthen economic competitiveness, inclusion, and innovation. Key to these efforts will be the implementation of the National Recovery and Resilience Plan (NRRP), which can be leveraged to advance administrative and judicial reforms, promote the green and digital agenda, and improve absorption of EU funds. The EBRD will also support decarbonisation efforts and aim to reduce Bulgaria's climate vulnerability. Over the next Country Strategy period, the Bank will equally maintain its focus on supporting sustainable infrastructure, boosting the competitiveness of domestic companies, both locally and internationally, and supporting economic resilience through improved regional connectivity, financial sector resilience, and diversification. Therefore, the following strategic priorities will guide the EBRD's engagement in Bulgaria from 2025 to 2030:

1. Accelerate Bulgaria's Green Economy Transition
2. Enhance Competitiveness by Deepening Financial Intermediation, Enhancing Value Chains, and Promoting Innovation
3. Increase Economic Resilience

Bulgaria– EBRD Snapshot

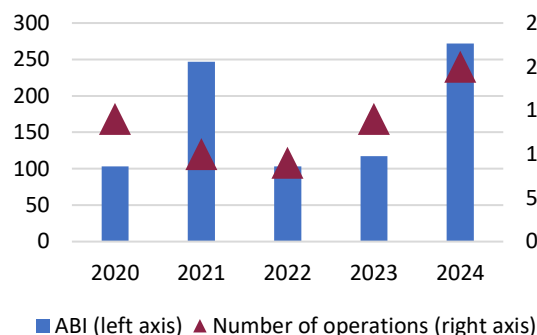


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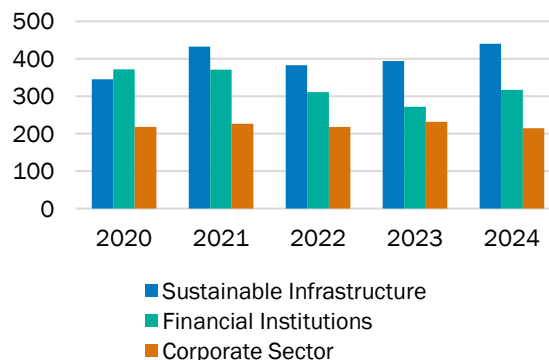
EBRD investment activities in Bulgaria (as of April 2025)

Portfolio	€961m	Active projects	83
Equity share	25%	Operating assets	€643m
Private Sector Share ¹	96.9%	Net cum. investment	€4,762m

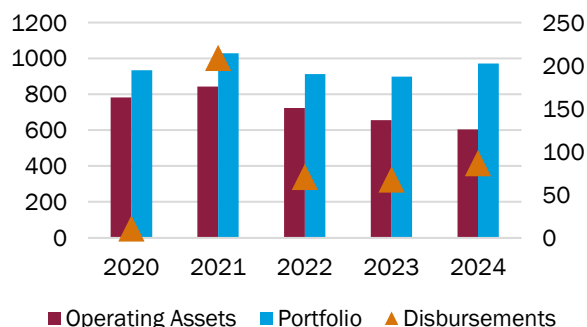
ABI and operations



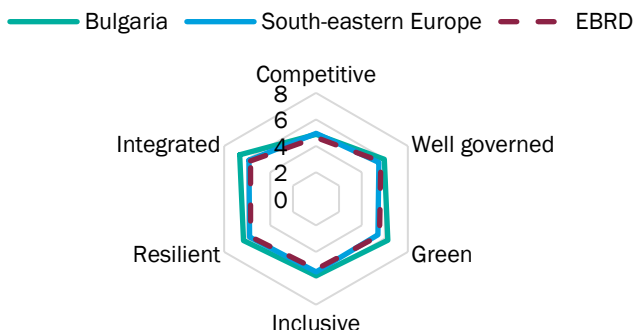
Portfolio composition



Portfolio dynamics



Transition Gaps²



Bulgaria context figures

	Bulgaria	Comparators
Population (million) ³ (2022)	6.4	Hungary (9.7) Romania (19.0) Croatia (3.9)
GDP per capita (PPP, USD) ³ (2023)	33,976	Hungary (43,567) Romania (40,839) Croatia (43,233)
New Business Density ⁴ (New registrations per 1,000 population, 2022)	9.7	Hungary (4.3) Romania (9.2) Croatia (6.2)
Unemployment (%) ⁵ (2023)	4.3	Hungary (4.1) Romania (5.6) Croatia (6.1)
Youth unemployment (%) ⁵ (2023)	12.0	Hungary (12.8) Romania (21.3) Croatia (19.2)
Female labour force participation (%) ⁵ (2022)	50.6	Hungary (53.6) Romania (42.0) Croatia (46.8)
Energy intensity TES/GDP (GJ/2015 \$) ⁶ (2021)	5.1	Hungary (3.6) Romania (2.7) Croatia (3.1)
Emission intensity/GDP (kgCO ₂ /2015 \$) (2020) ⁶	2.5	Hungary (1.4) Romania (1.3) Croatia (1.3)

1 Cumulative Bank Investment: 5 year rolling basis on portfolio; 2 Cf. EBRD Transition Report 2023-2024; 3 IMF WEO; 4 WB Entrepreneurship Survey and database; 5 ILO; 6 IEA

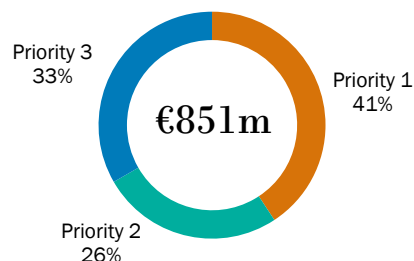


1. Implementation of Previous Strategy (2020-2025)

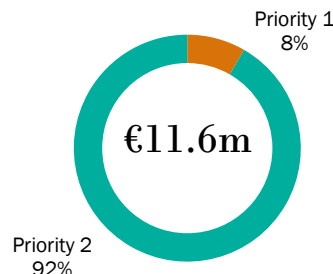
1.1. Key Transition Results Achieved during Previous Strategy (1/2)

Strategic Alignment 2020-2025

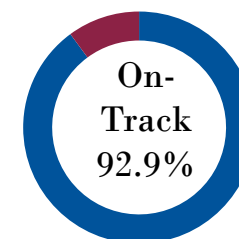
Annual Business Investment (ABI)¹



Technical assistance and investment grants



Transition impact performance²



Priority 1

Support Competitiveness by Improving Governance, Enhancing Value Chains, Promoting Knowledge Economy, and Assisting Adaptation to Demographic Challenges

Key quantitative results

Key transition results

Results indicators

2020-2024

Number of people enhancing skills as a result of training

50

Number of suppliers/business partners added to value chains, or improving quality or standards

1

Number of clients introducing innovative/new technology

3

- Provided technical assistance to the Bulgarian Stock Exchange (BSE) to develop the local capital market and to the Ministry of Innovation and Growth to facilitate SME access to capital market funding.
- Supported the expansion of domestic firms, including Dreyfus, SofiaMed, Bella Group, and MaxCom, by offering loans and trade finance and fostering technology transfers.
- Supported ICT companies through targeted equity investments:
 - Provided €4.5m in equity to Alcatraz, a software company developing physical access control platforms based on facial authentication, to expand their operations and sales in Bulgaria, EU and USA.
 - Provided €7m in equity to Ontotext, a leading Bulgarian software firm focused on text and data analytics, to drive new product development and international growth.
 - Supported innovative start-ups through the Star Venture programme.
- Addressed skills gaps by partnering with Electrohold and AES to offer courses on green skills. Additionally, supported the workforce integration of Ukrainian refugees by providing IT and language training.
- Supported innovation capacity of local companies through advisory. In 2023, around 30% of advisory services focused on innovation, while 31% increased digitalisation.

1. The chart includes investments signed from 15 January 2020, date of approval of the previous Country Strategy.

2. Transition impact performance reflects how likely projects are to achieve the transition impact expected of them at signing. Calculated based on active mature (> 2 years) portfolio



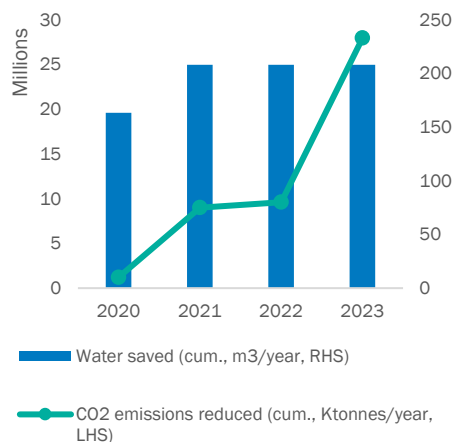
1. Implementation of Previous Strategy (2020-2025)

1.1. Key Transition Results Achieved during Previous Strategy (2/2)

Priority 2

Support Sustainable Infrastructure Development Through Regional Connectivity, Green Municipal Solutions, Decarbonisation And Resource Efficiency

Key quantitative results



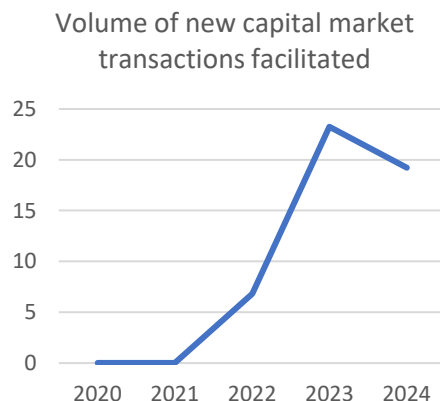
Key transition results

- Co-financed the Sofia airport concession with commercial banks and IFIs by providing a €57m loan. Provided €74.3m in indirect equity stake in SOF Connect, a company managing Sofia airport.
- Launched and approved Green City Action Plans in Varna and Sofia.
- Provided a €60m loan to Eurohold in 2021 to finance the acquisition, modernisation and digitalisation of energy distributor CEZ Bulgaria, and in 2024, supported the refinancing and follow-on €15 million capex facility to finance the installation of additional smart meters.
- Supported the expansion of renewable energy by providing €16.4m financing for the Saint Nikola wind farm, a €16m loan to VEZ Svoghe, a mini hydropower plant operator, and supporting, through RSF guarantees, a €55m loan to Energy for 120 MW of solar PV capacity and a €30m working capital loan to Solarpro a regional PV EPC contractor. Financed a 237 MW merchant solar plant, backed by InvestEU guarantees.
- Promoted water infrastructure improvements by partnering with operators in five cities and committing €34m under the ESIF Water to identify and prioritise EE measures for a selected number of regional water utilities.
- Supported the creation of a regional energy market post-trading framework, supporting the regional integration of organised energy markets in SEE. Supported renewables plus BESS tenders under the RRF.

Priority 3

Strengthen Resilience Of Financial Intermediation

Key quantitative results



Key transition results

- Completed technical assistance for a Capital Markets Development study funded by DG Reform.
- Provided unfunded guarantees under RSF to support the capital and risk management of key PFIs, including UniCredit and DSK facilitating increased financing for corporate clients in Bulgaria.
- Provided €30m in equity to Euro Insurance Group to expand their operations in the Central European market, improving their capital base and strengthening their corporate governance.
- Supported non-bank financing by providing technical assistance in the development and adoption of a legal and regulatory framework for covered bond legislation.
- Provided €30m green loan to Procredit Bank to strengthen SME resilience and facilitate adoption of green technology and renewable energy in Bulgaria and Greece.
- Provided funding to regional private equity funds, such as BlackPeak Capital, 500 Istanbul Fund, AMC Fund V, or GapMinder Fund II to support the development of early stage and growth companies.
- Participated in a €157 million regional bond issuance of an MREL instrument for OTP, with €31 million specifically allocated to Bulgaria, supporting a diverse range of financial instruments.



1. Implementation of Previous Strategy (2020-2025)

1.2. Challenges to Implementation and Key Lessons

Context for implementation

Bulgaria's living standards continued converging towards EU average levels in recent years. However, reform progress has been uneven. Bulgaria's economy faces significant demographic challenges, including increasing labour shortages, and widening inequality. Attracting and retaining qualified labour by creating economic opportunities for young people, women, and people in less advanced regions will continue to be a key issue in the upcoming strategy period. Political instability continues to pose a significant threat to businesses because it hampers key structural reforms and leads to substantial delays in large public sector projects while also restricting private participation in certain sectors. The aftermath of Covid-19 and Russia's invasion of Ukraine has further exacerbated these issues, particularly affecting micro, small, and medium enterprises (MSMEs) that are especially vulnerable to supply chain disruptions and tightened access to finance. Bulgaria initially experienced a significant influx of Ukrainian refugees; however, most did not remain in the country. The tourism sector has similarly suffered due to the war, coupled with rising energy prices. Energy markets volatility has spurred advancements in energy resilience, leading to the establishment of several new electricity and gas interconnections with neighbouring countries. Moreover, the implementation of the National Recovery and Resilience Plan (NRRP), despite delays, continues to present a unique opportunity for Bulgaria to strengthen its legislative framework and enhance public administration capacity while advancing its digital and green transitions. Since 1991, the EBRD has invested over €4.5 billion in Bulgaria across 297 projects.

Implementation challenges

- Frequent changes in government stakeholders led to a gap in the licensing and permitting processes for major private energy and infrastructure projects, causing delays in several key EBRD initiatives and preventing private sector involvement.
- Excess liquidity in the banking sector can diminish the EBRD's additionality and demand for innovative financial products.
- Political instability and market volatility delayed many large-scale capacity expansion investments.
- There are risks of under-utilisation of the EU RRF programme given the delay in reform implementation and institutional capacity.

Key lessons & way forward

- In times of political instability, prioritise private sector projects and seek co-investment opportunities in initiatives aligned with Bulgaria's Recovery and Resilience Plan (RRP) and other ongoing EU programs. Additionally, explore leveraging InvestEU instruments and enhancing project financing
- Continue pursuing opportunities for non-loan instruments such as bonds, mezzanine financing, and equity investments. Maintain a strong focus on projects where the EBRD demonstrates significant additionality.
- Seek dialogue with authorities, private sector, donors and IFIs to address increased external vulnerabilities.
- Co-invest with the private sector in projects included in Bulgaria's RRF. Focus on opportunities where EBRD can act as driver and/or provide policy support.

2. Economic Context

2.1. Macroeconomic Context and Outlook for Strategy Period

Bulgaria – Main Macroeconomic Indicators

	2021	2022	2023	2024	2025f
GDP growth (% y-o-y)	7.8	4.0	1.9	2.8	2.8
CPI inflation (% avg.)	2.8	13.0	8.6	2.6	3.7
Government balance (% of GDP)	-4.0	-3.0	-2.0	-3.0	-3.0
General government gross debt (% of GDP)	23.8	22.5	22.9	24.1	28.9
Current account balance (% of GDP)	-1.1	-2.7	-0.9	-1.8	-2.4
Net FDI (% of GDP) [minus indicates inflow]	-1.6	-4.1	-4.2	-2.2	n.a.
External debt (% of GDP)	57.7	50.3	47.5	47.4	n.a.
Gross reserves (% of GDP)	48.5	44.6	44.3	40.5	n.a.
Unemployment rate (%)	5.2	4.2	4.3	4.2	4.1
Nominal GDP (\$bn)	84.2	90.1	102.4	112.2	117.8

Source: National authorities, Eurostat, IMF

The post-Covid recovery has been stronger than in most regional peers, supporting convergence. Prior to the Covid-19 crisis, growth had been robust but close to the lower end of performance among EU-11. Since 2021, growth was among the highest in the region, mainly supported by private consumption. After two years of double-digit growth post-Covid, exports dropped in 2023 and remained weak in 2024, as Bulgaria benefited from the surge in commodity prices while being a net exporter of electricity during the energy crisis.

Strong wage growth cushioned demand despite strong inflation. The war in Ukraine exacerbated the rebounding inflation post-Covid, particularly through a surge in food prices. Nevertheless, the negative impact on income was offset by strong wage growth in the private sector and several wage hikes in the public sector in 2021, 2023 and 2024. Following the minimum wage increase of almost 20 per cent in 2024, real wage surged by 13 per cent. Inflation has been on a downward path and averaged 2.6 per cent in 2024, marginally close to the inflation target for euro adoption.

Fiscal policy has historically been very disciplined, but a more expansionary regime was noted post Covid-19. Running a currency board since 1997, Bulgaria has had a culture of fiscal discipline over the past decades, which allowed public debt levels to remain at very low levels. After the Covid-19 crisis, governments, most of them in caretaker stance, adopted expansionary fiscal stances through tax and VAT cuts and permanent hikes on social spending, while investment disappointed. The proposed 2025 budget is again built on strong revenue increases.

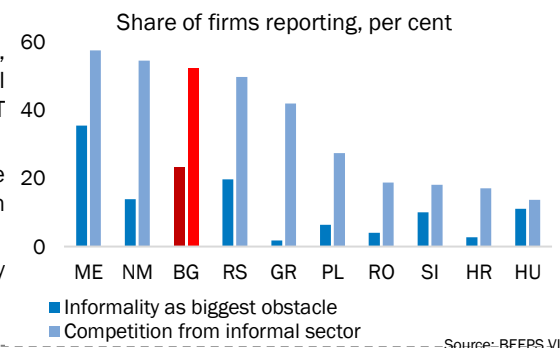
Growth should remain robust supported by domestic demand. In the short term, supportive fiscal policy will contribute to robust private consumption and thus growth, while foreign demand remains uncertain. Should the inflation and fiscal targets be met in 2025, Bulgaria will likely join the Eurozone in 2026, further unlocking growth opportunities. In the medium-term, investment needs to better target the structural challenges of the economy to raise potential growth above 3 per cent.

2. Economic Context

2.2 Key Transition Challenges (I/II)

Competitive

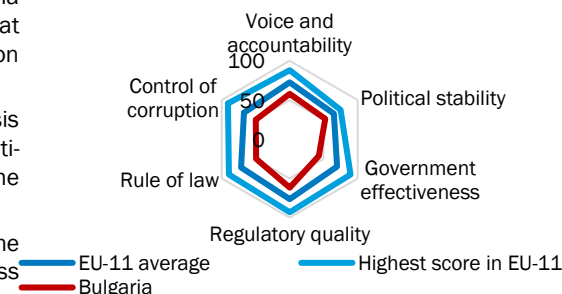
- **The complexity of the export basket has not increased.** Despite decent integration in global value chains, most of Bulgaria's exports remain concentrated in low value-added products, such as agricultural commodities, metals, and minerals, which have recorded decent growth rates in recent years. Nevertheless, IT services remain the main export category.
- **Despite a booming IT and start-up scene, digital transformation across the economy remains weak.** While the boom of IT services supported the creation of a local start-up ecosystem, only 28 per cent of Bulgarian SMEs report a basic level of digital intensity, higher only than Romania.
- **Informality remains an issue for the private sector.** According to various estimates, the informal economy remains relatively large in Bulgaria. This creates unfair competition to firms, as reported by the BEEPS survey.



Well-governed

- **SOE corporate governance needs better enforcement.** As part of eurozone and OECD accession, Bulgaria improved its legislative framework for SOEs. However, enforcement remains weak, as the agency that supervises SOEs has limited capacity, while a small share of SOEs have went through a competitive selection of board members.
- **Political instability has affected judicial reform and government effectiveness.** In a state of political crisis since 2021, Bulgaria's multiple governments had various attempts at reforming the judiciary and anti-corruption institutions but to limited avail. Frequent cabinet changes affected the general capacity of the government to implement reforms, including the RRF.
- **Anti-money laundering framework needs further strengthening.** Following the entry in the grey list of the Financial Action Task Force in October 2023, Bulgaria made some progress by May 2024 but is yet to address all recommendations.

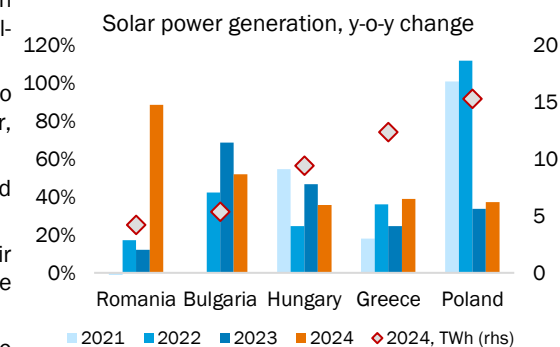
Worldwide Governance Indicators, 2023



Source: World Bank

Green

- **Energy intensity is one of the highest in the EU.** Bulgaria's economy remains very energy-intensive, given share of heavy industry and limited energy efficiency. Together with the relatively large share of fossil fuel-based generation, carbon intensity is also very high.
- **Bulgaria is experiencing a surge in solar capacity, but complementary measures are needed.** Compared to the same period in 2021, solar power generation was more than 2.2 times higher so far in 2024. However, reliance on solar will require higher investment in the grid and storage.
- **Just transition away from coal is a significant challenge.** Although coal-based generation is gradually priced out of the market, the transition away from coal poses social and political issues.
- **Energy poverty is the highest in the EU.** Households are already struggling to adequately heat and cool their homes. In 2024, Bulgaria's wholesale spot prices for electricity were among the highest in the EU. The parliament has cancelled the electricity retail market liberalisation planned for 2025.
- **Climate adaptation interventions are urgent.** Despite strengthening the strategic framework, Bulgaria is yet to implement measures against, among other, more frequent extreme weather events



Source: Ember climate

2. Economic Context

2.2 Key Transition Challenges (II/II)

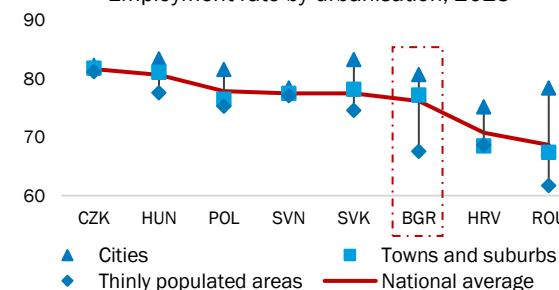


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Inclusive

- **Skills gaps pose significant challenges to private sector growth.** A combination of ageing population, immigration and poor educational outcomes have tightened the availability of skills and labour, in general. Reflected by dropping unemployment and vacancy rates, the private sector is facing increasing shortages, although adult learning participation is the lowest in the region.
- **Regional development gaps exacerbate labour market issues.** Although at national level, employment rates are comparable to key peers, the gap between rural and urban areas is the second highest in the region after Romania. This reflects wider developmental gaps between cities and rural areas in Bulgaria.
- **Gender inclusion gaps persist but are not excessive.** The gender gap in employment rates as well as the pay gap has persisted in recent years but is lower than the EU average. However, minorities, particularly Roma population, continue to face much higher poverty rates.

Employment rate by urbanisation, 2023

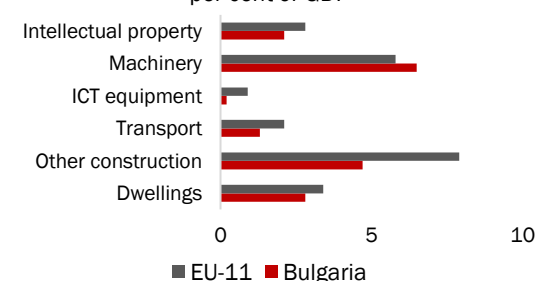


Source: BEEPS VI

Integrated

- **Global value chain integration is decent but has stagnated in recent years.** Bulgaria has historically benefited from increased trade with the EU, including through global value chain (GVC) integration which is similar to peers. However, integration has not deepened since the global financial crisis, while the EU accounts for a relatively lower share of GVC links.
- **Infrastructure investment has lagged peers in recent years.** As reflected by investment data in recent years, Bulgaria has lagged peers when it comes to investment in infrastructure, which includes green transport. This corroborates the relatively low public investment, which has not been sufficient in addressing the regional and infrastructure gaps.
- **The internationalisation of Bulgarian firms and investment remains modest.** While foreign direct investment inflows have been historically strong, the outward FDI stock of 3.9 per cent of GDP is the second lowest among EU-11 peers, reflecting the limited foreign expansion of firms.

Investment by asset type, 2019-23 average, per cent of GDP

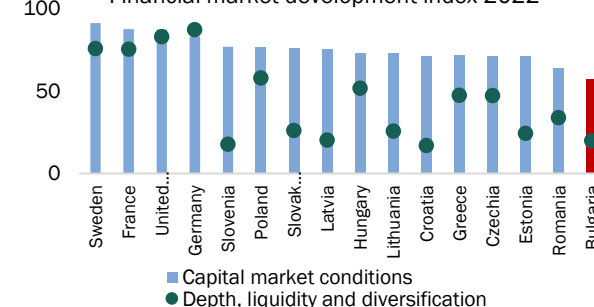


Source: World Bank

Resilient

- **Energy integration improved but key market reforms are yet to be complete.** The energy crisis accelerated the planned and ongoing projects, such as the gas interconnectors with Greece and Serbia, and the electricity line with Greece, with Bulgaria aiming to become a key regional energy hub. Still, the government is yet to fully liberalise the market and phase out regulated tariffs.
- **Banking sector dominates the financial sector amid significant liquidity.** Bulgaria's banking sector is among the largest in the region as a share of GDP, with a higher share of assets accounted by firms than key peers. Eurozone accession should again unlock significant liquidity.
- **The capital market remains largely dormant.** According to EBRD assessments, Bulgaria's capital market development performs weakly both from an outcome and conditions context. Both supply and demand in the local market remains modest.

Financial market development index 2022



Source: EBRD

3. Government Priorities and Stakeholder Engagement

3.1 Government Reform Priorities

- The **National Development Programme BULGARIA 2030** is the overarching strategic document guiding Bulgaria's development policies across all government sectors, including their territorial dimensions. It outlines three strategic goals: (i) accelerated economic development, (ii) demographic upswing and (iii) reduction of inequalities.
- The **RRP** aims to support economic and social recovery from the COVID-19 crisis by implementing reforms that restore growth potential and enhance resilience to external shocks with the support of the EU (€5.6bn in grants). It also sets the foundation for green and digital transformation, aligned with the Green Deal's objectives and the long-term goal of economic convergence with the European average.
- According to the **National Energy and Climate Plan (NECP)**, Bulgaria is expected to reach by 2030 a 34.48% share of renewable energy in its gross final energy consumption. For the electricity sector this share is 55.51%. In its NRRP, Bulgaria also committed to phasing out coal by 2038.
- **Bulgaria's Strategy and Action Plan for a circular economy 2022–2027** focuses on achieving resource efficiency through better waste management. Key goals include preventing waste, promoting recycling and reuse, reducing landfill use, and minimising environmental and health impacts.
- Bulgaria's **"Digital Transformation Strategy 2020-2030"** includes six objectives: secure digital infrastructure, digital skills, research and innovation, data potential, and digitalisation for a low-carbon economy. The strategy covers 17 focus areas, including infrastructure, cybersecurity, R&D, digital economy, energy, climate, and digital governance.
- The **National Strategy for Poverty Reduction and Social Inclusion 2030** outlines Bulgaria's long-term vision, goals, and measures for addressing poverty and social exclusion. The key objective is to reduce the number of people at risk of poverty or social exclusion by 787,000 by 2030.
- The **National employment strategy 2021-30** includes active measures, among others, for employees, employers, and learners. It aims to improve the quality of TVET provision and to increase adult participation in lifelong learning. Its quantitative targets will be monitored through indicators compatible with the relevant EU policy framework.

3.2 EBRD Reform Areas Broadly Agreed with Authorities

- Decarbonising the energy-intensive Bulgarian economy and accelerating the adoption of renewable energy sources, with a strong focus on grid strengthening and advancing energy efficiency solutions.
- Enhancing private sector competitiveness, expanding access to finance, and strengthening regional stock market cooperation to drive sustainable economic growth and financial integration.
- Improving connectivity and reducing regional disparities to unlock economic opportunities, with a particular focus on economic diversification in just transition regions.

3.3 Key Messages from Civil Society to EBRD

- CSOs highlighted that green transition of the country can be accelerated through (i) scaling up green investments in energy efficiency, (ii) improving the financial system, (iii) policy and regulatory reforms and (iv) standardisation of ESG-related reporting for the industry.
- Civil society in Bulgaria underlined the need for further enhancing transparency and accountability of governance system to tackle systemic issues related to corruption in the country, as well as to improve access and the independence of the judiciary.
- CSOs moreover underlined the main challenges for the social and economic inclusion of local communities and vulnerable groups in Bulgaria (particularly Roma and women) and called for their increased access to the labour market, as well as opportunities for the up-skilling of employees with support from the government.

4. Defining Bulgaria Country Strategy Priorities



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What needs to change? (Country Diagnostic)	Can it be changed? (Political Economy)	What can the Bank do? (Institutional Capabilities)	Strategic Priorities (2025-2030)	What We Want to see in 2030
<ul style="list-style-type: none"> Bulgaria is among the EU's most energy- and carbon-intensive economies, driven by its energy supply structure and low investment in energy efficiency. In 2022, 47% of CO2 emissions came from the energy sector, with coal accounting for 28.9% of energy production, ranking Bulgaria third highest in the EU. Energy poverty remains significant, with nearly 25% of households struggling to maintain adequate warmth in their homes—the highest rate in the EU. Performance in the waste management sector needs to improve in line with EU commitments. 	<ul style="list-style-type: none"> Bulgaria has aligned its climate policies with EU targets, adopting the 2022 Long-Term Climate Strategy and submitting its updated NECP in January 2025. Renewable investments are rising, bringing more private sector participation as the country committed to phasing out coal power by 2038. In 2023, the EC approved a €1.2bn Just Transition Fund to reskill 15,000 workers in affected regions. Bulgaria also launched a Strategy and Action Plan for a circular economy (2022–2027) to boost resource efficiency. 	<ul style="list-style-type: none"> Expertise in supporting RES projects and addressing EE/RE demand through traditional and innovative financing, advising on green technologies/practices, and supporting energy efficiency. Policy dialogue, financing and advisory for climate resilience and decarbonisation. Specialised inclusion and climate advisory to assist Just Transition-related initiatives and proven track record of JT investments. Leveraging intermediary financing for greening housing and transport sectors. Track record in developing sustainable infrastructure via dedicated frameworks (e.g., GEFFs, Green Cities, ESIF Water Framework). 	Accelerating Bulgaria's Green Economy Transition	<ul style="list-style-type: none"> Increased Renewable Energy Capacity and Support for the Green Energy Transition Decarbonisation of the Economy Green, Sustainable, and Inclusive Infrastructure
<ul style="list-style-type: none"> Business dynamism is reduced by the availability of skilled staff and the private sector's limited Innovation capacity. Judicial and economic governance reforms are yet to be implemented Despite recent progress to reduce the grey economy, informality remains widespread at around 20% of GDP, posing compliance risks in some sectors and contributing to the VAT gap. Bulgaria has the lowest market funding ratio in the EU, reflecting the limited role of capital markets compared to bank finance. 	<ul style="list-style-type: none"> The implementation of the NRRP offers a chance to leverage EU funding for judicial reforms and digitalisation. According to the 2023 European Innovation Scoreboard, Bulgaria has made strong progress since 2022, following a period of stagnation, and the startup scene has flourished. Adopting EU Directives (e.g., ECN+) and strengthening the Commission for the Protection of Competition should enhance state oversight of uncompetitive practices. 	<ul style="list-style-type: none"> Proven record in offering customised financing solutions and advice to boost companies' growth and competitiveness. EBRD is the largest institutional investor in PE and DCM in the region. EBRD's Digital Approach provides a new framework for boosting digital transition. Experience to support capital market development through policy advisory and innovative financial instruments. Supporting Bulgaria in accessing EU special funds for innovation and competitiveness. 	Enhancing Competitiveness by Deepening Financial Intermediation, Enhancing Value Chains, and Promoting Innovation	<ul style="list-style-type: none"> Deeper Financial Intermediation and Development of Capital Markets Enhanced Competitiveness, value added, and innovation capacity of the private sector
<ul style="list-style-type: none"> Total capital formation averaged 17.7% of GDP over the last five years, nearly 5 p.p. below EU11 average, due to significantly lower infrastructure investment. Road transport infrastructure is still inadequate. Rail infrastructure needs significant upgrades. Many key investment projects are jeopardised because of delay in the RRP reforms and implementation. Bulgaria has large and growing regional disparities between the capital and the rest of the country 	<ul style="list-style-type: none"> Schengen entry is set to enhance integration by reducing transaction costs, but greater value-adding activities will depend on improved connectivity and infrastructure. The war in Ukraine has accelerated energy connectivity projects, positioning Bulgaria as a key transit country. Regulatory ratios have improved, with improving capital adequacy and liquidity coverage ratios, declining NPLs, and a well-regulated financial system in preparation for Eurozone membership. 	<ul style="list-style-type: none"> Support the resilience of financial institutions EBRD regional investments can support connectivity, including regional networks and intra-modal logistics, and promote market reform. Strong track record in coupling investments and advisory to support higher corporate governance standards, including in SOEs Facilitate more efficient and reliable telecommunications, electricity and other network infrastructure Strengthen economic inclusion and access to opportunities via financing and market relevant skill development. 	Increasing Economic Resilience	<ul style="list-style-type: none"> A More Resilient, Inclusive and Diversified Economy Improved Integration, Reduced Regional Disparities, and Enhanced Human Capital

5. Activities and Results Framework (1/3)



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Priority 1: Accelerating Bulgaria's Green Economy Transition

Key Objectives	Activities	Tracking Indicators (Outcomes)
Increased Renewable Energy Capacity and Support for the Green Energy Transition	<ul style="list-style-type: none"> Support investment in RES and balancing capacity, including storage solutions employing a variety of instruments supporting green transition (equity, debt, guarantees, and bonds). Leverage InvestEU guarantees and co-finance projects, including NRRP grants, to support green investments in energy generation, energy efficiency and infrastructure. Finance expansion of electricity networks to integrate renewable sources, improve regional connectivity, increase energy efficiency and support grid modernisation, digitalisation and employment of women in the energy sector. Explore opportunities for the production, distribution, storage and supply of green/low-carbon fuels, including hydrogen and biofuels, and utilisation and integration of renewable sources in district heating. Support market reform and development of gas and electricity markets via policy engagement and capacity building, including with respect to balancing electricity markets and biomethane markets. 	<ul style="list-style-type: none"> Renewable Energy capacity installed (MW) Volume of climate co-finance continued alongside EBRD finance
Decarbonisation of the Economy	<ul style="list-style-type: none"> Finance low carbon and climate resilient transition, including improved energy efficiency, across sectors including hard to abate sectors, also with a view to supporting climate corporate governance. Promote green transition and digitalisation in the agriculture and property sectors, across commercial, residential and hospitality, urban regeneration and brownfield redevelopment. Promote direct and intermediated impact financing instruments (bonds, loans or risk sharing) and advisory linked to sustainability, environmental, social and governance (ESG) targets. Explore opportunities for supporting carbon capture, utilisation, transportation and storage (CCUS) 	<ul style="list-style-type: none"> CO2 emissions reduced / avoided (tonnes/y)
Green, Sustainable, and Inclusive Infrastructure	<ul style="list-style-type: none"> Explore opportunities for further financing under the Green Cities programme in the country, including to address environmental and inclusion challenges of the participating cities. Support public service operators (water, wastewater, solid waste, district heating, public transport) to improve and modernise their services, including through digitalisation, via technical assistance and funding, including through managing and co-financing EU structural funds. Support greening and electrification of the transport sector, including deployment of EV infrastructure Promote energy efficiency, resource savings and climate resilience through policy engagement, advisory and financing. Leverage InvestEU guarantees and co-finance projects with EU funds to support green infrastructure projects. 	<ul style="list-style-type: none"> Primary energy saved (GJ/y) Number of beneficiaries with improved access to services

5. Activities and Results Framework (2/3)



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Priority 2: Enhancing Competitiveness by Deepening Financial Intermediation, Enhancing Value Chains, and Promoting Innovation

Key Objectives	Activities	Tracking Indicators (Outcomes)
Deeper Financial Intermediation and Development of Capital Markets	<ul style="list-style-type: none"> Utilise financial intermediation instruments to enhance competitiveness, innovation, and productivity, while also fostering deeper, more inclusive, and greener financial markets. Increase financial intermediation through diversification of funding sources for businesses and individuals, including risk sharing instruments, supporting capital market instruments and facilitating access to non-banking finance, including insurance, microfinance, leasing and factoring. Support, with technical assistance and funding, the issuance of capital market instruments, including among others covered and bail-in able bonds if opportunities arise. Support IPOs, including those of SOEs, and act as anchor investor for corporates issuing capital market instruments, fostering diversification of funding source, improved transparency and governance and capital market development. Provide funding to the private equity funds active in Bulgaria and co-invest with investment funds in the corporate sector. 	<ul style="list-style-type: none"> Number/volume of capital market transactions (debt and equity) facilitated and number of transactions with non-bank financial institutions Number/volume of transactions supporting access to non-banking finance
Enhanced Competitiveness, value added, and innovation capacity of the private sector	<ul style="list-style-type: none"> Finance FDIs and large domestic anchor investors, with a focus on regional value chains integration, enhancing value added, and innovation transfer to local suppliers. Support cross-border investments as well as regional expansion by export-oriented companies via M&A and development of new technology and innovative solutions. Explore opportunities for supporting supply chain financing and advisory to local suppliers Provide advisory to corporates, including through ASB, emphasising value creation, improved business standards and governance, climate governance, and market expansion. Provide advisory to help companies efficiently access EU grant funds (e.g., Modernisation Fund, Innovation Fund, NRRP) and provide co-financing for project implementation. Support value added products and services, research and development, expansion of tech companies, including green technologies and green value chains leveraging targeted instruments/programs (Invest EU, Green Innovation and EU funds), supporting where possible the development of innovation and a workforce fit for the future. Supporting early-stage, growth, and innovative companies through nurturing champions and financing (VCIP, private equity venture capital funds and other investment vehicles). 	<ul style="list-style-type: none"> Number and volume of investments that improve integration into regional/global value chains (backwards/forwards linkages) Number of suppliers supported Number of private companies supported through advisory

5. Activities and Results Framework (3/3)



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Priority 3: Increasing Economic Resilience

Key Objectives	Activities	Tracking Indicators (Outcomes)
A More Resilient, Inclusive and Diversified Economy	<ul style="list-style-type: none"> Support the resilience of financial institutions through various instruments enhancing their loss-absorption capacity and capital use optimisation, and diversification of funding sources – including among others bail-in-able debt, securitisations, risk sharing instruments, and trade finance. Provide direct and indirect financing (supported by risk-sharing where appropriate, including through RSF and portfolio risk sharing) to corporates and SMEs to increase access to finance as well as to underserved segments. Equity participation in banks and non-bank financial institutions if opportunities arise, to strengthen resilience, to support inclusion of underserved segments and consolidation of the banking sector. Support projects in natural resources and mining, including the exploration and production of critical raw materials, with a focus on those relevant for the green transition and digital economy. Support projects aiming to strengthen energy security, recycle and re-use resources, including waste to energy solutions as well as recycling and reprocessing of mine tailings. Support projects aimed at expanding, improving, and greening telecommunication infrastructure, including data centres, fixed broadband infrastructure, satellites. Support companies in adopting information technology, communication, innovation and digitalisation, including cybersecurity. Support food security by promoting innovation, climate resilience and investing in sustainable food value chain and retail. 	<ul style="list-style-type: none"> Total volume of transactions supporting financial institution's loss absorption capacity, funding diversification, and capital optimisation Number of equity investments in banks and NBFIs. Volume/number of corporate and RSF transactions.
Improved Integration, Strengthened Economic Governance and Enhanced Human Capital	<ul style="list-style-type: none"> Invest in projects designed to enhance regional integration, including the integration of supply chains and geographical diversification, while also upgrading production capacities and supporting human capital development. Support with funding and technical assistance projects aimed at reducing regional disparities and boost inclusion through improved transport connections (including urban transport) and green and digital infrastructure development or urban regeneration. Support and complement public investments in the upgrade and modernisation of infrastructure, including where opportunities arise through PPPs and concessions, and economic governance improvements Promote, through projects, quality training, improved employability and skills, including for reskilling and up-skilling, for women, youth, and populations living in underserved areas or coal regions. Where opportunities arise in Just Transition regions, support projects that reduce social dependency on coal-related business. 	<ul style="list-style-type: none"> Improved quality of infrastructure (qualitative) Number of individuals enhancing their skills as a result of training

6. Mapping of International Partners' Complementarity in EBRD Business Areas

EBRD Business Areas

		Sectors								Cross-cutting Themes				
Indicative annual average annual investments/ grants (€m, 2020-2023)		Corporate Sector					Sustainable Infrastructure		FI		Strategic Initiatives			
		Food & Agribusiness	Manufacturing & Services	Real Estate	TMT	Natural resources	Energy	Infrastructure	Banking	Non-Bank FIs	Green Economy	Inclusion & Gender	Local Currency & Capital Markets	Small Business
EU*	4,611													
EIB	283													
EIF	270													
BSTDB	73													
CEB	35													
IFC	14													
EBRD	135													

€ Area of significant investments

P Area of significant policy engagement

● Focus mostly on private sector

○ Focus mostly on public sector

Note: IFI activity mapping based on publicly available information. Significant IFI investment defined as projects exceeding 5% of annual investment and signed between 2020 and 2023

*Based on EU contributions (ESIF) to the Bulgaria Country Budget (2014-2020 and 2021-2027) and RRF.

Potential Areas of Cooperation



Green

- Continue cooperation with EU and EIB to improve climate resilience and resource efficiency.
- Continue collaboration with the IFC to advance the development of renewable energy, energy efficiency projects, and climate resilience measures.



Resilient

- Continue cooperation with the World Bank on Just Transition and IFC on PPPs



Integrated

- Continue to work with EU and EIB on regional connectivity projects.



Competitive

- Cooperate with the EU to support innovation and R&D programmes such as Horizon Europe

7. Implementation Risks and Environmental and Social Implications



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Risks to the strategy implementation	Probability	Effect	Environmental and social implications
Persistent political instability may delay the implementation of key reform-oriented policies until a stable government is in place. Securing cross-party consensus is likely to be challenging, which could further hinder the progress of these reforms.	High	High	<ul style="list-style-type: none"> Assessment and Management of Environmental and Social Risks and Impacts: Ensure that direct, indirect and cumulative impacts of projects are appropriately assessed in accordance with the EU EIA Directive, EBRD ESP and associate PRs. Consider project alternatives and stakeholders' feedback. Support clients to strengthen E&S management capacity and disclose E&S reports, where needed. Labour and Working Conditions: Ensure clients' and relevant third-party employers' HR policies and practices comply with EBRD and EU requirements. Retrenchment risks associated with the ongoing de-carbonisation initiatives will require appropriate planning, consultation and re-training of personnel in coal related businesses. Assessment of E&S risks in renewable sector and risks associated with contractor workforce involving seasonal and migrant workers to be addressed via early planning, management and monitoring plans. Resource Efficiency and Pollution Prevention and Control: Challenges remain in wastewater collection and treatment and air pollution with major health impacts. Support clients to comply with relevant EU Directives and improve the efficiency of industry-specific processes in line with BAT. Support the government in advancing the circular economy, in line with the relevant EU directives. Health, Safety and Security: Aim to improve OH&S standards across all sectors, especially construction and operation safety, including assessment of H&S risks to communities. Road and traffic safety including risks associated with tourism projects are priority issues and engagement with clients and other stakeholders may be required. TC funds to support these activities may be needed to assess risks and impacts from digitalisation. Land Acquisition, Restrictions on Land Use and Involuntary Resettlement : Ensure that meaningful engagement, fair compensation and effective livelihood restoration is carried out with people affected by projects requiring land acquisition through expropriation causing physical and/or economic displacement. Preparation of Resettlement Framework and/or Plan will be required to ensure that land acquisition for the projects is carried out in compliance with PR5, including clear resolution of gaps between national legislation and PR5 on consultation, entitlements and considerations of those with no legal titles. Biodiversity Conservation and Sustainable Management of Living Natural Resources: Poor enforcement of conservations laws and plans and projects being authorised without consideration of cumulative impacts to Natura 2000 areas, or on the basis of improper adequate assessments procedures are on-going issues. Renewable energy as well as linear infrastructure projects may encroach or fragment sensitive habitats, protected areas or proposed or existing Natura 2000 sites. To avoid or minimise such impacts, ensure threats to biodiversity through habitat loss and poor enforcement of conservation laws are avoided by requiring robust biodiversity assessment and disclosures within the Environmental Impact Assessments procedures. Explore opportunities for biodiversity net gains and enhanced nature recovery. Cultural Heritage: Ensure appropriate assessment carried out during project inception and design and that clients consult with key stakeholders to avoid impact on and/or protect cultural heritage. Financial Intermediaries: Ensure FI partners strengthen E&S risk management capacity and systems. Information Disclosure and Stakeholder Engagement: Support clients in developing and implementing meaningful stakeholder engagement process to ensure transparent and participatory decision-making during project design, site selection and consideration of alternatives, including through consultation carried out as part of local permitting and ESIA.
The impact of persistent political instability on governance standards in certain areas has increased, with significant concerns around the judiciary, press freedom, and corruption	High	High	
Structural challenges arising from population ageing and a declining labour force are expected to increase.	High	High	
Even though the country recovered from the COVID pandemic relatively fast, global economic risks have increased since 2022 owing to Russia's war on Ukraine.	Medium	Medium	
Climate vulnerability poses substantial risks to public infrastructure and infrastructure project implementation.	High	High	

8. Donor Partnerships Assessment



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Needs Assessment for the New Country Strategy Period

To achieve the objectives of the new country strategy, donor funds may be needed to support several key activities:

- Green infrastructure projects (such as renewable energy generation and storage, green transport investments), CCS or large industrial green projects etc. may require InvestEU guarantees or co-finance with EU funds.
- Enhancing public services involve investments that could be supported through concessional loans and PPP advisory.
- Improving the performance of public service operators, significant enhancing energy efficiency and enhancing private sector competitiveness by advising corporations, fostering innovation, and supporting digitalisation could necessitate the provision of technical assistance.
- Advancing capital markets through the issuance of new instruments and promoting market consolidation will require further technical assistance.
- Implementing the Just Transition and inclusive economy could require using risk-sharing instruments and technical assistance to support projects aimed at these objectives.

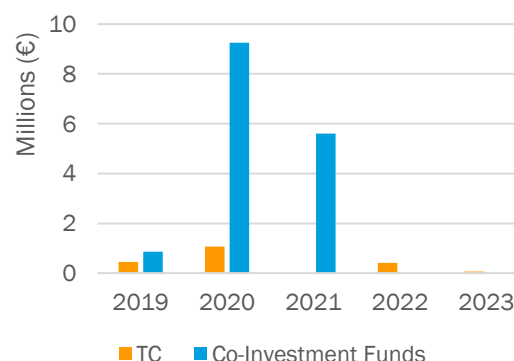
Potential Sources of Donor Funds

- The EU can continue delivering funding to Bulgaria through the Green Innovation Programme. This support is mainly given through TC and is a part of Horizon 2020 – Climate Technology Innovation Support. The EU can scale up and leverage with InvestEU through guarantees in order to finance green projects, as well as support digitalisation and green transition through joint equity investment facility for critical raw materials. InvestEU can also aid the funding of sustainable infrastructure and policy and project preparation facilities.
- The largest bilateral donors include Italy and Taipei China. Italy focuses on the Competitive TQ through the Italian Investment Special Fund, using concessional loans and risk sharing instruments. Italy also has potential of using TC through the Central European Initiative (CEI) Fund. Taipei China focuses on the use of TC. Priorities include scaling up infrastructure, manufacturing, policy advice, project preparation, and financial institutions.
- Finally, TC grants can be provided through the Shareholder Special Fund as well as the Small Business Impact Fund. These funds are expected to play a crucial role in supporting SMEs, fostering climate collaboration, advancing the development of legal and regulatory frameworks, and contributing to initiatives like the Green Cities Framework and the water sector in Bulgaria.

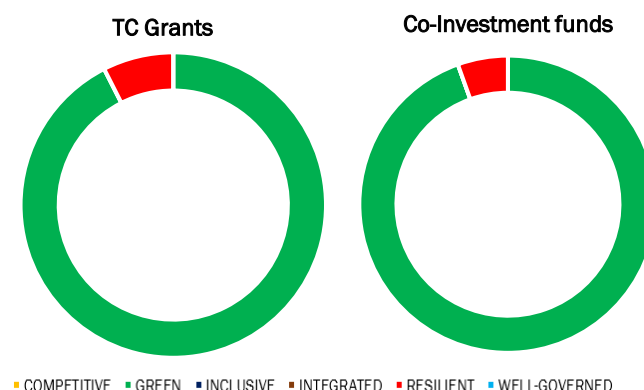
Selected Affordability Indicators

	EBRD regional percentile rank ¹	
GDP per capita (PPP, current. \$) ²	33,976	63%
ODA Country	No	N/A
ODA as share of Gross National Income (%) ³	N/A	N/A
ODA per capita (\$ - current prices) ³	N/A	N/A

Donor finance during last strategy (€m)⁴



Use of funds in 2019-2023⁵



1. Simple percentile rank reported as the share of EBRD economies represented below Bulgaria. 2. IMF WEO (2023) 3. OECD (2021) 4. Methodology for reporting co-investment amounts has changed from being based on client signings to being based on earmarks at commitment level in 2022. 2019-2023 TC data and 2022-2023 Co-investment funds amounts are based on earmarks at commitment level, and co-investment funds amounts 2019-2021 are based on client signings. 5. Based on the primary Transition Quality of concessional resources.

Annex



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Annex 1 – Political Assessment in the Context of Article 1 (1/5)

Bulgaria's commitment to and application of principles set out in Article 1 continued over the period since the previous Country Strategy. The country has made further progress in certain areas of democratic reform, including the rule of law.

In 2023, the European Commission (EC) formally closed the Cooperation and Verification Mechanism (CVM), which had been established when Bulgaria joined the EU in 2007 to help it address the shortcomings in the areas of judicial reform and anti-corruption. Elections continue to be conducted in a manner deemed by the Organization for Security and Co-operation in Europe (OSCE) to be free and in line with international standards. The constitutional and legislative framework for a pluralistic parliamentary democracy is in place. At the same time, despite progress, some challenges remain as regards policy implementation amidst recent political volatility and frequent early general elections.

FREE ELECTIONS AND REPRESENTATIVE GOVERNMENT

Free, fair and competitive elections

Under the Constitution, Bulgaria is a parliamentary republic. The parliament (National Assembly) is a unicameral body consisting of 240 MPs elected under a proportional system. The president, who is elected through direct suffrage for a five-year term (renewable only once), is the head of state. Previous elections in the country have been assessed as competitive with fundamental freedoms respected by observers from the Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR), as well as by other competent international observers.

The existing legal framework is generally conducive to holding democratic elections, as assessed by the OSCE/ODIHR. Bulgaria has held seven

parliamentary elections between 2021 and 2024. Two early parliamentary elections were held in 2024, one in June and another in October. In its report, following the early parliamentary elections of June 2024, the OSCE/ODIHR concluded that the elections were competitive with the freedoms of expression, assembly, and association respected. However, the report noted that elections took place amidst declining public trust in state institutions, while some malpractices limited meaningful access to the electoral process and to information of public interest.¹ Following the early parliamentary elections of October 2024, the Parliamentary Assembly of the Council of Europe (PACE) noted that the elections were competitive and professionally managed by the election administration; however, the persistently low voter turnout underscored a deep-seated lack of trust among the electorate in the country's political leadership. In addition, the PACE delegation reiterated its concerns over persistent allegations of vote-buying and controlled voting.² In February 2025, the country's Constitutional Court ordered the Central Election Commission to recount the votes of the October elections over allegations for violations of the election procedure. The last presidential election was held in November 2021, together with early parliamentary elections (the third in that year), amidst restrictions and public health measures due to the COVID-19 pandemic. The OSCE/ODIHR report noted that the parliamentary elections' campaign overshadowed the presidential race, while the record-low turnout in the second round was widely attributed to voter fatigue, given the frequency of elections in that year.³

Separation of powers and effective checks and balance

The Constitution provides for separation of powers and institutional checks and balances within the political system. The constitutional and legislative framework for a parliamentary democracy is in place in Bulgaria and in line with international and European standards.

¹ OSCE, Office for Democratic Institutions and Human Rights, Republic of Bulgaria, Early Parliamentary Elections 9 June 2024, ODIHR Election Expert Team, Final Report, published on 5 September 2024.

² Council of Europe, PACE statement on Bulgaria's early elections (October 2024), available at: <https://pace.coe.int/en/news/9659/well-organised-but-ineffective-elections-maintain-the-status-quo-in-bulgaria-say-pace-observers>.

³ OSCE, Office for Democratic Institutions and Human Rights, Republic of Bulgaria, Presidential and Early Parliamentary Elections 14 and 21 November 2021, ODIHR Election Assessment Mission, Final Report, published on 24 June 2022.

Annex 1 – Political Assessment in the Context of Article 1 (2/5)

Effective power to govern of elected officials

Bulgaria has established institutional, legal, and financial arrangements for elected officials to exercise effective power to govern, which are not constrained by non-democratic veto powers.

CIVIL SOCIETY, MEDIA AND PARTICIPATION

Scale and independence of civil society

There is a satisfactory legal framework for civil society organisations (CSOs). More than 23,000 CSOs are registered with the Registry Agency. The majority have limited financial resources, while some of them have reported being the target of criticism from politicians. Despite obstacles though, CSOs remain influential and active in the public sphere. The Non-profit Legal Entities Act of 2000 regulates the establishment and operation of CSOs in Bulgaria. Following the 2016 Amendment Act of the Law on Non-profit Legal Entities, major changes took effect in 2018 in the legal and regulatory framework under which CSOs function. The legislation significantly simplified registration and reporting activities. Financial dependency has remained an obstacle for many CSOs though. Local stakeholders have reported that it is hard for CSOs to receive EU funding (through state agencies dealing with EU funds). The Council for Civil Society Development has been operational since 2022 and is focusing on a national funding mechanism for the sector. Throughout 2024, the work of the Council for Civil Society Development has been blocked due to the ongoing political stalemate.⁴

In 2024, a draft law that would require CSOs, journalists, and private individuals receiving funding from foreign sources to register as “foreign agents” was submitted by an opposition party in parliament. The bill was rejected by the Bulgarian parliament in February 2025. However, CSOs and the European Commission, through the annual rule of law country reports, have expressed concerns over recent attempts to pass similar types of legislation.

⁴ European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Bulgaria.

⁵ *Ibid.*

⁶ Flash Eurobarometer, News and Media Survey 2022, July 2022.

⁷ European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Bulgaria.

The right to form trade unions and their freedoms are enshrined in the law and respected in practice. The right to strike is recognised by the Constitution and labour legislation.

Independence and pluralism of media operating without censorship

Bulgaria has a pluralistic media environment, which includes public and private broadcasters and offers citizens a wide range of political views. A legal framework is largely in place and in line with international standards. However, shortcomings regarding the enforcement of the media ownership disclosure obligations remain. Stakeholders consider that the situation is most complex as regards certain non-transparent online media which are usually vehicles for spreading disinformation. In the latest Rule of Law report the European Commission also notes that concerns remain about the lack of sufficient safeguards to secure the independence of the media regulator.⁵

Television remains the predominant source of public information, while online media has overtaken print media.⁶ The role of Internet and social media as source of public information is constantly increasing.

Multiple channels of civic and political participation

Multiple channels of civic and political participation are in place. The system of public consultations is largely in place, although its rules are not always implemented.⁷

Freedom to form political parties and existence of organised opposition.

The freedom to form political parties is guaranteed by the Constitution and implemented in practice, as highlighted by the existence of a significant and diverse opposition able to campaign freely and oppose government initiatives. Several new parties have emerged in recent years, some of which

Annex 1 – Political Assessment in the Context of Article 1 (3/5)

have been members of previous coalition governments, while others part of the parliamentary opposition. Following the October 2024 parliamentary elections, eight political formations entered the Bulgarian parliament.

RULE OF LAW AND ACCESS TO JUSTICE

Supremacy of the law

Necessary legislative and institutional safeguards for the supremacy of the law are in place. Citizens have the right to a free and fair trial, and are free from arbitrary arrest or detention. Bulgaria has made progress in aligning its legislation with European standards.

Independence of the judiciary

The independence of the judiciary is guaranteed by the Constitution and key safeguards are in place to ensure its impartiality. The judiciary's work is overseen by the independent Supreme Judicial Council (SJC). Despite legislative progress, public perception of the independence of the judiciary remains low.⁸

In May 2023, the Bulgarian parliament adopted a reform to improve the effectiveness of criminal investigations and to ensure the independence of investigations involving the chief prosecutor. In December 2023, constitutional amendments, aimed at curtailing further the chief prosecutor's power over the judiciary, were adopted. The reform was consulted with the Venice Commission⁹ and its recommendations had been largely taken into account. However, in July 2024, Bulgaria's Constitutional Court declared a significant part of those amendments unconstitutional.

Government and citizens equally subject to the law

The Constitution guarantees the equality of all citizens before the law and it is

generally upheld in practice. The Bulgarian Ombudsman may intervene by the means envisaged by law, when citizens' rights and freedoms have been violated by actions or omissions of the state, municipal bodies and public services. In 2023, the Ombudsman's powers for conducting an external audit of whistleblowing and whistleblower protection activities were implemented through the creation of a new expert unit.¹⁰

Effective policies and institutions to prevent corruption

The latest (2024) Transparency International Corruption Perceptions Index (CPI) ranked Bulgaria 76th out of 180 countries and territories, marking a decline compared to previous years. According to the index, Bulgaria remains in the lowest tier of the EU region.¹¹ The 2023 Special Eurobarometer on corruption shows that 81 per cent of respondents in Bulgaria consider corruption widespread in their country (EU average at 70 per cent) and 29 per cent of respondents feel personally affected by corruption in their daily lives (EU average at 24 per cent).¹²

When Bulgaria joined the EU in 2007, the EC established a Cooperation and Verification Mechanism (CVM) designed to help Bulgaria address the shortcomings in the area of the rule of law, focussing particularly on the fight against corruption. The CVM was initially envisaged to run for three years, but stayed in place until 2023. In 2023, the EC formally closed the mechanism and praised Bulgaria's efforts and progress.¹³ Following the successful completion of the CVM, rule of law progress is monitored under the EU's Rule of Law reports as for all EU Member States. In addition, Bulgaria participates in the European Public Prosecutor's Office (EPPO).

In January 2023, the Council of Europe's Group of States against Corruption (GRECO) published its fifth-round evaluation report on Bulgaria. The focus of the report was on preventing corruption and promoting integrity in central

⁸ European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Bulgaria; and 2024 EU Justice Scoreboard.

⁹ Council of Europe, European Commission for Democracy through Law (Venice Commission), Bulgaria: Opinion on the draft amendments to the Constitution, 9 October 2023.

¹⁰ European Commission, Rule of Law Report 2024, country chapter on the rule of law situation in Bulgaria.

¹¹ Transparency International, Corruption Perceptions Index 2024.

¹² Special Eurobarometer 534, on citizens' attitudes towards corruption in the EU, July 2023

¹³ European Commission, Press Release: Rule of Law: Commission formally closes the Cooperation and Verification Mechanism for Bulgaria and Romania, 15 September 2023.

Annex 1 – Political Assessment in the Context of Article 1 (4/5)

governments, especially regarding persons with top executive functions and law enforcement agencies. GRECO noted a number of shortcomings, among them the lack of a proper integrity framework for top officials of the government, and issued 28 recommendations.¹⁴ In the context of the fourth evaluation round, with a focus on corruption prevention in respect of members of parliament, judges and prosecutors, GRECO concluded that Bulgaria implemented satisfactorily or dealt with in a satisfactory manner in total 16 of the 19 recommendations. The three remaining recommendations have been partly implemented.¹⁵

CIVIL AND POLITICAL RIGHTS

Freedom of speech, information, religion, conscience, movement, association, assembly and private property

Overall civil and political rights continue to be respected in Bulgaria. The last assessment of Bulgaria's track record in the area of human rights in the framework of the United Nations Universal Periodic Review (UPR) was adopted in 2020. The top two recommendations for Bulgaria included rights of the child (29 per cent) and women's rights (22 per cent). Bulgaria supported 79 per cent of a total of 250 recommendations made in the course of the review process.¹⁶

Bulgaria is a signatory to major international human rights instruments. The Constitution guarantees basic freedoms and rights of citizens recognised in international law. Freedom of speech, information, religion and conscience, movement, association and assembly are therefore fully guaranteed. Property rights are generally respected and protected.

Political inclusiveness for women, ethnic and other minorities

The Constitution provides for the right of individuals to ethnic self-identification. However, it does not make a clear reference to ethnic minorities. Furthermore, the Constitution prohibits the formation of political parties on an ethnic or religious basis.

According to the OSCE/ODHIR, during the June 2024 early elections, most political parties' campaign programmes did not focus on protecting or promoting the rights of persons belonging to minorities. In addition, the electoral mission noted that the effective participation of persons belonging to minorities, particularly Roma, in public and political life, remains limited.¹⁷ The PACE observers of the June and October 2024 early elections highlighted the lack of legal provisions to foster the participation of minorities.¹⁸

The key legislative elements for gender equality are in place in Bulgaria. The Commission for the Protection against Discrimination implements policies with regards to gender equality and non-discrimination. Women are active at the grassroots level and have a few high-profile representatives at the national level.

Bulgaria has not yet ratified the Council of Europe Convention on preventing and combating violence against women and domestic violence, known as the "Istanbul Convention". In addition, there are no special legislative measures to promote women's participation in elections, which has been low. On average women in the country earn less than men with equal level of professional qualifications. According to Eurostat, as of 2022, in Bulgaria the gender pay gap stood at 13 per cent; close to the EU average at 12.7 per cent.¹⁹

¹⁴ Council of Europe, Group of States against Corruption (GRECO), Fifth Evaluation Round, Evaluation Report on Bulgaria, adopted on 2 December 2022; published on 19 January 2023.

¹⁵ Council of Europe, Group of States against Corruption (GRECO), Fourth Evaluation Round, Second Compliance Report, adopted on 6 December 2019; published on 17 January 2020.

¹⁶ UPR Statistics, available at <https://upr-info-database.uwazi.io/en/>

¹⁷ OSCE, Office for Democratic Institutions and Human Rights, Republic of Bulgaria, Early Parliamentary Elections 9 June 2024, ODIHR Election Expert Team, Final Report, published on 5 September 2024.

¹⁸ Council of Europe, Observation of the early parliamentary elections in Bulgaria (9 June and 27 October 2024), Election observation report | Doc. 16077 | 26 November 2024

¹⁹ Eurostat database, Gender pay gap in unadjusted form, Online data code: sdg_05_20



Annex 1 – Political Assessment in the Context of Article 1 (5/5)

In August 2024, the Bulgarian parliament approved an amendment to the education law that prohibits the “propaganda, promotion, or incitement in any way, directly or indirectly, in the education system of ideas and views related to non-traditional sexual orientation and/or gender identity other than the biological one”. Human rights and civil society groups have denounced the law, while the UN Human Rights Office issued a critical statement against the legislation.²⁰

Freedom from harassment, intimidation and torture

Constitutional guarantees against harassment, intimidation, and torture are in place and are largely upheld in practice.

A delegation of the Council of Europe's European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) carried out a periodic visit to Bulgaria in March 2023 to review the measures taken by the Bulgarian authorities in response to the recommendations made by the Committee in 2021 and concerning psychiatric institutions and social care homes. The Committee noted some progress made by the Bulgarian authorities in social care institutions, but at the same time was critical of the lack of implementation of many of the Committee's long-standing recommendations regarding the treatment, conditions and legal safeguards offered to patients in psychiatric hospitals.²¹

²⁰ Office of the High Commissioner for Human Rights, Comment by UN Human Rights Office Spokesperson Liz Throssell on anti-LGBT legislative changes in Bulgaria, 16 August 2024, available at: <https://www.ohchr.org/en/statements/2024/08/comment-un-human-rights-office-spokesperson-liz-throssell-anti-lgbt-legislative>

²¹ Council of Europe, European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT), Report to the Bulgarian Government on the ad hoc visit to Bulgaria, carried out from 21 to 31 March 2023, published on 31 January 2024.