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COMMISSION STAFF WORKING DOCUMENT

2026 Country Report - Bulgaria

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Bulgaria

{COM(2026) 202 final}

European Commission

Economic and Financial Affairs

Bulgaria

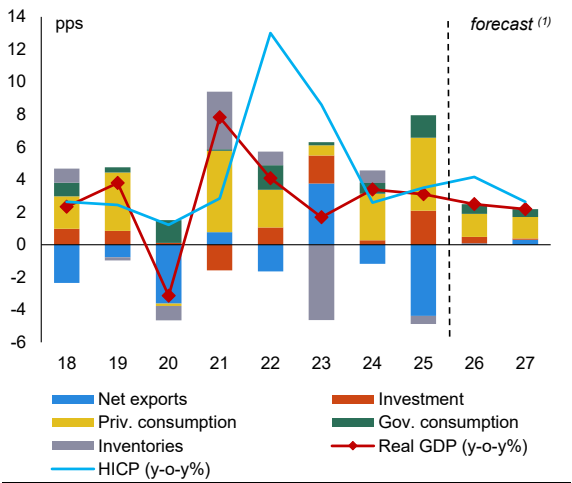
2026 Country Report

ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Strong domestic demand supports robust growth despite negative net exports

Economic growth remained robust in 2025, driven by a strong increase in domestic demand. Real GDP growth reached 3.1% as private consumption, investment and public consumption all recorded large increases in 2025. The strong increase in private consumption was mostly driven by rising real wages. The high level of investment reflected both higher private investment and an increased absorption of Recovery and Resilience Facility funds.

Graph 1.1:**HICP and real GDP growth with contributions**

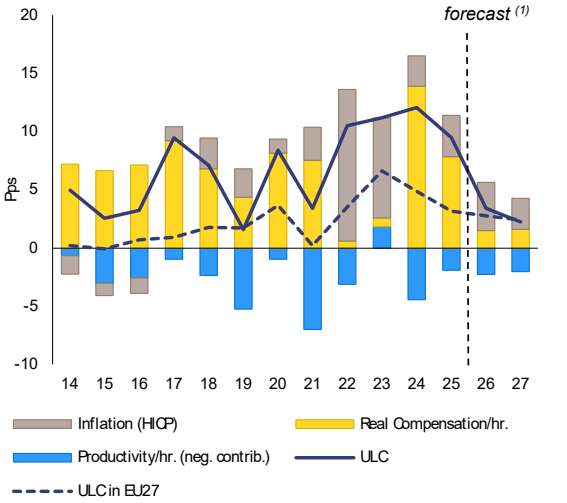


(1) Commission Spring 2026 Forecast
Source: European Commission, 2026

Net exports had a negative contribution to GDP growth in 2025. This was mostly driven by a further decrease in exports compared with previous years, which is partly explained by one-off factors such as maintenance works carried out by two major exporters, as well as strong import growth related to aircraft deliveries. Looking at the trade balance by trade partner, exports to EU countries recorded a larger fall than those to non-EU countries. Imports from both EU and non-EU countries recorded significant increases. External demand is expected to weaken further due to the crisis in the Middle East.

Investment recorded a strong increase in 2025. Gross fixed capital formation grew by 11.4% in 2025, driven by both public and private investment. Private investment was supported by high volumes of credit, while public investment reflected the impact of the use of EU funds in 2025, which was significantly higher than in previous years. Although public investment is expected to remain robust in the coming years due to the continued use of EU funds, overall GDP growth is expected to ease due to an expected slowdown in wage growth and private consumption.

Graph 1.2:**Decomposition of rate of change in Unit Labour Costs (ULCs)**



(1) Commission Spring 2026 Forecast
Source: European Commission, 2026

The labour market remains tight, and labour shortages are observed in many economic sectors. The unemployment rate (15-74 years old) continued its downward trend, reaching 3.5% in 2025. Labour demand is robust in many industries, and labour market tightness (the ratio between vacancies and unemployed workers) is at historically high levels. Labour shortages are particularly acute in sectors such as healthcare, industry and construction. Labour market pressures, together with rising public sector wages and the presence of indexation schemes affecting a wide range of workers, contributed to the high growth in aggregate wages, which is still well above inflation and productivity gains. Nominal unit labour costs rose by 9.4% in 2025, mostly driven by increases in real wages (Graph 1.2).

Inflation slightly rebounded in 2025 compared with the previous year. Annual HICP inflation (Harmonised Index of Consumer Prices) stood at 3.5% in 2025, up from 2.6% in 2024. Processed food and services contributed the most to higher inflation. Inflation was also partly driven by termination of the reduced VAT rates on bread and restaurant meals, higher excise duties on tobacco, an increase in administered energy prices and a rise in the price of key commodities. Catering and accommodation were the primary drivers of price increases in services, reflecting VAT increases and higher costs of labour and other inputs, whose effects were partly offset by lower hospital fees. The recent adoption of the euro is expected to have a limited impact on aggregate inflation, with some one-off price effects concentrated in a few specific areas, many of them in services.

Bank lending continued to grow in 2025, mostly driven by higher credit flows to households. This dynamic was underpinned by ample liquidity in the banking sector and low borrowing interest rates compared with the EU average. Alongside rising household incomes, sustained credit growth contributed to higher nominal house prices. At the same time, the borrower-based macroprudential measures introduced in 2024 and the countercyclical capital buffer, maintained at 2% during 2025, – are expected to improve the resilience of banks' balance sheets. The introduction of the euro in January 2026 could further fuel credit growth, given the lower reserve requirements for commercial banks; however, the previously higher reserve requirements did not constrain bank lending, given the high amount of liquidity on banks' balance sheets. On the other hand, euro area membership will also broaden Bulgarian banks' access to EU-wide capital markets, expanding the range of available investment opportunities, which could divert funds away from domestic lending.

Despite a good overall macroeconomic performance, significant regional disparities in the country remain.

Economic activity and employment opportunities are heavily concentrated in the main urban areas, in particular the capital, which generates about half of the national GDP. Conversely, the north of the country – especially the north-west – remain structurally weak, with both Severozapaden and Severen tsentralen among the poorest five regions in the EU in 2024. Rural and peripheral areas face weaker labour market outcomes, more limited access to quality public services, and poor transport and digital infrastructures. The concentration of economic activity and essential services in urban areas poses challenges to competitiveness, economy-wide growth and innovation, and risks deepening socio-economic disparities among the regions (see Annex 18).

Structural challenges and resource dependence continue to limit growth potential

Economic convergence with EU peers continued to progress, albeit slowly, while challenges to improve productivity and competitiveness remain. Bulgaria's GDP per capita reached 68% of the EU average in 2025 (in purchasing power standards), up from 38.4% in 2006, the year before the country joined the European Union. Bulgaria's accession to the Schengen area in 2024 and the adoption of the euro in January 2026 marked significant milestones in the country's EU integration, supporting closer links with the rest of the EU and removing significant trade barriers. However, challenges to Bulgaria's competitiveness remain. Labour productivity is persistently low, and private investment and innovation face significant constraints. Labour market shortages constrain firms' production and prevent some businesses from expanding. Furthermore, the high energy intensity of the Bulgarian economy and its strong dependence on fossil fuels makes it highly exposed to external shocks.

Bulgaria has made progress in modernising its economy, but some crucial challenges persist. The country implemented a series of measures and reforms, both as part of its recovery and resilience plan and in preparation for adopting the euro in January 2026. The benefits of those steps should become apparent in the coming years. At the same time, several aspects of the country's socio-economic structure still need improvement. Effective measures against corruption, especially at higher levels, are absent. Uncompetitive procurement limits quality investments and can burden public finances. Skills shortages persist in many sectors, linked to poor educational outcomes and a shrinking labour force. Economic development remains unequal with vulnerable groups left at risk of poverty and social exclusion. The healthcare system remains understaffed and struggles to deliver satisfactory results, with low life expectancy and high out-of-pocket costs for patients.

Dependency on imports for energy and raw materials remains high and impacts economic security. Practically all oil and gas used in the economy is imported. Until recently, reliance on Russia for those sources of energy was close to 100%. There has been considerable progress in diversifying supplies. However, the future of the Russia-owned local oil refinery is still unclear. Investments in renewable energy sources and battery storage go in the right direction. However, there has been no significant progress in improving the energy efficiency of industry and the housing stock or in providing the right incentives to reduce electricity

Box 1:

UN Sustainable Development Goals (SDGs)

Bulgaria is improving on SDGs related to competitiveness (SDGs 4, 8, 9) and social fairness (SDGs 1, 3, 5, 7, 10) but still needs to catch up with the EU average on quality education and decent work and economic growth (SDGs 4 and 8), where sizeable gaps remain.

While improvement is observed on several indicators related to sustainability (SDGs 7, 9, 11, 12, 13, 14), performance often remains below the EU average, and trends for SDGs 2, 6 and 15 are mixed. Bulgaria continues to perform well on SDG 17 (Partnerships for the Goals), while it is stalling on macroeconomic stability (SDG 8 and 16). Out of the 17 indicators, 15 SDGs remain below the EU average (see Annex 17).

consumption. Large industrial plants, which process and recycle lead and copper and are among Bulgaria's major exporters, also rely on imports for their raw materials.

Delayed budget adoption amid growing fiscal pressures

The adoption of a regular state budget for 2026 has been delayed considerably. Following mass protests against planned increases in social contributions, the 2026 draft budget was withdrawn in December 2025. As a result, Bulgaria has been operating under an 'extension budget', which will remain in place until the regular budget is adopted. In linewith Article87of the Public Finance Act. The extension budget allows the state to continue collecting revenue and spending until the regular budget is adopted. This ensures that basic obligations, such as paying public sector salaries, pensions and social payments, are met. As a rule, the extension budget keeps spending in line with the previous year's budget, but some exceptions are possible. Following the elections in April, the budgetary procedure started in late May and is yet to be finalised.

The general government deficit stood at 3.5% of GDP in 2025 and is projected to further increase and remain above 4% up to 2027, also on account of planned defence expenditure under the national defence escape clause. After years of fiscal discipline, Bulgaria has been recording deficits since 2020, with debt rising at a faster pace. In 2025, the general government deficit reached 3.5%, from 3% in 2024. Based on the Commission's 2026 Spring Forecast, it is projected to further increase to 4.1% of GDP and 4.3% of GDP in 2026 and 2027 respectively. In recent years, Bulgaria has taken steps to improve the adequacy of pensions and social and has increased salaries, often linked to automatic indexations and minimum wage increases. As a result, increases in spending are expected up until 2027, partly due to deliveries of military equipment. Defence expenditure will also increase, reflecting Bulgaria's recent efforts to increase its defence capabilities, including through the Security Action for Europe (SAFE) instrument. On top of this, pressure on spending is expected to increase given medium-to-long-term trends. In particular, the ageing population will have implications for pensions, healthcare and long-term care, especially in efforts to further improve their adequacy, access and quality. This is in line with recent developments that identify social protection and health as the fastest growing areas of public expenditure (Annex 2).

Large and permanent increases in expenditure without compensatory structural financing measures have contributed to the continued deficits, despite positive growth. Bulgaria may face challenges meeting its commitments under the medium-term fiscal-structural plan in the absence of robust consolidation efforts. Bulgaria committed to a structural primary deficit target of 1.8% GDP by 2028, implying a yearly adjustment of 0.16 percentage points. According to the fiscal strategy in the plan, the commitments on net expenditure will be delivered mainly through discretionary revenue-increasing measures with a short-term impact, but further permanent expenditure increases are planned. Revenue measures continued to focus on strengthening collection, mostly by fighting tax evasion and avoidance with short-term and unpredictable impacts. Overall, to preserve robust public finances, there is scope to improve the tax system, fight the shadow economy and increase its overall fairness (see Section 2). Public debt is expected to increase from around 29.9% in 2025 to 32.3% in 2026 and to 35.5% in 2027, driven by to the structural deficit.

Defence spending increased from 2024 to 2025. This is in line with Bulgaria's recent efforts to strengthen defence capabilities at national and at EU level, including by making use of the flexibility provided by the activation the national escape clause for defence and of SAFE loans. Following an assessment by the Commission of the national defence investment plan of Bulgaria under SAFE, the Council adopted a decision, making financial assistance available to Bulgaria for an amount of up to EUR 3.262 billion. The spending increases come both from investment such as the supply of aircrafts, vessels and basic battlefield equipment and from current expenditure including on salaries in the area of defence, in line with the priorities set in the Program for the development of the defence capabilities of the Armed Forces of the Republic of Bulgaria until 2032 (Program 2032) and the Defence Investment Program until 2032.

Bulgaria does not focus on growth-enhancing spending. Looking at the spending breakdown, social protection accounts for the largest share (around 35%) and education, health and economic affairs each account for around 10%. Overall, the share of growth-enhancing expenditure out of total expenditure is below 15%, a very slow increase compared with approximately 10% in 2017. Significant increases can be observed in public expenditure on social protection in 2019, with healthcare being the second-largest increase (see Graph A2.3 in Annex 2). More modest increases or even decreases were recorded in growth-friendly categories, such as education, R&D and communication, with transport spending decreasing significantly.

Bulgaria faces a significant financing gap and increasing pressure to provide adequate social benefits. The country's pension system deficit is financed by state transfers. For many years, the system has run a structural deficit, which strains the budget and may crowd out more productive growth-friendly spending. Population ageing will add further pressure to financing the pension system, adding to the existing challenge of ensuring adequate pensions in the future. Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources (see Annex 2). The Bulgarian pension system is organised around three pillars: (i) a mandatory pay-as-you-go system (defined benefit); (ii) a privately managed defined-contribution fund with a compulsory and voluntary component; and (iii) a purely voluntary scheme. Participation in the second pillar used to be compulsory for

people born after 1959. However, since 2015, people can opt out, which can reduce existing coverage. In February 2026, Bulgaria adopted a further reform of the second pillar to include a multi-fund model that adjusts over an individual's lifetime, but the possibility to opt out remains in place.

A lack of autonomy and capacity in local governments holds back regional development and competitiveness. Bulgarian municipalities are key players in local government and administration, delivering essential public services such as education, healthcare and social protection. However, the fiscal system remains highly centralised. Given limited own-resources revenues, most municipal spending is funded through central government transfers, over which municipalities have very limited autonomy. This limited financial autonomy often leads to limited capacity for investment and policy planning, design and implementation, including the use of EU funds, which hampers regional competitiveness. Strengthening the generation of own resources, such as a recurrent tax on immovable property and a vehicle tax, may support municipal development while helping improve the taxation system (see Section 3) ([1]).

Bulgaria, as a country on the eastern external border of the EU, faces additional challenges hindering economic and social development. Russia's war of aggression against Ukraine has exacerbated these pressures through heightened security risks, reduced cross-border activity and disruptions to transport and shipping routes. These could contribute to slower growth and higher inflation in Bulgaria and other Member States on at the eastern border. In response, Bulgaria is repurposing EU cohesion policy funds to support strategic sectors, boost its industrial capacity and develop and manufacture defence and dual-use technologies. These measures address security concerns and create new economic opportunities, but they also increase pressure on public finances and administrative capacity. In this context, continued and targeted EU support remains essential to strengthening resilience, tackling demographic decline, improving connectivity, and promoting balanced territorial development in affected regions, including those along the Black Sea.

EU funding instruments provide considerable resources to Bulgaria. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the CSRs. Key instruments include the Recovery and Resilience Facility (see Box 3) and Cohesion policy funds (see Box 2). In addition, the Common Agricultural Policy (CAP) provides Bulgaria with an EU contribution of EUR 5.6 billion under the CAP strategic plan for 2023-2027 ([2]). A further EUR 504.4 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in Bulgaria, for

([1]) According to the Act on Local Taxes and Fees, eight taxes are a prerogative of local governments: (i) recurrent tax on immovable property; (ii) inheritance tax; (iii) donations tax; (iv) tax on the purchase of immovable property; (v) vehicle tax; (vi) patent tax; (vii) tourist tax; and (viii) tax on taxi transport of passengers.

([2]) An overview of Bulgaria's formally approved strategy to implement the EU's common agricultural policy nationally can be found at https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/bulgaria_en

instance through open calls under Horizon Europe and the Connecting Europe Facility.

Box 2:

Contribution of cohesion policy funds

EU cohesion policy funding is supporting Bulgaria's efforts to boost competitiveness, environmental sustainability, skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds([3]) are providing EUR 10.7 billion (amounting to EUR 12.9 billion paired with national co-financing), or 12% of 2024 GDP, to Bulgaria. This makes cohesion policy one of the main sources of public investment in the country. The value of selected projects corresponded to 68.1% of the total allocation as of March 2026, with additional calls for projects in the pipeline.

- **Innovation, business environment and productivity.** Nearly EUR 4 billion is allocated to research and innovation, SMEs' competitiveness and the regions most affected by the transition away from carbon-intensive activities. More than 2 000 firms, with more than 50% of them outside Sofia, have already had their projects approved.
- **Decarbonisation, energy affordability and sustainability.** EUR 1.2 billion is dedicated under the Just Transition Fund to support clean transition projects, sustainable energy solutions, social measures and the diversification of the local economy. Around EUR 680 million is dedicated to drinking water and wastewater treatment projects, which are expected to improve facilities for more than 400 000 people. Another EUR 280 million in support is available for energy efficiency measures and the sustainable renovation of residential and public buildings. Over EUR 1.6 billion has been committed to sustainable transport infrastructure and better regional connectivity.
- **Skills, quality jobs and social fairness.** More than EUR 924 million has been allocated to employment and measures to help people from vulnerable groups find work, the modernisation of public employment services, improved labour market access and support for adaptation. In addition, over EUR 195 million is dedicated to supporting adult learning. Overall, the quality, inclusiveness and labour market relevance of education is supported with more than EUR 735 million, benefiting over 760 000 children and students. EUR 700 million has been allocated to social inclusion measures, targeting vulnerable groups, such as children, Roma and older people. Furthermore, EUR 221 million is allocated to addressing food and material deprivation. Measures supporting the European Child Guarantee are expected to benefit more than 200 000 children.

The mid-term review ([4]) strengthened cohesion policy's contribution to emerging strategic priorities, reallocating EUR 525 million. One third of reallocations support defence and dual-use priorities to strengthen the national industrial base. The mid-term review will also help boost water resilience and strengthen competitiveness through Strategic Technologies for Europe Platform (STEP) priorities facilitating the development, commercialisation and strengthening of value chains for critical technologies and Sovereignty Seal projects. EUR 77.5 million has been reallocated to strengthen the preparedness, skills and resilience of students, teachers and the education system in response to crises. In addition to cohesion policy funding, Bulgaria will be allocated up to EUR 2.5 billion under the Social Climate Fund between 2026 and 2032 to help mitigate the social impact of the new emissions trading system (ETS2), providing targeted support to vulnerable households and small businesses.

other EU policies.

Box 3:

Key achievements of the Recovery and Resilience Facility

The recovery and resilience plan of **Bulgaria** represents a total investment envelope of **EUR 6.17 billion**, corresponding to **6.52 % of GDP**. It aims to support the green and digital transitions, strengthen economic resilience and address long-standing structural challenges identified in the European Semester.

As of 8 May 2026, **EUR 3.27 billion** (around **53 %** of the total allocation) has been disbursed to Bulgaria following the satisfactory fulfilment of **128 milestones and targets**. After a slow start, implementation accelerated significantly in 2025, with a growing number of reforms and investments already fulfilled and delivering tangible results on the ground.

Highlights and impact of the plan

- **Decarbonisation and energy.** Bulgaria has taken steps towards liberalising its electricity market, prohibiting new coal and lignite-fired power plants, capping annual CO_2 emissions from existing coal and lignite facilities, and expanding renewable electricity generation and storage capacity. The rollout of nearly 5 GW of battery energy storage systems is set to place Bulgaria among the EU leaders in this field, which will help the country and the region to integrate more renewable energy installations and ensure the grid's stability.
- **Education reform coupled with the modernisation and digitalisation of education infrastructure.** Work included: (i) the construction and renovation of science, technology, engineering and mathematics (STEM) laboratories in over 2 000 schools; (ii) a national STEM centre and 3 regional ones; (iii) 116 kindergartens and schools; (iv) 24 vocational schools; (v) 23 school dormitories for students; (vi) 760 digital clubs; and (vii) 18 youth centres. The investments are complemented by a reform of preschool and school education and lifelong learning. This reform includes updating STEM core curricula, creating additional distance learning opportunities and extending the mandatory preschool programme to four-year-olds.
- **Improved minimum income support.** This involved a reform of the minimum income scheme that put in place a mechanism for the automatic annual update of the minimum income scheme (based on the at-risk-of-poverty threshold) and changed the minimum income scheme's eligibility criteria. This has resulted in better social assistance and broader coverage.
- **Modernisation of long-term care.** This included renovating 73 existing nursing homes for older people and people with disabilities and creating 155 new residential care facilities and 42 specialised advisory centres across the country. This work complements a reform to improve social services.
- **Increased internet access in underserved areas.** This involved expanding very high-capacity networks to reach 350 000 people in underserved regions, supported by reforms to ensure more efficient use of radio frequency spectrum for 5G deployment and a favourable investment environment.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

In 2025, Bulgaria received a country-specific recommendation (CSR) to increase the impact and effectiveness of public R&D investment, to improve the quality of public procurement, to increase the capacity of the public administration and to increase the effectiveness of anti-corruption measures. Steps have been taken to improve the coordination of research and innovation governance and to improve the functioning of parts of the public administration. However, improvements in public procurement procedures and anti-corruption measures remain insufficient. Additionally, several shortcomings in the taxation system limit its revenue-generation capacity and fairness.

A fragmented R&D system and low investment continue to constrain innovation and growth

Bulgaria received a CSR in 2025 to increase the impact and effectiveness of public R&D investment by focusing on research and innovation in fewer institutions and improving the commercialisation of research output. Some measures have been taken to strengthen the governance framework for coordinating research and innovation and to improve business digitalisation. However, these measures have only been partially implemented.

Bulgaria still has one of the lowest levels of public and private R&D investment in the EU. Public R&D spending remained low at only 0.27% of GDP in 2024, well below the EU average of 0.72%. Business R&D expenditure has also remained broadly stagnant in recent years (0.50% of GDP in 2024) and is well below the EU average (1.49% in 2024) (see Annex 4). Additionally, R&D expenditure and innovation capacity are heavily concentrated in the Yugozapaden capital-region, reflecting significant regional disparities([5]) (Annex 18).

Bulgaria's public research organisations and higher education institutions remain overly fragmented, limiting the effectiveness of R&D funding. The 2025 CSR called on Bulgaria to increase the impact and effectiveness of public R&D investments by focusing research and innovation in fewer institutions. The sector suffers both from institutional fragmentation and fragmentation in its governance: overlapping and unclear roles and mandates among research and innovation ministries, funding bodies and research and higher education organisations create barriers to effective policy coordination and implementation. The 2024 Law on the Promotion of Research and Innovation and the set-up of the Innovation and Research Council in 2025 (both reforms under the RRP) have helped bridge governance gaps, particularly between academia and business. However, the fragmentation of the research and innovation ecosystem

([5]) European innovation scoreboard 2025 - Research and innovation.

itself persists. Bulgaria could particularly benefit from the swift operational implementation of the Law on the Promotion of Research and Innovation. The country could also set out clear institutional missions and mandates for public research organisations and higher education institutions as part of a coherent national strategy (Annex 4).

Commercialising research output is hindered by limited links between academia and business and insufficient support structures. Cooperation between science and business, measured by the percentage of public-private scientific publications, remained low at 5.45% in 2024 compared with the EU average of 7.62%. Moreover, the technology transfer ecosystem remains underdeveloped, which is a longstanding weakness of Bulgarian research and innovation. With support from cohesion policy funding, including a dedicated financial instrument for technology transfer and targeted technical assistance, Bulgaria is setting up a central coordination hub with regional spokes. The goal is to strengthen technology transfer(Annex 4).

Despite some improvement, Bulgarian companies' uptake of digital technologies is limited and uneven. In 2025, 38.3% of SMEs had reached at least a basic level of digital intensity, an increase compared with 2023 (28.4%) but still significantly below the EU average (71.4%). This points to persistent structural challenges in the digital transformation of SMEs, particularly in moving beyond basic digital adoption. The use of advanced digital technologies has nevertheless continued to increase. Public support in the form of digital voucher schemes and European Digital Innovation Hubs, as part of the RRF, has lifted companies' AI adoption to 8.5% in 2025 (compared with 6.5% in 2024) and spurred initiatives like Sofia Tech Park's AI Factory (see Annex 4).

Structural weaknesses in public procurement constrain competitiveness and limit investment

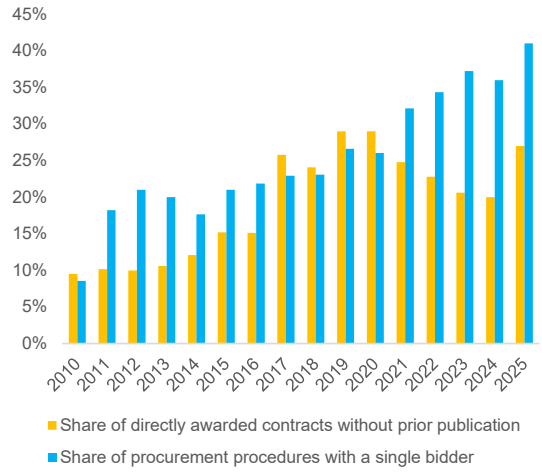
In 2025, Bulgaria received a CSR to improve the quality of public procurement procedures. The country's RRP includes measures intended to improve the efficiency and transparency of public procurement procedures. Implementation steps have been taken with delays, with positive impacts yet to materialise. Structural governance and implementation issues persist, which undermine competition in Bulgaria's public procurement processes.

In 2025, competition in Bulgaria's public procurement system remains limited. This is evident from the high share of procurement procedures with a single bidder, which rose to 41% in 2025 (36% in 2024) and the share of direct awards without prior publication, which increased to 27% in 2025 (20% in 2024), the highest level in the EU (see Annex 4)([6]). Furthermore, a significant number of contracts were unsuccessful or cancelled (27% in 2025 and 2024). At the same time, the lowest-price award criterion is predominant in 75% of procedures, discouraging competition on factors such as quality and innovation. In addition, capacity constraints have led to slower control procedures, causing delays in public procurement procedures. The high share of

([6]) Data for 2024: Single Market and Competitiveness Scoreboard, data for 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS).

procurement responsibilities at municipal level, where expertise is often lacking, has led to formal errors and delays in the use of EU funds (see Annex 5). Under the Bulgarian RRP, the EU-wide eForms system has been implemented and the public procurement agency has strengthened pre-procurement checks using a new methodology. Although this has led to more checks, there have also been delays in procurement procedures due to constraints in administrative capacity. Beyond those measures, more consolidation, planning and coordination in procurement could help public bodies secure more favourable terms and better value for money.

Graph 2.1: **Share of direct awards in public procurement contracts and the share of single bids in public procurement procedures**



Source: European Commission

The perception among businesses that public procurement procedures are not conducted in an open and fair manner prevails and is at one of the highest levels in the EU. In Bulgaria, 77% of companies (EU average: 58%) consider that public procurement procedures include tailor-made specifications for particular companies, and 62% (EU average: 45%) consider that abuse of negotiated procedures is a 'very' or 'fairly widespread' practice ([7]). Among companies that have experience in and participated in a public procurement procedure, 35% think that corruption has prevented them from winning a public tender or a public procurement contract (EU average: 25%) (see Annex 5).

Political influence in public procurement harms economic growth by favouring well-connected firms over more capable competitors. Analysis shows that firms with links to local government officials are 41% more likely to win uncompetitive tenders, while those with links to central government figures have a 37% higher chance of success ([8]). This discourages innovation and reduces productivity growth by rewarding political connections, creating a cycle where businesses invest in relationships rather than efficiency (see Annex 5).

Public administration has low productivity and limited capacity, especially at sub-national level

In 2025, Bulgaria received CSRs to improve the functioning and the capacity of the public administration, including across regions, to simplify regulation, improve regulatory tools and reduce administrative burden to create a level playing field for businesses. While initial steps have been taken, their impact has yet to be seen, and further efforts seem necessary to meet the expectations of the public and businesses.

([7]) Flash Eurobarometer 557, p. 133.

([8]) Fazekas, M. et al. (2025). Procuring Low Growth – The Impact of Political Favoritism on Public Procurement and Firm Performance in Bulgaria, World Bank Policy Research Paper 11085, Washington DC.

The public administration continues to face operational and capacity, in particular at regional and municipal level. The workforce is ageing, with the share of government employees under 39 old decreasing since 2019 (see Annex 7). Municipalities face significant challenges in attracting and retaining talent and face significant turnover. Thus, the attractiveness of the public administration as an employer could be improved (see Annex 7). At national and local level, ensuring that civil servants have adequate skills is a critical challenge. While the share of civil servants with higher education is relatively high (66% vs EU: 55%), Bulgaria has the lowest share of civil servants' participating in adult learning (9% vs EU: 19%). For municipalities, the National Association of Municipalities in the Republic of Bulgaria has identified a particular need for more focused upskilling of staff and capacity building. This includes central government support for policy and regulatory implementation, set up of shared([9]).

On the management of EU funds, 74% of municipalities report difficulties in attracting and retaining qualified experts to implement EU projects. The main reasons cited are the low basic pay and the mismatch between responsibilities and pay ([10]). Furthermore, regional governance and the regional planning process are fragmented, characterised by 265 municipal administrations with limited powers and poor coordination. This poses additional challenges in aligning regional and local priorities within a broader territorial strategy and in managing EU-funded projects effectively ([11]). This is crucial given the substantial amount of funding from EU programmes made available to Bulgaria ([12]).

Bulgaria's public investment landscape faces challenges in scale and efficiency. Public investment has reached approximately 3.1% of GDP, slightly below the EU average of 3.7%, but remains insufficient to bridge the substantial infrastructure and convergence gaps (see Annex 4 and Annex 5). Implementation of projects with EU support under the EU's 2021-2027 multiannual financial framework has been slower compared with the previous two programming periods. This underuse is partly due to issues with public investment management, which is tightly linked to inadequate administrative capacity. This creates an efficiency gap in public investment, where just 46% of spending is converted into productive capital, implying a sizeable loss of resources ([13]). Strengthening administrative capacity at both national and regional level, as well as improving procurement practices, project appraisal and multiannual capital

([9]) National Association of Municipalities in the Republic of Bulgaria, **Analysis of the capacity of municipalities for preparation and implementation of projects with European funding**, p. 23.

([10]) National Association of Municipalities in the Republic of Bulgaria, **Analysis of the capacity of municipalities for preparation and implementation of projects with European funding**, p. 11.

([11]) Council of Europe, Expert Centre for Good Governance, Comprehensive analysis of the current legal, administrative and operational framework of municipalities in Bulgaria, pp. 19-22.; OECD, Decentralisation and Regionalisation in Bulgaria, p. 79.

([12]) European Commission: Directorate-General for Budget, *The EU's 2021-2027 long-term budget and NextGenerationEU – Facts and figures*, Publications Office of the European Union, 2021, https://data.europa.eu/doi/10.2761/808559, p. 60 and following; European Commission: Directorate-General for Budget, Europe's budget – Member States allocation, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2761/5961524, p. 1.

([13]) Vahram S. and I. Vassileva (2025) 'Scaling Up Quality Public Investment for Stronger Growth', Washington DC: International Monetary Fund, Selected Issues Paper, SIP/2025/149.

planning could make public spending more efficient, stimulate private investment and boost GDP.

More digital public services have become available, but further improvements are necessary. The number of digital services available for the public and businesses continued to increase in 2025 ([14]). Under the RRP, efforts are under way to digitalise the construction sector by introducing building information modelling and setting up a new platform for providing administrative services for spatial planning, investment design and building permits. Furthermore, Bulgaria took steps to digitalise administrative procedures and administrative judicial proceedings (see Annex 7). Nevertheless, procedural rules do not allow the use of digital tools in all civil and commercial proceedings yet, and the current set of digital tools does not fully enable staff and judges to work and communicate securely ([15]). The quality of public administration services is perceived as low, with higher satisfaction among businesses than the general public (see Annex 7). A significant share of Bulgarian companies frequently use digital services (72% vs EU: 68%) and find that digital government services save them time (62% vs EU: 73%). Nevertheless, 22% of companies report significant delays in their business operations due to challenges with public administration services (EU: 15%)([16]). The proportion of citizens using e-government services and eID remains very low (36% vs EU: 75%)([17]), and digital inclusion remains a challenge, particularly for minorities and those in remote areas. The challenges of high administrative complexity and low user-friendliness seem to be linked to a limited focus on simplifying processes, administrative fragmentation([18]). A better use of the opportunities offered by the digital government infrastructure could help simplify administrative processes. This could include: (i) tackling fragmentation by facilitating the exchange of data between key government registers; (ii) increasing the proportion of pre-filled forms; (iii) advancing the digitalisation of internal workflows; (iv) accelerating the integration of services (life events); and (iv) providing an end-to-end online delivery of services. Lastly, enabling the cross-border exchange of data and documents between authorities through the EU's Once-Only Technical System would benefit the public and businesses in their cross-border transactions.

Efforts are ongoing to simplify regulation, improve regulatory tools and reduce administrative burden, but their impact has not yet yielded tangible results. Frequent legislative changes are still seen as a barrier to doing business (see Annex 5). Supported by the RRP, the national system for strategic planning "Monitorstat" was upgraded to monitor the progress of national strategies and to support evidence-informed policymaking, and a new methodology for strategic planning was approved, updating the general rules on development, monitoring, and evaluation of strategic documents. In

([14]) European Commission, 2025, State of the Digital Decade report 2025.

([15]) Figures 41, 42, and 43 of the 2025 EU Justice Scoreboard.

([16]) European Commission. Flash Eurobarometer 567 / 568 on satisfaction with administrative services (2026).

([17]) European Commission, 2025, Digital Decade: eGovernment Benchmark.

([18]) Republic of Bulgaria, Ministry of e-Governance, 2025, Отчет за състоянието и годишен план за развитие и обновяване на информационните ресурси в администрацията и информационните ресурси на единната електронна съобщителна мрежа на държавната администрация и за нуждите на националната сигурност за 2024 г. p.50.

2025, a new Public Consultation Portal has been deployed, featuring new tools for tracking decision-making and accessing more information about public feedback, but their practical use remains to be assessed. A plan for reducing the administrative burden has been drawn up, focusing on a range of legislative amendments, but most of them are still under preparation. In 2025, an Action Plan for the implementation of life event-based administrative services was adopted, covering a total of 93 measures with ongoing implementation([19]).

Strengthening anti-corruption prosecution and the independence of regulators

In 2025, Bulgaria received a CSR to improve the effectiveness of anti-corruption measures, particularly in high-level corruption cases, and to strengthen the independence and functioning of regulators. However, investigating and prosecuting corruption, particularly in high-level corruption cases, has not improved. Bulgaria took some steps to renew the mandates of certain regulatory authorities, but concerns about their independence remain unaddressed.

Bulgaria has yet to set a robust track-record in prosecuting high-level corruption cases. The Council of Ministers has adopted a draft bill expanding the possibility to request judicial reviews of prosecutorial acts to terminate or suspend investigations in April 2026, but its adoption by Parliament is still ongoing. The anti-corruption law governing an anti-corruption commission did not ensure the body's political independence ([20]). Bulgaria repealed this law in 2026 before the anti-corruption commission's new leadership could be appointed. The Council of Ministers adopted a draft bill establishing a new anti-corruption body in April 2026, which at the time of drafting is under consideration by Parliament.

Although the mandates of most independent and regulatory authorities have been renewed, limited resources and political influence continue affecting the quality of their work. The current legislation does not provide for the independence of regulatory bodies from market participants, including in sectors like energy where state-owned companies play a significant role ([21]). Concerns about the composition and functioning of the Supreme Judicial Council persist. On the Council's composition, judges elected by their peers are in the minority (6 out of 14 members in the Judges' Chamber, and 6 out of 25 members overall). On its functioning, the Supreme Judicial Council has been operating with an expired mandate since 2022, which compromises its legitimacy and prevents it from exercising some of its functions, such as appointing a new Prosecutor General. This undermines the stability and predictability of the business environment based on the rule of law, as illustrated by the low trust of companies in judicial independence (in 2025, only 27% of companies considered judicial independence to be fairly or very

([19]) Action Plan for the implementation of life-event-based administrative services, Council of Ministers' Decision No. 176 of 21 March 2025.

([20]) Commission implementing decision of 3.11.2025 on the partial suspension of the disbursement of the second instalment of the non-repayable support for Bulgaria.

([21]) Assessing the independence and effectiveness of national regulatory authorities in the field of energy - Publications Office of the EU.

good ([22]). Similarly, the Inspectorate to the Supreme Judicial Council continues to operate with restricted powers as its mandate expired in 2020.

Improving the tax system's revenue potential and fairness

The tax system has a comparatively low capacity to generate revenue, which could quickly prove insufficient given rising spending demands (see Section 1). In 2024, overall revenue as a share of GDP stood at 36.1% compared with the EU average of 46%. In the same year, total tax revenues (including compulsory social contributions) amounted to 30.5% of GDP, remaining well below the EU average of 39.4% of GDP (Annex 3).

There is significant scope to improve the fairness of the tax system, which currently allows for very little redistribution. The tax mix is characterised by a heavy reliance on consumption taxes. There is a comparatively low 10% flat tax on all taxable personal income with no basic tax-free allowance, except for a few small exemptions for special types of income or persons with disabilities. Bulgaria is the only Member State where high earners (167% of the average wage) pay a slightly lower share of their income in tax than low earners (those making 50% of the average wage). Furthermore, in 2025, the effective marginal tax rate was much higher on the lowest quantile of income (27%) than on the highest (15%).

Bulgaria has a large shadow economy, and its tax administration faces challenges in collecting taxes. According to the latest estimates, the shadow economy accounts for almost 35% of the country's GDP ([23]). The personal income tax gap of 13.8% and a social security contribution gap of 16.5% indicate significant under-reporting of income. The high effective marginal tax rates on low incomes can encourage under-reporting of income or even not declaring it at all. Tax arrears in Bulgaria increased from 2019 to approximately 60% of total revenue collected at the end of 2023, more than double the EU average (31%).

Measures in recent years to improve revenue collection and fight tax evasion and avoidance are not expected to sufficiently increase revenue and improve fairness. In addition, measures were taken to increase revenue from excise duties and phase out VAT exemptions and reductions. However, these measures have not kept pace with rising spending (Section 1). Tax fairness could be improved by, for example, bringing in a tax-free allowance in combination with a higher flat tax, increasing or removing the maximum insurable income capor reducing the reliance on cash transactions by lowering the cap on those transactions or providing incentives for digital transactions. These measures could also help fight the shadow economy and boost revenues. Additional revenue could also be raised by improving the collection of arrears. Other measures to raise revenue are in areas with untapped potential, such as updating cadastral values to strengthen revenue from recurrent property taxes and raising transport, pollution and resource taxes (Annex 3).

([22]) Figure 52 of the 2025 EU Justice Scoreboard

([23]) Schneider, F., Asllani, A. 'Taxation of the Informal Economy in the EU – Part 1: Latest Shadow Economy Estimates and Key Findings of Country Case Studies', IPOL | Policy Department for Economic, Scientific and Quality of Life Policies (2022).

Making better use of the Single Market

Regulatory and administrative barriers to the single market persist in Bulgaria, affecting trade in goods and services as well as the freedom of establishment. In the area of goods, additional border controls (particularly on pesticides) on certain fruits and vegetables and extra laboratory testing requirements for some imported food products create frictions. Easing administrative requirements for posting workers could reduce regulatory fragmentation in the single market, facilitate cross-border mobility and foster competitiveness, without undermining protections for workers

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

In 2025, Bulgaria received country-specific recommendations (CSRs) to reduce its reliance on fossil fuels and strengthen its energy system. The recommendation calls for: (i) market liberalisation; (ii) the accelerated roll-out of renewables and designation of areas for fast-track wind permitting; (iii) phasing out fossil fuel subsidies; (iv) increasing the flexibility of the electricity system; and (v) upgrading grid infrastructure at distribution level. Bulgaria was also recommended to take steps to address energy poverty and improve energy efficiency in industry**.** Some steps have been taken in response to the recommendations: (i) a legislative reform of the wholesale and balancing markets was adopted; (ii) renewable energy capacity was expanded significantly; and (iii) investment commitments for battery storage under the recovery and resilience plan (RRP) signal future progress on system flexibility. In 2025, renewables surpassed coal in Bulgaria's electricity mix for the first time.

However, implementation remains incomplete in several areas. Wholesale prices were among the highest in the EU in 2025, yet households pay regulated retail prices unrelated to wholesale price signals. In addition to these prices being among the lowest in the EU, they are fixed, which makes household demand inflexible and removes energy efficiency incentives. Tackling these inefficiencies in the market requires progress on two fronts: (i) lowering wholesale prices calls for continued growth in wind-powered renewable generation, making the regulatory and operational framework more flexible, and upgrading the distribution grids; and (ii) improving the retail market calls for a shift to more targeted support for energy-poor households.

High wholesale prices reflect fossil fuel reliance, highlighting the need to speed up the shift to cleaner energy and improve market design

Bulgaria's wholesale electricity prices remain among the highest in the EU, reflecting a generation mix that has not yet transitioned away from fossil fuels. In 2025, Bulgaria received a recommendation to reduce its reliance on fossil fuels and promote market liberalisation, and initial steps have been taken. Amendments to the Energy Act that entered into force in July 2025 as part of the Bulgarian RRP removed the National Electricity Company's role as a public supplier and abolished quotas for the regulated market. These amendments aimed to make it easier for new renewable energy sources to enter the market, including flexible assets, such as storage installations (see Annex 9). In addition, a further structural reform under the RRP aims to separate coal-related companies from the Bulgarian Energy Holding into a newly created state-owned holding company. This should improve corporate governance and make the energy sector more competitive. Further progress in Bulgaria's energy transition could be supported by making full use of the resources available under the Modernisation Fund and the Just Transition

Fund to finance investments that reduce reliance on fossil fuels. Fossil fuels continued to dominate marginal price-setting, accounting for around 67% of hours when prices were determined. As a result, wholesale prices averaged EUR 107 per MWh in 2025, the fifth highest in the EU and well above the EU average of EUR 83.8 per MWh (see Annex 9).

Regulated retail prices keep household electricity bills low and fixed but at the expense of broader market efficiency. Households continue to pay a single regulated retail price, with the difference between procurement costs and retail prices are covered by the Electricity System Security Fund, which is financed by, among other things, inframarginal revenue caps applied to generators (see Annex 9). As retail electricity prices remain regulated at fixed, relatively low levels, household electricity demand is largely unresponsive to wholesale price signals. Therefore, suppliers have little incentive to fully diversify their procurement, for instance, through long-term power contracts, and prefer relying on the special segment on the independent Bulgarian energy exchange, which offers high-priced but flexible products. Further steps to promote market competition would be beneficial, including a pathway to more targeted support measures for households.

Renewables overtook coal in Bulgaria's electricity mix for the first time in 2025, driven largely by the continued expansion of solar capacity. In 2025, Bulgaria further expanded its solar energy capacity, increasing the capacity deployed by 1.35 GW. Wind energy, however, remains underdeveloped and has yet to contribute significantly to the electricity mix. To facilitate the roll-out of renewables, Bulgaria has adopted legislation to streamline permitting procedures and enable the set-up of energy communities. Under the RRP, it has also committed to designating priority zones for onshore wind – with a potential of at least 2 GW – although this reform has yet to be fully delivered. Further deployment of renewable energy, in particular by tapping into the still largely unused potential of wind. This could contribute to lower electricity prices in the medium term by diversifying the generation mix and reducing reliance on more costly fossil-based generation. In addition, the pace of renewable energy deployment would benefit from stronger administrative capacity for permitting, the development of a regulatory framework for offshore wind and additional incentives for deploying onshore wind capacity (see Annex 9). This could include using contracts for difference as a complementary support instrument, in line with the revised electricity market design.

Storage deployment supports electricity system flexibility, but demand response remains largely absent

Bulgaria is making significant progress in deploying battery storage, following a recommendation in 2025 to increase the flexibility of the electricity system and ensure sufficient storage capacity. Under RRP investments, Bulgaria has signed contracts to deploy 1 120 MW of co-located battery storage paired with renewable energy production and close to 14 000 MWh of grid-scale battery energy storage systems, with 1 181 MW of battery energy storage already operational (see Annex 9). The timely completion of these investments is crucial to fully reaping the benefits of the rapid expansion of solar energy. This is because additional storage capacity supports system integration and can contribute to reducing short-term

pressure on electricity prices. In addition, Bulgaria's transmission system operator joined the PICASSO and MARI balancing platforms, improving integration into EU-wide balancing markets. However, the flexibility of the hydro-pump storage fleet remains constrained as three of the six turbines at the Chaira plant are still out of service, reducing available capacity to 410 MW against a full capacity of 800 MW. Restoring full operation would strengthen flexibility in using non-fossil options (see Annex 9).

Bulgaria's flexibility framework remains heavily supply-side oriented, and the near-absence of demand response and smart metering contributes to high and volatile wholesale electricity prices. Average daily price spreads in the wholesale market reached EUR 157 per MWh, driven by severe ramp-ups of thermal plants during evening and early-morning peak hours when solar output falls and non-fossil flexibility is insufficient to bridge the supply-demand gap. While the RRP includes a commitment by the Energy and Water Regulatory Commission to prepare a report on facilitating demand-response measures, no meaningful flexibility framework is operational yet. Smart meter roll-out remains below 5%, which, combined with fully regulated household retail tariffs, prevents dynamic pricing offers and effective consumer participation in demand response (see Annex 9). Useful steps to address Bulgaria's structural price volatility could include broadening the scope for aggregation and demand response, accelerating smart meter deployment in line with the EU smart metering framework and ensuring that balancing market design provides transparent and predictable signals.

Grid infrastructure: cross-border progress achieved, distribution upgrades still needed

Bulgaria has made progress in strengthening transmission and cross-border grid infrastructure, but distribution upgrades lag behind. One of the 2025 CSRs was to upgrade electricity grid infrastructure, with a particular focus on distribution-level smart grids, lines and substations. Bulgaria has already achieved its 2030 interconnection target, reaching 19% against the 15% benchmark. Under the RRP, Bulgaria added 1 200 MW of additional net interconnection capacity with Romania and Greece in 2025 and is on track to integrate 4 500 MW of new renewable production capacity by March 2026 (see Annex 9). These are positive developments for transmission infrastructure. However, the distribution grid, which is where smart meters, prosumers, energy communities, local storage and demand-response assets connect, needs further attention. Upgrades to distribution lines and substations are needed to accommodate rising electrification across households, transport and SMEs. These upgrades would prevent grid connection bottlenecks from constraining the deployment of renewables and support a more efficient integration of lower-cost renewable generation, which can contribute to reducing electricity prices over time.

Energy poverty remains widespread, while fossil fuel subsidies continue to crowd out targeted support

Energy poverty remains a structural challenge in Bulgaria, with few support mechanisms targeted at those most in

need. In 2025, Bulgaria received recommendations to tackle energy poverty by developing an information system on energy-poor households and supporting them with targeted policy measures and to take specific steps to phase out fossil fuel subsidies, including those supporting district heating. The share of people unable to keep their homes adequately warm remains well above the EU average (see Annex 12). Support is largely delivered through universally low regulated retail electricity prices and feed-in tariffs for combined heat and power plants supplying district heating networks, rather than through targeted assistance. This is an inefficient use of limited fiscal resources and leaves vulnerable households insufficiently protected. While steps have been taken to strengthen the governance framework for energy poverty, implementation remains at an early stage. Bulgaria adopted a legal definition of energy poverty in 2023 and put in place a coordination mechanism with designated responsible bodies in November 2025. In addition, it is in the process of developing an information system expected to become operational by mid-2026. However, targeted support measures remain limited (see Annex 12).

Energy efficiency of residential buildings has advanced under the RRP, but the scale of the needs exceeds the plan's capacity to address them. Measures included: (i) the creation of the National Decarbonisation Fund to finance renovations and renewable energy use in buildings; (ii) the designation of 21 regional one-stop shops for renovation support; (iii) amendments to the Condominium Ownership Management Act to facilitate renovations in apartment buildings; and (iv) changes to the Energy Act enabling the use of energy service company (ESCO) models to finance energy efficiency and renewable energy investments through energy bills. In addition, the RRP provides for a subsidy scheme for the energy efficiency renovation of residential buildings to be managed by the Bulgarian Development Bank, complementing the long-standing national programme for energy efficiency of multi-family residential buildings. Despite progress under the RRP, the European Regional Development Fund and the Just Transition Fund, additional efforts will be needed to close remaining gaps in energy efficiency and scale up renovation activities.

Progress has been made in phasing out fossil fuel subsidies for electricity production, but subsidies for district heating remain unaddressed. The emergency state purchase order that previously required the procurement of electricity from the coal-fired Maritsa East II power plant is no longer in force, and the remaining power purchase agreement for coal-based electricity production was discontinued in the first half of 2026 (see Annex 9). However, feed-in tariffs for combined heat and power plants supplying district heating networks remain in place and continue to provide implicit support to fossil fuel-based heat generation (see Annex 9). These tariffs act as an indirect subsidy that extends the economic viability of fossil fuel-based district heating and delays the shift to low-carbon heat sources. Bulgaria's effective carbon rate averaged EUR 65 per tonne of CO_2 in 2023, significantly below the EU mean of EUR 84.80 (see Annex 9). Reforming these tariffs and redirecting the savings to targeted support for vulnerable households and district heating decarbonisation would be beneficial.

High emissions from manufacturing require broader industrial decarbonisation efforts

Bulgaria has made limited progress on energy efficiency in industry, but high greenhouse gas emissions from manufacturing mean more efforts are needed in industrial decarbonisation. The 2025 CSRs called on Bulgaria to encourage industry to adopt energy efficiency measures. The RRP includes a guarantee instrument for energy efficiency and renewable energy investments implemented via InvestEU and the European Investment Fund. It also sets out a grant scheme supporting businesses in the transition to the circular economy, which also covers energy efficiency investments. Bulgaria is preparing a national strategy for raw materials, industry and manufacturing. The strategy will include elements on reducing energy consumption in industry along with measures for industrial decarbonisation, such as the reduction of carbon intensity and resource efficiency (see Annex 8). However, Bulgaria's manufacturing sector remains the most greenhouse gas-intensive in the EU, with emissions per unit of value added more than double the EU average, and its energy intensity is among the four highest in the EU. Non-energy-related industrial emissions also account for a significantly larger share of manufacturing emissions than the EU average (45% vs 35%), pointing to broader challenges for decarbonisation (see Annex 8). As a result, while some initial support measures are in place, industrial decarbonisation remains a major challenge. Financial incentives and streamlined permitting procedures for net-zero technologies would help to reduce high levels of industrial energy consumption and emissions (see Annex 8).

Sustainable transport challenges: underdeveloped infrastructure and high emissions

Sustainable transport solutions continue to lag behind the EU average, especially in rural areas underserved by public transport. The 2025 CSR called on Bulgaria to promote the roll-out and uptake of sustainable urban, public and rail transport, including by accelerating the development of the required infrastructure. While the uptake of electric vehicles increased in 2024 compared with 2023, the market share of these vehicles is significantly below the EU average at 0.56%. At the same time, charging infrastructure expansion is slow, with less than 15% of Bulgaria's 2030 target completed (see Annex 8). This consistent underperformance on electric vehicle infrastructure is compounded by poor transport connectivity, especially in northern regions, where many remote villages lack adequate public transport (see Annex 18). The RRF and cohesion policy programmes are already supporting Bulgaria with funding for electric buses and charging infrastructure for municipalities. However, further investments in sustainable and electric transport are essential to helping reduce emissions from the sector, which was Bulgaria's second-highest emitting sector in 2023. Additionally, a lack of public transport also means that people, especially in rural areas, have to rely more on individual means of transport (see Annex 12). This can have implications for road safety, for which, compared with the EU average, Bulgaria has a relatively high share of fatalities occurring on rural roads (see Annex 19). Bulgaria is investing in renovating its rail network. The RRF is supporting the purchase of zero-emission railway rolling stock and the renovation of railway infrastructure to ease key rail bottlenecks. It would be beneficial to

continue investing in infrastructure renovation and the digitalisation of the railway networks, including the roll-out of the European Railway Traffic Management System. Doing so would expand capacity, increase economic viability and reduce long travel times between major cities([24]).

Strengthening water and climate resilience

Bulgaria's water resilience is compromised by not enough rehabilitated infrastructure and regulatory gaps, implying significant economic risks and threatening public health. The 2025 CSR called for improved water and waste management by investing in infrastructure, yet progress remains limited. Climate change is exacerbating vulnerabilities in transport infrastructure, with floods, landslides and shrinking Danube water levels disrupting connectivity, but adaptation measures are fragmented and underfunded. The country faces long-standing EU infringements for failing to comply with the Urban Wastewater Treatment Directive. Meanwhile, ageing infrastructure has caused water losses exceeding 60% due to leaking pipes. Drought management plans still need to be developed, and only 36% of urban areas meet wastewater treatment standards. The impact of climate change amplifies droughts and floods, with 9.3% of Bulgaria's ecosystems already suffering severe drought, double the EU average. Fast-tracking the Danube navigability project, enforcing the Polluter Pays Principle and aligning agricultural subsidies with water quality targets are all measures that would help tackle these challenges (see Annex 8 and Annex 10).

Bulgaria's climate resilience is undermined by fragmented governance and underinvestment in adaptive infrastructure. The 2025 CSR on tackling institutional weaknesses have not been acted upon. While the 2019 national climate adaptation strategy and action plan and Climate Change Coordination Council provide a strategic foundation, their implementation suffers from weak horizontal and vertical coordination, outdated risk assessments and ad hoc sectoral responses. The European Central Bank has estimated that Bulgaria lost 1% of its GDP in 2025 due to extreme weather events. This exposed systemic failures, including the absence of mandatory climate risk assessments for infrastructure projects and water losses exceeding 60%, the highest in the EU. Climate adaptation implementation lags behind due to limited subnational capacity. At subnational level, more efforts are needed to boost climate preparedness mainstreaming in regional planning and procurement. Only 24% of municipalities participate in the Covenant of Mayors, and local adaptation plans remain exceptions rather than the norm (see Annex 10).

The uptake of nature-based solutions in Bulgaria is hampered by legal ambiguities, funding gaps and institutional inertia, despite their potential to mitigate climate risks cost-effectively. The 2025 CSR on the sustainable use of resources has not produced any results. Bulgaria's forest cover of 33% and extensive wetlands offer natural defences against floods and droughts. However, only 12% of habitats meet conservation targets, and nature-based solutions account for a negligible share of investments in climate adaptation. Key barriers include the lack of a legal

([24]) BTA: Transport Minister: Nearly All Repairs on Railway Tracks Will Be Finished by 2029.

definition for nature-based solutions in national law, limited private and public funding and little local expertise in designing and maintaining these solutions. While the Programme "Environment" 2021-2027 includes measures to restore ecosystems, these are dwarfed by grey infrastructure spending. The Programme 'Environment' 2021–2027 has the potential to close this gap, particularly on traditional infrastructure. However, closing Bulgaria's 0.24% GDP investment shortfall in ecosystems – the largest in the EU – needs additional efforts (see Annex 10).

The near absence of climate insurance coverage in Bulgaria exacerbates fiscal and social vulnerabilities, leaving households and businesses exposed to more severe extreme weather risks. With only around 2% of climate-related losses insured in 2025 (EU: 25%), public finances bear the brunt of disaster costs. The total economic loss due to climate change per capita increased in Bulgaria between 2010 and 2024 by 98% (vs EU: 34%). The market has failed to incentivise risk reduction, and coverage is limited to mortgaged properties, leaving renters, SMEs and farms unprotected. The Bulgarian 2019 national climate change adaptation strategy and action plan predicts a cumulative anticipated loss in real GDP of between 1% and 3.5% by 2050 (the most optimistic and pessimistic scenarios) (see Annex 8, Annex 10).

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

In 2025, Bulgaria received country-specific recommendations (CSRs) on education and skills, labour market participation, social inclusion and healthcare. Bulgaria was recommended to: (i) improve the quality, labour market relevance and inclusiveness of education and training; (ii) reinforce skills acquisition; (iii) strengthen competence-based learning and teaching; (iv) improve teaching quality with initial, continuous and needs-based teacher training; (v) address labour shortages; (vi) tackle social inclusion; and (vii) improve access to health services. Several measures have been carried out in these policy areas, with varying impact, highlighting that there is further room for improvement.

Despite some improvements, particularly in the labour market and the social areas, Bulgaria continues to lag behind in education and skills development, the integration of vulnerable groups, access to services and social fairness. Bulgaria continues to face major structural challenges in education that hinder human capital development and competitiveness. These challenges include few children in early childhood education and care, weak basic skills, persistent inequalities, teacher shortages and a mismatch with labour market needs. At the same time, there are significant social challenges, with high poverty or social exclusion risks among vulnerable groups, continued energy poverty, high income inequality and an underfunded social protection system with limited adequacy. While the shift towards deinstitutionalisation is advancing gradually, overall social inclusion outcomes remain weak.

The education system and adult learning require further efforts to align skills with employers' needs

Bulgaria's consistently weak performance in basic skills reveals structural challenges that constrain human capital development and competitiveness. Improving the quality and inclusiveness of education as well as reinforcing skills acquisition to boost competitiveness is one of the 2025 CSRs Bulgaria received. Participation in early childhood education and care remains low and uneven, limiting early learning and exacerbating inequalities. Those particularly affected are disadvantaged groups, including Roma children. The problem persists despite measures adopted under the RRP, such as the mandatory inclusion of four-year-olds in preschool education, which are leading to gradual improvements. Around half of Bulgarian 15-year-olds do not reach minimum proficiency in basic skills (about double the EU average), with an even wider gap in rural areas, severely undermining skills development later in life (see Annex 19). The share of top-performing students is also low, limiting the pool for innovation and excellence. Weak levels of basic skills point to major shortcomings and challenges in the school curriculum and in teaching quality.

The curriculum remains heavily content-focused rather than skills-focused, and teaching quality is low; disadvantaged students are particularly affected. Curricula still focus mostly on content, despite early-stage national programmes supporting basic skills measures and science, technology, engineering and mathematic (STEM) education, complemented by funding from the ESF+ and RRF-funding (see Annex 13). The government has announced reforms through the revision of the Pre-school and School Education Act and a proposal for changes to the curriculum. These initiatives aim to tackle these imbalances, but they have not yet been adopted. The challenges in improving teaching quality continue to derive from: (i) shortages of teachers, especially in STEM, amid an ageing workforce and difficulties in recruiting and retaining novice teachers, particularly in rural and disadvantaged schools; (ii) insufficient and non-targeted professional development opportunities; and (iii) weak assessment practices and a weak link between performance and pay. Bulgaria seeks to improve the attractiveness of the teaching profession through salary increases, STEM-focused training programmes, and recruitment incentives (see Annex 13). Strengthening teacher education through robust needs assessment and quality control is essential to improving teaching quality and learning outcomes.

Socio-economic disparities further undermine learning outcomes of disadvantaged students. School segregation persists, with Roma children increasingly attending segregated schools, while low educational attainment among young Roma remains a critical barrier to inclusion. Early school leaving has declined but remains high among Roma students and in rural areas. Strengthening inclusive learning environments is crucial to improving learning outcomes and reducing inequalities, which can support building a more skilled workforce.

Bulgaria's higher education continues to face significant challenges in developing high-skilled talent, particularly in STEM, with implications for productivity and innovation. This is reflected in the 2025 CSR to reinforce skills acquisition to boost competitiveness and support the green and digital transitions. Tertiary educational attainment has increased significantly over the past decade, but remains comparatively low, particularly among men, disadvantaged groups and rural populations, and is insufficient to meet growing demand for higher education graduates. This is compounded by regional disparities, demographic decline and high outward student mobility. Bulgaria has one of the EU's lowest shares of STEM graduates, and enrolment in STEM programmes in higher education continues to decline. The ongoing implementation of the Higher Education Map, included in Bulgaria's RRP, aims to better align tertiary education with labour market and regional needs, though its effectiveness remains to be assessed. The Higher Education Map could therefore benefit from strengthened collaboration among institutions and businesses, improved data collection and incentives for high-quality teaching and making curricula more innovative.

Further efforts are needed to align vocational education and training (VET) with employers' needs. This was already reflected in the 2025 CSRs. Although participation in medium-level VET is above the EU average and there is a strong focus on STEM programmes, skills mismatches persist. The employment rate of VET graduates remains below the EU average, while in some regions many graduates struggle to find work due to insufficient demand. Measures such as further

strengthening links between VET schools and employers, improving staff specialisation and equipment, and making programmes more responsive to labour market demand could help address these mismatches. The VET Act was amended, the list of professions is being updated, and new cooperation structures between education institutions and businesses are emerging with RRF and ESF+ support. However, these reforms will only improve alignment with employers' needs once fully implemented.

Skill shortages persist, with slow progress in skills development exacerbated by regional disparities. Employers continue to report persistent skill mismatches that constrain business expansion, particularly in the north-east, pointing to marked regional disparities. With support under the Technical Support Instrument, Bulgaria developed an action plan for skills with a comprehensive set of policy measures, but it has not been adopted or implemented. Training opportunities remain heavily reliant on EU funding, raising concerns about their long-term sustainability and coverage. Bulgaria has one of the lowest rates of participation in adult learning in the EU, including for those in employment. This leaves people with low levels of skills with limited job opportunities, contributing to the high share of low-wage earners and undermining opportunities from the twin transitions. Low digital skills continue to be a major barrier to upskilling as only 38.3% of individuals had at least basic digital skills in 2025, far below the EU average of 60.4%. Adult participation in learning is also very weak (at 9.5% in 2022), well below the 2030 national target of 35.4%. Progress is further hampered by delays in implementing key measures, including individual learning accounts and the qualifications database, and difficulties in scaling up digital training and ensuring the involvement of employers.

Rising employment has not yet led to a more inclusive labour market or quality jobs

Measures to boost labour market participation of vulnerable groups has brought limited improvements. The 2025 CSRs indicated that labour shortages should be addressed by increasing employment rates for vulnerable groups and inactive people. Supported largely by EU funding, implementation of measures targeting persons with disabilities has expanded in recent years. However, despite narrowing in 2025, the disability employment gap remains relatively high compared with the rest of the EU, and the share of persons with disabilities, who were neither in employment nor in education and training (NEETs) was 86.6% in 2024, one of the highest in the EU. Despite the tight labour market, young people struggle to find employment. The share of NEETs fell in 2024 but rose again in 2025, staying above the EU average. Although public employment services have brought in some support measures, such as activation experts and mobile offices, they continue to struggle to reach NEETs as many of them are not registered as unemployed. To improve outreach, the public employment services are launching a register of inactive people, which is expected to become operational in 2026. Employment among Roma increased considerably between 2021 and 2024, but it was still almost 15 percentage points lower than the country's overall employment rate. Active labour market policies still fall short in addressing labour shortages, even with new measures, such as the development of a virtual labour office and an IT application to help

jobseekers find training. Engaging employers and developing more effective measures targeting vulnerable groups remains a challenge. At the same time, measures to facilitate hiring non-EU nationals led to the number of work permits issued increasing by 42% in 2025, mainly for low-skilled jobs in tourism, construction transport and industry.

The labour market continued to perform strongly, but regional disparities persist. The employment rate (20-64 years old) edged above the EU average, reaching 77% in 2025, bringing Bulgaria closer to the 2030 target of 79%. The shrinking workforce is still a major challenge despite some limited positive demographic developments, such as the reversal of net outward migration. Regional unemployment disparities have narrowed, but Severozapaden's rate was still almost four times higher than the best-performing area, indicating that sizeable gaps in regional performance persist. Demand remained high mostly for middle-skilled jobs and increased for low-skilled labour, while shortages of doctors, nurses and teachers were highest among professions requiring higher education.

With social dialogue taking a less prominent role, robust wage growth did not lead to quality jobs, with shortcomings in skills development, collective representation, health and safety ([25])**.** Wage growth has been well above the EU average for the last four years, standing at 10.4% in 2025 (lower than the 14.1% in 2024), outpacing inflation and labour productivity growth. At the same time, unit labour costs have remained among the lowest in the EU. Moreover, although the minimum wage also increased substantially, there was no meaningful reduction in the high shares of in-work poverty or low-wage earners. Low levels of engagement in social dialogue and collective bargaining coverage contribute to the lack of progress on non-wage aspects of job quality. Workplace safety showed no improvement in 2025, exacerbating the country's poor track record. On a positive note, the labour market has contributed to relatively high job security with low levels of involuntary temporary employment.

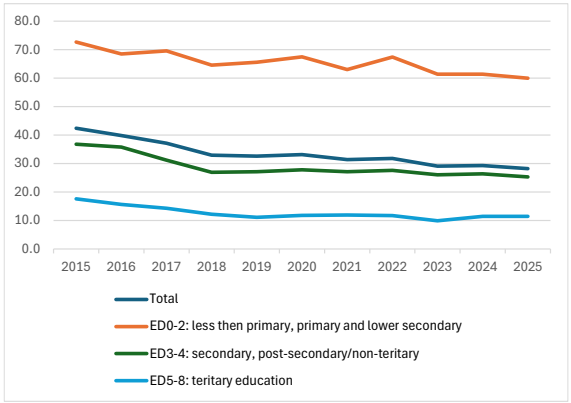
High poverty and income inequality, compounded by limited access to services and healthcare, hamper social fairness

Bulgaria has made steady progress in reducing overall poverty and inequality, but structural challenges persist. Higher incomes have lowered general poverty rates. This has been the result of more generous social assistance, achieved through the RRP's minimum income reform, which included inflation-linked adjustments. However, relatively higher inflation for basic commodities, such as food, still contributes to eroding the adequacy of minimum income. The Roma population continues to experience very high rates of poverty and social exclusion (77.8% in 2025). The 2025 CSR to address social inclusion through more effective minimum income support has underlined the potential to further strengthen the social system, given the high share of the population still at risk of poverty or social

([25]) According to the Opinion of the Employment Committee of June 2025, the dimensions of job quality encompass adequate earnings and fair wages, job and career security, skills development and career progression, employability, safety and health at work, workplace well-being, working time, autonomy, collective interest representation and organisation, work-life balance, gender equality and equal opportunities, social protection, and no undeclared or underdeclared work.

exclusion, particularly children. Energy poverty is another challenge, as discussed in Section 3. Implementation of the Child Guarantee could be further strengthened by focusing on low-performing areas, such as early childhood education and care, healthy nutrition and school meals. The limited capacity of the social protection system is evident in the weak impact of social transfers on poverty reduction. Pensions are no exception, with concerns about their adequacy and long-term sustainability. Despite recent increases, the pension replacement rate (the percentage of a worker's pre-retirement income that is replaced by their pension after they stop working) is projected to decrease in the long run ([26]). On a positive note, measures have been taken, such as the introduction of the multi-fund model, which will kick in as of 2027. However, plans to produce a comprehensive pension system reform roadmap have stalled. These gaps in social protection contribute to one of the highest rates of income inequality in the EU.

Graph 4.1:**At-risk-of-poverty rate (AROPE) by level of education (% of population 18+)**



Source: European Commission

Housing has become an increasingly important factor for social fairness. The rapidly rising prices of housing have mostly been offset by higher incomes; however, the poorest households and rural communities have been affected: approximately 7% of the of households and 9.1% of rural residents face housing cost overburden([27]). Home ownership is high, however, housing quality is poor and there is a high rate of vacant properties. Social housing is limited and of poor quality. A national housing strategy with a long-term scope could be useful to effectively consolidate support for vulnerable groups and homeless people.

Bulgaria's shift from institutional to community- and home-based social services is advancing, but a sustained approach will be needed to carry out the planned reform by 2035. The accessibility, affordability and quality of social services have been improving, partly thanks to measures in the RRP such as the adoption of the Ordinance on the Quality of Social Services, a mapping of social services, and investments in new and renovated social service facilities. Nevertheless, the number of people in need of long-term care who go without professional homecare services due to financial reasons is 29.4% (three times the EU average). The number of long-term care workers per 100 people aged 65 and above is 2.4 vs 3.2 in the EU, and staffing shortages can only be expected to exacerbate amid a rapidly ageing society and rising demand. Measures that could help tackle these challenges are a post-2027 action plan on deinstitutionalisation, alongside planned closures and the restructuring of institutions, and further action to strengthen home care and expand the long-term care workforce.

([26]) OECD Economic Surveys: Bulgaria 2026, February 2026, Volume 2026/5.

([27]) This indicator should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

Limited access to health services remains a major hurdle for Bulgaria, contributing to low life expectancy and high rates of preventable and treatable deaths. The country has one of the lowest life expectancies in the EU, while its preventable mortality rate was 50% more than the EU average in 2023, having only slightly declined over the previous decade. Bulgaria's health system remains strongly hospital-centric, with less than 20% of total health expenditure allocated to outpatient care (one of the lowest in the EU). At the same time, Bulgaria has one of the highest numbers of hospital discharges per 1 000 inhabitants in the EU, and hospital occupancy rates and average lengths of stay are among the lowest. This points to a possible mismatch between hospital activity and actual care needs. This pattern may be partly linked to the payment model, under which hospitals are reimbursed for completed clinical pathways with fixed treatments that are not tailored to a patient's medical history and specific needs. Meanwhile, spending on prevention remains among the lowest in the EU. Increasing the share of expenditure dedicated to primary and preventive care would support earlier diagnosis, more effective chronic disease management, and lower long-term costs. It would also reduce patients being pushed to private care due to waiting times or limits on referral quotas.

Access to health services continues to be hampered by staff shortages, an uneven distribution of healthcare professionals, high out-of-pocket payments and limited outpatient care. Improving access to health services was one of the 2025 CSRs for Bulgaria. The challenges are linked to the ageing population and are compounded by severe and growing shortages in the number of healthcare professionals, in particular nurses, who are unevenly distributed across the country. An ageing health workforce adds further pressure: 20% of nurses were still working beyond retirement age in 2023. Access to healthcare is further restricted for 11-12% of the population who have no health insurance ([28]). Among the Roma community, two out of five people lack health insurance or additional cover ([29]). Bulgaria has the highest share of out-of-pocket healthcare spending in the EU, at 35.5% in 2023, which is 2.5 times the EU average. The share of private spending on outpatient services stands at 43%, almost twice the EU average. The government has taken measures to reduce workforce shortages, such as adopting a national strategy aiming to invest in outpatient care facilities and creating incentives to attract health professionals. The ESF+ is supporting the specialisation of doctors, and RRF-funded measures include: (i) setting up outpatient care units in remote and hard-to-reach areas; (ii) adopting a methodology to determine the number of nurses in different types of healthcare facilities; and (iii) linking health professionals' pay to their qualifications. The impact of some of these measures have yet to be assessed, but more structural reforms are needed to shift resources from hospital to outpatient, primary and preventive care and reduce out-of-pocket payments to improve the health system's effectiveness and accessibility.

Addressing these challenges will help Bulgaria boost upward social convergence. The second-stage analysis in line with the Social Convergence Framework points to challenges for Bulgaria that may affect social convergence

([28]) European Observatory on Health Systems and Policies (2024), Bulgaria: Health System Summary 2024.

([29]) European Union Agency for Fundamental Rights (2024), Roma Survey 2024, dataset.

in relation to education and skills and social situation([30]).

([30]) European Commission, SWD(2026) 122. The analysis relies on all the available quantitative and qualitative evidence and the policy response undertaken and planned.

KEY FINDINGS

In areas covered by **existing country-specific recommendations (CSRs)**, Bulgaria would benefit from:

- **strengthening its research and innovation system** by increasing public and private R&D investment; setting out clear institutional mandates and responsibilities for public research organisations and higher education institutions within a coherent national strategy; and reinforcing academia-business links and technology transfer to support the commercialisation of research;

- **improving public procurement** by reviewing public procurement governance in Bulgaria; further strengthening the safeguards so that tendering procedures encourage participation by bidders; and ensuring efficient follow-up via regular quality checks and taking action based on the findings;

- **strengthening the capacity and functioning of public administration** by improving its attractiveness as an employer and ensuring civil servants have adequate skills, especially in regional and municipal administrations; strengthening coordination at regional levels; and simplifying and digitalising procedures to reduce administrative burden and improve the userfriendliness of services for the public and businesses;

- **strengthening the anti-corruption framework**, particularly for high-level corruption cases, as well as ensuring the independence and effective functioning of the Supreme Judicial Council as the judicial self-governance body, essential for the proper functioning of both the courts and the prosecutor's office, thereby contributing to a stable and predictable economic environment based on the rule of law;

- **making regulatory bodies more effective** by improving safeguards for their independence from market participants and from political institutions; ensuring they have sufficient expertise and resources; and renewing mandates to boost their legitimacy in the eyes of investors;

- **advancing energy market reforms and renewable energy deployment** by finalising market liberalisation and reducing fossil fuel reliance, including by modernising district heating and by continuing phasing out fossil fuel subsidies; accelerating wind energy deployment through streamlined permitting in designated priority zones; and upgrading distribution grids and scaling storage to integrate a higher proportion of renewable energy into the system;

- **stepping up industrial decarbonisation efforts** by promoting measures and investment in clean technologies, energy efficiency and renewable energy generation by businesses, including in regions transitioning out of coal;

- **increasing investments in clean transport infrastructure**, including for public transport, and accelerating the

renovation of rail infrastructure and connectivity in northern and remote regions;

- **strengthening water and climate resilience** by accelerating investing in water infrastructure and improving climate governance through mandatory risk assessments;

- **accelerating social convergence by strengthening human capital development and building up a skilled labour force** by strengthening basic skills with competence-based learning and teaching, and by increasing participation in higher education, especially for disadvantaged students and in STEM fields;

- **making the labour market more inclusive and promoting job quality** by boosting job opportunities for vulnerable groups, including Roma and persons with disabilities, and putting in place active labour market policies for low-wage earners;

- **tackling poverty and social exclusion** by developing an information system to identify energy-poor households; shifting to targeted assistance for vulnerable households; improving access to integrated employment and social services, including community-based long-term care; and improving the effectiveness of minimum income support;

- **strengthening the effectiveness and accessibility of the health system** by shifting resources from hospital to outpatient, primary and preventive care; tackling shortages and the uneven distribution of health professionals across the country; and reducing the amount of out-of-pocket payments.

In **other areas**, Bulgaria would benefit from:

- **strengthening the revenue capacity and fairness of the tax system** by, for example, introducing a tax-free allowance combined with a higher flat tax rate; lowering the cap on cash transactions; and raising revenues in areas with untapped potential, such as property, transport, pollution and resource taxes;

- **eliminating regulatory and administrative barriers to the single market** affecting the freedom of movement of goods and provision of services, as well as the freedom of establishment.

ANNEXES

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Table A1.1: **2025 CSR Implementation and Commission assessment**

Bulgaria faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Bulgaria was recommended, among other things, to improving the functioning of public administration, improve the effectiveness of anti-corruption measures, increase the effectiveness of public R&D investment, upgrade the electricity grid infrastructure, phase out fossil fuel subsidies, strengthen competence based teaching, address labour shortages and social inclusion and improve access to healthcare services.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Bulgaria to date*. To do so, the Commission has taken into account the information provided by Bulgaria in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Bulgaria for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Total general government defence expenditure in 2026 is projected at 1.9% of GDP, corresponding to an increase of 0.6 ppt. compared to 2024.	Total general government defence expenditure in 2027 is projected at 2.2% of GDP, corresponding to an increase of 0.9 ppt. compared to 2024.	Substantial progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 20 June 2025, while making use of the allowance under the national escape clause for higher defence expenditure.	Cumulated deviation in 2025 amounted to 2.1% of GDP and is only partially explained by the NEC flexibility (0.6pps. of GDP). Cumulated deviation in 2026 projected at 2.2% of GDP and is only partially explained by the NEC flexibility (0.6pps. of GDP).		No progress
3.1: Create the enabling conditions to boost competitiveness by improving the functioning and the capacity of the public administration, including at regional level. Simplify regulation, improve regulatory tools and reduce administrative burden to create a level playing field for business.	Amendment of the Administrative procedure code to allow for the further digitalisation of administrative proceedings and (ongoing) expansion of information systems, enabling administrations to obtain data electronically. On reduction of administrative burden, adoption of Concept for the Development of Regulatory Policy of the Republic of Bulgaria for the period 2025-2027 and implementation (ongoing) of a Plan for Reducing Administrative Burden.		Some Progress
3.2: Improve the effectiveness of anti-corruption measures, particularly in high-level corruption cases.	No progress on establishing an anti-corruption body. Bulgaria has taken preparatory steps in relation to a revised anti-corruption law and adoption by Parliament is ongoing. In relation to the Anti-corruption Strategy, no meeting of the National Council for Anti-Corruption Policies took place in		No Progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented *By 30 April 2026*	Preparatory steps/ credibly announced measures *By 30 April 2026*	Assessm. of progress
	2025. Bulgaria has taken preparatory steps in relation to the Code of Ethical Conduct and corruption risk management in SOEs and in relation to integrity of civil servants but adoption is still pending.		
3.3: Improve the quality of public procurement procedures and strengthen the independence and functioning of regulators.	Trainings for authorities involved in public procurement. Publication of list of letters to buyers with highest shares of single bids and direct awards. Regarding regulators: Bulgaria renewed the mandates of most independent/regulatory authorities requiring a simple parliamentary majority (e.g. Commission for Protection of Competition). Authorities requiring a qualified majority (i.e. cooperation with the opposition) continue to operate with expired mandates. Appointment procedures remain in essence unchanged, with no major reforms to improve political independence.		Limited Progress
3.4 Increase the impact and effectiveness of public R&D investment by focusing research and innovation in fewer institutions and improve the commercialisation of research output.	The Law on Promotion of Research and Innovation (as a reform of the RRP, adopted in April 2024 and entered into force in May 2024) introduced a legal framework to develop the scientific and innovation ecosystem. It introduces policies and instruments for strategic planning and funding efficiency. It establishes the cross-sectoral Innovation and Research Council as a permanent advisory and coordinating body to the Ministry of Education and Science and the Ministry of Innovation and Growth. A positive example for public – private partnership in the area of innovation and research is the INSAIT Institute.		Limited Progress

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Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
4.1. Reduce reliance on fossil fuels, including by promoting market liberalisation, accelerating the roll-out of renewables, particularly by designating areas with fast-track permitting for wind installations.	Bulgaria reduced fossil fuels, adopted a decarbonisation law and amendments to the Energy Act entered into force in July 2025 to liberalise the wholesale electricity market, representing progress in market reform. The Bulgarian RRP contains a target requiring a reduction in GHG emission from coal-fired power plants, which has not been assessed yet. Bulgaria has taken measures to liberalise its balancing market for electricity and joined the PICASSO balancing platform in February 2025. Renewable deployment continued, with expanding solar generation and renewables accounting for around 28% of installed capacity. However, fossil fuels generation assets remain the price-setting technology in a significant number of hours. Even if satisfactorily met, the emission limit on coal-fired power plants does not imply full closure. The retail electricity market remains regulated for households, with fixed prices that do not reflect wholesale procurement costs.	Designation of priority zones for onshore wind by mid 2026	Some Progress
4.2. Take specific steps to phase out fossil-fuel subsidies including by removing the subsidies supporting coal-based electricity production and district heating.	Bulgaria discontinued PPAs/PSO-type arrangements supporting coal-fired electricity generation, representing a step towards reducing direct support to coal-based generation. Emergency order is no longer in force for electricity.		Some Progress
4.3. Increase the flexibility of the electricity system to reduce wholesale price volatility, in particular by broadening the scope for aggregation and demand-response and by ensuring sufficient storage capacities.	Bulgaria has taken some steps to improve electricity system flexibility, notably by strengthening market integration and cross-border cooperation. Bulgaria joined the PICASSO balancing platform in February 2025. In addition, investments in BESS under the RRP are progressing, although the roll-out and commissioning of these projects are still pending. These measures contribute to system	RESTORE completion by August 2026 (c. 6GW of installed capacity)	Some Progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented *By 30 April 2026*	Preparatory steps/ credibly announced measures *By 30 April 2026*	Assessm. of progress
	integration and future flexibility, even if they do not yet address the main structural bottlenecks affecting the electricity market.		
4.4. Upgrade the electricity grid infrastructure at distribution level by rolling out smart grid infrastructure and by upgrading lines and substations.	Bulgaria expanded the net interconnection capacity with Romania and Greece by an additional 1200 MW in 2025. Bulgaria has also reached a 19% interconnection level, exceeding the EU's 15% target for 2030. The RRP includes an investment in the upgrade and digitalisation of the transmission network. (electricity transmission system to integrate a cumulative new 4 500 MW of production capacity from renewable sources by June 2026) Implementation of the CEF awarded Project of Common Interest Carmen Smart Grid between Bulgaria and Romania will reinforce cross-border TSO-TSO cooperation and data-sharing; enhance TSO-DSO cooperation; invest in grid expansion; increase capacity for integration of new renewables; and improve grid stability, security and flexibility. On distribution specifically, there are 8 investments under the Modernisation Fund in Bulgaria with a total disbursement of EUR 261.8 million. The projects are for modernisation, digital transformation and development of the information systems and physical infrastructure of the electricity distribution grid in Bulgaria to enable smart grids for accelerated electrification of transport, storage deployment, de-carbonisation and decentralization of energy consumption, and production in distribution grids. This goes in the right direction, however projects are at an early stage of implementation and will only materialise by 2030.		Limited Progress
4.5. Tackle energy poverty by developing an up-to-date information system on energy-poor and energy-vulnerable households and supporting them with targeted policy measures.	Bulgaria has taken steps to strengthen its governance framework on energy poverty. A legal definition was adopted in November 2023, followed by the establishment of a coordination mechanism in November 2025,	An information system to identify energy-poor households and vulnerable customers is under development and is expected to become operational by mid-2026.	Limited Progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented *By 30 April 2026*	Preparatory steps/ credibly announced measures *By 30 April 2026*	Assessm. of progress
	including the designation of responsible bodies.		
4.6. Encourage energy efficiency measures in industry.	RRP investment in a Guarantee instrument for energy efficiency and renewable energy: Contribution to InvestEU with the EIF as implementing partner. RRP investment in a Grant scheme for the support of businesses in the transition to a circular economy (includes energy efficiency investments)	Bulgaria is preparing a national industrial strategy, expected to be published in the second half of 2026. The strategy will outline the country's industrial development priorities until 2030 and cover areas including mining and manufacturing, modern industrial infrastructure, faster permitting, access to critical raw materials and labour, zero-emission technologies, and the creation of an investment portal. The strategy is not expected to include actionable energy efficiency measures targeted at industry.	Limited Progress
4.7: Promote the roll-out and uptake of sustainable urban, public and rail transport, including by accelerating the development of the necessary infrastructure	Bulgaria has taken steps to accelerate the development of necessary infrastructure, in particular with regard to the Sofia Metro extension, that is financed partially under the RRP. Bulgaria has concluded tender procedures for new rail rolling stock and new public service contracts for railway service. Bulgaria has introduced low emission zones in Sofia and Plovdiv and adopted a Public Transport Act, that provides for the introduction of a single ticket system.	The delivery of equipment for maintenance of railway infrastructure is expected to be completed by June 2026	Some Progress
4.8. Improve water and waste management by tackling institutional weaknesses and investing in infrastructure to ensure the sustainable use of resources	Adoption of the National Waste Management Plan for 2021–2028, the operation of the first recycling plants in major cities, and €100 million in EU funds allocated for landfill closures. €2.7 billion investment plan for 2025–2032 and pilot leak-reduction projects in Sofia and Plovdiv. Adoption of Priority 7 "Water Sustainability" under the Environment Programme (PE) 2021–2027 (Council of Ministers Decision № 931/29.12.2025), with a total budget of €219.86 million,		Limited Progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented *By 30 April 2026*	Preparatory steps/ credibly announced measures *By 30 April 2026*	Assessm. of progress
	including: • Measure 1: Legally adopted redirect of 7 agglomerations (5,000–10,000 p.e.) from the National Recovery and Resilience Plan (NRRP) for wastewater treatment and water supply infrastructure. • Measure 3: Pre-investment studies (design phase) for water infrastructure in agglomerations (5,000–10,000 p.e.) (only if studies were completed/contracted by 30 April 2026). Adoption of the Programme for Priority Strategic Investment Projects with National Financing for the Period 2025–2028, comprising 176 priority projects across key sectors (including water supply and sewerage), with a total budget of BGN 2 924.9 million. Launch (September 2025) of the Technical Support Instrument (TSI) project “Improving the efficiency and quality of public investments in Bulgaria” (25BG11), implemented in cooperation with the OECD to strengthen public investment planning, prioritisation and governance.		
5.1 Strengthen competence-based teaching and learning. Improve teaching quality with initial, continuous and needs-based teacher training. Improve the quality, labour market relevance and inclusiveness of education and training, including for Roma and other disadvantaged groups.	In 2025, the Ministry of Education has proposed two complementary approaches to increase basic skills teaching hours and revise the curriculum prioritising skills and literacy. Further, there is investment in STEM competences through national programs and EU-funded initiatives, such as STEM laboratories and a national STEM centre. An ESF+ funded program for digital upskilling of students and teachers was launched in 2025. A TSI 2025 multi-country project will help Bulgaria to design and deliver their curriculum reform for primary, lower secondary and upper secondary education (with a focus on 5th to 7th grades in Bulgaria).	By Decision No. 294 of the Council of Ministers of 9 May 2025, 25 national programs were approved with the aim to support key policies in the field of education until 2027. Three of them - "Future for Talents", "Skills in Focus" and "Security", are entirely new.	Some Progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented *By 30 April 2026*	Preparatory steps/ credibly announced measures *By 30 April 2026*	Assessm. of progress
5.2: Address labour shortages, by effectively implementing measures to increase the employment level of persons with disabilities, people with a lower level of education, Roma and inactive persons.	RRP Investment to improve digital services of employment agency (ongoing).		Limited Progress
5.3 Reinforce skills acquisition to boost competitiveness and support the green and digital transition.	RRP investment to improve digital skills of the population ongoing, ESF+ funded upskilling programs ongoing as well.	Digital training platform expected to be launched before Q3 2026. JTF investment for reskilling and upskilling workers in transition regions to be launched in 2026	Some Progress
5.4: Address social inclusion by improving access to integrated employment and social services, and by providing more effective minimum income support.	Ordinance on Social Services adopted. Map of Social Services adopted. Minimum income support strengthened. RRP investment to create new and/or renovate existing social service facilities and elderly homes (ongoing).		Some Progress
5.5 Improve access to health services, including by reducing out-of-pocket payments and tackling the shortages and uneven distribution of health professionals with a view to boosting the effectiveness, accessibility and capacity of the health system.	Financial incentives for staff taking up duties in remote areas as well as linking remuneration of healthcare professionals to their qualification introduced.		Limited Progress

Source: Bulgaria's reporting and Commission assessment

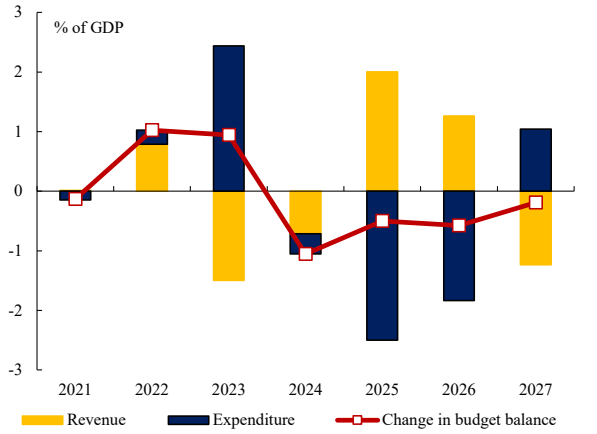
ANNEX 2: FISCAL DEVELOPMENTS AND DEBT SUSTAINABILITY

This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Bulgaria in July 2025. These CSRs include a call to strengthen defence spending and readiness while implementing a fiscal strategy in line with the Council Recommendation of 20 June 2025. On that date, the Council of the European Union adopted the Recommendation endorsing Bulgaria's medium-term fiscal-structural plan([31]). On 8 July, the Council also activated the national escape clause for Bulgaria to facilitate the country's transition to higher levels of defence spending ([32])([33]).

Developments in the government balance, debt and public expenditure ([34])

Bulgaria's general government deficit is not expected to decline. Based on the Commission Spring 2026 Forecast, Bulgaria's government deficit is projected to increase from 3.5% of GDP in 2025 to 4.1% of GDP in 2026 and 4.3% of GDP in 2027. The projected increase in the deficit is largely set to be driven by social spending, increases in public sector salaries, and as well as by the evolution of defence spending. Despite growth in GDP, debt is expected to increase from 29.9% in 2025 to 32.3% in 2026 and 35.5% in 2027, driven by the primary balance.

Graph A2.1: **Contributions to the change in the general government balance (% of GDP)**



Source: European Commission Spring Forecast 2026

Higher public investment is improving the quality of expenditure in Bulgaria but the nationally financed component of public investment is decreasing. Overall public investment in Bulgaria is now higher than pre-pandemic levels, and is expected to reach 4.3% of GDP in 2026, up from 3.4% in 2019 (see Graph A2.2). However, its level is overall set to decrease despite the contribution of planned deliveries of military equipment and investments under the recovery and resilience plan (RRP) and other EU funds. When looking at nationally financed investment, it remained relatively stable since 2023, corresponding to the final year of the implementation window of the 2014-2020 EU funds, and close to its level in 2019. Nationally financed investment is however expected to decline between now and 2027, partly due to crowding out linked to spending under the Recovery and Resilience Facility (RRF) and other EU funds.

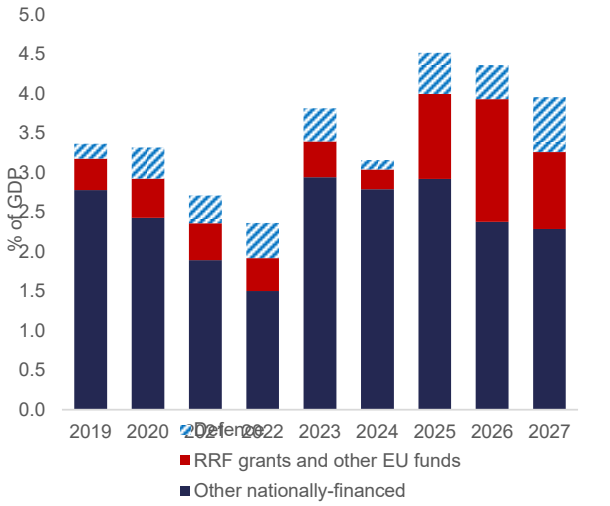
([31]) OJ C, C/2025/3700, ELI: https://eur-lex.europa.eu/eli/C/2025/3700/oj

([32]) OJ C, C/2025/3961, ELI: https://eur-lex.europa.eu/eli/C/2025/3961/oj

([33]) Compliance by Bulgaria with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

([34]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

Graph A2.2: **Public investment decomposition (% of GDP)**

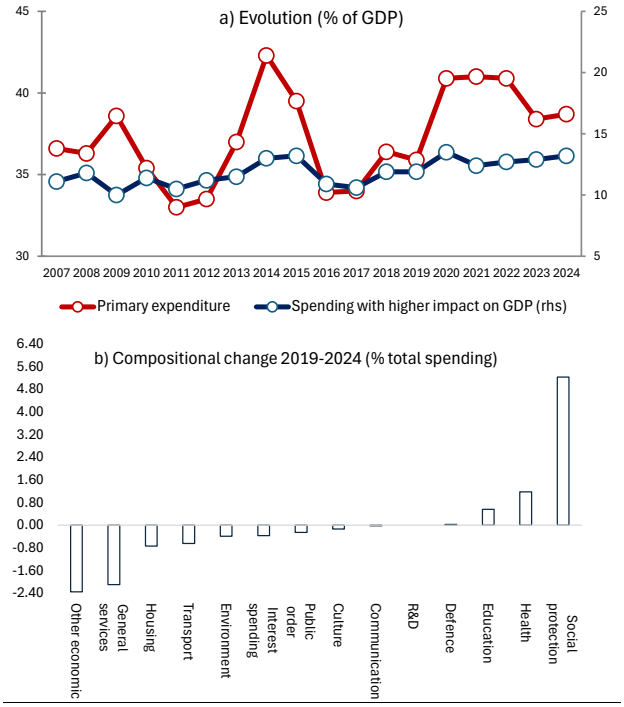


Source: European Commission Spring Forecast 2026

The type of expenditure that has a greater impact on GDP had remained broadly stable over three decades, but has slightly increased since 2019. This may be related to the impact of the RRF, which possibly facilitated a more quality-based fiscal strategy. Zooming in on the composition of spending, social protection accounts for the largest share of total expenditure (above 35%) while education and health ([35]) each account for at least 10% of total spending in 2024. Since 2019, public expenditure on social protection and health has increased significantly (see Graph A2.3). Spending on education has also risen, although more modestly. In the case of education, however, despite recent increases in spending, Bulgaria remains among the lowest spenders in the EU as a percentage of GDP. This is particularly concerning given the decline in basic skills among Bulgarian young people, which points to deep-rooted structural barriers to skills development, and underscores the need to prioritise both the level and efficiency of investment in education (See Annex 13 for more details).

By contrast, spending on R&D, defence and communication has remained broadly stable up to 2024, while transport expenditure has declined significantly. This trend deserves attention, as these categories (R&D, communication and transport) are generally considered growth-friendly spending categories (although growth-friendly spending overall has increased in Bulgaria since 2019, see Graph A2.3).

Graph A2.3: **Primary spending evolution and composition**



Source: Eurostat

Note: Based on economic literature, the categories considered to have the higher growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al (2018), Cepparulo and Mourre (2020) and OECD (2025)).

Bulgaria has relatively low tax revenues as a share of GDP and relies heavily on consumption taxes. In 2025 Bulgaria's total tax revenues as a percentage of GDP (including compulsory social contributions) amounted to 30.6%, compared with an EU

([35]) This refers to the set of government activities, policies, and expenditures aimed at regulating, supporting, and developing economic activity across major sectors, including general economic and labour policies, agriculture and natural resources, energy, industry, construction, and other economic functions not elsewhere classified. Although transport and communication, as well as research and development activities, are normally considered part of this function, they are treated separately in the graph presented.

Table A2.1: **Supplementary pension schemes - scope for expansion**

	Assets in 2024 (% GDP)	Gross replacement rate at retirement: (pps change 2025-2040)	Participation in 2024 (% working-age population)	
BG	13.1	-4.2	99.9	**BG**
EU	32.4	-2.8	55.9	EU

Source: Source: European Commission.

Table A2.2: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to: pensions	healthcare	long-term care	education	total	ageing-related expenditure	
BG	19.6	-1.5	0.3	0.1	-0.2	##	18.4	**BG**
EU	24.3	0.5	0.3	0.4	-0.3	**0.9**	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to: pensions	healthcare	long-term care	education	total	ageing-related expenditure	
BG	19.6	-1.2	0.2	0.2	0.0	##	18.8	**BG**
EU	24.3	0.2	0.6	0.8	-0.3	**1.3**	25.6	EU

Source: Source: 2024 Ageing Report (EC/EPC).

average of 39.9%. Total tax revenues are projected to increase to 31.7% of GDP in 2026 and 31.9 % of GDP in 2027 according to the Spring 2026 Forecast ([36]). The tax mix in Bulgaria relies heavily on consumption taxes (42.8% of tax revenues vs an EU average of 26.8%). The flat-rate personal income tax in Bulgaria risks reducing tax revenue from labour, and limits the redistributive power of the tax-and-benefit system. In addition, revenue from property taxation, including recurrent taxation, is also well below the EU average (see Annex 3).

The costs of ageing

Total ageing-related spending in Bulgaria is projected to decline by 1.5 pps of GDP between now and 2040 to around 18% of GDP, and remain around this level in subsequent decades (see Table A2.2**).** This overall decline is mainly the result of a projected fall in education spending, with pension, healthcare and long-term care spending expected to remain close to current levels. The projected decline in ageing-related spending would result in Bulgaria having one of the lowest levels of ageing-related expenditure in the EU by 2070.

Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources. In Bulgaria, the uptake of these supplementary schemes remains modest. By the end of 2024, private pension assets amounted to around 13% of GDP and participation covered the entirety of the working-age population ([37]). This coincides with declining medium-term spending pressures and a projected decline in the replacement rate by 4.2 pps between 2025 and 2040 (Tables A2.2 and A2.3) ([38]).

Public healthcare expenditure is projected to be 4.5% of GDP in 2025 (well below the EU average of 6.6%) and is expected to

([36]) AMECO database, https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en

([37]) Source: OECD Pension Market in Focus 2025. The highest participation rate in at least one supplementary pension plan is reported.

([38]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

increase by 0.3 pps between now and 2040 but then reverse and decrease by 0.1 pps between 2040 and 2070. Although the initial overall increase is set to be driven by an ageing population, it is projected to be constrained in the long-term by a significant decline in the overall population([39]).

Public expenditure on long-term care is projected to be 0.5% of GDP in 2025 (well below the EU average of 1.7%) and is expected to increase by 0.1 pps of GDP between now and 2040 and by a further 0.1 pps of GDP between 2040 and 2070. The projected increase is due to forecasts for an ageing population but is set to be relatively low due to the underdeveloped nature of long-term care services in Bulgaria ([40]).

National fiscal framework

The Fiscal Council of Bulgaria (FCB) has so far had a relatively narrow mandate. Up until now, it has monitored compliance with fiscal rules and assessed the government's macroeconomic and budgetary forecasts. However, the FCB's role is about to be broadened following both: (i) Bulgaria's entry into the euro in January 2026; and (ii) the introduction into national legislation of the requirements of the reformed economic governance framework. The FCB does not produce its own forecasts or conduct policy costing. Despite having a legal right to access information and benefiting from a (non-public) memorandum of understanding with the country's Ministry of Finance, the FCB has experienced some issues with the timeliness and completeness of the information it has received. The ability to recruit and retain experts may improve in the future thanks to recent improvements in the FCB's ability to offer competitive salaries for its experts. The FCB's policy dialogue with the government is not fully developed and the FCB reports that the comply-or-explain requirement is not fully respected/applied. Despite being attached to the Bulgarian Parliament, the FCB reports only limited interaction with Bulgaria's National Assembly. Some recent improvements in external communication have been achieved.

The FCB's limited institutional capacity and limited drive to perform efficiency analysis and spending reviews is a missing element in public financial management in Bulgaria. In addition, external analyses show that Bulgaria's spending on public investment, healthcare, education and social protection could all be more efficient (IMF, 2022; World Bank, 2023). Projects under the EU's technical support instrument (TSI) have supported Bulgaria's efforts to improve efficiency and effectiveness in specific areas, such as public investment.

The reform of public investment management continues rapidly in Bulgaria, although there remains room for improvement in this area. The 2024 State Budget Law centralised capital expenditures from national sources into a dedicated fund to improve planning, transparency, and efficiency, while Bulgaria's medium-term budgeting framework included indicative capital spending ceilings for the budget year and the subsequent two years. Reforms are underway to ensure that large state-spending projects are assessed and selected based on objective value-for money indicators ([41]). After sufficient time since a project in Bulgaria has been completed, a comprehensive *ex post* review can in theory be carried out to assess strategic performance. These reviews require careful

([39]) Key performance characteristics, recent reforms and investments of the Bulgarian healthcare system are discussed in Annex 15.

([40]) The adequacy and quality of the Bulgarian long-term care system are covered in Annex 12.

([41]) For example, reforms supported by the Technical Support Instrument from the European Commission, such as TSI Project 21BG04 continued by 25BG11.

Table A2.3: **Fiscal governance database indicator and public accounting maturity**

2024	Bulgaria	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	22.26	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.73	0.72
2025 Public accounting maturity of general government	74%	65%

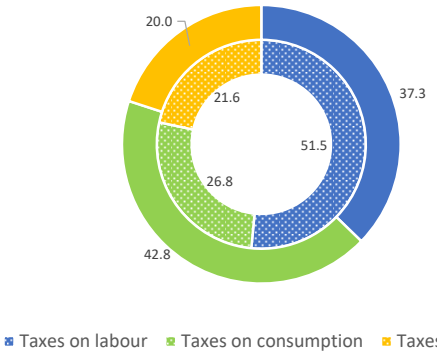
(1) The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on: i) the legal base; ii) how binding the rule is; iii) monitoring bodies; iv) correction mechanisms; and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on: i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396).
Source: Fiscal Governance Database, European Commission

planning and are resource intensive. However, *ex post* reviews of this sort are neither systematically required nor frequently conducted in Bulgaria.

This annex provides an indicator-based overview of Bulgaria's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. The 2025 CSRs for Bulgaria suggest taking specific steps to phase out fossil-fuel subsidies including by removing the subsidies supporting coal-based electricity production and district heating.

Bulgaria's tax revenue is relatively low in relation to its GDP, with continued strong reliance on consumption taxes. In 2024, total tax revenues (including compulsory social security contributions) amounted to 30.5% of GDP, remaining well below the EU-27 average (39.4% of GDP). Compared with 2023, tax revenues increased moderately, reflecting nominal growth in consumption and income bases. Consumption taxes represented 42.8% of total tax revenues in 2024, significantly above the EU average (26.8%), while taxes on labour accounted for 37.3% of total tax revenues, well below the EU average (51.5%). As a share of GDP, labour taxes stood at around 11.3%, roughly a half of the EU average (20.3%).

Graph A3.1: **Tax revenue by economic function in 2024, BG (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD

Taxes on capital represented around 21.3% of total tax revenues, broadly in line with the EU average. Revenues from property taxation remain low. Recurrent immovable property taxes amounted to around 0.2% of GDP in 2024, compared with an EU average close to 0.9% of GDP. This limits the role of property taxation as a stable and growth-friendly revenue source and suggests scope for increasing revenues from this tax base over the medium term. Environmental taxes accounted for 9.7% of total tax revenues in 2024, the highest shares in the EU, largely reflecting energy taxation. However, revenues from pollution and resource taxes remain very limited.

Bulgaria continues to apply a low level of corporate taxation, which may support investment, while structural features of the system limit the use of targeted incentives. These structural features reflect in particular the flat single-rate design of the corporate income tax, the broad tax base, and the limited use of targeted tax expenditures, which reduce the scope to steer investment through the tax system. The statutory corporate income tax rate remained unchanged at 10% in 2025, among the lowest in the EU. In 2024, the forward-looking effective average corporate tax rate stood at around 9.4%, significantly below the EU average (18.9%). Corporate losses can be carried forward for up to five years, and targeted incentives continue to apply for investments in less-developed regions. At the same time, Bulgaria makes limited use of tax incentives for research and development and the green transition compared with many other Member States. Uncertainty surrounding the tax treatment of employee stock options persists, which may affect the attractiveness of equity-based remuneration, particularly for innovative firms and start-ups.

The flat-rate personal income tax system limits the redistributive capacity of taxation. Bulgaria applies a flat personal income tax rate of 10%, with no basic tax allowance. As a result, the tax wedge for low-income earners remains relatively high compared with the EU average, while the tax wedge for high-income earners is relatively low (see Graph A3.2) ([42]). In 2025, the

([42]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes, employee

Table A3.1: **Taxation Indicators**

		Bulgaria					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	30.5	31.1	30.0	30.5		39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	11.1	10.4	10.9	11.3		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	8.9	8.3	8.5	8.8		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	14.4	12.9	12.7	13.0		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	9.2	9.0	8.8	9.3		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	5.0	7.8	6.4	6.1		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	3.4	3.1	3.3	3.4		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	2.3	2.9	2.9	2.9		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	0.8	0.7	0.6	0.6		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	0.3	0.2	0.2	0.2		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	3.0	4.8	3.4	3.0		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	65.0	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	34.9	34.9	34.9	34.9	34.9	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	34.9	34.9	34.9	34.9	34.9	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	9.4	9.4	9.4	9.4		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	3.8	4.4	4.2	3.8		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	20.2	67.7	59.8	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	9.3	6.3	8.6	na		10.5	7.3	8.2	na	

(1) (1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage.
Source: European Commission, OECD, ISORA.

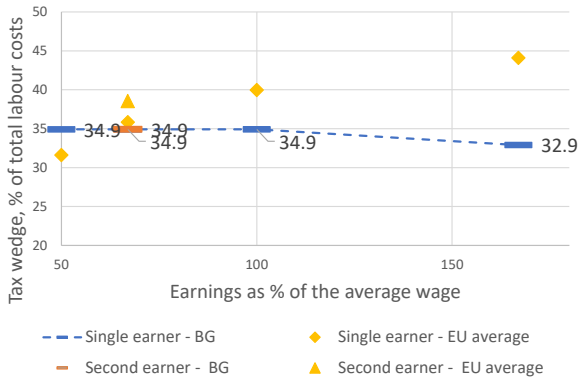
difference in the tax wedge between high-income earners (167% of the average wage) and low-income earners (67% of the average wage) remained among the smallest in the EU. The tax-and-benefit system reduced income inequality, as measured by the change in the Gini coefficient, by 3.8 points in 2024, well below the EU average (7.8 points) ([43]). This reflects the limited progressivity of labour taxation and the modest redistributive role of cash transfers. No major reforms to personal income taxation were adopted in 2024–2025.

Environmental taxation remains heavily concentrated on energy products, with relatively limited use of tax instruments to incentivise emissions reduction or resource efficiency at firm level. Consistent with 2025 country-specific recommendations for Bulgaria, EU policy guidance on the green transition continues to encourage the recalibration of energy taxation and the phase out of fossil-fuel subsidies. In this context, Bulgaria has so far taken limited steps to diversify environmental taxation beyond energy products, indicating scope for further progress.

and employer social-security contributions and other mandatory contributions, expressed as a percentage of total labour costs (composed of the net wage, personal income tax, social security contributions, and other mandatory contributions). Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, while in the past country reports they were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

([43]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

Graph A3.2: **Tax wedge for single and second earners as a % of total labour costs, 2025**



Note: The second earner tax wedge shows a household's tax wedge resulting from the wage that a second earner taking up a job at 67% of the average wage receives. It does not show the total tax wedge of the household. The household is assumed to have a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD (2024), Taxing Wages 2024.
Source: European Commission

Tax expenditures remain moderate relative to GDP. Bulgaria's VAT policy gap is consistently relatively low compared with most Member States. National estimates project forgone revenues from tax expenditures at around 0.8% of GDP in 2025. The largest proportion of these related to personal income tax, followed by corporate income tax and VAT. While annual reporting on tax expenditures exists, the analytical assessment of their effectiveness remains limited, and systematic evaluation practices are not yet fully developed. The Global Tax Expenditures Database (GTED) reports that revenue forgone in 2024 were 5.75% of tax revenue, which represents a minor increase compared to 2023 (5.58% of tax revenue). Conversely, it also shows a slight decrease in revenue forgone as a percentage of GDP, from 1.21% to 1.18% ([44]).

Tax compliance gaps remain a challenge, despite recent improvements in some areas. The VAT compliance gap in Bulgaria stood at around 7-8% of the VAT total tax liability in 2022–2023, close to the EU average. The VAT gap declined markedly in 2021, but increased again later, partly reflecting structural factors like the composition of consumption and the prevalence of small firms. Estimates based on recent analytical work suggest a personal income tax gap of around 13–14% of potential revenues, indicating significant under-reporting of income, particularly among the self-employed and in certain sectors. Available estimates point to a comparatively low corporate income tax compliance gap. Bulgaria publishes regular VAT gap estimates and has strengthened analytical capacity in this area, including with support from EU instruments. Monitoring of compliance gaps in other tax categories remains more limited ([45]).

Bulgaria has continued to digitalise its tax administration, but efficiency challenges remain. Electronic filing rates for VAT and corporate income tax remained at 100% in 2024, while the electronic filing rate for personal income tax increased to around 81%, still below the EU average. Pre-filled tax returns are widely used for personal income tax, while prefilling for VAT and corporate income tax is not yet available.

Outstanding tax arrears remained high. They amounted to around 60% of total tax revenues collected in 2023, compared with an EU average of approximately 31%, although this represents a significant improvement compared with earlier years. Only a limited share of arrears is considered collectable.

Bulgaria has adopted the legal framework introducing the SAF-T standard audit file for tax. Implementation is scheduled to start in January 2026 for large enterprises and be phased in for other firms later on. This reform is expected to strengthen risk analysis, improve

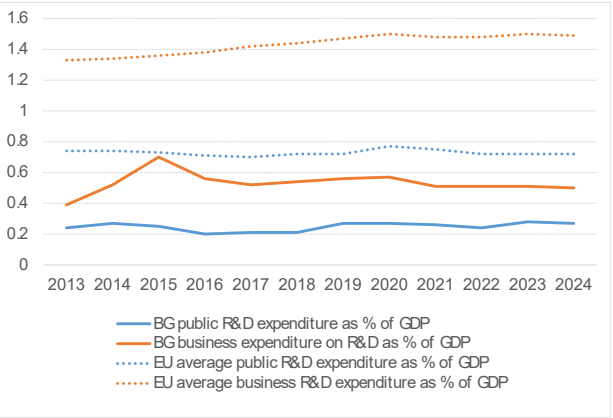
([44]) GTED takes into account the expenditures incurred while the national authority estimates refer to the expenditures included in the budget.

([45]) See Mind the Gap Report - Taxation and Customs Union - European Commission

compliance, and streamline compliance process for compliant taxpayers for compliant taxpayers. Progress in tax administration reforms continues to depend on broader institutional capacity and effective implementation of reforms supported under the Recovery and Resilience Plan.

Despite its efforts, Bulgaria is still categorised as an 'emerging innovator', primarily due to underinvestment and slow reforms tackling fragmentation. The 2025 European Innovation Scoreboard ([46]) indicates that Bulgaria's innovation performance is stagnating and stands at 45.8% of the EU average. Total R&D intensity ([47]) increased from 0.43% in 2007 to 0.79% in 2023 but declined slightly to 0.77% in 2024. Both public and private R&D investments are still among the lowest in the EU and do not meet Bulgaria's target of allocating 2% of its GDP to R&D ([48]) by 2025. In addition to underinvestment, Bulgaria's public research organisations and higher education institutions continue to be fragmented, limiting the effectiveness of public R&D funding. Strengthening Bulgaria's innovation capacity and competitiveness will require improved links between the public science base and business, and increased private R&D investment through stronger, well-designed incentives. The 2025 country-specific recommendation called for *increasing the impact and effectiveness of public R&D investment by focusing research and innovation in fewer institutions and improving the commercialisation of research output.* Bulgaria is making gradual progress in business digitalisation, supported by strong connectivity and public investment. However, overall uptake – especially among SMEs – remains below the EU average, despite growing AI adoption.

Graph A4.1: **R&D investment as % of GDP, 2013-2023**



Source: Eurostat

Excellent science

Bulgaria's scientific and technological capabilities are underused due to insufficient funding and a fragmented public research system. In the past decade, the country has faced challenges in boosting public R&D investment, which is stagnating significantly. In 2024, the figure was below the EU average at 0.27% of GDP (EU average: 0.72%). The consequences of low spending are exacerbated by the fact that limited public R&D funds are distributed over a high number of higher education institutions and public research organisations ([49]). Each of these bodies enjoys considerable academic and institutional autonomy, limiting collaboration and consolidation efforts ([50]). Underinvestment and fragmentation have contributed to a very weak performance in terms of high-quality

([46]) European Commission, 2025, *European Innovation Scoreboard, country profile: Bulgaria*: 2025 European Innovation Scoreboard – Bulgaria. The scoreboard provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared with the EU average).

([47]) R&D expenditure as % of GDP.

([48]) As set out in the National Strategy for the Development of Scientific Research 2017-2030.

([49]) According to Eurydice, as of November 2023, there are 51 higher education institutions under the Higher Education Act and 91 public research organisations.

([50]) European Commission: Directorate-General for Research and Innovation, 2024, Support to Bulgaria on its policy to address the fragmentation on its public research system – Background report, Publications Office of the European Union.

research outputs ([51]). These problems persist despite gradual reform efforts such as the introduction of performance-based funding in higher research institutions ([52]) and increased salaries for early-career researchers, pointing to further reform needs ([53]). The Horizon Europe Policy Support Facility report ([54]) recently outlined recommendations to reduce fragmentation, improve the efficiency of Bulgarian public research institutions, and boost the quality of research and innovation outputs. To swiftly implement and follow up on these recommendations, Bulgaria could particularly benefit from establishing clear institutional missions and mandates for public research organisations and higher education institutions, embedded in a coherent national strategy ([55]).

Swift and thorough operational implementation of the Law on the promotion of research and innovation is needed to strengthen coordination and effectiveness of research and innovation (R&I) policies. Fragmented and overlapping roles across R&I and sectoral ministries, funding bodies, and research organisations remain a key challenge for policy coordination in implementing the newly adopted Law on the promotion of research and innovation ([56]) under the Recovery and Resilience Facility. The new legal framework includes regulations on developing the scientific and innovation ecosystem and introduces policies and tools for strategic and operational planning. It also establishes an Innovation and Research Council ([57]) as a permanent advisory and coordinating body to the Minister of Education and Science and the Minister of Innovation and Growth. Formally operational since November 2025 ([58]), the Innovation and Research Council aims to strengthen links between academia and business ([59]). Accelerating clear and consistent implementation of the adopted law will require modernising and streamlining R&I governance and putting the legal framework fully into practical operation. This will include: (i) fostering shared governance; (ii) reducing legal and administrative overlaps; (iii) strengthening accountability ([60]) through regular performance reviews to ensure consolidation; and (iv) follow-up on a focused Innovation and Research Council work programme.

Business innovation

Bulgaria's low and stagnant level of R&D investment from the private sector leads to modest innovation output. Business R&D expenditure as a percentage of GDP has remained broadly stagnant over recent years,

([51]) As measured in scientific publications of the country within the top 10% most-cited scientific publications worldwide as % of total scientific publications of the country: 4.16 (2022) in Bulgaria vs 9.44 (2022) in the EU.

([52]) Performance-based research funding was introduced in the 2014-2020 strategy for the development of higher education in Bulgaria, with the aim of concentrating resources and consolidating research competencies. According to the strategy, around 10% of direct institutional funding to public research institutions should be performance-based, while the remaining 90% is still based on the number of enrolled students.

([53]) Bulgaria Overview – STIP Compass 2024.

([54]) European Commission: Directorate-General for Research and Innovation, 2025, Unlocking Bulgaria's research and innovation potential – A roadmap for the system's consolidation – Final report, Publications Office of the European Union.

([55]) Including institutions such as the Bulgarian Academy of Sciences and the Agricultural Academy.

([56]) New law on research and innovation promotion in the Republic of Bulgaria (25 April 2024).

([57]) Rules of Organisation and Operation of the Innovation and Research Council (in Bulgarian).

([58]) Published order of the Innovation and Research Council.

([59]) European Commission: Directorate-General for Research and Innovation, 2024, Support to Bulgaria on its policy to address the fragmentation on its public research system – Background report, Publications Office of the European Union.

([60]) European Commission: Directorate-General for Research and Innovation, 2025, Unlocking Bulgaria's research and innovation potential – A roadmap for the system's consolidation – Final report, Publications Office of the European Union.

at a level well below the EU average (0.50% vs 1.49% in 2024) ([61]). Many businesses in Bulgaria face significant challenges in innovation and technology adoption due to their low-tech nature ([62]). This is also reflected in a weak and decreasing level of innovation output, as measured in patents ([63]). Total public support to business enterprise expenditure on R&D remains marginal and insufficient to stimulate private R&D efforts. In 2021 the figure stood at 0.01% of GDP, well below the EU average of 0.20% (2021). Additionally, the mix of instruments in support of business innovation lack consistency, within a complex policy framework of different ministries, agencies and governing levels ([64]). Bulgaria is using both European Structural and Investment Funds (ESIFs) ([65]) and the national recovery and resilience plan (RRP) to support business innovation. However, further improvements depend on: (i) continuity; (ii) further increases in relevant investments, also through national sources, especially after 2026 (post-RRP); and (iii) thorough monitoring ([66]). Bulgaria could also benefit from improving the effectiveness and accessibility of funding by clear and consistent regulatory frameworks. In addition, it could consider introducing indirect support like R&D tax incentives to stimulate business-related R&D and innovation output ([67]).

Limited links between academia and business, along with insufficient support structures, hinder the commercialisation of research results. Cooperation between science and business, shown by the percentage of public-private scientific publications, remained low at 5.45% in 2024 (EU average: 7.62%). Furthermore, public R&D spending funded by businesses is stagnating and stands significantly below the EU average ([68]). This indicates that Bulgarian businesses and researchers lack the capacity (see paragraphs above) and incentives to collaborate with each other, limiting innovation and commercialisation of research output. Moreover, the technology transfer ecosystem remains underdeveloped: not all research institutions have technology transfer offices, and those that do generally lack resources, expertise, capacity and clear provisions ([69]). Based on the adopted Law on the promotion of research and innovation, Bulgaria is making an effort towards building an integrated and effective technology transfer ecosystem. The country is in the process of setting up a central coordination hub for technology transfer, as recommended in relevant reports ([70]), and has re-established a relevant funding instrument for collaborative research ([71]). In line with the 2025 country-specific recommendation, *improving the commercialisation of research outputs* will require continued implementation

([61]) By way of comparison, in 2021 business R&D expenditure as % of GDP in Bulgaria stood at 0.51%, and in 2016 at 0.56%.

([62]) See for instance Innovation.bg 2024: Innovation and Sustainability for Future Growth, Applied Research and Communications Fund 2024.

([63]) Patent applications filed under the Patent Cooperation Treaty per billion of GDP (in purchasing power standards): 0.55 in Bulgaria (2022) vs 2.81 (2022) in the EU.

([64]) European Commission: Directorate-General for Research and Innovation, 2024, Support to Bulgaria on its policy to address the fragmentation on its public research system – Background report, Publications Office of the European Union.

([65]) See for instance the *Innovation in Enterprises Equity Fund* within the 2021-2027 competitiveness and innovation in enterprises programme.

([66]) European Commission, 2024, Strategic evaluation of the technology transfer and IPR protection systems of Bulgaria, Croatia and Romania and recommendations for their enhancement.

([67]) Ibid.

([68]) Public expenditure on R&D financed by business enterprise as % of GDP stood at 0.03% in Bulgaria (2020) vs 0.06% in the EU (2020).

([69]) European Commission, 2024, Strategic evaluation of the technology transfer and IPR protection systems of Bulgaria, Croatia and Romania and recommendations for their enhancement.

([70]) Ibid.

([71]) The National Innovation Fund was re-established in 2025, with stronger emphasis on market-driven innovation, start-ups and SMEs (as part of a milestone in the Bulgarian RRP).

of a coordinated technology transfer system together with relevant instruments, supported through stable and sufficient funding.

The uptake of digital technologies by Bulgarian businesses remains limited and uneven. In 2025, 38.33% of SMEs had reached at least a basic level of digital intensity, a marked decline of almost 10 percentage points compared with the previous year (49.93%) and significantly below the EU average of 71.39%. This points to persistent structural challenges in the digital transformation of SMEs, particularly on moving beyond basic digital adoption. The use of advanced digital technologies has nevertheless continued to increase. In 2025, 8.55% of enterprises used AI, up from 6.47% in 2024. This indicates gradual progress, although uptake remains well below the EU average (19.95%). Cloud computing adoption reached 15.74% and 27.06% of enterprises used data analytics. Both figures showed improvement on earlier years but remained substantially below EU levels (46.69% and 39.85% respectively). These patterns highlight a slow but ongoing diffusion of advanced digital tools across firms.

Public support continues to play a central role in fostering business digitalisation. Bulgaria is implementing several measures to support innovation and digital transformation of enterprises under the national RRP, the ERDF programme Competitiveness and Innovation in Enterprises, and the European Social Fund+ programme. Such measures include voucher schemes for digital skills development, support for the adoption of digital solutions, and investments aimed at boosting competitiveness through smart transformation. European Digital Innovation Hubs provide advisory services, testing facilities and training to SMEs, contributing to improved access to digital technologies.

Bulgaria is also strengthening its innovation ecosystem in advanced technologies. Initiatives linked to the European semiconductor ecosystem and the establishment of an AI Factory at Sofia Tech Park aim to improve research and innovation capacities and facilitate technology uptake by businesses. These measures support the gradual integration of Bulgarian enterprises into European value chains and contribute to improving conditions for innovation-driven growth.

Entrepreneurial dynamism

The availability of risk capital has improved over the years and supports the growth of Bulgaria's start-up ecosystem, which nevertheless remains small compared with other countries. Venture capital investment has grown significantly (0.02% of GDP in 2024 vs 0.01% in 2019) but is still below the EU average of 0.06%. The growth in venture capital, particular for software-related firms, has contributed to Bulgaria's emergence as an entrepreneurial hub in south-east Europe, with over EUR 1 billion in investments in the last five years (2020-2025) and the highest number (489) of funded start-ups per capita in the region in this period ([72]). Despite this positive development, further effort is needed to overcome longer standing weaknesses in creating STEM-based start-ups ([73]). Early-stage innovative firms in Bulgaria continue to face a persistent financing gap throughout their lifecycle. This highlights the need to further develop private equity and venture capital markets in order to support growth in the country's start-up ecosystem ([74]). Additionally, regulatory barriers for start-ups in Bulgaria remain high, with fragmented regulatory frameworks ([75]) and burdensome processes for

([72]) Private Investment in Bulgaria & SEE 2025.

([73]) European Commission, 2024, Strategic evaluation of the technology transfer and IPR protection systems of Bulgaria, Croatia and Romania and recommendations for their enhancement.

([74]) See also Annex 6.

([75]) See also Annex 5.

licensing and judicial matters when setting up a company ([76]).

A comparatively low level of human resources in research and innovation presents challenges for Bulgaria's transition towards a knowledge-based economy. The number of new graduates in science and engineering ([77]) has increased again since 2020 (from 9.10% in 2020 to 10.34% in 2023) but remains significantly below the EU average (16.82% in 2023). Additionally, Bulgaria has one of the lowest shares of people aged 25-34 with tertiary education, although this number is slowly increasing ([78]). There is also a low number of researchers employed in the public sector: Bulgaria has only 2.7 full-time researchers employed by the public sector per thousand of the active population in 2024 (EU average: 4.3). This is caused by low salaries and limited career opportunities, contributing significantly to brain drain towards other EU economies. In 2024, the government raised the minimum salary for the lowest academic position in 33 state universities. However, current support mechanisms remain insufficient, as Bulgaria is facing crucial structural deficiencies for human resources in science, technology and innovation. Attracting and retaining talent will require modernised employment conditions and increased public investment in developing skills ([79]).

Entrepreneurship education is part of school curricula, but lacks a comprehensive policy framework to improve innovation. The national strategy for lifelong learning (2008-2013) previously emphasised entrepreneurship, but there is currently no supporting policy ([80]). Entrepreneurship subjects like 'Technology and Entrepreneurship' in primary and secondary education and 'Entrepreneurship and Market Economy' in vocational schools are included in the 2015 Preschool and School Education Act. However, such subjects are economically focused, account for minimal hours in the timetable, and are optional in general upper-secondary education. The teacher competence framework does not specifically address entrepreneurship, although training programmes like 'First steps in the world of personal finance' under the 'Education 5.0 Foundation' offer skill-building opportunities ([81]). Under the European Social Fund+ programme Education 2021-2027, entrepreneurial skills are supported through projects such as 'Modernisation of Vocational Education and Training' (approx. EUR 47 million) and 'Development of the Dual System of Training in VET' (approx. EUR 5 million). These projects strengthen core and entrepreneurial skills, work-based learning and cooperation with employers. Extracurricular activities such as student companies, financial literacy competitions and innovation laboratories ([82]) are improving entrepreneurial learning. Additionally, under the same ESF+ programme, financial instruments totalling approximately EUR 16.7 million support student- and PhD-led companies through equity and microfinance schemes, improving access to finance for academic entrepreneurship. Both instruments are currently selecting financial intermediaries. In higher education, some universities have adapted curricula and created entrepreneurship centres, but more development would be needed in strategic

([76]) OECD Economic Survey Bulgaria 2026.

([77]) Measured as new graduates in science and engineering per thousand of population (%).

([78]) Measured by share of population aged 25-34 who have successfully completed tertiary education (%): 35.8 (2023) to 40.5 (2024) in Bulgaria.

([79]) European Commission: Directorate-General for Research and Innovation, 2025, Unlocking Bulgaria's research and innovation potential – A roadmap for the system's consolidation – Final report, Publications Office of the European Union.

([80]) European Commission, 2025, Eurydice report – Entrepreneurship education at school in Europe – 2025.

([81]) Ibid. + Register of approved professional development programmes for pedagogical specialists.

([82]) Ibid. + Ministry of Education and Science (2024) on the set-up of an innovation laboratory for entrepreneurship.

prioritisation, active teaching methods and business development, especially for STEM students. Despite these efforts, a national strategy is lacking, limiting the cultivation of an entrepreneurial culture in Bulgaria.

Table A4.1: **Key innovation indicators**

Bulgaria	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	0.56	0.95	0.85	0.75	0.79	0.77	:	2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.28	0.25	0.27	0.24	0.28	0.27	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	3.61	2.97	3.32	4.16	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	2.8	2.7	2.8	2.8	2.7	2.7	:	4.3	:
International co-publications as % of total number of publications	46.08	47.14	37.33	37.64	36.17	36.3	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	0.28	0.7	0.57	0.51	0.51	0.5	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.25	0.28	0.25	0.24	0.2	:	:	0.47	0.30
Researchers employed by business per thousand active population	0.5	1.7	2.8	3.1	2.7	3.2	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	0.79	1.2	0.92	0.55	:	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	1.22	1.28	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	28.41	:	38.33	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	21.86	:	27.06	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	14.22	:	15.74	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	3.62	6.47	8.55	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	4.38	5.99	4.25	5.25	5.47	5.45	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.02	0.01	0.03	0.02	0.02	:	:	0.06	0.02
Public support for business innovation									
Total public-sector support for BERD as % of GDP	:	:	0.02	:	:	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0	0	0	0	0	0	:	0.10	0.16
BERD financed by the public sector (national and abroad) as % of GDP	:	:	0.02	:	:	:	:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.02	0.01	0.01	0.02	0.02	0.02	:	0.06	:
Seed stage funding share (% of GDP)	0	0	0	0.01	0.01	0	:	0.01	:
Start-up stage funding share (% of GDP)	0.01	0.01	0	0.01	0.01	0.01	:	0.03	:
Later stage funding share (as % of GDP)	0.01	0	0	0	0	0.01	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	10.5	12.13	9.1	10.22	10.34	:	:	16.8	:
Graduates in the field of computing per thousand population aged 25-34	1.31	2.14	2.83	3.39	3.33	:	:	3.84	:

(1) EU average for the last available year or the year with the highest number of country data. * break in series

Source: Eurostat, OECD, DG JRC, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard.

Bulgarian businesses continue to face multiple challenges related to political uncertainty, administrative and regulatory burdens and (skilled) staff shortages, which reduces their competitiveness. The 2025 Country Specific Recommendations (CSR3)([83]) called for measures to further simplify regulation, improve regulatory tools and reduce administrative burdens. Bulgaria is making progress on implementing different action plans related to directly reducing administrative burdens, improving public services and streamlining the insolvency law. So far, implementation is advancing slowly and businesses are not yet seeing any improvements. Under its Recovery and Resilience Plan (RRP), Bulgaria is improving the reliability and transparency of public procurement procedures by executing upstream controls, providing clear guidelines to public buyers and offering training opportunities. Nevertheless, Bulgaria should aim to improve the quality of public procurement procedures (CSR3). Challenges persist in terms of limited competition via high single-bid rates and continued reliance on direct awards in certain sectors.

Business dynamics

Bulgarian SMEs across most sectors grew in employment and production. SMEs are a major component of Bulgaria's economy: they represent 75.4% of the persons employed and 65.5% of the value added by Bulgarian firms ([84]), against 65.1% and 53.6% in the EU, respectively. Most of these firms (91.9%) are micro firms and employ up to 9 persons. In 2024, inflation-adjusted value added of SMEs increased significantly by 5.6%, and employment by 2.3%, significantly surpassing the EU performance of respectively +1.1% and -0.2%. All size classes experienced growth in both indicators, with the highest growth seen in micro-enterprises, with 7.3% and 2.0%, respectively (1.6% and 1.9% in the EU). Accommodation and food services showed the highest growth in terms of employment (7.3%) and value added (11.9%). While employment declined slightly in manufacturing (-0.9%), value added dropped significantly in the mining sector (-22.5%) and the utility sector related to water and waste management (-12.2%).

Productivity performance by size of business depends on the sector. The overall labour productivity of Bulgaria's businesses was the lowest within the EU (2023) ([85]). Financial and insurance services are by far the most productive sectors, followed by the utilities sector as well as mining and quarrying. There are significant productivity differences between large and small firms. Generally, comparing total factor productivity (TFP) across firm sizes, large manufacturing firms are more productive than their service-sector peers. Concerning small firms, apart from the utilities sector and financial services where micro and small firms lead in productivity, small manufacturing firms lag behind([86]).

Bulgaria's 2021-2027 national strategy for small and medium-sized enterprises was updated and extended to 2030. The updated strategy includes 119 measures, in line with the long-term goal of achieving higher competitiveness, developing sectors of higher added value and succeeding balanced regional development. Annual programmes, an action plan and improved indicators for following-up have been set up by the Ministry of Economy and Industry.

([83]) Council Recommendation on the economic, social, employment, structural and budgetary policies of Bulgaria, 1/7/2025.

([84]) European Commission, 2025 SME Country Factsheet Bulgaria.

([85]) Eurostat, sbs_sc_ovw

([86]) https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/02/oecd-economic-surveys-bulgaria-2026_4dccf790/08af497f-en.pdf

Business dynamism shows a mixed picture in Bulgaria. A high churn rate ([87]), with active entry and exit of firms, indicates dynamic business activities and help allocate resources efficiently. At 27.2%, this rate was above the EU average of 19% in 2023 ([88]). The sectors with enterprise high birth rates since 2021 were energy, construction, accommodation and food, as well as information and communication. However, the creation rate (10.7) is below the failure rate (16.5), which was the case across sectors and specifically for small firms.

Bulgaria's private investment dynamics remain below those of peer economies such as Croatia and Romania. Private investment is stagnating and stood at 15.2% of GDP in 2024, significantly below both the EU average (17.6%) and the levels observed in Croatia (19.5%) and Romania (19.3%). This weak investment performance is slowing Bulgaria's convergence process. Investment performance improved in the second half of 2025, including all types of assets, with investments in machinery, equipment and weapons system displaying the largest contribution. However, the business climate, as measured by the Bulgarian National Bank composite economic activity indicator, is weakening somewhat in 2025 and beginning of 2026, mainly related to the very uncertain economic/political environment. This is a major factor slowing economic activity and investment.

Bulgaria's public investment landscape faces challenges in both scale and efficiency. Public investment contributed negatively to overall investment in 2024 and has reached approximately 3.4% of GDP, slightly below the EU average of 3.7% ([89]). This is also related to the challenging implementation of EU funds due to the unstable political situation. Although the country is entitled to receive roughly EUR 18.7 billion in EU grants (about 18 % of its 2024 GDP) the absorption rate is still low, with only around 10.2% of cohesion funds disbursed by 12/2025([90]). This under-utilisation is intensified by an efficiency gap in public investment that currently translates just 46% of spending into productive capital, implying sizable loss of resources([91]).The underperformance stems from persistent structural and institutional barriers, including delays in implementing reforms, regulatory bottlenecks, and limited capacity in project preparation and administration. Improving procurement practices, project appraisal, and multi-annual capital planning could unlock savings of up to 5.3% of total contract values and raise the efficiency rate toward 75% by 2030. Closing these gaps would not only enhance the return on each euro spent but also boost GDP by up to 2.3% and stimulate private investment ([92]).

The shadow economy in Bulgaria is estimated to be the biggest in the EU. In 2022, it represented 33.1% of its GDP (EU unweighted average 17.6%) ([93]). Indirect taxes, unemployment and self-employment are among the main drivers. Additionally, a recent study (2024) revealed that Bulgaria, was the Member State with the highest level of acceptance toward the shadow economy. Especially the younger population (those aged 15 to 24) show high acceptance. The study concludes that the younger generation might overlook the importance of formal employment

([87]) Sum of births and deaths of firms as percentage of all active firms. While enterprise birth rate refers to the creation rate of new businesses the death rate refers to the failure rate of firms.

([88]) Eurostat, bd_size.

([89]) OECD (2025). Economic Survey – Bulgaria.

([90]) Cohesion Open Data Platform.

([91]) Vahram S. and I. Vassileva (2025) "Scaling Up Quality Public Investment for Stronger Growth", Washington DC: International Monetary Fund, Selected Issues Paper, SIP/2025/149.

([92]) IMF.

([93]) European Parliament (2022), Taxation of the informal economy in the EU. Schneider and Asllani 2023, for the European Parliament

contracts and do not regard such practices as problematic ([94]).

Business environment

Bulgarian firms continue to consider transport infrastructure as an obstacle to investment. According to the 2025 EIB Investment Survey ([95]), 63% (up from 58% in 2024) of respondents see transport infrastructure as an obstacle to investment (compared with 45% in the EU). In addition, 64% (39% in the EU) consider inadequate infrastructure as a problem when doing business ([96]). Bulgaria has an extensive transport component under the RRP, with investment measures specifically addressing rolling stock.

Bulgarian businesses face considerable administrative pressure and regulatory burdens. Fewer firms considered regulations to be a major obstacle to investment, compared to the EU average (60% vs 69%) ([97]), but this share has increased by 5 pp. Businesses responding to a national survey([98]) cited bureaucracy and regulatory burdens (55%), frequently changing regulations (43%) and corruption (50%) as the biggest barriers to business development. Additionally, more firms report that they would need up to 10% of staff to deal with regulatory requirements (63% in 2025 vs. 57% in 2024). This share is specifically high for manufacturers ([99]).

Bulgaria is implementing measures to improve investment conditions and reduce administrative burdens. One of the cornerstones of these initiatives is the "Plan for Reducing Administrative Burden", which was adopted in 2024([100]). The plan includes 235 measures amending 91 laws, focused on: eliminating required documents, collecting information officially, standardising service procedures, shortening deadlines and improving registers and their usability. Implementation is ongoing and regularly monitored. RRP measures such as the introduction of the Variable Capital Company and the establishment of the Startup Visa aim to make it easier to start a business. Additionally, a package of initiatives advancing digitalisation, automation and standardisation of public services is being implemented. All these measures aim to address the 2025 CSR: *"Simplify regulation, improve regulatory tools and reduce administrative burden"*.

Insufficient availability of skilled staff and uncertainty about the future are weighing on business activity and investment. According to the EIB Investment Survey ([101]), the primary obstacles to long-term investments for Bulgarian businesses are insufficient availability of skilled staff (86% vs. EU average of 79%) (see also the Annex 13) and uncertainty about the future (82%, similar to EU average). Businesses in the manufacturing sector, where 14.3% of gross value added (GVA) is generated, are more affected by these investment barriers. From the survey, there is no measurable difference between large and small firms.

Economic and political uncertainty as well as skill shortages also impact foreign investors' activities. In 2025, financial and insurance services as well as wholesale and retail trade attracted most of foreign direct investment

([94]) Changelova, E. (2024). Bulgarians and the Shadow Economy: Psychological Attitudes and Actual Inclusion. Papers of the Bulgarian Academy of Sciences, Vol. 1, pp. 44–59.

([95]) European Investment Bank, EIB investment survey 2025 based on interviews carried out between April and July 2025.

([96]) Eurobarometer 557, Businesses' attitudes towards corruption in the EU in 2025, July 2025.

([97]) EIB Investment Survey 2025: European Union overview

([98]) Bulgarian Industrial Association.

([99]) EIB Investment Survey, Bulgaria.

([100]) Plan for Reducing Administrative Burden, adopted by Decision No. 233 of the Council of Ministers in 2024.

([101]) European Investment Bank, EIB Investment Survey 2025, based on interviews carried out between April and July 2025.

(FDI). Although the inflow of FDI reached 61.6% of GDP in the first half of 2025, the long-term trend shows a decline compared to pre-global financial crisis levels. Following a survey of managers, 52% of respondents consider their current and short-term situation to be good or satisfactory, and 46% are optimistic about the next 12 months (up from 35% in 2024) ([102]). 47% of respondents are planning to invest.

Access to finance and late payments are rather less important issues for firms. According to the EIB Investment Survey ([103]), availability of finance is an obstacle to investment for only 42% of responding firms (up from 35% in 2024 and still below the EU average of 45%). However, 14.2% of firms are financially constrained, especially in the manufacturing sectors and large firms (see Annex 6). Late business-to-business payments continue to be problematic for 27.7% of SMEs in 2024 (the EU average is 48%) ([104]). The business-to-business payment gap in 2025 stands at 16.2 days (the EU average is 17.4 days) ([105]). The payment gap from the public sector decreased substantially (10.8 days in 2025 vs. 19.7 in 2024) and is below the EU average (13.6 days).

Bulgaria performs strongly in fixed broadband infrastructure. Very high-capacity network (VHCN) coverage reached 90.4% in 2024, exceeding the EU average of 82.5%, while fibre-to-the-premises (FTTP) coverage also stood at 90.4%, well above the EU average of 69.2%. Coverage in sparsely populated and rural areas is comparatively high, contributing to a reduction of the urban-rural digital divide, although growth rates are lower than the EU average, indicating a maturing deployment phase.

Mobile connectivity shows a more mixed picture. Overall 5G coverage reached 81.3% in 2024, remaining below the EU average of 94.3%. In contrast, coverage in the 3.4–3.8 GHz band is more advanced and above the EU average, reflecting Bulgaria's strong performance in spectrum assignment. However, 5G coverage in sparsely populated areas remains significantly lower than the EU average, despite recent improvements.

Bulgaria is supporting further network expansion through public investment. Under the Recovery and Resilience Plan, dedicated measures focus on the deployment of very high-capacity networks in remote, rural and sparsely populated areas, with the objective of ensuring gigabit connectivity nationwide. This investment aims to support economic activity, improve access to digital services and strengthen regional cohesion. Overall,Bulgaria's connectivity framework provides a solid basis for digital economic activity and participation in the single market. Continued deployment efforts, particularly for mobile networks and rural areas, are improving framework conditions for businesses and citizens.

Single Market

Bulgaria is relatively well integrated into the Single Market, but its participation in global production processes is slowing ([106]). Bulgarian trade integration in goods was 24.7% of GDP in 2025 (above the EU average of 18.7%) but trade in goods has slowed down in recent years. Trade in services is gradually picking up but remains only at 6.3% of GDP (below the EU average of 7.6%). Economic ties in terms of trade and investment with Germany, Romania and Italy are significant for

([102]) AHK Bulgarian, Konjunkturumfrage 2025.

([103]) European Investment Bank, EIB investment survey 2025 based on interviews carried out between April and July 2025.

([104]) European Commission and European Central Bank, 2023 SAFE survey. Survey conducted between September and October 2023.

([105]) Intrum, European payment report 2025.

([106]) IMF (2025). Article IV report.

Bulgarian businesses ([107]). Bulgaria's accession to the Schengen and euro areas could encourage further progress of its trade relations and stimulate business and investment activities.

Bulgaria has made some progress in enacting Single Market legislation, but challenges remain in ensuring its timely and correct implementation, as reflected in several Single Market enforcement indicators ([108]). The transposition deficit (which measures the percentage of all directives not transposed into national law) has decreased to 1.3%, but this is still above the 1% target set by the EU Council. In addition, the deficit includes some directives whose transposition is long-overdue. Bulgaria is also increasing the number of incorrectly transposed directives, which is reflected by the conformity deficit. This stood at 1.4% in 2025 (1.3% in 2024). This is above the EU average of 1.1%. Bulgaria ranks 18th out of the 27 EU Member States on the transposition deficit and 19th for the conformity deficit. The relatively high number of pending infringement cases (31 - EU average: 25) continues to hamper businesses, especially in the environment sector. Bulgaria resolved 89.3% of the SOLVIT ([109]) cases it handled as lead centre in 2025 (the EU average was 84.6%).

Compliance of products circulating in the Single Market ([110]) is key to ensuring a level-playing field for law-abiding companies and the safety of consumers. In Bulgaria, the number of market surveillance investigations has relatively decreased compared with the data entered in 2019. In 2025, national authorities reported in the EU Information and communications system for market surveillance (ICSMS) a total of 40.1 investigations per one million inhabitants, which is lower than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

Regulatory and administrative barriers to the Single Market persist in Bulgaria, affecting goods and services trade as well as the freedom of establishment. Bulgaria scores low among EU Member States in the World Bank B-Ready report in terms of international trade ([111]). This score is mainly driven by the low performance of pillar 2, the quality of public services. Existing barriers and inefficient border operations affect the free movement of goods and the provision of services. In the agri-food sector for example, businesses report that certain national regulatory measures and implementing rules create additional compliance requirements for operators. In addition, businesses report that the incomplete implementation of e-CMR in Bulgaria contributes to the persistence of fragmented administrative procedures, generating additional costs, such as delays and legal uncertainty for operators. This, in turn, disrupts efficient cross-border logistics chains and constitutes a barrier to the free movement of goods ([112]).

Several professional services are more strictly regulated than in the other EU countries ([113]). According to the European

([107]) Eurostat.

([108]) Part of the barriers highlighted in the 2025 Single Market Strategy ("Terrible 10"), Single market strategy. See also the Annual Single Market and Competitiveness Report 2026.

([109]) SOLVIT is a service to help businesses and citizens in the event of an EU Member State other than their own breaching EU law.

([110]) *Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.*

([111]) World Bank, B-Ready (2024). https://www.worldbank.org/en/businessready

([112]) ERT Observation report.

([113]) Part of the barriers highlighted in the 2025 Single Market Strategy ("Terrible 10"), Single market strategy.

Commission ([114]) and the OECD ([115]), regulatory barriers remain higher in Bulgaria than in comparable countries for lawyers, notaries, architects and civil engineers. Those barriers mostly take the form of shareholding requirements, obligatory fees and company form restrictions ([116]). Such restrictions may limit market entry and reduce competition. According to the OECD, the barriers to entry in service sectors were as high in early 2023 as in 2019.

The low support for Bulgaria's National Standardisation Bodies (NSBs) ([117]) hampers Single Market integration and national competitiveness. Notably, non-translated standards risk limiting to some extent their implementation by Bulgarian companies. Especially SMEs and start-ups might be most affected since they are likely to rely on national-language standards and face certain market barriers. The online public commenting platform launched in 2023 is aimed to encourage and facilitate the participation of key stakeholders, but low integration and interconnection of electronic services as well as remaining document-based processes delay rapid updates. Despite the limited expertise in emerging technology like AI and quantum the NSBs manage to cast national votes on most draft standards. Bulgaria could further improve its influence in EU standardisation via developing these skills. A shift to digitalisation and stronger NSBs support could improve responsiveness and business opportunities.

Digital public services and e-government are relatively well advanced, which is also beneficial for doing cross-border business. According to the eGovernment Benchmark analysis ([118]) Bulgaria scores high on the availability of services to both, national and cross-national users with 96 points (EU 86 points) and 93 points (EU 76 points) respectively. This implies that online information about a service for nation/cross-border users is available and that this service can be completed ([119]) (see Annex 7). Still, the World Bank "business ready" points to challenges in the operational efficiency, flagging the need to improve digitalisation for business services ([120]). Also, user rates of e-government services remain low and below the EU average.

Bulgaria's RRP includes measures to improve the efficiency and transparency of public procurement procedures to address the 2025 CSR (*"Improve the quality of public procurement procedures"*), but structural governance issues persist, which undermine competition in Bulgaria's public procurement process. In 2025, competition in Bulgaria's public procurement remains restricted, as evidenced by several indicators: The single bids indicator (the number of procedures where the contract was awarded to the sole bidder) reached 41% (36% in 2024) and the share of direct awards ([121]) increased to 27% (20% in 2024), the highest level in the EU. However, the high level is also driven by the inclusion of "below threshold" contracts. Out of the 27%, over 20% are the above-threshold

See also the Annual Single Market and Competitiveness Report 2026.

([114]) European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 9 July 2021 on taking stock of and updating the reform recommendations for regulation in professional services of 2017, COM (2021)385 final.

([115]) OECD, Product Market Regulation (PMR) indicators: How does Bulgaria compare? OECD, 2024.

([116]) European Commission, COM (2021)385 final.

([117]) Bulgaria notified as national standardisation bodies the Bulgarian Institute for Standardisation (BDS) and the Communications Regulation Commission (CRC) published in EUR-Lex - 52023XC0704(01) - EN - EUR-Lex (2023).

([118]) European Commission, 2025, eGovernment Benchmark.

([119]) Part of the barriers highlighted in the 2025 Single Market Strategy ("Terrible 10"), COM(2025) 500, 21/05/2025.

([120]) World Bank, 2024, https://www.worldbank.org/en/businessready.

([121]) This is the share of contracts which were awarded without competition but through a negotiated procedure without prior publication.

contracts publications ([122]). Furthermore, a significant portion of contracts (27% in 2025 and 2024) were unsuccessful or cancelled. ([123]) Finally, despite a declining trend, the lowest-price award criterion remains predominant, being used in 77.7% of procedures in 2025 (53% at EU level) ([124]). A strong focus on price may discourage participation by companies competing on quality and innovation. This therefore potentially reduces the number of bidders and increases the risk of abnormally low offers.

Direct awards and single bidding are prevalent in specific sectors and among regional and municipal authorities. Direct awards have spread mainly in the energy, public utilities and water supply sector and are also found in the defence sector. These are most frequently observed when contracts are awarded by organisations that are subsidised by central or local authorities. Single bidding levels are particularly high in recent years in the transport services, postal and telecommunication services, energy and sewage services sectors ([125]). The lack of competition is often due to the specialised nature of the infrastructure needs, technical requirements, complex regulatory frameworks, specific licensing and the concentration of market power among a few dominant suppliers. Additionally, empirical research indicates that public buyers at below national level have a higher concentration of single-bid contracts. This suggests that these buyers face greater challenges in establishing competition among bidders than buyers at national level. Additionally, decentralisation has transferred procurement responsibilities to municipal officials, who often lack expertise, contributing to formal errors and delays in the use of European funds.

Political backing in public procurement harms economic growth by favouring connected firms over more efficient competitors. Analysis shows ([126]) that firms linked to local government officials are 41% more likely to win uncompetitive tenders, while those connected to central government figures have a 37% higher probability. This pattern discourages innovation by rewarding political connections, creating a cycle where businesses invest in relationships rather than efficiency. In a national survey by the Bulgarian Industrial Association, 37% of the respondents confirmed that they participated in tender procedures in 2025 (compared to 21% in 2024). The most common problems encountered by participants are the biased setting of conditions by a contractor (23%), the biased evaluation of tenders (19%) and an incorrect requirement to provide data already known to the contracting authorities (19%). A further concerning trend related to public procurement and reported by businesses is the rise in late payments ([127]).

Despite these structural issues, some aspects of the Bulgarian system demonstrate an effort to increase transparency. Bulgaria, along with Hungary, Czechia, Slovakia, and Estonia, is among the Member States where the relative number of modification notices is particularly high (8.3% of the EU total), reflecting a more active use of these procedures. Contracting authorities tend to publish modification notices even when this is not strictly required under the Public Procurement Directives. While this may impose an additional administrative burden, this practice contributes to increased transparency.

([122]) Ecorys (2025).

([123]) No tenders or requests to participate were received or all were rejected; or other reasons of not successful contracting.

([124]) Typical (mid-ranking) EU country.

([125]) Public Procurement Data Space.

([126]) Fazekas, M. et al. (2025). Procuring Low Growth - The Impact of Political Favoritism on Public Procurement and Firm Performance in Bulgaria, World Bank Policy Research Paper 11085, Washington DC.

([127]) Bulgarian Industrial Association: https://en.bia-bg.com/uploads/gallery/-%20ANKETI/Anketa_2025/ANKETA_2025.pdf.

Measured against national GDP, the rate of publication of Bulgarian public procurement notices on the EU Official Journal (TED) is the second highest after Latvia, showing an active commitment to offering opportunities to businesses.

Policy options to address Bulgaria's public procurement challenges include several complementary approaches. First, the implementation of the Centralized automated information system"Electronic Public Procurement" (CAIS EPP) offers a pathway for modernising procurement processes, reducing risks and ensuring transparency, though sustained political commitment is critical for its successful delivery. Currently, the implementation is progressing gradually. Second, promoting joint procurement mechanisms could help public bodies achieve better prices and terms by pooling their needs, which requires targeted capacity-building and awareness campaigns to overcome its current underuse. Third, a government project launched in September 2025 aimed at improving public investment efficiency presents an opportunity to establish a sustainable framework for planning and managing investment. It would be benefitial to prioritise such projects regardless of political cycles. In Bulgaria's Recovery and Resilience Plan, five milestones and targets are planned for improving public procurement procedures. The EU-wide system of eForms has been implemented, and the ex-ante controls by the Public Procurement Agency have been reinforced via a new methodology. While the implementation is advancing steadily, the original ambition of the public procurement milestones and targets has been notably reduced, which may affect their overall impact.

Businesses' views on corruption risks in public procurement are above the EU average. In Bulgaria, 77% of companies (EU average: 58%) consider tailor-made specifications for particular companies in public procurement procedures, and 62% (EU average: 45%) abuse of negotiated procedures, 'very' or 'fairly widespread' practice. Among companies that have experience in and participated in a public procurement procedure, 35% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%) ([128]). Only 30% of businesses perceive the level of independence of the public procurement review body (Commission on Protection of Competition) as 'very' or 'fairly good' when it is reviewing public procurement cases ([129]).

The government has committed to developing targeted measures focusing on competitive and transparent practices to ensure/enhance a level playing field for businesses.([130]) The most frequent irregularities that have been reported concern: setting terms that unreasonably restrict certain participants; non-compliance with the provisions of the Public Procurement Law when determining the award criteria; non-application of the legal procedure for awarding public procurement; subdivision of public procurement, which leads to awarding under a more simplified procedure; and selection of negotiated procedures with a limited number of participants or with only one participant in non-compliance with the requirements of the Public Procurement Law. Public procurement policy has included limited number of dedicated measures to combat corruption, as the 2014-2020 National Strategy for the development of the public procurement sector includes only a limited number of anti-corruption measures and has not been followed up by a post-2020 strategy. The 2024 annual report by the Public Procurement

([128]) Flash Eurobarometer 557, p.133.

([129]) Justice Scoreboard (2025), p. 53; Flash Eurobarometer 555.

([130])Rule of Law Report- Country Chapter Bulgaria (2025), p. 17.

Agency does not refer to the implementation of anti-corruption measures ([131]).

Bulgaria's eProcurement landscape and data quality issues highlight the need for interoperable systems, common standards and stronger data governance. The centralised eProcurement service allows economic operators to use a single system to access all national public procurement procedures. However, issues remain concerning cross-border procurement, creating complexity and barriers to participation. Bulgaria's authorities reported a low rate of foreign economic operators registered in their eSubmission service ([132]). This fragmentation underscores the need to introduce interoperability and common standards. The once-only principle is only partially implemented at national level (see Annex 7) and buyers across the EU still lack digital access to relevant evidence**.** In addition, some monitoring exists, but national authorities lack a public procurement data strategy regarding objectives and management of public procurement processes data. Therefore, the Bulgarian system would benefit from a dedicated public procurement data collection and analysis service within the government to support data-driven oversight of the procurement lifecycle ([133]).

Industry and economic security

Bulgaria's economic structure is relatively well diversified, with a stronger focus on lower technology intensive sectors. In the services sector (73% of total gross value added, GVA), the most important branches relate to low-tech sectors, including transport, wholesale and retail trade, and real estate (in sum 31.8% of GVA). Higher technology services as IT (8.5%) and financial services (6.6%) are increasingly important, but recent growth in production is slowing in comparison to peer countries such as Croatia or Romania. Bulgaria has a strong industrial sector, specifically manufacturing, corresponding to shares of GVA of 19.5% and 14.3%. Again, less knowledge-intensive sectors such as basic metals, food and rubber dominate production, with about 7% of GVA. In recent years, production of transport and pharmaceuticals is picking up, but from a low base. Expanding further into knowledge-intensive industry might support productivity growth.

Energy-intensive industries specifically face significant challenges due to high energy prices and lack of clarity about the future transition. Electricity prices for industry are among the highest within the EU (around €0.22/kWh in H1 2025 vs EU average €0.15/kWh) (see Annex 9). Energy-intensive industries account for about 3.5% of GVA and generated about 24% of the value of national exports. After the production peak in 2022, production levels are again falling (see graph A5.1). With support from the Technical Support Instrument (TSI), the Bulgarian government is currently setting up a "National Industrial Strategy for Manufacturing and Mining industry sectors 2025-2030". It is designed to increase the competitiveness of Bulgarian industry through three priority areas: improving the regulatory environment, accelerating the green and digital transitions and building modern industrial infrastructure. Measures under the first priority include optimising and simplifying permitting procedures for strategic net-zero industry projects (as per the Net-Zero Industry Act) and critical raw materials throughout their entire lifecycle. The second priority focuses on overcoming obstacles to the twin transition through technological

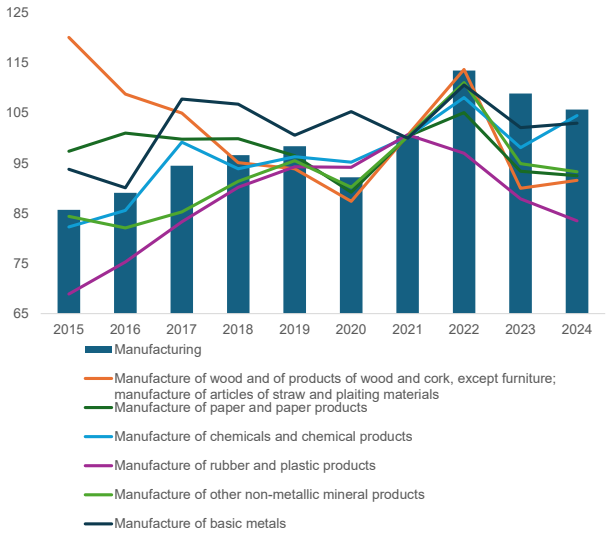
([131]) Rule of Law Report- Country Chapter Bulgaria (2025), p. 17.

([132]) Between (0% and 1.99%), as reported in the eProcurement matrix.

([133]) European Court of Auditors, Special Report 28/2023: *Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021*, 2023, Special report 28/2023: Public procurement in the EU

modernisation, equal access to expertise, climate-neutral energy sources, and employee skills development, while the third priority involves developing industrial parks with low-emission energy, digital infrastructure, industrial symbiosis and supporting services to attract investors.

Graph A5.1: **Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024**



Source: Eurostat

Clean-tech manufacturing is still at an early stage and scaling up would be helped by an enhanced policy framework. The production sector of clean-tech goods sector is currently very small, employing about 7 000 people, with firms transitioning gradually from assembling to engineering and developing software ([134]). Bulgaria is also advancing in large-scale battery storage manufacturing thanks to its first battery gigafactory ([135]). According to a World Bank analysis, Bulgaria exported about 0.6% of GDP of net-zero technologies, mainly wind technology components in 2022. However, most of these exports show a rather or extremely low level of complexity, in contrast to goods exported by Poland and Romania. The study also reveals that Bulgarian firms, despite being integrated into the clean tech value chain network, have a limited role and potential as an emerging intermediary, compared to Polish firms. This is due to their smaller, less diverse, and weaker links in their international buyer/supplier network. Despite this, Bulgaria has the potential to enhance its connectivity and influence within the network, with simulations suggesting that the country could more than triple its clean energy technology-related exports to the EU by 2030, reaching almost 2.8% of GDP. To achieve this potential, Bulgaria will need to address its limited domestic integration, reliance on foreign suppliers and lack of diversity in its supplier network. An enhanced policy framework could also offer significant incentives to decrease industrial energy consumption and thereby foster improve investment conditions for net-zero technologies by e.g. speeding up permitting processes and promoting their adoption.

Bulgaria's material import dependency is relatively low. With an overall share of 16.8% (EU average: 22.4%), Bulgaria displays the second lowest share of imports needed for production, after Romania. The dependency ratio is especially low in metal and biomass ([136]). Bulgaria has significant production in copper, lignite and gold, and significant potential for extracting and recycling key minerals – although targeted research in this area has been lacking. Among potential minerals are e.g. lithium, manganese, lead, zinc and barite ([137]). The International Council on Mining and Metals (ICMM) ranks Bulgaria 61st out of 110 in its Mining Contribution Index (MCI)([138]), after Finland, Poland and Sweden

([134])Centre for the Study of Democracy.

([135])Factory X1 by the firm International Power Supply (IPS) is one of ten net-zero strategy projects under the Net-Zero Industry Act.

([136])Eurostat.

([137])Velev, S. (2025). Raw Materials, Critical Choices: The Backbone of Bulgaria's Low-Carbon Future, Net Zero Lab.

([138])The MCI reflects the economic contribution of mining to national economies, with higher rankings indicating a greater contribution. The Democratic Republic of the

([139]). So far, Bulgaria has no selected strategic projects under the Critical Raw Material Act. The country could also do better in re/using its resources, since the circular material use rate is 5.0%, well below the EU average of 12.2%. (see Annex 8)

Congo occupies the 1st rank, while Ireland is on the last (110).

([139])ICMM (2025). Mining Contribution Index (MCI), 7th edition.

Table A5.1: **Single Market and Industry**

Bulgaria								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		52.7	55.6	54.9	58.1	59.2	100.0
	Business investment (share of GDP)[1]		11.5	12.3	-	-	-	12.6
	Public investment (share of GDP)[1]		2.7	2.3	-	-	-	3.9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		24.9	19.6	21.4	17.4	24.0	34.0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0.40	0.37	0.32	0.48	-	0.43
	EIF Access to Finance for SMEs index - equity[3]		0.06	0.07	0.09	0.08	-	0.19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		14.1	14.0	17.0	16.0	16.2	17.4
	Payment gap - public sector, difference in days between offered and actual payment[4]		9.9	15.4	19.0	19.7	10.8	13.6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	27.7	30.9	47.1
		from public entities in the previous or current quarter	-	-	-	15.3	15.5	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		38.0	41.4	36.7	33.4	31.1	40.7
	EEA Services Trade Restrictiveness index[6]		-	-	-	-	-	0.050
Public procurement	Single bids, % of total contractors[7*]		32	34	37	36	41	27
	Direct awards, % of negotiated procedures[7*]		27	25	23	20	27	6
Compliance	Transposition deficit, % of all directives not transposed[8]		2.2	1.8	1.7	1.6	1.3	1
	Conformity deficit, % of all directives transposed incorrectly[8]		2.1	2	1.6	1.3	1.4	1.1
	SOLVIT, resolution rate per country, %[8]		95	100	100	92.3	89.3	84.6
	Number of pending infringement proceedings[8]		38	38	36	31	31	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		0.3007	0.5053	0.2356	0.2147	0.2224	0.1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		29.5	30.6	31.9	-	-	32.7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		19.4	19.1	23.2	23.2	-	25.2
Critical raw materials	Material import dependency, %[1]		15.3	17.3	15.8	16.8	-	22.4
	Circular material use rate[1]		4.3	3.0	4.9	5.0	-	12.2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		0.35 (m)		- Electrolyzer, GW		-	
	- Heat pump assembly		-		- Battery, GW		-	

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Topic	*Main features*	*Relative EU positioning*
Asset-backed pension schemes	Assets at 15.2% of GDP (32.3% in the EU) 10-year real return of -1.2% (1.4% in the EU)	Low pension assets that yield a negative real return.
Households' financial assets	EUR 16 937 per capita (EUR 85 090 in the EU) o/w 3.2% in listed shares and bonds (7.6% in the EU) o/w 1.6% in investment funds (11.0% in the EU) o/w 1.2% in life insurance (13.4% in the EU) o/w 12.5% in pension claims (13.6% in the EU)	- Relatively low household wealth per capita. - A relatively low share of households' financial assets is invested in listed shares and bonds. - A significant gap in the proportion of financial assets invested in investment funds and life insurance. - A relatively high share of households' financial assets is invested in pension funds, reflecting mandatory contributions to supplementary funded pension insurance (Pillar 2). - Bulgaria has no dedicated tax-advantaged "savings and investment account" (but offers tax reliefs for investment in financial instruments)
Venture capital (VC) **Private equity (PE)**	VC at 0.023% of GDP (0.064% in the EU) PE at 0.054% of GDP (0.487% in the EU)	Low venture capital and private equity investments.
Capital taxation	For corporates, capital gains tax on shares and bonds is taxed as corporate income tax at 10% but exceptions apply for for regulated-market instruments. Individuals' capital gains tax from the disposal of listed shares and governmental bonds realised on a regulated market in the EU/EEA, are exempt from personal tax. In addition, Bulgaria has extended similar tax treatment to instruments traded on its SME Growth Market (which is not regulated under MiFID)	Bulgaria offers tax reliefs for investments in financial instruments that broadly support participation in capital markets
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (taxation). End-2024.

Bulgaria ranks relatively low across the main indicators of progress on the policy goals of the Savings and Investment Union, as shown in Table A6.1. *Bulgarian corporates rely more than their EU peers on bank loans and internal funding. Bulgaria's domestic capital market is small and plays a limited role in financing Bulgarian companies. Households in Bulgaria have a very conservative approach to managing their financial wealth, and still have ample space to increase direct and indirect participation in capital markets. Bank lending to households has been more growing more quickly than lending to companies. Bulgaria's non-bank financial intermediaries (NBFIs), in particular pension funds and investment funds, are small but growing rapidly. These NBFIs have the potential to support the development of capital markets and increase households' wealth. Bulgarian pension funds are more conservative than their EU peers, as regulatory constraints limit their exposure to venture capital and private equity. The ongoing pension reform could support more diversified investment strategies. Bulgaria's insurance sector has grown in nominal terms but has not kept pace with GDP. The country's venture capital and private equity ecosystem remains small and is dominated by public funds channelled primarily by the various national development institutions. The recent adoption of the euro represents a major opportunity for Bulgaria to attract investment and deepen its capital market.*

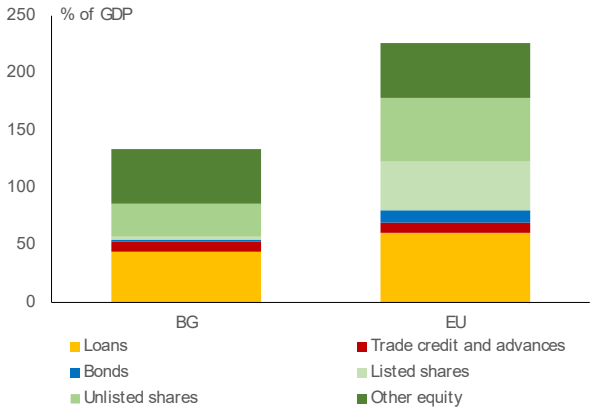
Business landscape and company funding

Bulgaria's financial intermediation remains heavily skewed toward banking, while capital markets play only a marginal role. In 2024, total non-financial corporate (NFC) financing in Bulgaria was equivalent to 133.8% of GDP, well below the EU average of 226.1%. While this reflects supply and demand factors, it also indicates the comparatively smaller scale of Bulgaria's financial system, which limits the range of financing channels available to firms. Loans account for 33% of total corporate financing in Bulgaria above the EU average (26.9%), confirming the importance of loan-based funding. Equity financing is dominated

by unlisted shares and other equity instruments, which together represent 57.2% of total NFC financing, significantly higher than the EU average (45.6%). This points to strong reliance on retained earnings and closely held ownership structures in Bulgarian companies. By contrast, market-based financing remains marginal, as bonds account for just 1.3% of total corporate financing and listed equity 1.9%, compared with 4.7% and 18.8% respectively in the EU.

The funding profile of Bulgarian corporates is closely linked to the dominance of SMEs. In Bulgaria, microenterprises ([140]) contribute 21.8% of total value added (vs 20.1% in the EU), while small firms contribute 22.1% (vs 16.6% in the EU) and medium-sized firms 21.6% (vs 16.9% in the EU). By contrast, large enterprises account for only 34.5% of value added, about half the EU average (46.4%) ([141]). This structure has direct implications for the type of corporate financing used in the country, as large firms, which are typically better positioned to access capital markets, represent a smaller share of the Bulgarian economy than the EU average.

Graph A6.1: **Composition of non-financial corporations' funding**



Source: Eurostat. End-2024.

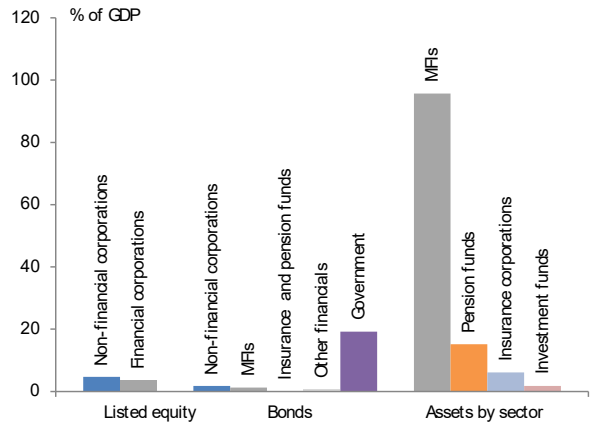
([140]) Microenterprises have 1-9 employees; small firms 10-49 employees; medium-sized firms 50-249 employees; and large firms 250+ employees.

([141]) See Annex 5 for more details.

Size and structure of the financial sector

Financial intermediation in Bulgaria is heavily concentrated in the banking sector, reflecting the limited size of NBFIs and shallow capital markets. Bulgaria's banking system had total assets in September 2025 equivalent to 96% of GDP. This is substantially smaller than the EU average (246.1% of GDP). Banks remain the main source of finance for households and NFCs. The size of Bulgaria's banking sector by far exceeds the combined assets of all the country's NBFIs. By comparison, insurance assets stood at 6.1% of GDP at the end of 2024, pension funds at 15.2%, and investment funds at 5.9% (see Graph A6.2). Because banks are not best suited to invest in – or lend to – start-ups, scale-ups and innovative firms, the underdevelopment of Bulgaria's NBFIs is a limiting factor that holds back the dynamism and expansion of the economy. This underdevelopment of Bulgaria's NBFIs reduces the availability of long-term, market-based financing and also limits the diversification of funding sources. Moreover, the country's equity and bond markets are small and shallow, leaving firms with very limited alternatives to bank lending. This means that a shock to banks' balance sheets or lending activity could quickly reduce credit availability and threaten overall financial stability in the country.

Graph A6.2: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, EMACO. End-2024.

The domestic equity market remains small and shallow. The Bulgarian Stock Exchange (BSE) operates two regulated markets: the BSE Main Market and the BaSE Alternative Market ([142]). However, the small size and shallow liquidity on these markets deters corporates from seeking public equity financing on them. Since January 2020, the amount of capital raised via capital increases on these two markets amounted to EUR 578 m, whereas the amount of capital raised via initial public offerings was just EUR 38 m, of which only EUR 2 m in 2024 and EUR 6 m in 2023 ([143]). The BSE also operates the SME growth market BEAM ([144]), which is an effort to increase market-based funding for growing businesses by simplifying SME listing requirements. BEAM has attracted some investors' interest. Nevertheless, the persistently low and declining market capitalisation of Bulgarian firms (equivalent to 8.4% of GDP in September 2025, compared with an EU average, as seen in Table A6.2) points to the limited use of the public equity market by Bulgarian firms.

Recent policy initiatives aim to strengthen the attractiveness of the BSE. A pilot tax regime introduced in 2021, which exempted both corporates and individuals from capital gains on disposals of financial instruments traded on BEAM, was made permanent from 1 January 2026. This effectively aligned the tax treatment of BEAM-listed instruments with that applicable to regulated markets, and thus directly supported SME financing via capital markets. In the future, it is expected that the adoption of the euro in January 2026 will have a positive impact on investor sentiment. To stimulate regional markets, eight stock exchanges in central and eastern Europe (including Sofia, Bratislava, Bucharest, Budapest, Ljubljana, Zagreb, Warsaw, and Skopje), alongside the European Bank for Reconstruction and Development signed a memorandum of understanding in 2024. This was followed in August 2025 by the signature of another memorandum of understanding by the ministers of finance of these eight countries to foster the joint development of national capital markets through closer cooperation, regulatory alignment, and increased market integration.

Bulgarian NFCs make limited use of the domestic debt capital market to raise finance. The main challenges facing the country's debt markets include low liquidity and the absence of large issuers which could set benchmarks for the market. As a result, investors lack a well-established local benchmark against which to price credit risk. In December 2024, the capitalisation of the Bulgarian bond market was equivalent to 24.5% of GDP, of which 84.4% was government debt. Nevertheless, only a quarter of the country's outstanding government debt is issued domestically, as government debt issuance in Bulgaria is primarily conducted on international

([142]) See BSE Sofia market segmentation.

([143]) Source: Republic of Bulgaria, Offering circular 28 April 2025 for Global Medium Term Note Programme.

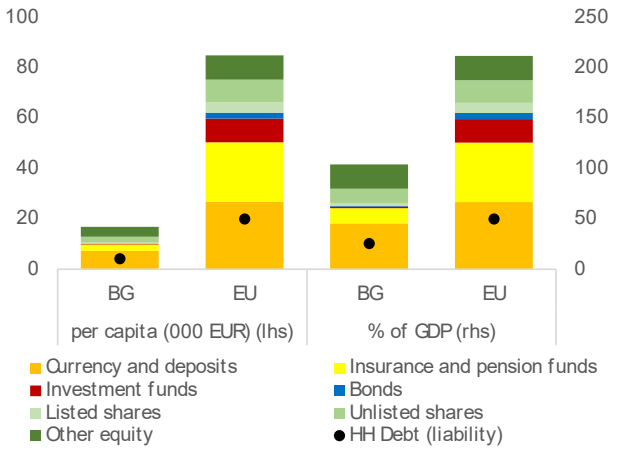
([144]) The SME growth market, the Bulgarian Enterprise Accelerator Market (widely known as the BEAM), was set up in 2018 and is a specific category of multilateral trading facility, introduced under the EU's MiFID II framework. It is designed to help SMEs access capital, imposing lighter regulatory requirements than the main market.

markets ([145]). Between 2021 and 2024, the Bulgarian government and corporates issued EUR 11.7 billion in debt securities, but only EUR 0.6 billion of this was raised on the BSE. The relatively low levels of financial illiteracy among entrepreneurs (see section on financial literacy) is also cited as a barrier for raising funds in the bond market.

Households' participation in capital markets

Bulgarian households manage their financial assets conservatively, with a strong preference for liquid and low-risk instruments. Bulgarian households have a culture of investing a large share of their savings in real estate. As a result of this, their financial asset holdings are relatively low (around EUR 16 900 per capita), compared with the EU average (EUR 85 100) (see Graph A6.3). This strengthens a preference for simplicity and liquidity, to the detriment of long-term market-based financial products. In December 2024, currency and deposits accounted for 43.7% of Bulgarian households' financial assets, compared with 31.6% on average in the EU. By contrast, direct investment in listed shares and bonds remains limited, accounting for only 3.2% of Bulgarian households' portfolios (compared with 7.6% in the EU). Participation in collective investment vehicles is also low, as investment funds together with insurance and pension products account for 16.1% of Bulgarian households' financial assets, far below the EU average of 38.8%. At the same time, Bulgarian households hold a relatively sizeable share (around 37%) of their financial assets in unlisted shares and other equity ([146]), compared with about 22% in the EU.

Graph A6.3: **Composition of households' financial assets**



Source: Eurostat. End-2024.

Retail engagement in Bulgarian capital markets remains low, although recent initiatives indicate some emerging investor interest. Bulgarian households' strong preference for deposits, and their limited investments in long-term savings instruments (insurance, pension and investment funds) can be attributed to three main causes: (i) their limited financial assets compared with the EU average; (ii) the still-scarce offering of attractive domestic financial products; and (iii) financial illiteracy (see section on financial literacy). Nevertheless, the relative success of recent initiatives facilitating access to international instruments (such as the MTF BSE International ([147]) suggests that there is appetite among retail investors for greater exposure to diversified capital-market products. Regaining local investors' trust in the domestic capital market, in particular by improving governance indicators ([148]), remains key. Bulgaria already provides broad tax relief for investments in financial instruments ([149]), although this is not

([145])See Central Government Debt and Guarantees Monthly Bulletin for December 2024.

([146]) An inherent limitation is that unlisted shares are typically less transparent and more difficult to value, hence the high volatility in data from the prior year.

([147])For more, see MTF BSE International.

([148]) According to the World Bank's Worldwide Governance Indicators, Bulgaria is one of the three worst performers in the EU-27 in each of the six governance scores i.e. government effectiveness, political stability, rule of law, regulatory quality, control of corruption, and voice and accountability.

([149]) For example, capital gains from the sale of securities traded on regulated markets in the EU/EEA are exempt from tax, and Bulgaria also recently made permanent a

structured as a formal savings and investment account ([150]).

Financial literacy in Bulgaria remains relatively low ([151]), although recent initiatives aim to address this. Bulgaria adopted its first national strategy for financial literacy in 2021, and is implementing the related 2021–2025 action plan ([152]). Based on the assessment of the work done so far and the implementation of the action plan for 2021-2025, a new action plan for 2026-2030 has been drafted and is currently under consultation. Monitoring of the strategy and action plan includes repeated financial literacy surveys and drawing on the OECD/INFE toolkit. In April 2026, the Ministry of Finance launched a single national financial literacy platform([153]) , and relevant authorities and stakeholders also support the implementation of the strategy and action plan through dedicated initiatives ([154]). Moreover, financial education in Bulgaria is integrated throughout the entire school curriculum (mainly in the subject 'Entrepreneurship and Technology', as well as in mathematics, geography, and economics) and complemented by extracurricular initiatives. Despite these efforts, 40.8% of 15-year-old students on average, do not have basic proficiency in financial literacy ([155]). In general, targeted measures to address gaps in financial literacy cover vulnerable groups and SMEs ([156]). Strengthening financial literacy among both investors and entrepreneurs is viewed as key to support the development of the Bulgarian capital market.

The banking sector: resilience and financing of the economy

The Bulgarian banking sector is profitable and resilient, supported by strong capital and liquidity buffers. The robust profitability performance in 2024 carried over into the first nine months of 2025. The sector's (annualised) return-on-equity of 14.5% in September 2025, compares favourably with the EU average of 9.6%. The capitalisation of Bulgarian banks also remained high, despite rapid credit growth and rising risk-weighted assets, with the common equity tier 1 ratio (CET1) at 22% and total capital adequacy at 23.7% (both above the EU averages of 16.8% and 20.2%, respectively). Liquidity conditions remained comfortable, with the liquidity coverage ratio at 236% and the net stable funding ratio at 162% in September 2025 ([157]). Resolution readiness also improved, as banks continued to build loss-absorbing capacity through the issuance of eligible instruments ([158]). Despite strong credit growth, the stock of non-performing loans (NPLs) declined to around EUR 2 billion (around 7% lower than a year earlier), and the NPL ratio fell from 2.8% to 2.5% between September 2024 and September 2025 ([159]).

specific provision extending similar tax relief to instruments traded on SME Growth Market.

([150])As proposed in the Commission's SWD on increasing the availability of savings and investment accounts with simplified and advantageous tax treatment.

([151])According to the latest Eurobarometer survey, in the overall (composite) for financial literacy, 15% of Bulgarians scored high, 65% medium, and 20% low.

([152])See National Strategy for Financial Literacy and its Action Plan (2021-2025).

([153])National financial literacy portal.

([154])Such as the Financial Supervision Commission (with consumer tools and education programmes), the Bulgarian National Bank (information and educational materials), and the National Revenue Agency (with tax education for young people).

([155])OECD (2024), PISA 2022 Results (Volume IV): How Financially Smart Are Students?

([156])These measures include training supported under labour-market policies and skills measures included in the national strategy for SMEs 2021–2027.

([157])Profitability, solvency and liquidity ratios are based on ECB consolidated banking data.

([158])See the EBA's MREL Dashboard Q2 2025.

([159])The ECB measures the share of gross non-performing loans and advances based on a 'broad' definition encompassing all counterparties, including cash balances at central banks and other demand deposits. Excluding exposures at central banks and other demand deposits, the NPL ratio would stand at 3.4%.

Despite these improvements, the NPL ratio of Bulgarian banks exceeds the EU average of 1.9%. However, the coverage ratio of 50% (vs an EU average of 42%) indicates solid provisioning ([160]).

The Bulgarian banking sector has seen rapid lending growth in recent years. Household credit continued to be the main driver of this growth and it continues to expand more rapidly than corporate credit. Loans to NFCs also increased in the past year, albeit more moderately. In particular, the growth in credit for house purchases has been strong, reaching 21.7% year-on-year (vs 2.6% in the EU), while the credit growth of loans to NFCs was up 10.1% (compared with growth of only 2.5% in the EU). Growth in credit was supported by favourable labour-market conditions, rising disposable incomes and the banking sector's strong capital and liquidity positions. The share of Bulgarian banks' loans to SMEs in total loans to NFCs, although on a downward trend, was 50.2% at the end of 2024. This remains significantly higher than Bulgaria's European peers, which allocate, on average, 40.2% of their NFC portfolio to SMEs.

Role of non-bank financial intermediaries

Institutional investors in Bulgaria are growing in size and have the potential to support the development of the country's capital markets, but their participation in domestic capital markets remains limited. Given Bulgaria's strong economic convergence with its EU peers in recent years, assets under management by the country's NBFIs (insurance funds, investment funds and pension funds) have expanded steadily. However, they are still equivalent to a much lower percentage of GDP than their EU peers. Moreover, the contribution of domestic institutional investors to Bulgarian capital markets remains limited, as they tend to favour investing in conservative portfolios over higher-risk and less liquid assets. In particular Bulgaria's pension funds and investment funds could in principle play a greater role in providing long-term risk capital ([161]).

Bulgaria's insurance sector is very small compared with the EU average, with low insurance uptake and relatively small insurers. Total insurer assets were equivalent to just 6.1% of GDP in September 2025, well below the EU average of 53.9%. Non-life insurers dominate the sector and account for about 70% of total assets (or around EUR 4.5 billion), while life insurers manage the remaining 30% (or EUR 1.9 billion). Solvency is robust, and the corresponding ratio of 181%, although below the EU average of 253%, indicates large buffers.

The investment strategies of Bulgarian insurers remain conservative, as the predominance of short-duration non-life liabilities limits the scope for increased allocations to long-term assets. In September 2025, around 33% of Bulgarian insurers' assets were invested domestically, 56% in other EU countries, and 10% outside the EU. In terms of instruments, securities other than shares accounted for the largest share of insurers' portfolios (around 47%). Shares and other equity accounted for 26% of assets, while deposits and receivables each accounted for roughly 7% ([162]). This conservative allocation is at least partly explained by the fact that the Bulgarian market is dominated by non-life insurers, particularly the motor insurance sector, which has short-term liabilities. This limits the scope for a significant shift away

([160]) For more details on the banking sector, see also the Bulgarian National Bank's Banks in Bulgaria Q2 2025 report.

([161]) A recent study by the European Capital Markets Institute (Commentary no 90, August 2024 Closing the gaping hole in the capital market for EU) showed that Bulgarian pension funds accounted on average for only 1% of PE and VC funds raised annually over the timeframe 2007-2023.

([162]) See Bulgarian National Bank Insurance Statistics.

from liquid assets toward equity and private markets. Without a broadening of the Bulgarian insurance sector's activities into long-duration life and savings-based insurance products, its contribution to the deepening of Bulgarian capital markets will remain limited.

The Bulgarian asset management industry is small but growing, and is well placed to support the mobilisation of household savings into domestic capital markets. In June 2025, the total assets of resident and non-resident Bulgarian investment funds distributed in the country amounted to EUR 6.2 billion, equivalent to 5.9% of GDP, a 13.7% increase year-on-year ([163]). Nevertheless, this level is still far below the EU median of 24.5% of GDP ([164]). Resident funds manage approximately EUR 2 billion of assets, and their portfolios are equity-oriented, with shares and other equity accounting for 43.4% of their total assets as of June 2025, followed by fund units (32.6%), debt securities (19.3%) and deposits (4.7%). Resident funds retain a significant domestic footprint, with 51.5% of securities holdings invested in Bulgarian issuers and 41.4% in other EU issuers. However, it is the non-resident funds that dominate in the Bulgarian market. Non-resident funds manage around EUR 4.2 billion. However, holdings of non-resident funds are mainly institutional, accounting for 62.3% of total non-resident funds' liabilities, while liabilities to Bulgarian households represented 20.7% (although the household share has been increasing in recent years). These non-resident funds provide a welcome opportunity for Bulgarian retail investors to invest their savings, however a significant share of non-resident funds distributed locally is managed abroad, which is a limiting factor to the sector's contribution to domestic capital markets.

The second and third pillars of the Bulgarian pension system are expanding. The first pillar is the state pension, financed on a pay-as-you-go basis. It is supplemented by a mandatory, funded second pillar ([165]) and a voluntary, funded third pillar ([166]). The funded pillars are managed by pension insurance companies licensed and supervised by the Financial Supervision Commission. Bulgarian supplementary pension funds have recorded robust growth in recent years, and are expected to expand further in line with rising wages. In December 2024, around 5.1 million people held accounts in Bulgaria's second and third pillar pension funds. Based on OECD data, these funds managed total net assets of EUR 13.8 billion in December 2024, a significant increase from the EUR 11.8 billion held in December 2023. Despite continuous growth, the size of private pension fund assets – at 13.1% of GDP – is still below the EU average of 28.1% ([167]). The country's mandatory universal pension funds (UPFs) dominate the system and account for 87% of total net assets, followed by mandatory professional pension funds (PPFs) at 7% and voluntary pension funds at 6% ([168]).

The expanding funded pension system does not yet channel sizeable funds into the Bulgarian equity markets (in particular in venture capital and private equity) as its investment strategies remain relatively conservative. In June 2025, debt securities

([163]) See Bulgarian National Bank's Investment Funds Statistics.

([164]) The median is used instead of the EU average to avoid distortion from outliers (Luxembourg, Ireland and Malta).

([165]) The second pillar is mandatory for those born in 1960 or later, who must contribute to a Universal Pension Fund (UPF), while employees working in hazardous conditions must additionally participate in a Professional Pension Fund (PPF).

([166]) The third pillar is voluntary and allows individuals (and employers) to make extra retirement savings through voluntary pension funds, including occupational schemes agreed collectively.

([167]) Private and public funded pension assets totalled 15.2% of GDP (see Table A6.2), of which 13.1% of GDP are private pension funds' assets and 2.1% are public reserve assets (see Silver Fund); the latter is excluded from the analysis.

([168]) Based on Bulgaria's Financial Supervision Commission's Results of the supplementary pension insurance activity for the first half of 2025, total assets increased to EUR 14.6% by 30 June 2025.

accounted for around 68% of assets in UPFs and 63% in PPFs, while equities represented about 30% and 35%, respectively. The voluntary third pillar shows appetite for higher-risk, longer-term investments, although bonds still represent the largest asset class (57%). This conservative allocation of funds significantly hampers long-term real returns. According to OECD pension data, the 10-year average real return of Bulgarian private pension funds was negative -1.2% in 2024 as opposed to +1.2% in the EU. These results are attributed to the current regulatory investment limits ([169]) and the design of the Bulgarian system, which has historically favoured capital preservation and peer-based return comparisons. This led pension insurance companies to apply fairly standard portfolio allocations for their members, where no life-cycle ([170]) investment strategies were utilised. Additionally, the existence of a minimum return guarantee mechanism does not favour volatility and therefore deters pension investment companies from taking large positions in equity.

Bulgaria has introduced reforms to modernise its funded pension system and improved the design of the second pillar schemes. The amendments to the Social Security Code ([171]), in line with the OECD recommendations following a thorough assessment of the country's pension system, primarily focuses on UPFs and introduces a multi-fund, life-cycle structure with differentiated investment strategies and a default age-based allocation. The new framework also introduces performance incentives and benchmarks in the management of funds. With the establishment of sub-funds, new types of eligible assets have been introduced (including financial instruments traded on SME growth market), while quantitative investments limits have been adjusted across asset classes for the three risk profiles (dynamic, balanced and conservative). Bulgaria does not operate a formal nationwide pension tracking system that consolidates all pension sources in one place for individuals.

Venture capital ecosystem

The Bulgarian venture capital (VC) and private equity (PE) markets have expanded over the past decade, but are still among the smallest in the EU. Lack of capital remains a key constraint for innovative firms and start-ups in Bulgaria. While access to seed and early-stage financing seems to have improved recently, it remains constrained for companies at later stages of development ([172])([173]). In more developed markets, these companies rely to a greater extent on VC and PE to finance innovation, commercialisation and scaling. In 2024, Bulgaria's PE investments (on a three-year moving average) were equivalent to 0.054% of GDP, well below the EU average of 0.487%, and placing Bulgaria in the lowest quartile of EU Member States on this measure. In the VC segment, this ratio reached 0.023% of GDP in 2024. While this was a historic high value for Bulgarian VC investment, it remains well below the EU average of 0.064%, leaving Bulgaria in the third quartile of EU countries on this type of investments.

The recent growth of the VC and PE markets in Bulgaria has been mostly supported by institutional and public funding. Despite significant progress over the last decade, both

([169]) See the OECD's 2025 Survey of Investment Regulation of Pension Providers.

([170]) Life-cycle strategies allow members to select their preferred investment profile, usually aligned with their age and investment horizon, typically shifting from higher-risk to more conservative assets over time.

([171]) The amendments to the Social Security Code have been adopted by the National Assembly and published in the State Gazette on the 17 March 2026.

([172]) According to the Bulgarian Private Equity and Venture Capital Association's 2025 annual report on private investment in Bulgaria & SEE.

([173]) See also Annex 4.

Table A6.2: **Financial sector indicators**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	-	-	-	-	95.3	95.4	95.7	96.0	246.1
	Common equity Tier 1 ratio	19.3	18.4	22.0	22.0	20.4	20.5	21.4	22.0	16.8
	Total capital adequacy ratio	20.6	19.5	23.1	22.9	21.3	22.1	23.1	23.7	20.2
	Overall NPL ratio, % of all loans	7.7	6.5	5.9	4.8	3.7	2.9	2.7	2.5	1.9
	NPL ratio, loans to NFCs	12.7	10.7	9.6	7.6	6.5	5.1	4.6	4.2	3.5
	NPL ratio, loans to HHs	9.0	7.2	7.3	5.8	4.0	3.0	2.7	2.6	2.1
	Return on equity ratio[1]	11.8	11.2	4.9	8.8	11.2	16.3	15.2	14.5	9.6
	Loans to NFCs, % of GDP	-	-	-	-	24.7	24.2	24.0	23.2	29.3
	Loans to HHs, % of GDP	-	-	-	-	19.7	20.8	22.6	24.0	43.6
	NFC credit growth rate, %	-	-	-	-	-	9.8	10.6	10.6	2.5
	HH credit growth rate, %	-	-	-	-	-	17.1	21.7	21.9	2.6
Non-banking sector	Stock market capitalisation, % of GDP	-	-	10.1	11.1	9.2	8.0	8.3	8.4	69.9
	Initial public offerings, % of GDP	0.20	0.00	0.01	0.21	0.17	0.03	0.05	-	0.06
	Market funding ratio	-	-	-	-	11.4	10.9	10.8	-	49.7
	Private equity, % of GDP	0.060	0.025	0.019	0.025	0.036	0.050	0.054	-	0.487
	Venture capital, % of GDP	0.009	0.007	0.008	0.014	0.017	0.022	0.023	-	0.064
	Financial literacy, composite index	-	-	-	-	-	43.5	-	-	45.5
	Bonds, % of HHs' financial assets	0.2	0.3	0.3	0.2	0.2	0.7	0.6	-	2.8
	Listed shares, % of HHs' financial assets	1.8	1.9	2.0	2.2	2.3	2.5	2.6	-	4.8
	Investment funds, % of HHs' financial assets	0.7	0.8	0.9	1.2	1.2	1.3	1.6	-	11.0
	Insurance/pension funds, % of HHs' financial assets	11.4	12.8	13.8	13.1	12.9	14.0	14.6	-	27.8
	Total assets of insurers, % of GDP	6.8	6.9	7.5	7.3	5.9	6.1	6.1	6.1	53.9
	Pension assets, bn EUR	-	-	-	11.5	11.6	13.8	15.9	-	5813.8
	Pension assets, % of GDP	-	-	-	16.1	13.5	14.6	15.2	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	-0.9	-1.2	-	1.4
	Pension funds assets, ECB (% of GDP)	-	-	-	-	-	-	-	-	-
	1-3 / 4-10 / 11-17 / 18-24 / 25-27	Colours indicate performance ranking among the 27 EU Member States.								

(1) Annualised data. EU data for credit growth and pension funds refer to the EA average.

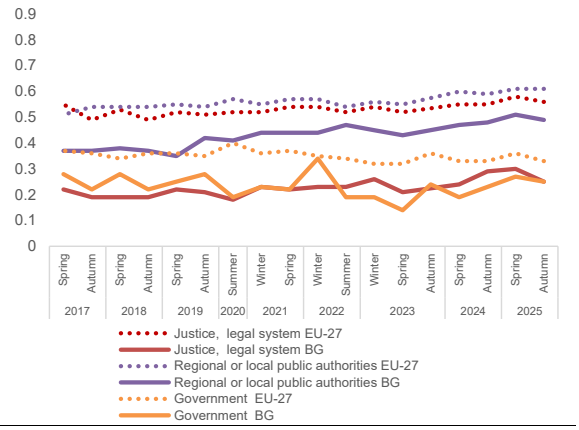
Source: ECB, Eurostat, European Insurance and Occupational Pensions Authority, DG FISMA CMU dashboard, AMECO.

the VC and PE sectors in Bulgaria remain too small to meet the financing needs of innovative firms on a broad scale. This is partly because of limited participation by domestic institutional investors, which is especially due to the fact that pension funds are not allowed to invest directly in PE or VC, except for a 1% indirect exposure through alternative investment funds. Bulgaria, through its dedicated state-owned structure – the "Fund of Funds" – and in collaboration with the European Investment Fund (EIF), the European Investment Bank (EIB) aims to improve access to finance for Bulgarian companies, and innovative firms and start-ups in particular.

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, high-quality legislation, regulatory simplification and efficient services for people and businesses. For Bulgaria, the 2025 country-specific recommendations highlighted challenges relating to the functioning and capacity of public administration, including at regional level. It also stressed the need for i) simplified regulation, ii) improved regulatory tools, iii) reduced administrative burden and iv) effective anti-corruption measures, particularly in high-level corruption cases.

Public trust

Graph A7.1: **Trust in the justice system, regional / local authorities and in government**



(1) EU-27 since 2019; EU-28 before
Source: European Commission, Standard Eurobarometer surveys

Trust in public institutions remains significantly lower than the EU average (Graph A7.1). Public trust in local and regional institutions is high and increasing. When it comes to government however, trust is low, below pre-COVID levels. People (Bulgaria 55%; EU 72%) and to a lesser degree businesses (Bulgaria 79%; EU 83%) have little trust that public administration handles their data securely and responsibly ([174]).

Quality of lawmaking

Bulgaria has strengthened its law-drafting rules, but effective implementation remains weak (Table A7.1). Unstable legislation remains a barrier to doing business (See Annex 5). Impact assessments and public consultations – to assess the costs and benefits of new legal proposals for people, companies and government – are mandatory for all primary and secondary legislation. However, assessments tend to be partial ([175]) and done as a formality ([176]). It is only in the case of major proposals that competition and regional impact are assessed. While non-regulatory options are considered, their impact is assessed only for some primary laws. It is rare that implementation, compliance arrangements, monitoring and evaluation of new regulations are analysed. The Council of Ministers Administration reviews the quality of the impact assessments and evaluations drawn up by central government, yet its recommendations are not binding.

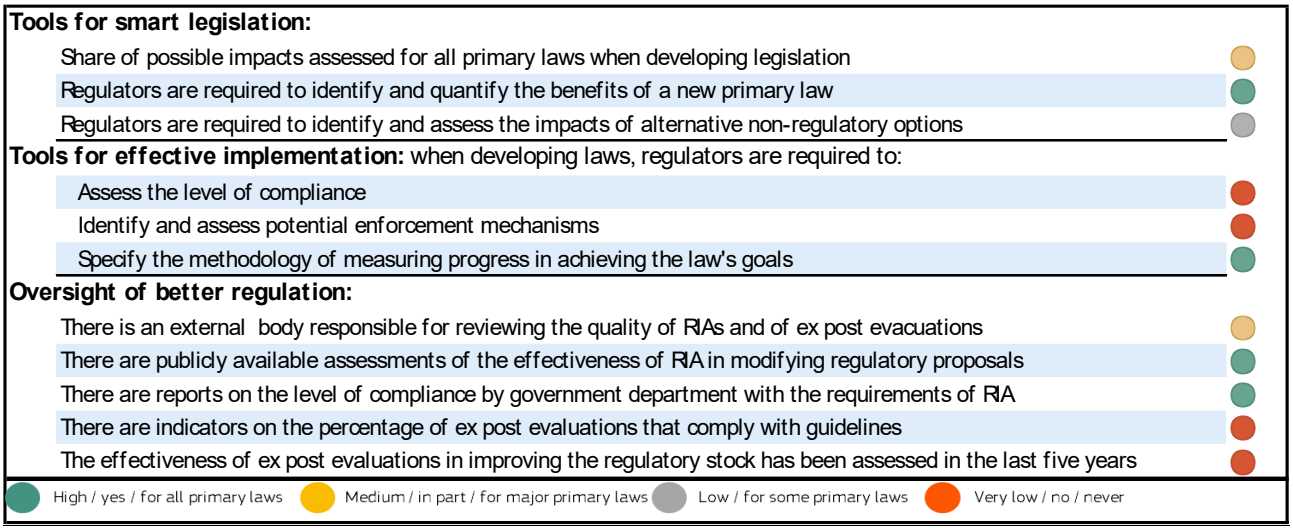
Supported by the recovery and resilience plan (RRP), in 2025, the government updated its methodology for strategic planning. and upgraded the national system for strategic planning "Monitorstat". The two measures modernise the monitoring of progress on strategic objectives and the implementation of national strategies, and to

([174]) European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([175]) Министерски съвет, 2024, Годишни доклади за регулаторната политика, https://strategy.bg/bg/impact_assessments/library/godisni-dokladi-za-regulatornata-politika.

([176]) OECD, 2025, Better Regulation Practices across the European Union 2025, https://doi.org/10.1787/6f007516-en.

Table A7.1: **Bulgaria. Selected indicators on better regulation practices for primary legislation**



Source: OECD, 2025, Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025.

support policymaking informed by evidence. In addition, a new portal for public consultation was launched, offering new features for tracking the decision making and more information about public feedback. However, most recent consultations do not make use of these features.

Parliament does not apply the same quality standards to legal proposals as central government, even though 75% of proposals are made by members of parliament. While most proposals are justified on the basis of the shortcomings of current legislation, in only 17% of those cases are shortcomings explained, and the changes assessed. Furthermore, 7% provide information about public consultations, and 10% offer analysis of alignment with EU legislation([177]).

A plan to reduce the administrative burden is being implemented. It focuses on a range of legislative amendments in the requirements for the provision of administrative services. The plan does not, however, provide for the monitoring of follow-up steps to enforce the standardisation and simplification of processes established by the legal changes ([178]).

Public service delivery and digitalisation

The quality of public administration services remains low. Only 26% of people are satisfied while 37% expressed no preference. The main concern is the time it takes to fill in forms([179]). Many opportunities to improve user experience are underused. For example, there is no option to make an appointment or track the progress of the service when requesting a new ID. Whereas obtaining a work permit for foreigners has been fully digitalised, the process of obtaining a local ID for EU nationals is entirely paper based([180]). Businesses are more positive – 44% are satisfied and 27% expressed no preference. At the same time, Bulgarian companies report significant delays in their

([177]) Народно събрание, Изследване на законодателната дейност на 51-ото Народно събрание през четирите парламентарни сесии (11 ноември 2024 г. – 13 януари 2026 г.), https://www.parliament.bg/bg/ncpi.

([178]) Министерски съвет, План за намаляване на административната тежест, https://strategy.bg/bg/strategy-documents/1685.

([179]) European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([180]) European Commission, forthcoming, Simplification of key life events.

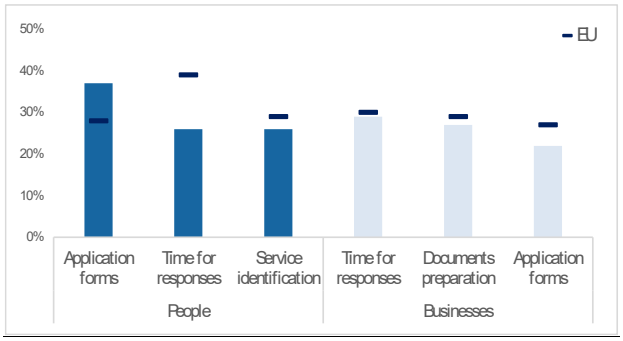
Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	Bulgaria			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	60	67	68	82
Digital public services for businesses (0 to 100)	81	92	94	86
Access to electronic health records (0 to 100)	77	77	87	83

(1) Digital Decade target by 2030: 100. (2) Publishing year, data was collected in the previous year
Source: European Commission, 2025, State of the Digital Decade report 2025.

operations due to administrative complexity (Bulgaria 22%; EU 15%).

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission. Flash Eurobarometer 567 / 568 on satisfaction with administrative services (2026)

Key challenges with obtaining public administration services include the time it takes to receive a reply and the effort to gather all of the documents needed (Graph A7.2). Individuals and companies alike report repetitive interactions with the administration in relation to service delivery. This suggests high administrative complexity and low user-friendliness.

The newly built digital government infrastructure has not led to improved services. The technical ability to exchange data between key government registers is improving. The proportion of pre-filled forms is 74% (EU: 71%). Many of the steps needed to obtain services however remain paper-based or require a physical visit to an office for a digital profile to be activated. Additional obstacles to making the most of digital opportunities include limited attempts at simplifying working processes, administrative fragmentation and scarce resources, with a third of public administrations relying completely on external contractors, to maintain their ICT([181]). The service improvement following the "life events" approach, designed under the Technical Support Instrument, is progressing slowly([182]). A draft strategy for data governance prioritises measures to improve the quality of public data and set standards for to exchange data across the public administration([183]).

The availability of digital public services for people in Bulgaria remains well below the EU average (Table A7.2). The proportion of people using e-government services and eID also remains very low (Bulgaria 36%; EU 75%) ([184]). This reflects the limited availability of fully online services and persistent barriers to digital inclusion, particularly for minorities and those

([181])Министерство на електронното управление, 2025, Отчет за състоянието и годишен план за развитие и обновяване на информационните ресурси в администрацията и информационните ресурси на единната електронна съобщителна мрежа на държавната администрация и за нуждите на националната сигурност за 2024 г". p 50, https://egov.government.bg/wps/wcm/connect/egov.government.bg-2818/624afd91-2874-4de2-8be6-5a13f31337c2/25RH255pr.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=ROOTWORKSPACE.Z18_PPGAHG80oPLV6060GL92MR3OU3-624afd91-2874-4de2-8be6-5a13f31337c2-ppXcve1.

([182]) Министерски съвет, План за действие за внедряване на административни услуги на принципа „епизод от живота", https://strategy.bg/bg/strategy-documents/1717.

([183])Министерство на електронното управление, Стратегия за управление на данните в Република България, 2026-2030 г, https://strategy.bg/bg/public-consultations/12331.

([184]) European Commission, 2025, Digital Decade: eGovernment Benchmark.

in remote areas. By contrast, the availability of electronic health records has improved.

In the case of businesses, the availability of digital public services has steadily increased, surpassing the EU average (Table A7.2). A large proportion of companies (Bulgaria 72%; EU 68%) report frequent use of digital services and 62% find that digital public administration services save them time (EU 73%). Registering a business, for example, is mostly done online.

There is a major drive under way to digitalise the construction sector. Under the RRP, the government has prepared a concept to push digitalisation (RRP C10.R5) and a new IT system for spatial planning, investment design and construction permits was launched at the beginning of 2026 (RRP C10.I7). *Cadastre BG* is a new mobile application that offers visual simulations of land-registry data. By contrast, the digitalisation of environmental and energy permits remains fragmented, with companies often required to submit documents in both hard copy and electronic format([185]).

Bulgaria is making no progress in enabling the cross-border exchange of data and documents between authorities through the EU Once-Only Technical System (OOTS)([186]). This means that cross-border citizens and businesses still have to search for their data, download, and upload documents manually across e-government portals in Bulgaria. It also means that Bulgarian citizens and businesses are unable to retrieve data and documents issued by the Bulgarian authorities across e-government portals in different Member States. Bulgaria is not yet playing an active part in the OOTS community.

([185])World Bank, Subnational Business Ready in the European Union 2024: BULGARIA, p. 28 and 34. https://www.worldbank.org/content/dam/sites/b-ready/subnational/document/country/2024/bulgaria/Subnational-B-READY-in-Bulgaria-2024-OVERVIEW-(EN).pdf

([186]) European Commission, *Once-Only Technical System Acceleratormeter*, Ec.europa.eu.

Civil service

The overall workforce of the public administration has remained stable over the past five years([187]). The number of employees at local level has marginally increased over this period, while regional and central administrations have decreased with respectively 4% and 1%. Aging is a main risk, despite yearly fluctuations. The share of staff above 50 years has increased from 38% in 2019 to 43% in 2025([188]). National data shows also an upward trend for the share of staff above 60 years (from 9% in 2021 to 10% in 2025).

Attractiveness of public administration as an employer is another structural challenge. While the number of candidates and hires in 2025 shows an increased interest, the share of long term vacances (unfilled for more than 6 months) fluctuates between 40% and 48% over the last five years. The share of staff on civil service contracts has been increasing steadily, offering more stable working conditions. However, some regulatory bodies tend to recruit staff predominantly under the general labour code, allowing them more flexibility in terms of pay ([189]). Employee involvement has slowly eroded ([190]). While Bulgarian civil servants are more satisfied than their European peers with the way their organisations are

([187])Министерски съвет, Доклади за състоянието на държавната администрация през 2021, 2022, 2023, 2024, 2025, https://iisda.government.bg/annual_report/664.

([188]) European Commission, Eurostat, 2026, European Union Labour Force Survey, Employed persons by economic activity (NACE Rev. 2) (2008-2026).

([189]) Министерски съвет, Доклад за състоянието на държавната администрация през 2023, https://iisda.government.bg/annual_report/644 и Доклад за състоянието на държавната администрация за 2024, https://iisda.government.bg/annual_report/664.

([190]) Institute for public administration, 2025 Engagement_barometer_2025, https://www.ipa.government.bg/sites/default/files/engagement_barometer_2025_en.pdf.

managed, they assess lower the levels of autonomy and trust.

Municipalities face significant challenges in attracting and retaining talent. They also face significant turnover, especially among younger staff. 74% find it very difficult to recruit staff with the specialist skills needed for the management of reforms and investments, especially those funded by the EU. (See Annex 18) The main obstacles are low basic pay and an imbalance between responsibilities and pay ([191]).

Mobility within and between administrations has been steadily increasing (12% in 2025). All ministries, state committees, agencies and 92% of regional administrations allow for such recruitment. Only 67% of the territorial units of central administrations and 35% of municipalities however are open to external mobility.

Ensuring that civil servants have the right skills is critical. The proportion of civil servants with higher education in Bulgaria (64%) is above the EU average (55%) and has increased in the past year([192]). However, the participation of civil servants in adult learning courses remains the lowest in the EU, despite an increase from 2% in 2024 to 9% in 2025 (EU19%). National reports show that despite of better performance in 2025, the overall number of training participants is declining in the long term. The low attendance in mandatory training also sets in as a long-term trend (a median of 49949% for induction training, 45% for newly recruited managers and 11% for mandatory annual training for managers over the last 5 years) ([193]). Moreover, the number of administrations allocating funding for training continually decreases to only half of the administrations in 2025. This suggest that despite of improved learning opportunities and available funding, there has been a long-term decline in learning culture in the public administration ([194]).

Municipalities, at the same time, need more focus on upskilling staff and capacity building, including through central administration support for policy and regulatory implementation, set up of shared services and internal consulting ([195]).

Integrity

When doing business in Bulgaria, the perception of corruption remains far higher than the EU average. The reported level of corruption actually experienced is also well above the EU average. In 2025, 89% of companies considered that corruption was widespread (EU 63%) and 91% stated that overly close links between business and politics lead to corruption (EU 76%). 55% of businesses consider that corruption is a problem when doing business (EU 35%)([196]).

([191])Национално сдружение на общините в Република България, Анализ на капацитета на общините за подготовка и изпълнение на проекти с европейско финансиране, p. 11, https://www.namrb.org/bg/aktualno/nsorb-izgotvi-analiz-na-kapatsiteta-na-obshtinite-za-podgotovka-i-izpalnenie-na-proekti-s-evropeysko-finansirane-19036.

([192]) European Commission, Eurostat, 2026, European Union Labour Force Survey, Employees by educational attainment level and NACE Rev. 2 activity (2008-2026).

([193])Министерски съвет, Доклад за състоянието на държавната администрация през 2023, https://iisda.government.bg/annual_report/644 и Доклад за състоянието на държавната администрация за 2024, https://iisda.government.bg/annual_report/664.

([194]) Institute for public administration, 2025, Is your public administration a learning organisation? https://www.ipa.government.bg/sites/default/files/doklad_ua_25.pdf.

([195])Национално сдружение на общините В Република България, Анализ на капацитета на общините за подготовка и изпълнение на проекти с европейско финансиране, p.23, https://www.namrb.org/bg/aktualno/nsorb-izgotvi-analiz-na-kapatsiteta-na-obshtinite-za-podgotovka-i-izpalnenie-na-proekti-s-evropeysko-finansirane-19036.

([196]) European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services / European Commission, 2025, Flash

In Bulgaria the sectors that are particularly vulnerable to corruption are public procurement, the management of public property, the handling of EU funds and the conclusion of concession contracts (see Annex 5) ([197]). The proportion of companies that report that they have been asked or are expected to offer a gift, a favour or extra money for permits, services or procurement is higher in Bulgaria than the EU average (Bulgaria 16%; EU 10%). Companies also report that appropriate punishment for individuals and companies found guilty of bribery is significantly lower than the EU average (Bulgaria 8%; EU: 33%)([198]).

Bulgaria has taken limited steps to improve the prevention and detection of corruption. Legislation is being drawn up on lobbying transparency. In January 2026, a draft legislative proposal regulating interest representation activities was submitted for public consultation. The National Audit Office is expected to manage a future transparency register. However, there are still no rules on integrity checks and on the suitability (or otherwise) of persons hired as advisers to senior political officials. Nor is there a comprehensive code of conduct or any enforcement mechanism for persons in top executive functions, although some initial steps have been taken to draw up such a code.

Bulgaria has taken limited measures to improve the prosecution of corruption. There is no robust track record of investigations, prosecutions and final judgements in high-level corruption cases or regarding the detection, investigation and prosecution of foreign bribery cases. To improve the effectiveness of the fight against corruption, the Commission for Counteracting Corruption and Illegal Assets Forfeiture was divided into two separate specialised bodies in 2023. In February 2026, the anti-corruption commission was abolished and its responsibilities were dispersed between the directorate-general for combating organised crime, investigative magistrates and the national audit office. The composition and functioning of the Supreme Judicial Council remain a concern ([199]). Furthermore, there has been no further progress as regards the functioning of the Inspectorate to the Supreme Judicial Council and the risk of political influence ([200]).

The mandates of most independent and regulatory authorities have been renewed but no steps have been taken to improve their independence. Since July 2025, most of the independent regulatory authorities that required a simple majority in Parliament to appoint their new leadership have been renewed. However, the authorities that require a qualified majority vote (two thirds of the members of Parliament) have not been renewed. For the authorities with renewed mandates the risk of political influence coming from the lack of secure tenure may be dissipated, yet no steps have been taken to strengthen the political independence of the independent and regulatory authorities to improve their resilience and prevent situations in which most of them function with an expired mandate. Most regulators rely on state budget funding and their staff is bound by the civil service code, making it more difficult to attract talent and experts from the regulated sectors. Political independence is often limited to the executive branch, while the Parliament plays (i) a direct role in the work of regulatory bodies by selecting and appointing regulators; and (ii)

Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

([197]) European Commission, 2025, Rule of Law Report.

([198]) European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services / European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

([199]) European Commission, 2025, Rule of Law Report, p. 7.

([200]) European Commission, 2025, Rule of Law Report, p. 8.

an indirect role in the work of regulatory bodies via the funding approved through the state budget. Existing legislation does not provide for the independence of regulatory bodies from market participants, including in sectors like energy where state-owned companies play a significant role([201]).

Justice

The justice system is performing efficiently overall. The time it takes first-instance courts to reach a decision in civil and commercial cases rose slightly to 189 days in 2024 from 186 in 2023. The estimated time to resolve administrative cases at first instance increased from 121 days in 2023 to 129 days in 2024.

The digitalisation of administrative justice has improved and a new system for online allocation of payment orders has been set up. Despite the improvements in the area of administrative justice there are still gaps in the overall digitalisation of Bulgaria's justice system. Procedural rules have not yet been updated to allow the use of digital tools in all proceedings. Further work is necessary as regards digital technologies and secure communication to allow staff and judges to work securely in a digital environment or to communicate safely with, e.g. lawyers, notaries and bailiffs.

([201]) Publications Office of the European Union, 2019, Assessing the independence and effectiveness of national regulatory authorities in the field of energy, https://op.europa.eu/en/publication-detail/-/publication/e5f886d6-917d-11e9-9369-01aa75ed71a1/language-en.

ANNEX 8: INDUSTRY DECARBONISATION, CIRCULARITY AND CLIMATE MITIGATION

Bulgaria still faces challenges concerning industry decarbonisation and road transport emissions, as well as water and waste management. In 2025, Bulgaria received country-specific recommendations on energy efficiency in industry, sustainable urban, public and rail transport, and on the need to improve water and waste management by tackling institutional weaknesses and by investing in infrastructure to use resources sustainably. Bulgaria's manufacturing activities remain particularly greenhouse-gas intensive. Measures have been taken to advance industrial decarbonisation, but further actions are still needed – in particular to streamline industrial permitting procedures and increase demand for green industry products. Transport is the second highest-emitting sector in Bulgaria; despite efforts to prioritise strategic cross-border rail TEN-T sections and advancing an ongoing inland waterway project to remove bottlenecks, the quality of its transport infrastructure remains uneven. While Bulgaria has adopted an action plan for transitioning to a circular economy, the plan does not explicitly address two main issues: the circular material use rate, which stands at just 5% in 2024, and the investment gap to meet its circular economy objectives. Water pollution from industry also remains a concern.

Industry decarbonisation

Greenhouse gas emissions from industry

The GHG emissions intensity of Bulgaria's manufacturing production is comparatively high among EU Member States ([202]). Manufacturing generates around 16% of Bulgaria's total greenhouse emissions ([203]). In 2024, manufacturing emitted 716 g CO_2eq of greenhouse gases per euro of gross value added (GVA), one of the highest levels among EU Members, but by about 22% less than in 2019. In the five years to 2023, the energy-related intensity of greenhouse gas emissions of Bulgaria's manufacturing industry decreased by 24%. Since 2019, the GHG emissions generated by manufacturing fell by 7%, less than in the EU overall, 16%. The manufacture of chemicals and other non-metallic mineral products are the highest-emitting sectors, and particularly emission-intensive in EU comparison.

Policies to promote industry decarbonisation

Bulgaria has identified strategic priorities for industrial decarbonisation, but it has not yet streamlined industrial permitting procedures or increased the incentives to build net-zero industry capacity. Bulgaria has limited manufacturing capacity across all net-zero technologies. The key challenges are related to industrial permitting and the country's reliance on imports of critical raw materials. Bulgaria's updated national energy and climate plan sets out objectives and actions that support industrial decarbonisation.

([202]) This Annex discusses the transition of Bulgaria's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Bulgaria's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Bulgaria, Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

([203]) In the following, data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format; also see the annotation to table A8.1 at the end of this Annex.

It describes the legislation to facilitate the deployment of renewables and storage, enhancing the energy efficiency of buildings and pilot projects on renewable hydrogen. It also outlines a strategy for stimulating the manufacturing of net-zero technologies ([204]). The proposed measures include improving the conditions for investment in net-zero technologies and encouraging take-up by providing financial incentives, improving the permitting procedures for strategic net-zero technologies, building a skilled workforce and creating industrial parks ([205]).

Bulgaria is taking first steps to tackle the 2025 recommendation on encouraging energy efficiency measures in industry([206]). Specifically, it has started preparing a national strategy on raw materials, industry and manufacturing, due to be published in the first half of 2026. The strategy will include measures on reducing energy consumption in industry, measures related to industrial decarbonisation such as reducing carbon intensity and increasing resource efficiency, as well as a net-zero emission industry analysis. The strategy also plans to draw on a combination of financial, regulatory and joint instruments and put the specific focus on energy-intensive industries ([207]). Work is ongoing on carbon capture and storage, and there are plans to sharpen the focus on developing the batteries sector.

The metals and chemical products sectors are another key focus of Bulgaria's action to decarbonise its industry. The Ministry of the Economy and Industry is currently working on an industrial strategy for the processing and mining industries. In October 2025, the Bulgarian Federation of Industrial Energy Consumers presented a roadmap for decarbonising the energy-intensive industry, which sets the direction for transforming key sectors such as metallurgy, cement and chemical industries ([208]). This will feed into Bulgaria's forthcoming industrial strategy ([209]).

Bulgaria promotes carbon capture and storage (CCS) projects as a key technology to decarbonise industry. The first project for carbon capture, utilisation and storage in Bulgaria is the ANRAV project run by Heidelberg Cement Group (Devnja Cement) approved for funding under the Innovation Fund. The project aims to provide safe storage of carbon dioxide in a depleted gas deposit in the Black Sea, linking the carbon capture facility at the Devnya plant to the deposit through existing pipelines on land and in water. The project will avoid 7.8 Mtonnes of CO_2 over ten years and remove 8.3% of Bulgaria's industrial emissions. Commissioning is planned for April 2028, with the capacity to capture 800 ktonnes of CO_2 per year ([210]). A second flagship CCS project, 'Beli Net Zero' in Beli Izvor in the Vratsa oblast, plans to decarbonise the Holcim cement plant by capturing, transporting and injecting about 0.6 Mtonnes of CO_2 per year ([211]).

([204]) See Bulgaria's updated national energy and climate plan, p. 317.

([205]) See ibid., pp. 121, 134, 224.

([206]) In particular with regard to two RRP measures: 1) C3.I2 Investment 2.2.b: Guarantee instrument for energy efficiency and renewable energy: Contribution to InvestEU with the EIF as implementing partner and 2) C3.I2 Investment 2.2.c - Grant scheme for the support of businesses in the transition to a circular economy (includes EE investments), https://commission.europa.eu/document/download/042ce541-e8a5-4211-9dac-aea5d92469b2_en?filename=COM_2025_677_1_EN_annexe_proposition_cp_part1_v3.pdf.

([207]) Source: written exchange with national authorities as part of the fact-finding work on the European Semester.

([208]) Presented to the European Commission during a roundtable meeting with the Deputy Director-General of DG CLIIMA in 2025.

([209]) Source: exchange in writing with national authorities as part of the fact-finding in the European Semester.

([210]) ANRAV Project: 7eb6d2d5-c109-4c33-ba50-c065beb654d7_en

([211])Beli Net Zero: Bulgarian NECP - CCS Europe

Bulgaria has taken measures to promote hydrogen generation and use and hydrogen-based value chains ([212]). Since hydrogen is a key component of net-zero technology, the 2023 National Hydrogen Roadmap ([213]) aims to support hydrogen production, integration and transport. It focuses on improving the conditions needed to unlock the potential to develop hydrogen technologies, including by developing alternative fuel infrastructure. The roadmap aims to provide the basis for a framework governing the uptake of hydrogen production, transport and use technologies in industry, energy, transport and by households to foster innovation and investment.

Under its recovery and resilience plan (RRP), Bulgaria has put forward a support programme to develop industrial districts, parks and similar areas ("AttractInvestBG")([214]). This programme complies with the do no significant harm principle and related EU and national environmental legislation and is in line with the RRP.

Further action is needed to promote the decarbonisation of manufacturing, particularly in energy-intensive sectors. There is a need to reduce energy consumption in industry and to use affordable and clean energy, which can be expected to provide lasting environmental, economic and productivity benefits. The energy intensity of manufacturing fell between 2018 and 2023 to 2.45 kWh/EUR of GVA but remains significantly higher than the EU average (1.05 kWh/EUR of GVA). To this end, continued efforts are needed to support the shift from fossil fuels to electricity and renewables. This includes ensuring the financial resources are available to make the corresponding investments.

Investment in industry decarbonisation is constrained by low demand for green industry products. In Bulgaria there is a lack of policy measures to stimulate demand and create lead markets for decarbonised industry products. There are limited investment opportunities as renovations and modernisation work are needed to adapt facilities ([215]). Bulgaria has scope to complement EU funding mechanisms with national competition-based measures to subsidise the green industry transition, for example by running domestic auctions for low-carbon technologies.

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

Bulgaria is projected to overachieve its 2030 effort sharing target ([216]). In 2024,

([212]) In particular with regard to RRP measure 'C4.R7 - Supporting the green hydrogen value chain'," which consisted of the entry into force of legal acts to support the green hydrogen value chain.

([213]) Bulgaria Hydrogen Observatory – outlined on European Hydrogen Observatory website: Bulgaria | European Hydrogen Observatory.

([214]) Program for Public Support for the Development of Industrial Regions, Parks and Similar Territories and for Attracting Investments ("AttractInvestBG") - Ministry of Innovation and Growth of the Republic of Bulgaria.

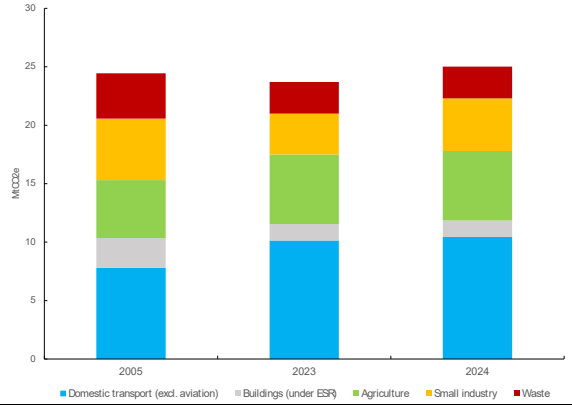
([215]) Source: written contacts with the national authorities as part of the fact-finding work on the European Semester.

([216]) The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Bulgaria's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

greenhouse gas emissions from Bulgaria's effort sharing sectors are expected to be 12.1% above 2005 levels. By 2030, with current and planned policies and measures, these emissions are expected to fall by 35.6%, resulting in a surplus of 25.6 percentage points relative to the 2030 target, a 10% reduction. Bulgaria is projected to exceed its effort sharing emission limits temporarily over the 2021-2030 period but could cover the gap with unused annual emission allocations from previous years to achieve compliance with the Effort Sharing Regulation.

Sustainable transport

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

In 2024, road transport generated 42% of Bulgaria's effort sharing emissions, a 34% increase on 2005 levels ([217]). For Bulgaria, the 2025 CSRs highlighted the need to promote the roll-out and uptake of sustainable urban, public and rail transport, including by accelerating the development of the necessary infrastructure.

Transport is the second highest-emitting sector in Bulgaria (generating 22.4% of all GHG emissions in 2023, below the EU average of 25.6%). The roll-out of vehicles with alternative propulsion and the corresponding infrastructure remain limited. By the end of 2025, Bulgaria had installed less than 15% of the charging infrastructure needed to meet the 2030 targets, one of the lowest shares in the EU. The percentage of electric vehicles in Bulgaria at the end of 2024 was 0.56%, against the EU average of 15%. Plug-in hybrid electric vehicles accounted for 0.15% of cars in Bulgaria against the EU average of 7%. During the first three quarters of 2025, 5.9% of new vehicle registrations in Bulgaria were alternative-fuel passenger cars and vans, compared with 17.4% in the EU for the whole year 2025. By the end of 2025, there were 12 publicly accessible charging stations for electric trucks. Bulgaria does not yet exempt heavy-duty vehicles from the toll system's infrastructure charge, a sign that support is lacking.

The quality of Bulgaria's TEN-T transport infrastructure remains uneven, with bottlenecks on key rail corridors. This is a result of ageing assets, incomplete sections and long-standing investment gaps. EU funds support several infrastructure projects. For instance, it has 44 strategic transport projects under the Connecting Europe Facility and several investments in zero-emission rolling stock, equipment for road safety and the renovation of railway infrastructure under the Recovery and Resilience Facility. Nonetheless, delays in implementation and limited capacity to execute large-scale projects continue to hinder connectivity, cross-border efficiency and network reliability.

Efforts to tackle these issues include prioritising strategic cross-border rail TEN-T sections and advancing an ongoing inland waterway project to remove bottlenecks on the lower Danube. Work is underway to progressively modernise the railway line between Sofia and the Bulgarian/Greek border, and between Sofia and the Bulgarian/Romanian border, but it would merit acceleration. Swift action is also merited on the project to modernise the current cross-border rail section on the Danube bridge from Ruse to

([217]) See Graph A8.1 below and Table A8.1 at the end of this Annex.

Giurgiu, including the proposal to build a second rail/road bridge between the two cities.

Sustainable industry

Circular economy industry

Bulgaria has adopted a strategy and action plan for the transition to a circular economy, in response to the 2025 country-specific recommendation (CSR) it received on the circular economy and to improve water and waste management by tackling institutional weaknesses and investing in infrastructure to ensure the sustainable use of resources. This action plan includes measures to increase recycling, reduce waste and promote sustainable patterns of production and consumption. However, the plan does not address explicitly the issues of: (i) tackling the country's below-EU-average circular material use rate; and (ii) closing the significant investment gap to meet the circular economy objectives.

As stated in last year's country report, despite some progress made in recent years on municipal waste management, there are some issues to address. Bulgaria still has a high rate of landfilling. Although the landfilling rate has decreased significantly over the past 10 years, it still hovers around the 50-60% mark. A positive development is that Bulgaria has closed its substandard landfills. However, it has once again postponed the application of the polluter-pays principle, this time until 2027. That is 18 years after the Waste Framework Directive entered into force, when the polluter-pays principle became binding. An infringement procedure to address the issue is ongoing.

The rate of adoption of secondary materials is accounting for just 5% in 2024, a marginal rise from 4.9% in 2023 ([218]).Challenges include suboptimal waste management by companies (only 10.1% of SMEs consider recycling to be part of their production process, while 12.1% struggle with waste compliance), limited awareness of circular business models, and the need for greater institutional cooperation at national level ([219]). Bulgaria has a material mining and metallurgy industry and its national waste management plan for 2021–2028 (NWMP) covers the extraction and recycling of critical raw materials (CRMs). Bulgaria also has a circular economy transition strategy for 2022-2027 and a related strategy action plan (Decision No 832 of the Council of Ministers of 26 October 2022). One of the objectives of the strategy is for Bulgaria to contribute to the supply of CRMs, underpinned by a national CRM strategy and a CRM act.

For Bulgaria, improving resource productivity is critical. Bulgaria's resource productivity is well below the EU average, with only 0.6 generated per kg of material consumed in 2023, compared to an EU average of EUR 2.8 per kg.

The 2021–2028 waste management plan envisages action to implement the measures in the circular economy strategy on products that contain critical raw materials. It also aims to increase the workforce's qualifications and skills in making effective use of resources for the green transition and the circular economy and to raise awareness of practices and behaviours linked to sustainable consumption and the circular economy.

([218]) Circular material use rate – Eurostat (https://ec.europa.eu/eurostat/databrowser/view/env_ac_cur/default/table?lang=en&category=env.env_mrp).

([219]) As highlighted by the ETC-CE Report 2024/Bulgaria by the European Environment Agency (https://www.eionet.europa.eu/etcs/etc-ce/bulgaria_2024-ce-country-profile_final.pdf). The report notes that a Circular Economy Council has been established recently with Decree of the Council of Ministers n. 95/4.4.2024, to serve as a coordination body regarding the transition to a circular economy.

Over the last 12 years, Bulgaria has reduced the total volume of waste generated. This is primarily the result of reductions in the largest waste categories: mineral waste from mining and quarrying. Excluding these categories, the volume of waste generated has increased, mainly due to the increase in recyclable and mixed ordinary waste. Although overall waste generation has decoupled from economic growth, total volumes of waste (excluding the main fractions of mineral waste) have increased at a faster rate than economic growth.

Bulgaria has recorded low and broadly unchanged rates of waste recycling in recent years. In 2023, the municipal waste recycling rate was 17%, significantly below the estimated EU-27 average of 49%. In 2022, the rate of recycling and preparation for reuse of mineral construction and demolition waste (CDW) in Bulgaria was 87.8%, above the EU average of 79.8%. Measures to further increase the rate of recycling and preparation for reuse of CDW include separate waste collection at source – for instance, through digitalised pre-demolition audits ('resource assessments'), extended producer responsibility and other economic instruments, and upstream measures such as increasing the recycled content in construction products and the circular design of construction works. The rate of recycling plastic packaging in 2022 was 39%, against the EU average of 42%.

Despite the high environmental taxes levied in Bulgaria, recycling rates remain low. Bulgaria has also adopted recent tax policy reforms to help align its waste management policies with EU directives, but the success of these reforms remains unclear without stricter enforcement or investment in recycling infrastructure ([220]).

Total environmental taxes amounted to EUR 4.1 billion in Bulgaria in 2022, representing 4.8% of GDP (EU average: 2.0%). Energy taxes made up the largest component of environmental taxes, accounting for 4.5% of GDP, significantly above the EU average of 1.6%. Transport taxes, at 0.25% of GDP, were lower than the EU average (0.4%), as were taxes on pollution and resources, at 0.03% (EU average: 0.08 %) ([221]).

Bulgaria has amended the Public Procurement Law (PPL) to include minimum environmental requirements in the tender documentation for all public contracting authorities under the PPL. According to the amendments, when public contracts of a value referred to in the PPL (Article 20(1) and (2)) are awarded, the procurement documents must contain environmental requirements for the products supplied or used for the services provided. The products, the mandatory minimum requirements for environmental protection and instructions for proving compliance with the requirements are set out in an ordinance issued by the Minister of Environment and Water together with the Minister of Finance and the Minister of Economy and Industry.

The overall environmental investment gap is around 2.9% of GDP (well above the EU average of 0.8% of GDP). Almost 60% or EUR 147 million of the identified investment needs are unmet (this is the investment gap). As mentioned above, the strategy and action plan for the transition to a circular economy appear insufficient to: (i) tackle the country's below-EU-average circular material use rate; and (ii) close the significant investment gap to meet circular economy objectives.

The circular material use rate (CMUR) measures one aspect of circularity: the share of recycled waste out of the total amount of material used in the economy. Bulgaria's

([220]) 2026 European Commission: Directorate-General for Environment, Greening the European Semester – Resource and pollution taxes. Annex 6, Country factsheets. https://op.europa.eu/en/publication-detail/-/publication/362c4061-fcc2-11f0-8da5-01aa75ed71a1/language-en.

([221]) Greening the European Semester - Publications Office of the EU.

CMUR reached 5% in 2024, still below the EU average of 12.2%. In October 2022, Bulgaria adopted its strategy and action plan for the transition to a circular economy for 2022-2027. The strategy is built around three key goals: (i) creating a green, competitive economy; (ii) reducing waste and maximising resource use; and (iii) fostering an economy that benefits consumers. The accompanying action plan outlines specific measures to achieve the objectives. Central to the strategy is the goal to improve resource efficiency by prioritising waste management practices, including preventing waste generation, promoting reuse and recycling, reducing landfilling and minimising the harmful effects on both the environment and human health. The national development programme shifted the focus from landfilling to waste prevention, reuse, recycling and recovery.

Bioeconomy industry

In Bulgaria, the growth of bioeconomy value added lagged behind GDP growth in recent years, though it is still positive ([222]). It is mostly driven by the food and beverage sector, yet approximately one third of potential and produced residues and by-products is currently lost or of unclear use, pointing to significant untapped potential to create value ([223]). Among the bioeconomy sub-sectors, bio-based chemicals and plastics is the sector that registered the highest growth in value added (8.4% on average between 2018 and 2023) ([224])([225]).

([222]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([223]) EXECUTIVE SUMMARY OF THE STRATEGIC CONCEPT PAPER FOR BIOECONOMY: BULGARIA

([224]) Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([225]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, https://datam.jrc.ec.europa.eu/datam/mashup/BIOECONOMICS/.

The bioeconomy faces productivity challenges: labour productivity in the bioeconomy – measured as value added per person employed – stood at 33.8% of the national average and it has been decreasing from 37.1% in 2018, albeit with exceptions: bio-based chemicals and plastics stands notably above the national average at 166% ([226]).

Zero-pollution industry

Despite progress in implementing measures to tackle air pollution, this is still a cause for concern in some parts of Bulgaria. The estimated years of life lost (YLL) specifically due to PM2.5 pollution in Bulgaria (at 86 064 total YLL or about 1331 per 100 000 in 2022) highlights the high relative impacts of PM2.5 compared with other EU countries. Bulgaria has one of the highest relative mortality rates in the EU from PM2.5 exposure, with about 158 premature deaths per 100 000 population – the highest in the EU. This is however, a significant reduction compared with earlier years. Persistent breaches of air quality requirements, which have severe negative effects on health and the environment, are being followed up by the European Commission through infringement procedures covering all Member States concerned, including Bulgaria.

Emissions of several air pollutants have decreased in Bulgaria since 2005, while GDP has grown. According to the inventories submitted under Article 10(2) of the National Emission Reduction Commitments Directive (NECD) in 2024, Bulgaria has met its emission reduction commitments for 2020-2029 for the air pollutants nitrogen oxides (NOx), non-methane volatile organic compounds (NMVOC), sulfur dioxide (SO_2), PM2.5 and ammonia (NH_3). According to the projections submitted under Article 10(2) of the NECD in 2023, Bulgaria is expected to meet its emission reduction commitments for 2030 onwards for NOx, SO_2, NH_3 and PM2.5, but not for NMVOC.

([226]) Ibid.

The latest available annual estimates (for 2022) for Bulgaria attribute 9 000 deaths each year (or 86 000 YLL) to fine particulate matter (PM2.5), 1 500 deaths each year (or 14 100 YLL) to nitrogen dioxide (NO_2) and 930 deaths each year (or 9 000 YLL) to ozone (see Annex 15).

Water pollution from industry is another challenge. Bulgaria has the 15th highest level of emissions of heavy metals to water and the second highest emission intensity (above the EU average of 0.864 kg/EUR 1 billion GVA). The main industrial sources of emissions to water in Bulgaria are the agricultural sector for total phosphorus and total nitrogen, the electricity and heat production sector for heavy metals and the pulp, paper and wood sector for total organic carbon. Water pollution by industry imposes direct and indirect costs of EUR 4 million annually ([227]), not yet sufficiently borne by the polluters.

([227])European Commission: Directorate-General for Environment, IEEP, Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay, 2021, https://environment.ec.europa.eu/publications/green-taxation-and-other-economic-instruments-internalising-environmental-costs-make-polluter-pay_en.

Table A8.1: **Key clean industry and climate mitigation indicators: Bulgaria**

Climate mitigation	Bulgaria							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ (1)	1010	914	933	1052	780	661	716	↘	330	-
Share of energy-related emissions in industrial GHG emissions (2)	46.6	47.4	48.4	50.3	48.9	49.8	-	↗	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	513.1	481.2	499.9	593.4	439.7	365.2	-	↘	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	38.0	39.1	39.1	36.5	38.9	40.4	40.5	↗	42.8	43.9
Energy intensity of manufacturing, GWh/€ (4)	3.39	3.18	3.52	3.69	2.81	2.45	2.59	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA (5)	20.06	20.38	20.21	19.76	23.32	17.71	17.96	↘	-	-
GHG emissions intensity of production in sector […], g/€ (6)										
- paper and paper products (NACE C17)	1 164	1 004	1 073	1 091	1 303	1 173	1 226	↗	722	619
- chemicals and chemical products (NACE C20)	7 497	5 384	5 185	17 800	5 789	5 090	5 545	↗	-	-
- other non-metallic mineral products (NACE C23)	4 258	3 837	5 818	5 617	6 637	4 705	4 974	↘	2 495	2 352
- basic metals (NACE C24)	998	1 229	1 165	1 060	852	1 017	1 048	↘	2 842	3 099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				13.3	10.6	7.3	12.1			
- domestic road transport	23.5	25.5	18.1	27.1	27.3	30.0	34.0	↗	-1.4	-5.6
- buildings	-25.6	-28.6	-28.7	-17.4	-35.4	-44.6	-44.6	↘	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	22.3			25.3	24.7	24.0	25.0	-10.0%	-35.6%	-35.6%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2018**	**2021**
New zero-emission vehicles, electricity motor, % (7)	0.51	0.57	1.36	2.25	3.57	4.68	3.89	↗	1.03	8.96
Number of publicly accessible AC/DC charging points (8)	-	-	161	616	1036	1624	3020	4030 ↗	446956	n/a
Share of electrified railways, % of total (9)	71.22	71.19	71.26	74.45	74.58	74.48	74.56	↗	55.47	56.49

Sustainable industry	Bulgaria							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	17.4	19.3	21.3	21.7	20.7	19.4	20.7	↗	14.8	13.7
Circular material use rate, %	2.4	4.0	5.8	4.3	3.0	4.9	5.0	↗	11.6	12.2
Resource productivity, €/kg	0.4	0.4	0.4	0.5	0.5	0.6	0.7	↗	2.1	3.0
Employees in circular economy	2.9	3.1	3.0	3.0	2.7	2.7	-		2.1	2.0
Patents in circular economy	0.5	-	-	-					12.3	12.0
Recycling rate	31.5	34.6	35.2	28.2	24.6	16.7	:		46.40	48.1
Plastic recyling	59%	51%	-	47%	39%	:	-		41%	42%
Construction and demolition waste (CDW) recovery	24	-	96						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	4 130	4 310	4 586	5 488	6 138	5 454	-	4.7%	642 438	863 436
Employment, total number of people employed	806 924	739 064	738 020	698 492	685 187	677 182	-	-2.9%	17 649 040	17 085 642
Productivity										
Valued added per worker, thousand EUR	5.1	5.8	6.2	7.9	9.0	8.1	-	7.9%	36.4	50.5
Valued added per worker, % of national average	37.1	38.2	39.4	42.9	40.3	33.8	-	-1.5%	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	17	19	17	19	23	24		6.0%	15 672	23 335
Total R&D business expenditure	305	344	353	362	439	483	-	8.0%	196 587	259 525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	11.6	9.1	8.1	11.5	-	-	-		414.9	352.7
Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	7 736	-68%	2 145 209	-62%	1 998 000	-75%	193 517	-83%		
Water chemical status	Good		634	Good (%)	0.7		Poor	185.0	Poor (%)	19%

Sources and notes: **Industry decarbonisation:** All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions:** Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport:** (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

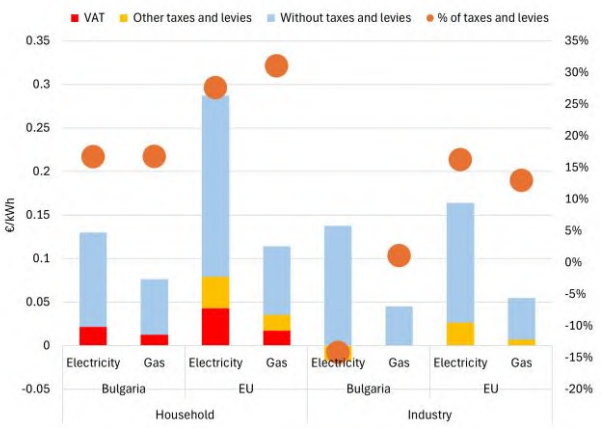
This annex outlines the progress made and the ongoing challenges faced in increasing energy affordability, while advancing the transition to net zero. It reflects the implementation of past energy-related country-specific recommendations.

Bulgaria's 2025 country-specific recommendations called for reduced reliance on fossil fuels, including by promoting market liberalisation and accelerating the roll-out of renewables, in particular by designating fast-track permitting areas for wind installations. Bulgaria was asked to phase-out fossil fuel subsidies, increase the flexibility of its electricity system to reduce wholesale price volatility and upgrade its electricity grid infrastructure. Bulgaria was also asked to take steps to address energy poverty and improve energy efficiency in industry.

Energy prices and costs

In 2025, household energy bills in Bulgaria were again significantly below the EU average as a result of regulated tariffs. Similarly, industrial consumers in Bulgaria benefitted from energy prices below the EU average, although prices, in particular for electricity, have been rising since 2024. During the first half of 2025, household gas and electricity prices in Bulgaria were the third lowest in the EU and significantly below the EU average, at EUR 0.0765/kWh for gas and EUR 0.1300/kWh for electricity. Retail energy prices for industrial consumers (EUR 121/MWh) increased during the first half of 2025, while remaining considerably below. While 73% of the electricity price for industry is accounted for by wholesale cost, network costs, carbon costs, and taxes represent respectively 17%, 24% and 14% of electricity bills. For large businesses, electricity was 2.7 times more expensive than gas during the first half of 2025. Importantly, if taxes and levies are excluded, the electricity-to-gas price ratio would have increased as a result of fiscal measures. The effect is marginal for household prices, where the ratio remains at 1.7 ([228]).

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas.
(ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers.
(iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

Due to Bulgaria's continued dependence on coal for electricity generation and limited non-fossil flexibility, wholesale electricity prices averaged EUR 110/MWh in 2025 (vs EU average of EUR 85/MWh)([229]), the fifth highest in the EU. Fossil fuels accounted for 28.2% of Bulgaria's electricity generation in 2025. Imported electricity from neighbouring countries was also largely produced from fossil fuels. Fossil fuels maintained their structural role as the dominant marginal price-setting technology, keeping costs elevated (67% of price setting hours for 28.2% electricity generation). Average day-ahead electricity

([228]) Analysis based on S1 2025 Eurostat data.

([229]) Ember.

prices increased by 5% in 2025. Although daytime prices continued to benefit from growing solar output, Bulgaria remained highly vulnerable to severe price spikes during peak-demand hours. Falling solar output in the evening and early morning, combined with limited non-fossil flexibility required thermal plants to significantly ramp up generation electricity from neighbouring countries to cover the supply–demand gap. As a result, price spreads in Bulgaria averaged EUR 157/MWh in 2025, down 15% from 2024 while remaining significantly above the EU average of EUR 121 /MWh ([230])([231]). The National Electricity Company's long-term Power Purchase Agreement with AES Maritza East 1 expired on 8 May 2026.

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**

Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.
Source: Eurostat

([230]) Analysis based on S1 2025 Eurostat data.

([231]) Spread refers to the difference between the highest and lowest hourly day-ahead electricity prices in a single day.

Flexibility and electricity grids

The price gap observed in 2025 between the South-East Europe ([232]) and CORE capacity calculation regions (CCRs) continues to highlight limited cross-border capacity. Bulgaria is in the South-East Europe CCR for market-coupling. Electricity flows in this part of Europe are influenced by exchanges in nearby bidding zones, including in the Western Balkan countries. The Bulgaria-Greece and Bulgaria-Romania borders are market-coupled and experienced consistently high trading levels in 2025 despite instances of short-term curtailment of capacity. Bulgaria is a net electricity exporter (3% of own consumption).

Bulgaria is taking steps to liberalise its electricity market. Amendments to Bulgaria's Energy Act in order to liberalise the wholesale electricity market entered into force in July 2025. As a result of those amendments, the National Electricity Company (NEK) transitioned away from its role as a public supplier and a separate market was established ([233]) to supply the household sector. Buyers in this market segment are essentially limited to distribution system operators (DSOs) which satisfy the criteria for end-suppliers ([234]), namely which supply more than 10 000 households. Electricity traded on this market segment is reportedly supplied only by the NEK which acts as the coordinator of a special balancing group composed of state-owned nuclear, hydro and coal-based generation assets. More than 25% of total electricity traded on the Bulgarian electricity exchange was traded in this segment in the period 1 July 2025 to 31 December 2025 after a tender was launched by end-suppliers. Households in Bulgaria are supplied at a single

([232]) South-East Europe is a capacity calculation region (CCR) made up of Bulgaria, Greece and Romania. A CCR is a group of countries that calculate cross-border electricity trade flows together.

([233]) Energy Act of the Republic of Bulgaria, Article 100.

([234]) Energy Act of the Republic of Bulgaria, Article 100.

regulated electricity price. The difference between the price at which end-suppliers procure electricity and the price at which they supply households is covered by the Electricity System Security Fund. This Fund is financed by collecting revenue from inframarginal electricity producers above a technology-specific threshold. The Fund is also used to operate a State aid scheme which compensated industry for high electricity costs.

Bulgaria is liberalising its electricity balancing market, although stakeholders share concerns about transparency and real-time data sharing. Bulgaria's transmission system operator (TSO) has joined the PICASSO and MARI balancing platforms. Electricity traders and market associations have raised concerns over a lack of transparency in the way the TSO spends imbalance settlement revenue. They have also commented on the limited predictability of balancing prices, which are reportedly much higher than the TSO's forecasts. Additionally, stakeholders have highlighted a need for data which is closer to real time. Information about imbalances is shared with a significant delay, which prevents financial portfolios from operating properly. Under Bulgaria's REPowerEU chapter the Energy and Water Regulatory Commission is expected to report on how demand-response measures have been enabled, including on the balancing market.

Additional non-fossil flexibility could help tackle high electricity prices. Under its recovery and resilience plan, Bulgaria committed to deploying 350 MW of co-located electricity storage coupled with 1 425 MW renewable energy production (C13.I4) and close to 4 900 MWh of grid-scale battery storage systems (C4.I8 and C13.I2). Bulgaria reportedly operates 1 181 MW of battery energy storage systems as well as 1 070 MW of hydro-pump storage in generation mode and 937 MW in pumping mode. However, with three units out of operation at the Chaira hydro-pump storage power plant, capacity currently stands at 410 MW in generation mode and 346 MW in pumping mode. Bulgaria is exploring solutions to repair the three turbines which are out of action in the course of 2026 in order to take the power plant back up to its full 800 MW capacity.

The expansion of Bulgaria's cross-border interconnection capacity, along with reinforcement of the national grid and improvements to grid connection procedures and transparency, will enable Bulgaria to meet rising energy demand, integrate renewable energy production more effectively and enhance grid flexibility. The Nea Santa interconnector between Greece and Bulgaria, which was a Project of Common Interest (PCI), became operational in June 2023. With Bulgaria's interconnection level now at 19%, it has achieved the 2030 interconnection target of 15%. Under its recovery and resilience plan (RRP), Bulgaria added a total of 1 200 MW of additional net interconnection capacity with Romania and Greece in 2025. Moreover, it will enable 4 500 MW of cumulative new production capacity from renewable sources to be integrated into the electricity transmission system by 31 March 2026 (C4.I4). Bulgaria is also focused on implementing the Carmen Smart Grid Project of Common Interest with Romania, which will reinforce cross-border TSO-TSO cooperation in data-sharing, enhance TSO-DSO cooperation, increase capacity for integrating renewables, and improve grid stability, security and flexibility. Concerning grid connections and transparency, under its RRP Bulgaria is expected to draw up a map providing information on available grid hosting capacity (C13.R2).

Bulgaria has made efforts to facilitate permitting for infrastructure projects but could take further steps to streamline procedures and improve the capacity of local administrations. Bulgaria has been applying its existing legal framework for permitting renewable energy installations to all projects, including Projects of Common Interest. There is no specific legislation on new

types of energy projects such as smart grids, electrolysers, hydrogen and carbon dioxide. Bulgaria would benefit from fully digitalising its permitting procedures, accelerating decision-making and consent processes, and enabling more effective public participation. Bulgaria should continue maturing its hydrogen infrastructure planning, including the interconnection with Greece (a Project of Common Interest and a priority investment under the Central and South-Eastern Europe Energy Connectivity - High-Level Group).

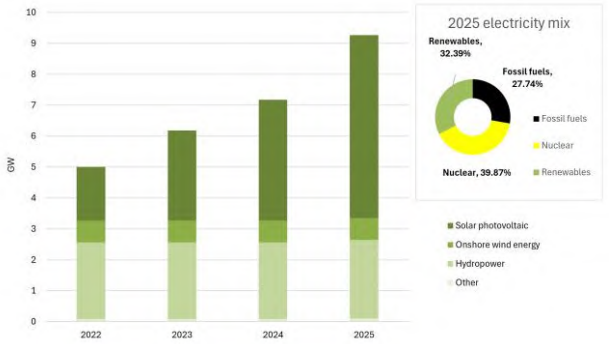
In 2025, electricity accounted for 27.5% of Bulgaria's final energy consumption (FEC) (above the EU average of 23.4%), a share which has increased slightly over the last decade ([235]). Electricity accounted for 56.6% and 30.0% of household and industrial FEC respectively (see Annex 8). In the transport sector, the share of FEC accounted for by electricity remained negligible at 1.1%. Further electrification across sectors would help to cost-effectively decarbonise the economy and improve access to affordable renewable generation.

Renewables and long-term contracts

In 2025, renewables accounted for 32.2% of Bulgaria's electricity mix, up 1.6% on the previous year and exceeding coal for the first time ([236]), while hydro represented 7.9%, biomass 4% and solar 17.4% of the electricity mix. Installed capacity for renewables represented 9261 MW in 2025. The installed capacity for wind energy stalled to 0.7 GW in 2025 (compared to the same 0.7 GW in 2024) whilst installed capacity for solar increased (+29.6% compared to 2024), reaching 5.9 GW ([237]). In its national energy and climate plan, Bulgaria set the target to increase the share of renewable energy in its energy mix to 34.96% by 2030, above the 33% target laid down in the Renewable Energy Directive. The inframarginal revenue cap currently in force and Bulgaria's State aid scheme to offset high industrial electricity costs are reportedly deterring long-term power purchase agreements and investments in energy production while undermining incentives to increase energy efficiency, decarbonisation and flexibility in the private sector. On 16 April 2026 the European Commission approved Bulgaria's planned reform of the State aid scheme introducing more decarbonisation incentives.

In 2025, Bulgaria registered 148 hours of negative prices, a 169% increase year-on-year([238]).

Graph A9.3: **Bulgaria's installed renewable capacity vs electricity generation mix**



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Eurostat

In 2025, Bulgaria adopted legislation to streamline permitting procedures and facilitate the creation of energy

([235])The CAGR (compound annual growth rate) was 0.63% between 2015 and 2024. The minimum/maximum shares were 25.9% and 27.5% respectively. Source: Eurostat.

([236]) Energy-charts based on ENTSO-E Transparency Platform.

([237])International Renewable Energy Agency (IRENA) - Renewable Capacity Statistics 2026

([238]) Ember, 2026.

communities. However, there is scope for improvements in areas such as administrative capacity and digitalisation. In Bulgarian legislation there is no presumption of overriding public interest. Moreover, Bulgaria has not set out measures to increase the visibility of renewable projects, while limited use is made of power purchase agreements for renewable energy. Bulgaria has committed to adopting a plan which designates priority zones for onshore wind installations and identifies at least 2 GW of aggregated deployment potential for onshore wind energy production (C4.R6)

Bulgaria could better empower consumers by removing barriers to demand response, energy communities, dynamic pricing and smart grids. In Bulgaria, smart meter roll-out rate is still below 5% ([239]). Together with fully regulated household retail tariffs, this is hindering the introduction of dynamic pricing. A national framework for renewable energy communities and citizen energy communities has been in place since 2023. However, Bulgaria only has a few registered energy communities, underlining the scope for further policy action to remove barriers and make these regulatory opportunities more attractive.

Energy efficiency

In Bulgaria, energy efficiency has improved in sectors such as the residential sector, while in the transport sector final energy consumption has increased. In 2024, final energy consumption (FEC) increased by 2.3% to 9.89 Mtoe, as compared to 2023, continuing the gradual upward trend observed since 2019, when FEC was 9.85 Mtoe. Bulgaria's FEC in 2024 was therefore not fully aligned with the trajectory for meeting its expected contribution by 2030. Between 2019 and 2024, FEC decreased in industry (-3.1%), services (-2.6%), and the residential sector (-9.3%). However, the transport sector saw a notable increase in FEC by 9.1%. This increase was mainly due to a rise in passenger and freight transport, mostly by road, and a decrease in rail transport. The downward trend in industrial FEC was largely thanks to measures targeting sustainable transformation, such as grant schemes to help SMEs improve their energy and resource efficiency. The reduction in FEC in the residential sector was mostly driven by energy savings, including through structural measures such as building renovations.

In its latest long-term renovation strategy, Bulgaria committed to reducing the energy consumption of its building stock by 251 ktoe by 2030. Between 2021 and 2030, Bulgaria plans to renovate approximately 8% of the total floor space of its building stock. Bulgaria has submitted its draft national building renovation plan. This represents an important step in establishing a predictable pathway towards an energy efficient and decarbonised building stock. Given that buildings are responsible for 31.3% of energy use in Bulgaria, they play an important role in improving energy efficiency. Thus, the final version of the plan is expected to include sources of financing, investment volumes and timelines for achieving energy efficiency improvements.

Heating and cooling account for 66%([240]) of Bulgaria's residential final energy consumption, with renewables supplying 34%([241]) of total energy used for heating and cooling across all sectors. Approximately 210 000 households heat their homes with gas, while 1.6 million households use biomass as their primary heating source. According to the

([239]) European Commission, Report on market-based electricity supply prices, 2026.

([240]) Eurostat, 2021. https://data.europa.eu/data/datasets/uvygjkxev6pywqwbgmgwyg?locale=en

([241]) Eurostat, 2022. https://ec.europa.eu/eurostat/databrowser/product/view/SDG_07_40?lang=en&category=sdg.sdg_07

latest figures, around 355 000 heat pumps have been installed (including aerothermal units) ([242]).

Bulgaria has made progress in improving its energy efficiency thanks to investments and reforms under its recovery and resilience plan. In 2025, Bulgaria established a National Decarbonisation Fund. It has also approved a guarantee-based instrument for energy efficiency and renewable energy, supported by EUR 75 million in RRF funding via InvestEU, intended to support over 450 beneficiaries. Bulgaria expects that 1 500 solar domestic hot water or photovoltaic systems (up to 10 kWp) will be installed and that energy-efficiency renovations will be carried out on at least 2.15 million m^2 of residential buildings. Bulgaria also plans to upgrade at least 354 non-residential public buildings and 170 non-residential buildings in manufacturing, trade and services, and to transfer EUR 246.5 million to the Bulgarian Development Bank for residential energy-efficiency renovations. Furthermore, annual energy savings of 120 000 MWh are expected from modernising the street lighting system.

Security of supply and diversification

Despite making progress in deploying renewables, Bulgaria's overall energy mix in 2024 was still heavily based on fossil fuels. Oil accounted for 29.3% of gross inland consumption, coal for 17.8% and natural gas for 13.5%, while renewables (including biofuels) contributed 15.1%. Nuclear accounted for 2%([243])

Bulgaria has taken steps to strengthen supply security and diversify its natural gas sources by investing in infrastructure. Following the expiry of the Ukraine-Russia gas transit agreement, Bulgaria became the only entry point for Russian pipeline gas into the EU. After the completion of the Greece-Bulgaria Interconnector (ICGB), Bulgaria cemented its role as a key stakeholder in the LNG terminal in Alexandroupolis in 2024. Bulgaria is expected to accelerate the delayed Project of Common Interest to expand the capacity of the Chiren underground gas storage facility to 1 bcm in view of its relevance for regional supply security. Bulgaria is also actively supporting efforts to upgrade the ICGB (phase II), a priority project under REPowerEU and the CESEC High-Level Group which will allow increased flows from the Trans-Adriatic Pipeline and from LNG terminals in Greece. The Bulgarian authorities and the gas transmission system operator are working to maximise the use of existing infrastructure in south-east Europe. Bulgarian stakeholders are committed to delivering on the commitments of the CESEC High-Level Group, in particular to harmonising different gas quality standards which are currently preventing the full potential of the Trans-Balkan pipeline from being exploited. With the consent of the Bulgarian government, companies are exploring for gas reserves in the country's Black Sea territory.

Bulgaria's Kozloduy nuclear power plant operates two VVER-1000 reactors which generate close to one third of the country's electricity. In order to phase out Russian nuclear fuel, the plant has signed agreements with Westinghouse and Framatome to diversify fuel supplies. During the annual planned outage in 2025, a second batch of 42 additional Westinghouse-designed fuel assemblies were loaded into unit 5. All Russian-made fuel (TVEL) in unit 5 is due to be replaced by 2027. The first delivery of Framatome fuel assemblies is expected in 2026. The government has announced plans for two new reactors (AP1000) at Kozloduy nuclear power plant. The first reactor is not due to be commissioned

([242]) EurObserv'ER, 2021. https://www.eurobserv-er.org/heat-pumps-barometer-2021/ and population figure from Eurostat, 2023

([243]) Gross inland consumption (Eurostat). Electricity and heat are excluded to avoid double-counting. The focus is on primary energy sources.

until after 2030. Bulgaria is evaluating SMRs to support its coal-to-nuclear transition and expand its nuclear program. Success depends on direct developer collaboration and streamlining administrative processes for site conversion and infrastructure upgrades. To address limited domestic industrial participation, EU supply chain initiatives will be vital to integrate Bulgaria into European value chains.

In response to the regional crisis in the Middle East, Bulgaria has introduced targeted temporary income-based support, providing €20 per month to low-income individuals earning below twice the poverty line. Additional measures include free transport for children and students, automatic fuel support for motorists when prices exceed €1.60/litre, and a €100 million support package for businesses, including electricity compensation and subsidies for bus transport operators.

Fossil fuel subsidies

Bulgaria has taken measures to address the 2025 country-specific recommendation to take specific steps to phase out fossil-fuel subsidies including by removing subsidies supporting coal-based electricity production and district heating. In 2024, environmentally harmful([244]) fossil fuel subsidies without a planned phase-out before 2030 decreased to 0.31%([245]) of Bulgaria's GDP([246]), mainly after the state terminated its purchase order for electricity from the Maritsa East II thermal power plant. However feed-in tariffs for combined heat and power and district heating remain in place, while Bulgaria continues to operate fossil fuel subsidies without a planned phase-out before 2030 which do not specifically address energy poverty or genuine energy security concerns. Additionally, Bulgaria's 2023 Effective Carbon Rate ([247]) averaged EUR 65 per tonne of CO_2, below the EU weighted mean of EUR 84.80 ([248]).

([244]) Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption

([245]) Ratio denominator based on volumes cross-checked with Bulgarian authorities.

([246]) Ratio numerator based on 2024 gross domestic product at market prices provided by Eurostat.

([247]) The Effective Carbon Rates is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

([248]) OECD (2024), Pricing Greenhouse Gas Emissions 2024.

Bulgaria has made some progress in developing resilience and adaptation policies in the last year, but some severe challenges remain. 2025 demonstrated the significant challenges that Bulgaria faces in relation to extreme weather events, with significant impact on mortality and the economy. These challenges include a lack of coordination between authorities, a lack of monitoring tools, and difficulties related to reporting practices. At the sectoral level, Bulgaria suffers from a lack of climate-proofing, particularly in the energy and transport sectors.

Bulgaria faces difficulties with increasing the uptake of nature-based solutions (NbS). Both, the LIFE and RRP programmes have provided funding to projects to promote NbS, but there is still room for improvement. Bulgaria currently has a net removal in terms of its land use, land-use change, and forestry (LULUCF) emissions, but it still has some way to go to achieve its 2030 targets. In particular, there is scope in the forestry sector to address this further.

Water resilience is becoming important for the EU's economic stability. Droughts, floods and contamination are increasing. Industry, households and public services are therefore facing greater operational disruptions. Rising health risks and reduced labour productivity increase economic strain. Bulgaria in 2025 received a CSR concerning water management. Limited progress has been achieved in improving infrastructure for water treatment and water leakage.

Climate adaptation and preparedness

Bulgaria continues to face significant challenges in the area of climate adaptation and increased vulnerability to extreme weather events such as heavy rainfalls and heatwaves. Bulgaria has a medium level of vulnerability to floods, and its water management system is under strain. In 2025, Bulgaria experienced many cases of flash flooding due to intense rainfall. This resulted in fatalities and cutting of electricity supply. Bulgaria is further compromised by its high vulnerability to droughts, with 9.3% of ecosystems suffering from severe drought in 2020. The average impact of droughts on ecosystems is significantly higher in Bulgaria than in other EU Member States (EU-27 average: 4%). Bulgaria also suffers from an increasing number of wildfires. Between 2006 and 2023, wildfires burnt an annual average of over 10 509 ha in Bulgaria. In the summer of 2025, over 100 wildfires occurred concurrently, as a result of extreme heat ([249]).

Climate risks have a direct and significant impact on Bulgaria's economy and society. Increasing climate stress will likely produce higher debt-to-GDP projections in southern-eastern Europe, as well as increase pressure on the region's already changing demography. Bulgaria's national climate change adaptation strategy and action plan predict a cumulative anticipated loss in real GDP of between 1% and 3.5% ([250]). Between 1980 and 2023, Bulgaria suffered EUR 6.2 billion in economic losses caused by weather and climate-related extreme events. The ECB has estimated that Bulgaria lost 1% of its GDP in 2025 due to that year's extreme weather events ([251]).

Bulgaria will need to invest approximately EUR 591 million per year up to 2050 in climate adaptation ([252]). This is equivalent to

([249]) EFFIS - Statistics Portal

([250]) Strategy and Action Plan - Full Report

([251]) Economic losses from climate-related extremes in Europe

([252]) European Commission, 2026, *Assessment of EU and Member States adaptation investment needs*, Table 25, https://op.europa.eu/en/publication-detail/-/publication/d2039eac-f742-11f0-b9bc-01aa75ed71a1/language-en%20(Table%208). The study provides detailed estimates of adaptation investment needs at the level of the EU and individual Member States per type of measure. It relies on a common methodology that makes estimates comparable across the EU. Four accompanying methodological reports describe in detail how the results were estimated to ensure full transparency.

0.5% of annual GDP and in line with the EU average of 0.5%. Investment must focus on ecosystem restoration (more than 54% of the total); infrastructure retrofitting and reinforcement (around 20%); and health (around 16%). Investment in food system resilience is relatively less than in other Member States (9% vs 17% EU average).

Bulgaria also has one of the lowest insurance coverage rates against extreme events in the EU, with only 2% being insured (EU average: 25%) ([253]). Bulgaria recorded around 156 deaths per 100 000 citizens due to extreme heat in 2013-2022 (a 5% increase on the previous decade) ([254]). Bulgaria was one of the EU's worst-hit countries by forest fires in 2025 ([255]). In Bulgaria, insurance coverage of property and infrastructure damage from climate-related impacts operates via a voluntary market. The rate of insurance coverage for homeowners and business against climate impacts therefore remains low. Bulgaria has historically relied on *ex post* 'state as insurer' compensation. Bulgaria is working to address the growing insurance protection gap related to climate emergencies. Overall, the focus is on strengthening the existing structure of insurance mechanisms. Policy discussions are ongoing on how to expand insurance protection against natural disasters (including through incentivised insurance schemes, improved risk awareness and better integration of climate risk considerations into property and investment decisions).

Bulgaria has put several national governance structures in place, but greater national policy action and institutional capacity to address climate change challenges on adaptation and preparedness is needed. The existing climate adaptation framework includes (i) a national climate change adaptation action plan; (ii) a 2030 national climate change adaptation strategy; (iii) a national expert council on climate change; (iv) a climate change coordination council; and (v) a unified rescue system and focal point for the collection and reporting of environmental data. Bulgaria is one of 13 EU Member States that have adaptation in its national climate legislation ([256]).

The national climate change adaptation strategy and action plan date from 2019 and require updating, including with an updated national climate risk assessment. The mid-term review is ongoing, and its completion is planned for 2026. It is important for this review to assess progress to date, identify implementation gaps and reassess priorities in the light of evolving climate risks. Alignment of the mid-term review with the EU adaptation strategy's priorities is key.

The main barriers to the development and implementation of Bulgaria's climate adaptation policy do not relate to the absence of a strategic framework but rather to implementation capacity, data availability and coordination across sectors and levels of governance. One key gap concerns the availability of up-to-date, comparable and decision-relevant climate risk and vulnerability information (particularly at the regional and local levels). The existing national assessment is outdated, and this limits the ability to prioritise and sequence adaptation measures effectively. EU-level support through harmonised methodologies, access to high-resolution climate data and guidance on translating climate information into policy and investment

([253]) Bridging insurance protection gaps: regulation, incentives and coordination – European Insurance and Occupational Pensions Authority.

([254]) Janoš, et al., 2025, *Heat-related mortality in Europe during 2024 and health emergency forecasting to reduce preventable deaths*. https://www.nature.com/articles/s41591-025-03954-7.

([255]) EFFIS - Statistics Portal.

([256]) European Commission, *EU Climate Action Progress Report 2025*, https://climate.ec.europa.eu/eu-action/climate-strategies-targets/progress-climate-action/eu-climate-action-progress-report-2025_en.

decisions would significantly strengthen national efforts.

It is important for Bulgaria to focus on strengthening the implementation and operationalisation of its existing climate adaptation framework. Still more efforts are needed to: (i) strengthen coordination between the competent national authorities; (ii) develop monitoring and modelling tools; and (iii) improve reporting and planning at the sub-national level. Bulgaria also needs to increase its institutional capacity to address the social and economic impacts of climate change.

In parallel, priority should be given in Bulgaria to further strengthening governance and coordination on climate change adaptation mechanisms, ensuring clearer allocation of responsibilities and improving cross-sectoral cooperation. At national level, the Ministry of Environment and Water (MOEW) is further refining the functioning of the Climate Change Coordination Council, but focus is needed on strengthening both, horizontal and vertical coordination on climate adaptation, building on existing institutional arrangements and recent administrative reforms.

The 2021-2027 operational programme for the environment (OPE) provides support measures related to climate adaptation of a total of EUR 225.64 million, but it is important for practical efforts in the coming period to focus on strengthening the link between adaptation planning and ongoing investments under the programme, as well as to improve the use of climate, hydrological and early warning information.

Bulgaria needs more focus on tackling climate adaptation at sub-national levels. Sub-national level efforts to mainstream climate adaptation into territorial and development planning is set to continue. Municipal integrated development plans increasingly incorporate climate risk management and disaster risk reduction considerations. In parallel, to enhance consistent planning and reporting, efforts are focused on mainstreaming climate resilience in procurement and project development.

At the same time, combined maps of areas with significant potential flood risk have been created in the context of reducing the adverse impact of climate change. These maps provide better visualisation and analysis of vulnerable territories by integrating data from the cadastral map, satellite images and specialised thematic maps into a single model.

But still, only around 24% of the population live in areas covered by the Covenant of Mayors for climate and energy (with signatories in 10 of the 49 cities that have made commitments on adaptation). 44% of signatories have submitted a sustainable energy and action plan (SECAP) on time (i.e. within two years of their initial commitment to the EU Covenant) and 50% of signatories have submitted at least one monitoring report within the recommended timeframe (i.e. at least two years after submission of their SECAP) ([257]). Two cities (Sofia and Burgas) have significantly improved their climate adaptation policies (Sofia now has an adaptation strategy and Burgas has a development vision). 13 of the 305 EU regions and local authorities participating in the EU Mission on Adaptation are in Bulgaria.

Climate-proofing has not been systematically applied across sectors and key infrastructure. This is due to low fiscal capacity, governance instability, infrastructure legacy issues and the late prioritisation of climate preparedness. Bulgaria has not provided an assessment of the requirements of climate adaptation on the energy system, and no additional measures or analysis have been proposed. The 2019 national strategy for adaptation to climate change and an action plan up to 2030 identifies transport and energy as key vulnerable sectors.

([257])Bulgaria | EU Covenant of Mayors.

Systematic integration of climate adaptation into transport planning, design and investment decisions remains limited. Climate risk assessments are not yet consistently applied across transport projects. Adaptation measures in a transport infrastructure context are often addressed on an ad hoc basis rather than through a coherent, network-wide approach. Bulgaria's rail, road and inland waterway system therefore remains vulnerable to climate shocks, which could impact transport connectivity and economic activity. Bulgaria should mainstream climate resilience in transport planning by mandating climate risk assessments for major road and rail projects. It should also (together with Romania) accelerate the major EU co-funded Danube project to secure navigability when water levels are low. The medium-term risks identified in the study concern increasing impacts of blizzards, snowfall and extreme heat. There is a growing risk of wildfires and droughts affecting the TEN-T network. The most vulnerable infrastructure is the national road network, including the municipal transport infrastructure (streets and roads) and public transport services.

The transport vulnerability index of the trans-European transport network (TEN-T) in Bulgaria to climate change impacts as one of the highest in the EU ([258])**.** This is mainly due to a lack of preparedness in terms of social, economic and institutional capacity, as well as to specific gaps in rules, regulations and data collection. The EEA estimates the annual costs of climate-related damage to transport infrastructure at BGN 115-135 million (EUR 57.5-67.5 million), excluding social and economic costs. Rising temperatures, extreme weather events, sea-level rise and increased precipitation will contribute to infrastructure deterioration, damage and potential closures. The most significant impacts on infrastructure from weather-related events in Bulgaria have in the past come from floods and landslides. Major and regional roads became impassable due to floodwaters, landslides and debris. Collapsed bridges and cut-off roads were reported. Droughts and recurrently low water levels on the Danube are increasingly disrupting transport in this vital EU transport corridor.

Bulgaria's energy sector will be both positively and negatively affected by climate change, but the overall net impact will be negative. Climate change is expected to change the intensity, frequency and distribution of extreme heat, precipitation and storms, thus exacerbating the vulnerability of energy infrastructure. Projections for Bulgaria show increasing temperatures and decreasing summer precipitation by 2100 and an associated increase in the number of dry spells and droughts ([259]).

Nature-based solutions (NbS) are economically and strategically important for Bulgaria's climate resilience, but they have not been deployed on a large scale or widely across sectors. Bulgaria has a high natural ecosystem potential, but many settlements in Bulgaria lie in floodplains ([260]), flood insurance coverage is generally low ([261]), and public compensation after climate-change-driven disasters is placing strain on the budget.

Tapping better into the potential of NbS could contribute to disaster management by buffering hazards such as floods and droughts. In Bulgaria, most funds from the operational programme for the environment (OPE) focus on infrastructure and not on NbS. An example of a project in Bulgaria funded

([258]) Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network – Publications Office of the EU.

([259]) https://www.google.com/search?q=https://doi.org/10.3390/cli13020040.

([260]) Assessment of the exposure of settlements in Bulgaria to flood risk, Nikolova, Proceedings of the International scientific and practical conference 'Bulgaria of regions'.

([261]) Appendix 10 – DRM Final (2018-8-17) – EN – for printinga70031dbf36a2e1153e2ef575cb2dad9.pdf.

under the LIFE programme that focuses on NbS is the LIFEFORHAB project ([262]). This aims to mobilise support from national and regional policymakers, relevant institutional stakeholders and the general public as drivers of change, with a specific focus on achieving wide stakeholder support for implementing NbS. The Bulgarian RRP contains a reform to protect and restore ecosystems and natural habitats of EU and national importance. In particular, it contains measures to update the strategic framework of the agricultural sector and funds to promote the technological and ecological transition of agriculture.

The main challenges for the roll-out of NbS include policy and legal framework challenges (i.e. lack of clear legal definitions and regulations for many NbS types), financial and resource limitations (i.e. insufficient funding for NbS projects from national budgets and private investments) and capacity barriers (i.e. limited local expertise in NbS planning, design, maintenance, etc.) ([263]).

Water resilience

Strengthening governance, improving water quality and water-risk assessments and investing in resilient infrastructure such as efficient distribution networks and advanced water reuse systems are essential in order to safeguard Bulgaria's competitiveness. Water productivity in Bulgaria ([264]) stood at EUR 9 per m^3 of abstracted water in 2022 (below the EU-27 average of EUR 1 per m^3). Bulgaria's water productivity has remained stable during the last five years. The Water Exploitation Index Plus (WEI+) was 0.85 in 2022. This does not indicate a systematic water scarcity ([265]). The WEI+ value is generally very low and ranged quarterly between 0.8 and 1.4 between 2016 and 2022. The main consumers of water are electricity cooling (64%), public water supply (17%) and agriculture (17%) ([266]).

The Water Framework Directive (WFD) establishes a procedural framework for achieving good surface water ecological and chemical status and good groundwater quantitative and chemical status. In Bulgaria, ecological status deteriorated between the second and third river basin management plans (RBMPs). The share of surface waterbodies with good ecological status fell from 45% to 37%. However, this was still close to the EU average (38%). The chemical status situation is relatively good and improved from the second RBMP with 66% of surface water bodies and 80% of groundwater bodies having good chemical status (EU averages: 30% and 83%) ([267]). The assessment of Bulgaria's third RBMP has identified nutrients from agriculture as one of the sources affecting water basins' 'good' status and one of several reasons for Bulgaria not achieving the WFD's objectives.

Bulgaria is still far behind in reaching full compliance with the Waste Water Treatment Directive (WWTD). In 2022, only 36% of Bulgaria's agglomerations were compliant, below the EU average of 75.9% ([268]).

([262]) LIFE 3.0 - LIFE16 NAT/BG/000817.

([263]) Mission-Green-Bulgaria_Green-Restart-Coalition-Bulgaria.pdf.

([264])Water productivity is a metric that is calculated by dividing GDP (in chain-linked volume) by total water abstraction. It indicates the average economic value (GDP) a Member State creates for each unit of water it takes from nature.

([265])Eurostat, Water Exploitation Index plus, https://ec.europa.eu/eurostat/databrowser/view/sdg_06_60/default/table?lang=en.

([266]) EEA, 2025, *Water abstraction by economic sector, 2000-2023*, https://www.eea.europa.eu/en/analysis/indicators/water-abstraction-by-source-and/water-abstraction-by-economic-sector.

([267])*WISE, Surface water Bodies: ecological status or potential*. https://water.europa.eu/freshwater/resources/metadata/wfd-dashboards/surface-water-bodies-ecological-status-or-potential-group-table. Note that the deterioration can be due to more accurate monitoring rather than an actual decline of parameters.

([268]) WISE, 2025, *Country profiles on urban waste water treatment – Bulgaria*, https://water.europa.eu/freshwater/countries/uwwt/bulgaria.

This is only a limited improvement from 2020, when 35% of agglomerations were compliant. There is a significant amount of water (incl. urban waste water) that is still being discharged without treatment. Bulgaria is planning to increase its per capita investment from EUR 3 to EUR 73. Between 2025 and 2032, a total of EUR 2 699 million is expected to be invested in improving compliance with the WWTD ([269]).

Bulgaria has reported its second flood risk management plan but still needs to develop drought management plans as part of its river basin management plan. Further efforts to address the significant investment gaps in water management would be beneficial. An estimated additional EUR 707 million per year is needed and there is an annual investment gap of EUR 439 million.

Nature restoration

Nature degradation poses significant risks to Bulgaria's economy and competitiveness. Bulgaria's supply-chain dependency on ecosystem services amounts to 30% of gross value added (EU average: 22%) ([270]). Overall, 39% of Bulgaria's economy is highly dependent on ecosystem services to produce its gross value added (EU average: 44%). 100% of the gross value added in several sectors (e.g. agriculture, forestry, fishery, mining, construction and healthcare) is directly dependent on ecosystem services.

Action on nature protection and restoration will allow Bulgaria to achieve the EU goal of 30% by 2030 (including both Natura 2000 and other nationally designated protected areas). In 2022, 34.9% of land in Bulgaria was covered by the Natura 2000 network (EU average: 18.6%). Bulgaria legally protects 44.2% of its land (EU average: 26.4%) and 8% of its marine areas (EU average: 12.3%) ([271]). Bulgaria still needs to restore up to 5 030 km^2 of the land habitats listed in Annex I to the Habitats Directive (corresponding to up to 4.5% of Bulgaria's land) ([272]). Bulgaria recorded fewer fires and a smaller area burnt in 2025 than in 2024, but wildfires are increasing in frequency and damage ([273]).

Bulgaria has one of the highest levels of biological diversity in the EU. It hosts 92 habitat types and 209 species covered by the Habitats Directive. 26% of the species identified in the EU and over 2% of those worldwide are found in Bulgaria. Bulgaria would therefore do well to preserve and protect its environmental resources, while maintaining its economic growth. According to the latest available assessments ([274])([275]), only 12.2% of habitats and 38% of species have a good conservation status. Bulgaria can ensure efficient progress by ensuring that the central and regional management structures that are in charge of Natura 2000 sites are financially stable and operational.

Invasive alien species (IAS) are a growing threat to Bulgaria's rich but increasingly fragile biodiversity. The total cost of IAS in the EU (both damages and management) was

([269])Internal documents, implementation of Directive 91/271/EEC (UWWTD), 2022.

([270])Hirschbuehl et al. (JRC), 2025, *The EU economy's dependency on nature*, Vasilakopoulos, P. editor(s), European Commission, https://publications.jrc.ec.europa.eu/repository/handle/JRC140304?mode=full.

([271])Eurostat, *Protected Areas Indicator*, https://ec.europa.eu/eurostat/databrowser/view/env_bio4/default/table?lang=en&category=env.env_biodiv.

([272])European Commission, 2022, *Impact assessment accompanying the proposal for a Regulation on nature restoration*, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022SC0167.

([273])EFFIS, *Annual statistics for Bulgaria*, https://forest-fire.emergency.copernicus.eu/apps/effis.statistics/estimates.

([274])EEA, 2021, *Conservation status of habitats under the EU Habitats Directive*, https://www.eea.europa.eu/en/analysis/indicators/conservation-status-of-habitats-under.

([275])EEA, 2021, *Conservation status of species under the EU Habitats Directive*, https://www.eea.europa.eu/en/analysis/indicators/conservation-status-of-species-under.

EUR 116.61 billion between 1960 and 2020. More recent studies have put this cost at USD 28 billion per year in the EU (increasing to USD 148.2 billion by 2040) and at USD 423 billion annually at the global level ([276]). There are currently 66 IAS on the EU list of concern, out of which 20 have been observed in Bulgaria. The spread of IAS nitrogen deposition from agriculture and industrial combustion remains a critical driver of this degradation.

Bulgaria's marine and freshwater ecosystems are increasingly exposed to climate change (including rising temperatures, extreme weather events and hydrological variability). In the Black Sea, these pressures interact with eutrophication, pollution and biodiversity degradation. This impairs ecosystem stability and the resilience of fish stocks, which remain sensitive despite signs of recovery. Eutrophication is recognised under the Marine Strategy Framework Directive ([277]) as a key pressure affecting the Black Sea, altering species distribution and productivity. Reinforcing fisheries control and targeted monitoring of stock recovery in the Black Sea, is key to safeguarding Bulgarian marine biodiversity and ecosystems

Bulgaria has a persistent biodiversity finance gap. The annual investment needs for biodiversity and ecosystems are estimated at EUR 1.8 billion (in 2022 prices) in Bulgaria in 2021-2027. To meet the environmental objectives concerning the protection and restoration of biodiversity and ecosystems and other relevant cross-cutting measures, Bulgaria's annual investment gap is estimated at EUR 1.4 billion, (1.7% of its GDP) ([278]).

Sustainable agriculture and land use

Bulgaria's carbon removals fall short of the level of ambition needed to meet its 2030 target for land use, land-use change, and forestry (LULUCF)([279]). The latest available projections show a gap to target of around 1.1 MtCO2-eq for 2030([280]). Additional measures are therefore needed in the land sector to reach the 2030 target. In addition to increasing LULUCF net removals, further investment in healthy forests and soils is key to building resilient, biobased product value chains and enabling a growing, competitive EU bioeconomy. In particular, continued improvements in the monitoring system of net removal data and projections will play a crucial role in supporting timely and effective action in the sector.

Building on the lessons learned from the implementation of the national strategy for forestry sector development (2013-2020), Bulgaria has proposed an updated strategy for the period up to 2030. This is currently in the development stage (the draft strategy was under review by government bodies and stakeholders until mid-2025). The currently proposed measures include using 'unforested areas for afforestation' in forest areas; increasing the area of urban and suburban

([276]) NeoBiota, *Economic Cost of invasive alien species across Europe*, 2021, https://neobiota.pensoft.net/article/58196/, and European Commission: EMRC, Logika Group and RPA Europe, *Update of the costs of not implementing EU environmental law*, -2025, https://op.europa.eu/en/publication-detail/-/publication/4deadooo-263d-11fo-8a44-01aa75ed71a1/language-en, p. 62.

([277]) The Marine Strategy Framework Directive (Directive 2008/56/EC) is an EU directive requiring Member States to achieve or maintain *Good Environmental Status* of marine waters by 2020, including assessment against eleven descriptors such as eutrophication (Descriptor 5).

([278]) European Commission, 2025, *Environmental Implementation Review, Bulgaria country report*, https://op.europa.eu/webpub/env/eir-country-reports-summaries/en/bulgaria.html.

([279]) National LULUCF targets of the Member States in line with Regulation (EU) 2023/839, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02018R0841-20230511.

([280]) Climate action progress report 2025, https://climate.ec.europa.eu/eu-action/climate-strategies-targets/progress-climate-action/eu-climate-action-progress-report-2025_en.

parks and green areas; protecting and conserving wetlands in forest areas, peatlands and marshes; increasing density in listed natural and artificial plantations; and restoring and maintaining protective forest belts and new anti-erosion afforestation. In October 2025, Bulgaria adopted a methodology for conducting a national forest inventory (NFI). Currently pending proposals for amendments to the Forest Act will enable the NFI to cover all forests in Bulgaria (including national parks and reserves).

Water quality pressures are intensifying. Under the EU Nitrates Directive, 37.8% of Bulgaria's groundwater monitoring stations recorded average nitrate concentrations exceeding 25 mg/l (and 14.5% above 50 mg/l, the EU threshold for safe drinking water) between 2016 and 2019 ([281]). Ammonia emissions remained stable in the last five years – in contrast to the general decrease in the rest of the EU ([282]). This trend underscores systemic agricultural pressures, despite Bulgaria's relatively low livestock density (0.23 livestock units per hectare in 2020 ([283]) compared with the EU average of 0.75).

Pesticide contamination in soil is an issue, but no contamination has been detected in water ([284])**.** 75% of soil samples exceed 0.05 mg kg-1 of pesticides contamination and 48% are highly contaminated ([285]).

The share of the total area under organic farming in the total utilised agricultural area increases from 2.20% in 2022 to 3.95% in 2024. Despite the increase, it remains the second lowest in the EU and well below the EU average of 9.1% in 2020 ([286]). The data for 2025, which have not yet been published in Eurostat, indicate a significant increase in area under organic farming in the country to 5.81%.

([281])EEA, 2025, *Nitrate in groundwater in Europe*, https://www.eea.europa.eu/en/analysis/indicators/nitrate-in-groundwater-8th-eap.

([282])EEA, *Air pollutant emissions data viewer (Gothenburg Protocol, Air Convention) 1990-2023*, https://www.eea.europa.eu/en/topics/in-depth/air-pollution/air-pollutant-emissions-data-viewer-1990-2023.

([283])Eurostat, *Livestock density index*, https://ec.europa.eu/eurostat/databrowser/view/taio9/default/table?lang=en.

([284]) EEA, 2024, *Pesticides in rivers, lakes, and groundwater in Europe*, https://www.eea.europa.eu/en/analysis/indicators/pesticides-in-rivers-lakes-and.

([285]) Vieira et al. (JRC), 2023, *Pesticides residues in European agricultural soils – Results from LUCAS 2018 soil module*, Publications Office of the European Union, https://publications.jrc.ec.europa.eu/repository/handle/JRC133940.

([286]) Eurostat, Organic crop area by agricultural production methods and crops, https://ec.europa.eu/eurostat/databrowser/view/org_cropar/default/table?lang=en

Table A10.1: **Key Adaptation Indicators**

Climate adaptation and preparedness:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Drought impact on ecosystems *[area impacted by drought as % of total]*	0.13	9.33	0.81	3.56	2.49	-	2.76
Forest fires burned area (1) *[burned area in ha. per year]*	13 530	8 844	3 688	14 579	15 845	43 931	354 510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	-	7	2	42	25	2	40 452
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	2	2	2	-
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	19	19	21	23	26	26	34

Water resilience:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Water Exploitation Index Plus, WEI+ (3) *[total water consumption as % of renewable freshwater resources]*	0.99	1.03	0.91	1.34	0.85	-	4.53
Water productivity *[EUR per m^3]*	8	9	9	9	-	-	151
Water abstraction							
Water abstraction by source (% from surface water)	89.64%	88.94%	89.82%	90.02%	-		-
Water abstraction by sector	Agriculture	Electricity cooling	Manufactu-ring	Public water supply	Mining and Quarrying	Construc-tion	
	16.77%	61.39%	4.23%	17.12%	0.49%	0.00%	
Status of water bodies (4) *[% of water bodies in a good status]*							
Surface water bodies (ecological)	-	-	-	-	-	37%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	98.2%	93%

Nature restoration:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Ecosystem dependency *[% of direct dependency]*	-	-	-	39%	-	-	44%
Protected area *[% of terrestrial protected areas]*	40.9	40.9	40.9	40.9	44.2		26.4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-	-	20	29.2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0.27		1.69
Eutrophication *[AAE of area at risk of euthrophication]*				231	231		295

Sustainable agriculture and land use:							EU-27
			2012-2018		2018-2021		latest data
Yearly net land taken by Member State *[ppm of total urban surface per Member State]*			209		296		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					35%		
Complex and mixed cultivation					0%		
Forests					9%		
Herbaceous vegetation associations					7%		
Open spaces with little or no vegetation					0%		
Pastures					45%		
Permanent crops					2%		
Water					3%		
Wetlands					0%		
	2019	2020	2021	2022	2023	2024	latest data
Nitrates in groundwater (5) *[mgNO_3/l]*	27.8	28.1	28.4	28.7	29.2		
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		0.23			:		0.75
Ammonia emissions *[% of total utilised agricultural area]*	93%	93%	93%	94%	94%	-	94%
Pesticide contamination on rivers and lakes water bodies				rivers	1%		27%
[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]				lakes	0%		18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg $^{-1}$*					75%		57%
Net greenhouse gas removals from LULUCF (6) *[ktCO_2-eq]*	-9227.1	-9269.1	-9201.7	-9153.9	-8601.1	-	-198 421

(1) EFFIS (European Forest Fire Information System). https://forest-fire.emergency.copernicus.eu/apps/effis.statistics/estimates.

(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires and windstorms and on the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.

(3) This measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal to or greater than 40% indicate severe water scarcity.

(4) European Commission, 2024, *Seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans)*.

(5) Indicator refers to concentrations of nitrate (NO_3) in groundwater, measured as milligrams per litre (mgNO_3/L). Nitrate can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard is limited to 50 mgNO_3/L to avoid threats to human health.

(6) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.

Sources: Eurostat, EEA and JRC

Bulgaria's labour market remains tight, but structural challenges persist and weigh on competitiveness. After several years of rising employment, the country is close to its 2030 national employment target. Some small but gradual progress has been made in addressing structural challenges, such as negative demographic trends and regional disparities. However, improvements have been limited in critical areas, including upskilling and reskilling the workforce (in preparation for the twin transition) and the availability of quality jobs. The active labour market policies (ALMP) system faces considerable capacity constraints in providing labour market support and job creation for vulnerable groups. In 2025, the country-specific recommendations for Bulgaria highlighted the need to tackle labour shortages by implementing measures effectively to increase the employment rate of persons with disabilities, people with a lower level of education, Roma and people outside the workforce and to tackle the shortage of health professionals. Despite some positive results, challenges remain. Improving access to integrated employment and social services is expected to improve labour market outcomes and social inclusion.

Employment outcomes remain strong, but the labour force continues to shrink and regional disparities persist. In 2025, the employment rate (age 20-64) went up to 77.0% from 76.8% in 2024, just above the EU average of 76.1%. This leaves Bulgaria broadly on track to meet its 2030 national employment target of 79%. However, mirroring overall demographic developments, total employment declined for a third consecutive year. The unemployment rate (age 15-74) stayed at record low levels at 3.5% (EU: 6%). The long-term unemployment rate also improved noticeably in 2025 (1.5% vs EU: 1.9%), but the share of people in long-term unemployment at 42.3% remained almost 11 pps above the EU average. Inactivity levels did not improve in 2025. Looking ahead, Bulgaria is projected to lose one third of its working-age population by 2060 ([287]). Improvements in fertility rates (since 2022) and a reversal of net outward migration (since 2020) ([288]) are positive signs, but insufficient to offset a long-standing negative trend. Demographic developments exhibit stark regional differences: the population decline between 2011 and 2021 ranged from 1.3% in the capital region to 25.4% in areas in the north-west ([289]). Despite net migration turning positive, emigration continues to result in brain drain, with many of those leaving being young people or of working age ([290]). Despite some convergence in recent years, considerable regional labour market differences remain, with employment in the Severozapaden region lagging behind the leading Yugozapaden region by almost 10 pps (71.6% vs 81.5%).

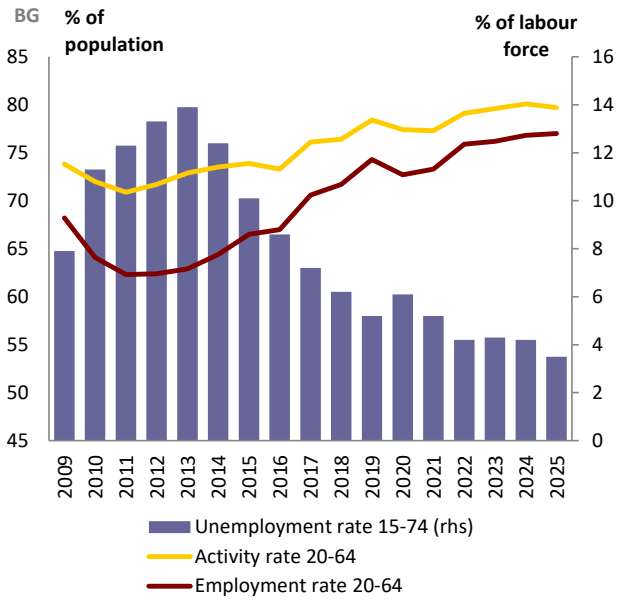
([287]) OECD (2025), *Optimising Processes and Services at Bulgaria's National Employment Agency*, Connecting People with Jobs, OECD Publishing, Paris, https://doi.org/10.1787/4e79e9db-en.

([288]) See data from the Bulgarian National Statistical Institute: https://www.nsi.bg/sites/default/files/files/data/timeseries/Pop_1.3.2._birth_DR.xlsx.

([289]) NSI, Census 2021.

([290]) See National Statistical Institute migration data and Education and Training Monitor on students studying abroad.

Graph A11.1:**Key labour market indicators**



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a]

Vulnerable groups face persistent barriers to participation as ALMPs have limited reach and impact. The share of young people neither in employment nor in education and training (NEETs) increased to 13.8%, for the first time in 5 years and remains above the EU average of 11%. Bulgaria has one of the highest shares of inactive NEETs (11.3% vs EU: 6.7%), with the public employment service (PES) struggling to identify and engage with them. Intensifying PES outreach and services provision for this group is crucial as there is a risk that it could become part of the informal economy. Young persons with disabilities are particularly affected: 86.6% were NEETs in 2024 (vs EU: 29.8%). The gap in employment rates for those with and without disabilities remained high at 33.2 pps, compared with the EU average of 24.2 pps. Employment among Roma adults aged 20-64 rose considerably between 2021 and 2024, from 47% to 62% ([291]): this surpassed the 2030 EU Roma strategy target but is still almost 15 pps below the national employment rate. Nearly one of two Roma aged 16-24 is NEET, a persistent trend over the past decade ([292]). Some measures to increase employment levels of vulnerable groups have been taken, in line with the 2025 recommendation. The focus on persons with disabilities, however, has been on sheltered workshops rather than on the open labour market. In 2025, 14 activation hubs were operational, employing 140 activation experts, targeting inactive people, particularly Roma. ALMP measures totalling over EUR 50 million, with support from the European Social Fund Plus (ESF+), targeting vulnerable groups, including marginalised communities, were adopted or entered their implementation phase in 2025. The PES suffers from gaps in internal organisation, particularly in: (i) embedding customer-centricity in performance management; (ii) strengthening outcome-based evaluation of ALMPs; and (iii) implementing risk and quality management frameworks.

Employment outcomes are still closely tied to educational attainment. The employment rate for people with at most lower-secondary education was just 46%, 45.5 pps lower than for those with tertiary education (compared with an average gap of 28.6 pps in the EU). Only 3% of Roma aged 30-34 have post-secondary education ([293]), which greatly limits their access to high-skilled jobs. Despite ESF+ co-funded projects and legal measures aiming to increase employment opportunities for persons with disabilities, the disability employment gap has not shown a consistent decline. This suggests gaps in effectiveness of these measures exist, in particular in transitioning from education to employment by promoting universal design, digital skills, and vocational training mirroring this group's needs ([294]). Integrated employment and social assistance services are provided in

([291]) EU Fundamental Rights Agency (FRA) Report: Rights of Roma and travellers in 13 European countries. Main results–- Roma survey 2024 | European Union Agency for Fundamental Rights.

([292]) Ibid.

([293]) FRA Roma Survey 2024.

([294]) European Semester 2025-2026 Country fiche on disability equality: Bulgaria, https://ec.europa.eu/social/BlobServlet?docId=28103&langId=en.

76 employment and social assistance centres, but expansion in coverage has stalled. Planned PES measures, which could boost the activation and employment of vulnerable groups include: (i) the creation of a register of the inactive; (ii) the development of a virtual labour office; and (iii) an application to help jobseekers find training relevant to them. Challenges remain in getting employers involved and developing more effective measures targeting vulnerable groups.

Labour shortages persist due to considerable demand in an already tight labour market, although demand is showing signs of easing. The job vacancy rate has been low for over a decade (0.7-0.9%). However, the 2025 PES employers' survey ([295]) indicates that labour demand remains high, with an estimated need for over 230 000 additional workers (7.9% of the workforce), but 11.8% less than reported in 2024. Machine operators, construction workers, waiting staff, cooks and tailors were the most in-demand skilled workers. Demand among occupations requiring higher education or specialised training was the highest for teachers, drivers, nurses and doctors. Demand for low-skilled labour increased, with noticeable regional imbalances, as some regions reported a surplus of low-skilled labour ([296]). In the EU, Bulgaria has also one of the highest numbers of occupations simultaneously in surplus and shortage, pointing to limited geographical mobility of workers ([297]). Furthermore, EU survey data show that an above-average share of employers expects labour shortages to limit production ([298]): 34.1% of companies in the services sector (EU: 23.1%), 39.7% in industry (EU: 17.5%) and 42.3% in construction (EU: 27.5%). An ageing workforce is exacerbating existing staff shortages in the healthcare sector (see Annex 15): in 2023, one in five physicians and nurses ([299]) continued to work beyond the retirement age, while the number of nurses declined ([300]). Following a simplification of procedures and a more flexible implementation of existing rules, the number of work permits issued to non-EU nationals increased by 42% in 2025. This increase is helping address labour shortages in sectors such as tourism, construction, transport and industry.

Strong wage growth has continued to outpace productivity gains, but unit labour costs remain among the lowest in the EU. Wage growth was 10.4% in 2025, following increases of more than 13% between 2022 and 2024. This growth is well above the EU average, but it is projected to fall to 5.7% in 2026 and 4.3% in 2027. Over the past decade, wage growth has exceeded what would be expected on the basis of macroeconomic factors ([301]). Unit labour costs grew by 10.8% in 2022, 12.8% in 2023, 11.5% in 2024 and 9.4% in 2025, but remain among the lowest in the EU ([302]). Real wages increased by 5.2% in 2025, following a 11.3% growth in 2024. Although this growth is set to slow further, it is expected to remain above the EU average in 2026, at 1.5%, reflecting both robust nominal wage growth and a drop in inflation (from 8.6% in 2023 to 4.2% in 2026). The statutory minimum wage increased by 86.7% between January 2022 and January 2026, a rise of 48.1% in real terms. Labour productivity increased at a slower pace, reaching a high of 7% year-on-year in 2021. In line with the legally mandated automatic indexation, the minimum wage reached

([295]) PES employers' survey 2025.

([296]) See EURES webpage on Bulgaria, 24 February 2025.

([297]) European Labour Authority (2025), EURES Report on labour shortages and surpluses 2024, Publications Office of the European Union, Luxembourg, p. 20.

([298]) Source: European Business and Consumer Surveys, data until October 2025.

([299]) OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: Bulgaria. State of Health in the EU*.

([300]) OECD Data Explorer.

([301]) Wage benchmarks are predicted by developments in inflation, productivity and the unemployment rate.

([302]) In 2024, unit labour costs were EUR 10.6 per hour and the EU average was EUR 33.5.

EUR 620 in January 2026 (a 12.6% rise from 2025). Nonetheless, even with relatively low unit labour costs and real wage growth slowing, the magnitude of wage increases in recent years warrant close monitoring to assess their potential impact on competitiveness.

Job quality shows mixed characteristics, with high in-work poverty and low levels of occupational safety and collective bargaining, which risk offsetting gains from rising wages and relatively secure employment. Despite recent real wage increases, Bulgaria has one of the highest rates of in-work poverty (11.5% vs EU: 8.3% in 2025) and low-wage earners (26.8% vs EU: 14.7% in 2022) in the EU. Involuntary temporary employment is below the EU average, suggesting better than average job security, which is consistent with a tight labour market: only 1.5% of employees could not find a permanent or full-time job in 2024, compared with 3.4% in the EU. However, workplace safety outcomes are weak, in line with a decade-long trend, which is a persistent challenge to improving job quality. In 2023, Bulgaria had one of the highest incidence rates of fatal accidents in the EU at 3.51 per 100 000 employed (more than twice the EU average of 1.63).

Social dialogue faces many barriers in Bulgaria, and the formal adoption and implementation of key measures is lagging behind. Collective bargaining covered only 16.2% of workers in 2023 ([303]) but it has increased slightly in the last decade following a steep negative trend ([304]). Bulgaria has one of the lowest rates of trade union density (15.2% in 2020) and employer organisation density (60.4% in 2020) in the EU ([305]). The predominant level of collective bargaining is at company level, but the number of collective agreements in force at company level decreased by 30% between 2011 and 2024, while the number of workers covered mostly increased. At national level, Bulgaria only has a limited number of sectoral level agreements and no collective bargaining. The reasons for the relatively low collective bargaining coverage include shifts in the economy, with an increasing share of SMEs that lack both collective bargaining structures ([306]) and collective bargaining arrangements at branch level. To further strengthen the capacity of social partners and support joint initiatives, the ESF+ has allocated EUR 22.3 million, and implementation is already under way. A plan for the promotion of collective bargaining in 2026-2030, including a 2030 target of 20% was adopted. Proposals for legal amendments to enhance collective bargaining, were prepared in 2025. However, they have yet to be adopted and implemented. Recent outcomes of public consultations (e.g. on the draft 2026 budget and the minimum wage mechanism) point to a limited and uneven involvement of employers, trade unions and civil society and difficulties in engaging in constructive discussions.

Skills shortages weigh on competitiveness and slow progress on the twin transition. Bulgaria is among the Member States with a high number of occupations facing both shortages and surpluses ([307]). With one of the highest emission intensity levels of output in the EU and lower-than-average employment in the environmental sector, the country appears insufficiently prepared for the green transition. Bulgaria also had one of the highest reported numbers of occupations relevant to the green transition or climate adaptation that experienced shortages in 2025. These include electrical engineers, air conditioning and refrigeration mechanics, and heavy truck and lorry drivers. Progress on the digital transition

([303])Data provided in accordance with Article 10(2) of Directive (EU) 2022/2041,

([304]) Müller, T., Vandaele, K. and Waddington, J. (eds), *Collective bargaining in Europe: towards an endgame*, ETUI, Brussels, 2019, Vol. I and the plan for the promotion of collective bargaining 2026-2030 in Bulgaria.

([305])OECD/AIAS ICTWSS v2.0.

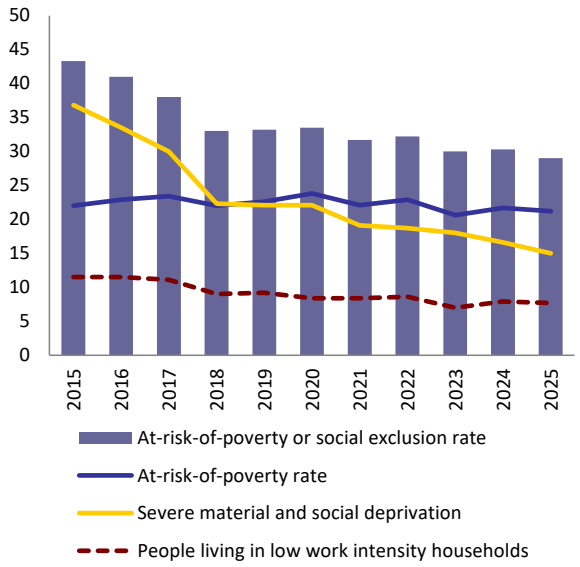
([306]) SMEs employ more than 75% of the labour force.

([307])European Labour Authority, op. cit.

has been limited as well: as Bulgaria works to meet the EU's Digital Decade targets, digital skills remain a key challenge for labour market performance and competitiveness. The share of the population aged 16-74 with at least basic digital skills increased modestly to 38.3% in 2025 (from 35.5% in 2023) but is still well below the EU average of 60.4%. Low digital skills limit an individual's use of online administration and health and banking services and risk exacerbating existing social and regional disparities. In addition, the share of ICT specialists in total employment was below the EU average (4.8% vs EU: 5%) and only 8.6% of companies reported using AI, compared with 20% in the EU. Policy implementation has also lagged behind: the output of a key project on digital skills, co-funded by the Recovery and Resilience Facility, has been scaled down considerably and training activities under the Just Transition Fund for those regions most affected by the green transition faced delays.

Bulgaria continues to face significant social challenges. Despite progress in reaching the 2030 poverty target, Bulgaria has one of the highest at-risk-of-poverty or social exclusion (AROPE) rates in the EU, especially for vulnerable groups such as children, persons with disabilities and Roma. Income inequality remains high, compounded by the limited poverty-reducing capacity of social transfers and minimum income support. The adequacy and sustainability of the social security system – pensions in particular – are negatively impacted by a pronounced demographic decline. While social and care services are evolving towards community-based care and home care, access challenges persist, especially in rural areas. Staff shortages, poor working conditions and insufficient training in the care sector are also hindering the provision of community-based services to support independent living and the transition towards home-based care for adults with disabilities. The 2025 country-specific recommendations highlighted challenges in tackling energy poverty and social inclusion, as well as access to health services. Addressing these challenges can be expected to contribute to sustainable and inclusive growth.

Graph A12.1:**Components of AROPE rate, 2015-2025**



% of total population

Source: Eurostat, EU-SILC [ilc_peps01n,ilc_li02, ilc_mdsd11, ilc_lvhl11n]

Poverty and social exclusion risks vary widely by age, place of residence, ethnicity, disability and employment status. Persistent poverty risks are the result of a combination of factors, such as the limited impact of social benefits but also unequal opportunities and limited access to quality inclusive education, healthcare (see Annex 15) and social services (including accessible social housing, see Annex 16). This is especially the case in rural areas and for disadvantaged groups, notably Roma and persons with disabilities. Children were among the most affected, with AROPE rates of 33.1% in 2025 (EU: 24.3%) and parents' education level having a significant impact on child poverty. Older people (65 and over) were also more at risk, with 35.3% experiencing poverty or social exclusion (EU: 18.8%). Persons with disabilities and the Roma population had the highest AROPE rates, at 42.3% and 77.8% respectively. Households in rural areas were twice as likely to be at risk of poverty or social exclusion (40.8%) than those residing in cities (20.9%). Furthermore, stark differences exist at regional level, with the AROPE rate in the Yugoiztochen region being nearly twice as high as that for Yugozapaden (35.8% vs 19.8%). Unemployed people in Bulgaria were also more

likely to experience poverty and social exclusion risks with a rate more than 3 pps higher than the EU average (69,4% vs 66.3%).

Strengthening aspects of the implementation of the European Child Guarantee (ECG) will be key to reaching the 2030 child poverty reduction target. Bulgaria has made limited progress towards its voluntary target of reducing the number of children in poverty by 196 750. The ECG has been the main instrument put in place to achieve that goal, yet challenges remain in ensuring adequate nutrition and a healthy diet, affordable housing and access to ECEC. The 2025-2026 operational plan for the implementation of the ECG has focused on the above by including measures such as preparatory work for a housing strategy, the reinforcement of patronage care for children aged 0-3, the creation of a framework for healthy nutrition and the establishment of quality standards for ECEC.

Energy and transport poverty remain relatively high. The share of the population unable to keep their homes adequately warm decreased from 19% in 2024 to 16.1% in 2025. Nevertheless, it remains significantly above the EU average of 8.8% and particularly high for people at risk of poverty, at 33.1%. Arrears on utility bills are also more common than in most other Member States: 17.2% of Bulgarian households faced arrears on utility bills in 2025, more than double the EU average of 7%. Since 2008, Bulgaria has been providing targeted heating allowances, benefiting approximately 340 000 vulnerable households annually. The revised recovery and resilience plan (RRP) provides for a coordination unit to tackle energy poverty under Bulgaria's Council of Ministers and the development of an information system to track affected households, based on the legal definition of energy poverty. These should be in place by July 2026. A coordination mechanism for energy poverty was created through a council decision, adopted in November 2025, which will develop a long-term strategy for addressing energy poverty within six months of its establishment. It will also be responsible for overseeing the overall policy development, as well as for proposing concrete responses. Further to this, the energy efficient renovation of multiapartment buildings is ongoing. in line with the 2050 strategy for the renovation of the building stock. With respect to transport, issues of affordability, availability (especially in Northern Bulgaria – see Annex 18) and user preferences remain pertinent. People's propensity to take the train for inland transport is low (2.3% for passenger-kms vs 8.4% in the EU). Reliance on private cars for inland transport remains high, at 86% ([308]) (EU average: 82%), despite the fact that the percentage of people unable to afford a car is higher than the EU average (10% vs 5.5% in 2025). 22.2% of people at risk of poverty report being unable to afford a car compared with an EU average of 16.5% ([309]). Transport fuel expenditure is projected to increase less than the EU average, as a result of the EU emissions trading system for buildings and road transport (ETS2), but affordability risks remain high for low-income households. Strengthening the affordability and availability of public transport is important and, in areas with limited access, support for zero-emission vehicle leasing schemes may also be beneficial. Heating expenditure is projected to rise less than the EU average, owing to low exposure to ETS2-covered fuels in household energy use and a large reliance on electricity. From 2026, the EU's Social Climate Fund will aim to help mitigate these impacts through targeted energy-efficiency investments.

Income inequality remained very high in 2025, with the downward trend observed since 2019 having stalled after 2023. The

([308]) Eurostat, 2023.

([309]) No data on public transport accessibility in Bulgaria exist on the Commission's Transport Poverty Hub because the data on Bulgaria's national access point (set up as part of Delegated Regulation (EU) 2017/1926 (the MMTIS Delegated Regulation)) do not exist in the required data format.

income of the richest 20% of the population was 6.94 times higher than that of the poorest 20%. Income inequality (measured using the S80/S20 ratio) remained among the highest in the EU (EU: 4.62). The S40/S100 share, representing the lowest income groups i.e. the bottom 40% of the population stood at 17.7% of total income among the lowest in the EU (21.9%). The inequality-reducing effect of taxes (see Annex 3) and social benefits also remains among the lowest in the EU (27% vs 48%) ([310]). The impact of taxes in reducing inequality was particularly low (only 4.7% in 2024, vs EU average 16.5%), down from 5.6% the previous year, with social benefits also having a limited effect (at 21% compared with the EU average of 34.6%). The wider implications of income poverty relate to inequality in access to quality education and healthcare, and labour market integration.

The social protection system shows limited effectiveness in addressing poverty. Expenditure on social protection benefits as a share of GDP was among the lowest in the EU (19.8% vs 27.3%) in 2024, especially on social assistance, family benefits and unemployment benefits. According to the benchmarking framework ([311]) on minimum income, Bulgaria has consistently performed much worse than the EU average in terms of the adequacy of its scheme, at 19.1% of the poverty threshold vs 56.3% for the EU in 2023. Preliminary data for 2024 point to an increase in adequacy following the 2023 minimum income reform, now estimated at 38.1% of the AROP threshold, which is nevertheless still well below the EU average. In 2025, the impact of social benefits (excluding pensions) on poverty reduction remained subdued, at 26.9%, significantly below the EU average of 33.2%. Some workers in non-standard forms of employment (including certain seasonal workers) and the self-employed (e.g. farmers) have little social protection coverage and face substantially higher poverty and deprivation rates. Only 23.8 of those unemployed for less than 12 months received unemployment benefits in 2025 (EU: 37.7%). The social protection system has been recently strengthened through the minimum income reform, which resulted in better adequacy and broader coverage. Yet, despite improvements, including to other schemes such as disability-related benefits, the system's effectiveness in addressing poverty remains limited ([312]). Notwithstanding Bulgaria's efforts, there is sufficient scope for additional measures to strengthen access to social protection, in line with the 2019 and 2023 Council recommendations ([313]).

Rapid demographic decline is putting increasing pressure on the adequacy and sustainability of the social security system. People over 65 are expected to account for a larger share of the total population by 2070, rising to 31% compared with 22% in 2022 ([314]). In 2024, the aggregate pension replacement ratio (excluding other social benefits) ([315]) slightly increased from 0.44 to 0.46 (below the EU average of 0.60) but the theoretical replacement rates are expected to decline in the long run. Automatic indexation has led to some improvements in pension adequacy over recent years, with pensions increasing by 8.6% in July 2025 and a further 7.8% indexation scheduled for July 2026. Nevertheless, the challenging macroeconomic environment has

([310]) *Economic Inequalities in the EU* (2024). European Commission: https://employment-social-affairs.ec.europa.eu/document/download/960863c4-b2b3-45ac-a79b-e693d5cec7da_en?filename=20240712_Analytical%20paper_final.pdf.

([311]) European Commission, Joint Employment Report 2026.

([312]) OECD Review of Labour Market and Social Policy – Bulgaria 2025, page 69.

([313]) Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed 2019/C 387/01; Council Recommendation of 30 January 2023 on adequate minimum income ensuring active inclusion 2023/C 41/01.

([314]) 2024 Ageing Report – Country Fiche for Bulgaria.

([315]) This ratio is defined as the gross median individual pension income (for the 65-74 age group) relative to gross median individual earnings from work (for those aged 50-59).

shifted attention towards the fiscal sustainability of the social security system, particularly in light of estimates that in 2026 pensions alone would account for 11.3% of GDP. Bulgaria's Ministry of Labour and Social Policy is working on a pensions' roadmap, which would outline potential reforms and measures to balance adequacy and sustainability concerns. The national Parliament adopted modifications to the 2nd and 3rd pillars of the pension system to stimulate flexibility and investments, but the new pension scheme will commence in 2027. In addition, retaining older people in the labour market will be vital, alongside complementary steps such as expanding overall labour-market participation and encouraging private pension savings to secure a more stable social security system in the longer term.

Access to long-term care (LTC) services is hindered by a lack of affordability and scarce availability, especially in rural areas. Affordability of LTC is the biggest barrier to access. In 2024, 29.4% of people who were in need of LTC but were not using (more) professional home-care services reported this was due to financial reasons (vs 10.6% in the EU). Public social protection for home care is limited, with relatively high out-of-pocket costs. LTC provision is also hindered by the shortage of (well-trained) care workers, coupled with unattractive working conditions and pay. The number of LTC workers per 100 individuals aged 65 and over is 2.4 vs 3.2 in the EU and gross hourly wages for LTC workers only came to 64.2% of wages in other sectors (vs 89.2% in the EU). Staff challenges are compounded by limited training for targeted, person-centred support, insufficient capacity to assess needs and plan services, and persistent investment gaps in suitable infrastructure. Despite insufficient access and high unmet needs, the LTC system remains underfunded, with public spending among the lowest in the EU (0.5% vs 1.7% in the EU in 2022) and largely covered by the RRF, the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+) in recent years.

Access, affordability and quality of social services have been improving, but challenges remain. As part of the RRP, Bulgaria has adopted the ordinance on the quality of social services (2022) and the national map of social services (2024), which have laid the groundwork for future investments in the accessibility, quality and attractiveness of social services. Nevertheless, 82% of all social services were based in urban centres, with only 18% in rural areas in 2024. The government is preparing new financial standards for all social services, taking into account the wider reform. In conjunction, it intends to amend the ordinance on the quality of social services in 2026 to strengthen the existing standards for social services aimed to increase their effectiveness and quality provision. Funding from the ESF+, the ERDF and the RRF, taken together with national co-financing of EUR 950 million, is being channelled towards addressing issues of quality, access and human resources. Notwithstanding the progress made, further promotion of a people-centred approach and continued support for the sustainable transition towards a community-based model remain relevant.

Boosting the competitiveness of the Bulgarian economy and supporting the green and digital transitions requires further policy action to improve skills and education. The 2025 country-specific recommendations for Bulgaria pointed to the need to strengthen competence-based teaching and learning and improve teaching quality with initial, continuous and needs-based teacher training. Furthermore, the quality, labour-market relevance and inclusiveness of education and training need to be improved, including for Roma and other disadvantaged groups. Lastly, action is needed to make skills acquisition more effective to boost competitiveness and support the green and digital transition. Bulgaria still has shortcomings in quality and equity in education, including early childhood education and care (ECEC). Educational outcomes and basic skills remain alarmingly low, particularly in mathematics, and for disadvantaged students, including Roma. Skills shortages, specifically green and digital skills, are exacerbated by low levels of adult learning and low labour-market relevance of vocational education and training (VET) and higher education. Bulgaria is addressing educational challenges by lowering the compulsory education age, eliminating kindergarten fees, investing in science, technology, engineering and mathematics (STEM) laboratories in schools and in STEM centres, amending the VET Act, and providing scholarships for STEM studies. These measures are backed by EU funding to ensure equity and labour-market alignment, but the impact of these measures is still to be seen.

Despite an upward overall trend, low participation of disadvantaged children, including Roma, in quality ECEC fuels learning disparities and inequalities. Despite an increase of 3.8 percentage points (pps) from 2023, participation in formal childcare of children aged 0-3 remained below the EU average in 2024 (21.2% vs EU: 39.5%, increasing slightly to 22.1% in 2025 vs EU: 40.5%) and the national Barcelona target for 2030 (30%) ([316]), partly due to lack of facilities and parental leave arrangements. For children aged three up to the starting age of compulsory education, enrolment slightly increased to 89.3% in 2024 (EU average: 95%), continuing a gradual rise over the last decade. Bulgaria has lowered the compulsory education age to four and eliminated kindergarten fees, but challenges persist, including urban capacity shortages and lower participation among disadvantaged children, particularly Roma, whose enrolment has nevertheless risen to 68% (up from 58% in 2021) ([317]). Implementing the new ECEC quality framework faces hurdles due to fragmented service provision, inconsistent regulations, and weak monitoring and evaluation systems. With EU Technical Support Instrument (TSI) support, Bulgaria is working to establish a comprehensive monitoring and evaluation system.

Low and declining basic skills proficiency among young people reflects a structural barrier to skills development. In 2022, around half of Bulgarian 15-year-olds underachieved in mathematics (53.6%), reading (52.9%) and science (48%), around double the EU averages (29.5%, 26.2% and 24.2%, respectively) ([318]), representing a 10 pps increase since 2012, more than the EU average, with a particularly stark rural-urban divide (see Annex 19). Meanwhile, only 3.1% were top performers in mathematics (EU average: 7.9%), 2.2% in reading (EU average: 6.5%) and 1.4% in science (EU average: 6.9%), limiting the pool for innovation and excellence. Only 52.1% of 16-19-year-olds had at least basic or above-basic digital skills in 2023 (EU average: 66.5%) ([319]). These outcomes highlight curriculum and

([316]) Bulgaria set a national target of 25% in its Child Guarantee Action Plan

([317]) FRA Roma survey 2024 and 2021.

([318]) OECD (2023), PISA 2022 Results (Volume I): The State of Learning and Equity in Education.

([319]) European Social Survey 2023 - DESI index.

quality challenges, hindering student achievement and higher education participation, particularly in STEM. Bulgaria is investing in STEM competences through its 'Construction of school STEM environment' national programme complemented by STEM laboratories in 2 000 schools – funded by the Recovery and Resilience Facility (RRF) – and a national STEM centre with three regional training facilities. Additionally, Bulgaria has launched the 'Skills in Focus' national programme for the 2025/2026 school year, to deliver modular interventions in basic skills for kindergartens and schools while generating evidence to inform future policy development ([320]).

Persistent socio-economic disparities severely hinder vulnerable students' basic skills development. In 2022, Bulgaria had the EU's lowest level of educational equity, with only 2.5% ([321]) of disadvantaged students achieving good PISA results (level 4) in at least one basic skill (EU average: 16.3%), down from 8.2% in 2015 (EU average: 21.1%). This compares to 33.4% of advantaged peers (EU average: 59%). 62% of students from the poorest quartile underachieve simultaneously in all three basic skills (EU average: 28.8%). Recent national evaluations reveal strong social segregation, while seventh-grade tracking shows widening socio-economic disparities as students progress ([322]). These challenges are compounded by disadvantaged students' over-representation in VET and the prevalence of small, non-urban schools, both of which are associated with lower basic skills performance, reflecting broader issues in curriculum and quality as well as school network fragmentation ([323]).

Despite overall progress in reducing early school leaving, persistent gaps in basic skills highlight insufficient targeted policy interventions. Early school leaving rose slightly to 8.6% in 2025 (EU average: 9.1%), following a steady decline from 13.9% in 2019, remaining high in rural areas (18.6%) and among Roma (55%) ([324]). Improvements stem from efforts to reintegrate out-of-school children and reduce dropout rates through large-scale remedial education and social measures co-financed by the European Social Fund (ESF/ESF+). However, persistent challenges include irregular attendance patterns such as lateness and long-term absenteeism and uncertainty about the effectiveness of remedial measures in improving performance, which warrant further evaluation ([325]).

Education is a key driver for Roma inclusion, yet school segregation, early leaving from education and training and low educational attainment persist. Despite desegregation measures, the share of Roma children attending segregated education increased from 64% in 2021 to 70% in 2024. Whereas 89% attended education within the national compulsory school age period (ages 4-16) in 2024, 55% of their older peers aged 18-24 left education or training prematurely. In 2024, only 42% of Roma aged 20-24 had completed at least upper-secondary education (vs 90% in the general population) and just 3% of 30-34-year-old Roma had attained tertiary education ([326]). The ESF+ supports educational integration of Roma from ECEC to higher education with targeted and mainstream measures. Since 2018, educational mediators have been engaged in schools and kindergartens. Their role was expanded in 2024 by adding them to the VET professions list and increasing their numbers, potentially strengthening their impact in Roma communities.

([320]) Ministry of Education (2025). National programme 'Skills in focus'.

([321]) Declining trend: 8.2% in 2015 and 4.2% in 2018.

([322]) OECD (2025). Education and Skills in Bulgaria.

([323]) OECD (2025). Education and Skills in Bulgaria.

([324]) FRA Roma survey 2024.

([325]) OECD (2025). Education and Skills in Bulgaria.

([326]) FRA Roma survey 2024.

A content-heavy curriculum and imbalanced teaching hours continue to hinder basic skills development. The 2016 competence-based curriculum remains heavily focused on content, with limited effectiveness due to insufficient teacher support and professional development, uneven regional implementation and unaligned assessment practices ([327]). Secondary education favours foreign languages and profiling subjects over basic skills, worsening basic skills performance. In 2025, the Ministry of Education proposed two complementary approaches to focus on skills development: a fast increase in basic skills teaching hours without expanding their knowledge content ([328]), and a concept for long-term curriculum revision prioritising skills and higher literacy over specialisation ([329]). These efforts would be in line with recommendations to increase the number of instructional hours (currently below the EU average), with student-centred teaching methods ([330]). Meanwhile, Bulgaria is refining the curricula for grades 5-7 with TSI support to enhance competence-based learning and teaching and improve learning outcomes.

Weak levels of basic skills reveal major challenges in teaching quality and teacher education. Bulgaria faces persistent teacher shortages, especially in STEM, amid an ageing workforce, with 32.9% of general education teachers and 35% of VET teachers aged at least 55 in the 2024/2025 school year ([331]). This raises concerns about approaching large-scale retirements. To improve attractiveness, salaries have been increased significantly over the last decade to 125% of the national average wage ([332]), with salary satisfaction doubling between 2018 and 2024 (from 29.5% to 64.6%; EU average in 2024: 37.3%), though urban salaries still lag behind ([333]). The 2025 'Future for Talents' programme targets STEM teacher shortages by training talented students and upskilling STEM teachers. Recruitment and retention of novice teachers remain challenging, particularly in rural and disadvantaged schools, including VET schools. In 2024, only 43.6% of novice teachers (down 16.4 pps since 2018) reported teaching as their first career choice. Initial teacher education (ITE) programmes attract few high-performing upper-secondary students and many of those who have completed ITE do not enter the profession ([334]). To boost recruitment, Bulgaria offers scholarships and fee waivers for STEM and pedagogical ITE programmes, and alternative pathways for second-career teachers, of which Bulgaria has the EU's highest share (16.4%). While teachers' induction access has significantly improved since 2018 (46.9% to 73.8%), only 24.5% of novice teachers have an assigned mentor. Continuous professional development (CPD) remains uneven: only 58.4% of teachers found recent training impactful, highlighting gaps in needs assessment and quality control for CPD and teaching quality.

Despite high participation and strong STEM focus, the VET system still faces challenges in terms of quality and labour-market relevance. Enrolment in medium-level VET has remained stable over the last decade and is above the EU average (57.2% vs 52.9% in 2024). However, rather than reflecting a fully informed student choice, this is largely driven by: (i) early tracking after grade 7, which disproportionately

([327]) OECD (2023), Skills Strategy Bulgaria.

([328]) Ministry of Education and Science (2025). Proposal for a change in the curricula.

([329]) Ministry of Education and Science (2025). Draft concept for curriculum change.

([330]) OECD (2025). Education and Skills in Bulgaria.

([331]) NSI (National statistical Institute) - https://www.nsi.bg/en/statistical-data/197/616, https://www.nsi.bg/en/statistical-data/197/613.

([332]) The most recent 15% increase in teachers' basic salaries came into effect on 1 March 2025.

([333]) OECD (2025), Results from TALIS 2024: The State of Teaching. This also applies to other data in this paragraph unless otherwise indicated.

([334]) World Bank (2020), Bulgaria Teaching Workforce. Policy Note and Recommendations and OECD (2023b), Skills Strategy Bulgaria.

channels disadvantaged students into VET; (ii) wide territorial coverage; and (iii) the fact that there are more places in VET than in general education. VET schools often lack specialised staff, modern equipment and strong employer links, contributing to poor labour-market outcomes ([335]). The employment rate of those who have completed VET remains below the EU average (78.8% vs 80.2% in 2025). In 2025, almost half of those who had completed VET (and up to two thirds in some districts) faced no employer demand, while some low-demand professions continued to attract many students ([336]). At the same time, the system demonstrates some strengths: 1 in 2 medium-level VET students are enrolled in STEM programmes (50.3% vs an EU average of 36.3% in 2024), and female participation reached 27.9% in 2024. Addressing the challenges mentioned is central to the 2021-2030 Strategic Framework for Education and Training, supported by EU funding. New cooperation forms – Sector Skills Councils, Centres of Vocational Excellence and skills-anticipation mechanisms – are emerging with RRF and ESF+ support. The 2024 amendment to the VET Act, part of a reform under Bulgaria's recovery and resilience plan (RRP), introduced programmes with mandatory green and digital competences and greater curricular flexibility to respond to local labour-market needs. The VET reform also includes a comprehensive update to the list of professions for VET, introducing a change to the structure of qualifications – moving from narrow 'specialisms' to broad-based 'professions'. For each of the professions, new state educational standards, examination programmes and curriculum are developed together with employer representatives to meet the needs of the labour market.

Dual VET remains insufficiently attractive to both schools and employers. Despite progress since the introduction of dual VET in 2014, uptake remains low (6.8% in the 2025/2026 school year) ([337]), mainly reflecting limited school capacity and weak employer engagement. In April 2024, the government began covering health and social contributions for dual VET students. However, more efforts could be directed towards incentivising employer engagement in dual VET and promoting greater diversification of the VET offer in line with local economic needs, including through better use of skills intelligence.

Insufficient participation in higher education, particularly among disadvantaged students, worsens skills gaps. In 2025, 41.2% of Bulgarians aged 25-34 had a tertiary degree (EU average: 44.8%), with men lagging behind women (34.6% vs 48.1%) and rural areas behind urban areas (20.7% vs 52.4%), on top of regional differences (see Annex 19). Despite a 6.8% year-on-year increase in student numbers in the 2024/2025 year, the enrolment rate has declined by 8% since 2020/2021 ([338]), with critically low participation of disadvantaged students whose parents have secondary (37%) or primary education or lower (2%) ([339]). Targeted financial assistance and equity-focused policies may help increase their participation. Low perceived quality of education drives high outward degree mobility (10.8% in 2023). To retain talent, Bulgaria launched the 'I choose to study in Bulgaria' programme in 2026, offering fee exemptions and monthly scholarships for humanities and STEM bachelor's studies.

([335])OECD (2025), *Education and Skills in Bulgaria*, Reviews of National Policies for Education.

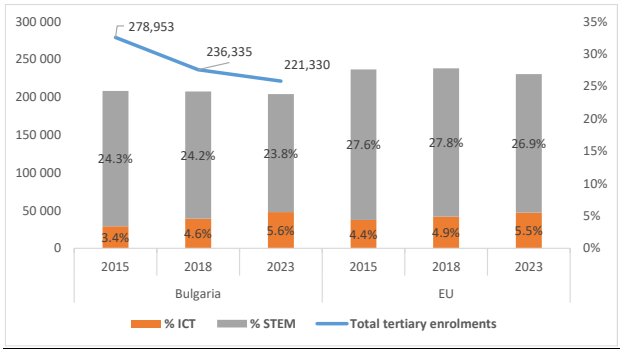
([336])Institute for Market Economics, Education and employment 2025, Index of the Correspondence between Vocational Education and Economic Profiles.

([337])Bulgaria, Ministry of Education and Science data.

([338])National Statistical Institute: Edu_3.1.1_en.xlsx.

([339])BURS (2024). Rating of universities in Bulgaria 2024.

Graph A13.1:**Share of students enrolled in STEM and ICT in BG vs EU and total tertiary enrolments in BG in 2015, 2018, 2023**



Source: Eurostat, [educ_uoe_enrt03].

Declining STEM enrolment in higher education poses a challenge to meeting graduate demand. Only 23.7% of higher education students were enrolled in STEM in 2023 (EU average: 26.9%), below the proposed 2030 EU-level target of 32%, with women under-represented (31.5%). 3.7% of PhD students study information and communications technology (ICT) (EU average: 3.8%), with women making up 32.4% (EU average: 24.3%). STEM tertiary enrolment declined by 8.6% between 2018 and 2023, though enrolment in ICT programmes increased by 18.8%. Bulgaria has one of the EU's lowest shares of STEM graduates (20.1%; EU average: 25.2%), while its share of ICT graduates is close to the EU average (4.9% vs 4.7%).

Despite progress, higher education remains insufficiently aligned with labour-market demands. Policy efforts focus on aligning tertiary education with labour-market needs, prioritising high-demand study programmes and improving regional balance via the Higher Education Map. European Regional Development Fund (ERDF) funding for university modernisation and ESF+ support for competence-based learning aim to enhance access and quality. Nevertheless, while the share of graduates working in positions requiring higher education improved to 61% in 2024 (up from 46% in 2014) ([340]), tertiary education is not yet sufficiently diversified, with insufficient institutional collaboration, including with the business sector, limited data collection and uneven instructional quality ([341]).

Skills shortages, with regional variations, continue to undermine competitiveness and growth. In a 2025 national survey, 47.5% of employers (compared to 43% in 2024) cited lack of skills as the main hiring challenge ([342]). Bulgaria is among the Member States with the highest number of shortage occupations (see Annex 11) ([343]). The north-east faces the greatest difficulties in finding qualified workers, as suggested by high labour demand and above-average unemployment rates ([344]). Skills mismatches persist with a high number of occupations simultaneously in surplus and in shortage ([345]) (see Annex 11). Bulgaria has advanced in developing skills intelligence by implementing methodologies, producing labour-market analysis and prognoses, and establishing 10 regional competence assessment centres. Improving skills intelligence could also include guidelines for the use of big data and artificial intelligence. Bulgaria benefited from technical support under the TSI for the development of a national strategy with a comprehensive set of skills policy actions. The support included a proposal for a comprehensive action plan with key objectives and policy actions, relevant activities, instruments, timelines and stakeholder engagement, but all these have not been adopted yet. Bulgaria uses instruments with national and EU funding (ESF+, RRF, Just Transition Fund, European Agricultural Fund for Rural Development and ERDF) to support skills

([340]) BURS (2024). Rating of universities in Bulgaria 2024.

([341])OECD (2025). Education and Skills in Bulgaria.

([342]) Bulgaria's PES employer survey 2025.

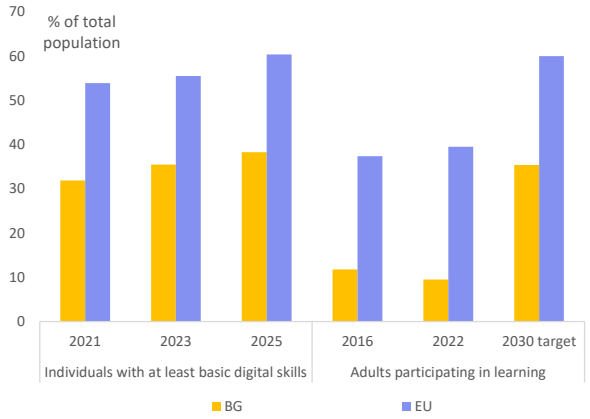
([343])European Labour Authority (2025), EURES Report on labour shortages and surpluses 2024, Publications Office of the European Union, Luxembourg.

([344]) See the 2025 PES employer survey report, table 13.

([345])EURES, *op. cit.*

acquisition, but skills development is still not delivering substantial improvements.

Graph A13.2:**Skills development in Bulgaria**



Source: Eurostat, [tepsr_sp410] and AES

Bulgaria faces a shortage of workers with green and digital skills. The country has one of the highest emission intensities of output in the EU, so it needs workers with green skills (see Annex 11). In 2025, the share of individuals aged 16-74 with at least basic digital skills increased only slightly to 38.3% (up from 35.5% in 2023), still below the EU average of 60.4%. The RRF funds digital education infrastructure in schools and a large-scale investment in an adult learning platform and digital skills training. By end-2025, contracts had been signed for the creation of over 1 300 digital clubs nationwide, nearly doubling the initial RRP target. The ESF+ 'Programme Education' allocated EUR 125 million in 2025 to support over 200 000 students and 212 000 parents and education mediators in acquiring digital skills. The ESF+ also provides training opportunities for 204 000 employed, unemployed and inactive people. Employer organisations and trade unions have developed a framework to assess workforce digital skills by analysing the needs in key professions and occupations across economic sectors. Nevertheless, results remain modest in view of the scale of training needs. The revised target for trained individuals under the RRP, halved from 500 000 to 260 000, highlights challenges in digital skills development.

Adult participation in learning remains low, hindering workers' adaptability to labour-market changes. In 2022, based on the adult education survey, participation was 9.5%, less than in 2016 and still significantly below the 2030 national target of 35.4% and the EU average (39.5%) ([346]). Annually collected data showed that participation in education and training during the four weeks preceding the survey more than tripled in 2025, from 1.8% to 6.1%, but remained among the lowest in the EU (13.7%). Women, young people and those with higher education are more likely to participate in training, though participation rates are still much lower than the EU averages. Unemployed people are less likely to participate in training partly due to the focus of active labour market policies on subsidised employment. Participation is further undermined by labour-market dynamics: a tight labour market with rising wages amid a shrinking workforce means that job opportunities are often easily available, and increased demand for low-skilled workers alleviates pressure to upskill and reskill. Training accessibility is an issue due to administrative burdens and insufficient availability of courses and learning options. Bulgaria relies heavily on EU funding to support training, often coupled with subsidised employment, which links it to programming cycles and undercuts sustainability. A pilot project on individual learning accounts could provide insights on the way forward, but its launch has been delayed and is now expected in 2026. As part of the European Qualifications Framework Recommendation's implementation, Bulgaria has yet to put in place the national qualifications database and connect it to Europass.

([346]) Data from the 2022 adult education survey, special extraction excluding guided on-the-job training.

Table A14.1: **Social Scoreboard for Bulgaria**

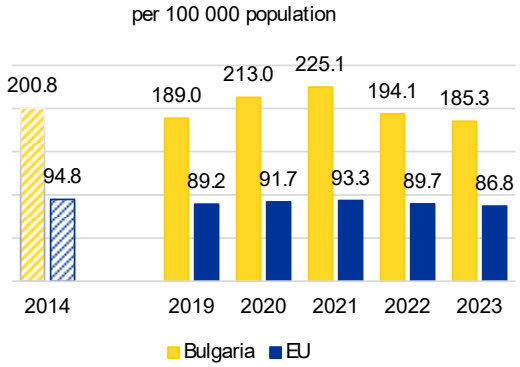
Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	9.5
	Early leavers from education and training (% of the population aged 18-24, 2025)	8.6
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	38.3
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	13.8
	Gender employment gap (percentage points, population aged 20-64, 2025)	7.4
	Income quintile ratio (S80/S20, 2025)	6.94
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	77.0
	Unemployment rate (% of the active population aged 15-74, 2025)	3.5
	Long term unemployment (% of the active population aged 15-74, 2025)	1.5
	Gross disposable household income (GDHI) per capita growth (index, 2008=100)	
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	29.0
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	33.1
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	26.9
	Disability employment gap (percentage points, population aged 20-64, 2025)	33.2
	Housing cost overburden (% of the total population, 2025)	6.9
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	22.1
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	1.0

Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).
Source: Eurostat

Bulgaria's health system faces significant challenges that need to be addressed to improve the health of its population, social fairness and productivity. Challenges include low life expectancy, resulting from high preventable and treatable mortality, and limited access to care. These issues are mainly caused by (i) an insufficient focus on disease prevention and outpatient care; (ii) shortages of healthcare workers; and (iii) an uneven geographical distribution of healthcare resources. The 2025 country-specific recommendations (CSRs) highlighted the access challenges, in particular those related to high out-of-pocket (OOP) payments and to shortages and uneven distribution of health professionals.

Graph A15.1:**Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
Source: Eurostat (indicator: hlth_cd_apr)

Life expectancy at birth in Bulgaria was still one of the lowest in the EU in 2024, and 2023 avoidable mortality – preventable or treatable – was among the highest. In 2023, treatable mortality was one of the highest in the EU, suggesting shortcomings in the effectiveness of the health system. Moreover, Bulgaria is one of the EU countries that have seen only small decreases in mortality from treatable causes over the last 10 years, which stood at more than twice the EU average in 2023 – and the gap worsened during the pandemic (see Graph A15.1). Diseases of the circulatory system – cardiovascular diseases (CVDs) – and cancer remain the leading causes of death in Bulgaria, with the former accounting for more than 62% of all deaths in 2023, the latter 17%. Standardised death rates from CVDs were particularly high in Bulgaria (about three times the EU average). Under EU4Health, Bulgaria benefits from several grants and participates in joint actions targeted at CVDs and other non-communicable diseases (NCDs), including JA PreventNCD, CURTAIN and CARE4DIABETES ([347]).

Preventable mortality was also very high in 2023, only 10% lower than 10 years earlier. In view of these health outcomes, investment in disease prevention remains low in Bulgaria, despite a slight increase over the last 10 years, from a 2.8% share of healthcare spending in 2014 to 2.9% in 2023. A key investment in prevention was approved in April 2025 through a 2025-2030 programme addressing the exceptionally low vaccination rate against human papillomavirus. The programme is broadening access through expanded coverage and reimbursement.

Preventable mortality in Bulgaria is closely linked to environmental factors (such as air pollution, see Annex 8) and to behavioural risk factors ([348]). Bulgarian adults consume relatively little fruit and vegetables and have one of the lowest levels of physical activity outside working time of all EU countries (62% of the population reported never practising such activity in 2022 vs 31.6% for the EU). Both adults and adolescents also report high levels of alcohol consumption and smoking rates, which have not decreased over the last decade and are among the highest smoking rates in the EU (almost 29% of adults were smokers in 2022 vs 18% in the EU on average). To support

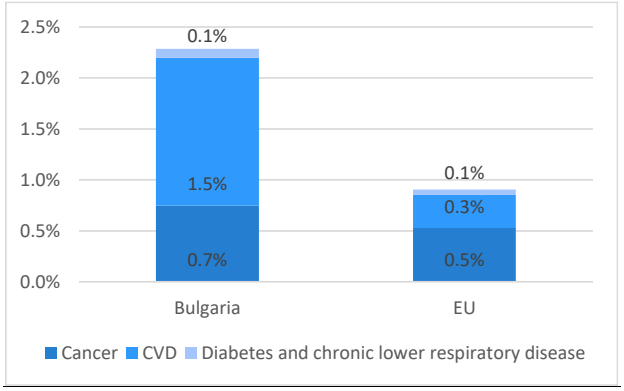
([347]) JA PreventNCD - Reducing Europe's cancer and NCD burden through coordinated strategies on health determinants; CURTAIN - Beating Cancer Inequalities through Literacy in Europe; CARE4DIABETES - Reducing the burden of non-communicable diseases by providing a multi-disciplinary lifestyle treatment intervention for type 2 diabetes.

([348]) OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: Bulgaria. State of Health in the EU*.

less risky lifestyle choices, it would be beneficial to follow up on health literacy activities, such as those put forward by the 2012-2027 Plan for Health Education in Bulgarian schools, which forms part of the Bulgarian recovery and resilience plan (RRP). In October 2025 an ordinance on healthy nutrition for students was adopted.

These poor health outcomes negatively affect Bulgaria's workforce, productivity and competitiveness. In Bulgaria, mortality at working age as a proportion of total mortality is among the highest in the EU, exacerbating the effects of population ageing on a shrinking labour force (see Annex 11). Indeed, Bulgaria's workforce is expected to drop by 12% between 2022 and 2040 due to demographic ageing of the 2022 population (7% for the EU) ([349]). Further investment in prevention could alleviate this impact. As regards NCDs, it is estimated that up to 80% of CVDs and type 2 diabetes, up to half of cancer cases and most chronic lung diseases can be prevented ([350]). Preventing all deaths from NCDs in Bulgaria – in particular CVDs – would result in a 2.3% gain in working-life years from 2022 to 2040 (vs 0.9% for the EU, see Graph A15.2). This is the highest potential increase across Member States and would save about 1 324 500 life years in Bulgaria over the period.

Graph A15.2:**Potential gains in working-life years from prevention, between 2022 and 2040**



Source: EC/OECD, *State of Health in the EU: 2025 Synthesis Report*.

As regards healthcare delivery settings, the share of outpatient care in Bulgaria's health spending is still one of the lowest in the EU, despite Bulgaria's ongoing investment in expanding outpatient care access. While it rose significantly over the preceding decade, expenditure on health per capita in Bulgaria (see Table A15.1) remained one of the lowest in the EU in 2023. Bulgaria's health system remains strongly hospital-centred with the largest share of its health spending (more than a third) on hospital services, and one of the EU's lowest shares (less than a fifth) on outpatient care. Medical goods (retail pharmaceuticals and therapeutic appliances) accounted for a third of health spending, also one of the highest in the EU.

Yet Bulgaria's pharmaceutical sector is of limited economic significance. Employment in pharmaceutical manufacturing remains among the lowest in the EU, and industry investment in R&D in euro per capita trails most EU countries ([351]) (see Annex 4 and Annex 5). However, the country stands out as a significant hub for clinical research. In 2024, Bulgaria was the Eastern European country reporting the highest number (21) of clinical trials per million population, which was also

([349]) EC/OECD, *State of Health in the EU: 2025 Synthesis Report*.

([350])NCD Alliance (2025), NCDs overview | NCD Alliance.

([351])The Pharmaceutical Industry in Figures, EFPIA (European Federation of Pharmaceutical Industries and Associations).

above the EU average of 18.3 ([352]). The industry also maintains a modest but fairly stable share of extra-EU exports (4.5% in 2025 vs 13.9% for the EU average). However, it has not yet mirrored the rapid growth observed in the top-improving Member States.

Relative to population size, Bulgaria had the highest number of hospital beds in the EU in 2023. In addition, their number increased over the last decade, while the EU average decreased. Meanwhile, the trend of low investment in the health sector continued, with the lowest level of health infrastructure investment per capita among Member States in 2023 and on average since 2015. The Bulgarian RRP nonetheless includes investments aimed at modernising hospitals and medical facilities. Despite one of the highest numbers of hospital discharges per 1 000 inhabitants in the EU, the occupancy rate and the average length of stay are among the lowest ([353]), which could point to a potential mismatch between hospital stays and the assessed need for hospital-based care. The payment model could help explain the high hospital admission rates: hospital providers are currently remunerated on completed clinical pathways only, which are fixed in content and not tailored to patients' history. This may encourage maximising pathway volumes to secure revenue. The number of beds in intensive care units was also one of the highest in the EU in 2023. It could represent an asset for Bulgaria's resilience, provided that the units are equipped with high-quality medical equipment and staffed with the necessary medical personnel. Yet the estimated domestic spending per capita by Bulgaria on prevention, preparedness and response is one of the lowest in the EU ([354]).

Antimicrobial resistance (AMR) and related multi-resistant infections represent another significant challenge, particularly for hospitals. Having steadily increased since 2019, the consumption of antibiotics in Bulgaria decreased slightly between 2023 and 2024 but remained above the EU average. More efforts would be needed to keep on track with the 2030 recommended national target ([355]). Bulgaria benefits under EU4Health from a direct grant for implementation of AMR measures and participates in a joint action on the matter ([356]).

Hospital statistics and spending allocation underline room for improving effectiveness, in particular by shifting resources to primary and preventive care, and to increasing access to outpatient care. The lack of outpatient care hinders access to healthcare, as highlighted by the 2025 CSR, in particular primary healthcare and prevention. The completion and continuation of RRP measures such as the construction or renovation of outpatient care units with the necessary staff and equipment could be a significant step towards boosting primary healthcare. Via the digital platform that would be provided, the units would also allow for increased use of telemedicine solutions. By covering underserved and/or remote areas, they would help reduce geographical disparities in accessing healthcare. For example, the percentage of people living within a 10-minute drive of a hospital varies markedly across Bulgarian regions and is very low in rural areas (see Annex 18). Bulgaria is also working on access to palliative and long-term care and on the reallocation of hospital beds for active treatment to long-term treatment beds. It entails an evidence-based identification of what could be carried out as outpatient rather than inpatient care.

([352])US National Library of Medicine, https://clinicaltrials.gov.

([353])*Country Health Profile 2025: Bulgaria* – see earlier footnote.

([354])OECD Health Statistics 2025.

([355])National target set by the Council Recommendation on stepping up EU actions to combat antimicrobial resistance in a One Health approach, 2023/C 220/01.

([356])EU-JAMRAI 2 - Joint Action Antimicrobial Resistance and Healthcare-Associated Infections 2.

Table A15.1: **Key health indicators**

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	245.3	229.4	217.3	221.3	n.a.	0.91	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	1 119.7	1 211.0	1 074.3	923.1	n.a.	0.82	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	1 556	1 822	1 850	2 074	n.a.	1.97	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	63.1	65.0	63.5	63.0	n.a.	1.08	80.6 (2023)
Spending on prevention, % of current health expenditure	2.8	3.9	3.1	2.9	n.a.	1.02	3.7 (2023)
Available hospital beds per 100 000 population***	768	777	785	803	n.a.	1.15	440 (2023)
Doctors per 1 000 population*	4.5	4.5	4.6	4.6	n.a.	1.07	4.3 (2023)*
Nurses per 1 000 population*	4.5	4.4	4.5	4.4	n.a.	0.93	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	20.0	19.8	18.7	19.5	19.7	0.96	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	22.7	24.4	25.7	26.3	23.4	1.16	20.3 (2024)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.

** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.

***'Available hospital beds' covers somatic care, not psychiatric care.

Source: Eurostat

Significant challenges hamper optimal access to healthcare, in particular in remote areas. Besides the lack of outpatient care, a key obstacle is financial. Public spending as a proportion of total health expenditure was among the lowest in the EU in 2023 (see Table A15.1). This, together with long waiting times that prompt many people to pay for private healthcare providers, translates into the highest proportion of households' OOP payments for healthcare in the EU (35.5% in 2023, almost 2.5 times the EU average), although it has decreased somewhat (by almost five percentage points between 2014 and 2023). While inpatient care is publicly funded to a large extent (92% of costs in 2023), there is a particularly high share of private spending in outpatient services (43%). Furthermore, pharmaceuticals account for more than two thirds (67%) of OOP payments, as only 23% of pharmaceutical expenses are publicly covered ([357]).

Beyond its direct impact on health status, healthcare coverage is also a powerful tool against poverty and inequality. This underscores the importance of addressing inequalities in access, as highlighted in the 2025 CSR. Analyses have shown that healthcare coverage reduces poverty and income inequality in all Member States ([358]). While the overall proportion of the Bulgarian population reporting unmet needs for medical care was below the EU average in 2025, these unmet needs primarily stem from financial reasons (affordability), followed by travelling distance. Moreover, comparatively high unmet medical needs are reported in rural areas, and people below the poverty threshold report unmet medical needs (3.1%) and unmet dental needs (13.8%) in much higher proportions. In Bulgaria, 40% of Roma report not being covered by the national health insurance scheme or additional insurance schemes, and 6% report unmet medical needs ([359]). As a measure that addresses the 2025 CSR on *improving access […] including by reducing out-of-pocket payments*, the National Health

([357]) *Country Health Profile 2025: Bulgaria* – see earlier footnote.

([358]) European Commission: Directorate-General for Health and Food Safety, Cruces et al. (2025), The role of healthcare in reducing inequalities and poverty in the EU. As regards health coverage, poverty and income refer in the present analysis to a different measure than the one usually reported, which is defined for instance in Annex 12. Here, it also estimates the impact of benefits in kind, while the standard measure only accounts for cash transfers.

([359]) Roma Survey 2024 | European Union Agency for Fundamental Rights.

Insurance Fund (NHIF) has been expanding several types of reimbursement. Since 2024 the NHIF reimburses fully over 400 medicines for the home treatment of chronic CVDs, which aims to increase equality of access and adherence to prescribed therapies.

There are not enough nurses and general practitioners (GPs), and shortages are more severe in some rural and remote areas. Employment in healthcare in Bulgaria dropped between Q1-2020 and Q2-2025 (compared with a 9.9% increase for the EU as a whole). The number and age profile of practising nurses and doctors still poses a significant challenge to the long-term accessibility of health services (see 2025 Country Report), as pointed out in the 2025 CSR. Moreover, the number of GPs has fallen over the past decade, and their share is very low compared with specialists. The situation is worse in rural and hard-to-reach areas (see Annex 18): as in 2023, the number of GPs relative to the population size varied more than two-fold across regions, from 3.1 to 8.4 GPs per 10 000 people ([360]).

Bulgaria has taken several measures whose successful implementation would help address the 2025 CSR on *tackling the shortages and uneven distribution of health professionals*. The *National Map of the Long-Term Needs of the Healthcare Sector* adopted in 2022 is part of a key reform under the RRP aimed at improving the attractiveness of healthcare professions and promoting a more balanced distribution of healthcare professionals across the country. Other reform measures aimed at addressing workforce shortages include scholarships, more university places, better remuneration and increased reimbursement by the NHIF, in particular for medical personnel in hard-to-reach and/or remote areas. In 2025, over 100 contracts were signed with young medical specialists, financially incentivising them to work in less densely populated locations facing shortages. As a first step to addressing the shortage of nurses, tuition fees for nursing studies were abolished in 2025. However, poor remuneration and working conditions are discouraging young people from entering nursing studies, prompting them to drop out of the course before completion or emigrate to seek better opportunities (approximately one third of nursing graduates leave the country shortly after qualifying ([361]).

Bulgaria has yet to fully embrace e-health opportunities, especially for hard-to-reach areas. Investments to boost the digital transformation of Bulgaria's health sector, potentially improving the effectiveness of and access to healthcare, are planned under the 2021-2027 cohesion policy or as part of the RRP. This has led to the roll-out of the National Health Information System. Another measure seeks to develop a platform for medical diagnostics. Bulgaria has also launched a project aimed at integrating telemedicine into the healthcare system. Meanwhile, the digitalisation of Bulgaria's health system (see Annex 7) and its uptake of e-health still lag behind other Member States and are unevenly distributed across the population, varying according to people's socio-economic background (see 2025 Country Report). In 2024 and 2025, Bulgaria carried out a national campaign with info points, focused on supporting the installation of the e-health application. To date, their impact on people's actual use of the app is still modest ([362]).

([360]) *Country Health Profile 2025: Bulgaria* – see earlier footnote.

([361]) *Country Health Profile 2025: Bulgaria* – see earlier footnote.

([362]) See also Annex 13 on general digital skills.

Bulgaria continues to face challenges related to housing quality and affordability that need well-targeted policies. While the housing cost overburden has decreased, vulnerable people face unaffordability in a disproportionate way. Inadequate housing conditions are still widespread among the most vulnerable, especially Roma. Young Bulgarians are highly affected by prolonged dependence on family and their inability to afford a house. Lack of support and lack of accessibility in their own homes continues to cause persons with disabilities to be institutionalised, posing a barrier for the deinstitutionalisation process in Bulgaria.

Increasing housing demand results in rising house prices, weighing on affordability. At the same time, delivery of supply is slow, making it difficult to meet demand. Construction prices have increased sharply since the pandemic, and the construction sector is facing labour shortages.

The country lacks a long-term social housing system with dedicated public funding and integrated measures for the homeless and for other groups in need, such as persons with disabilities. Municipal housing does not exceed 0.8% of the total housing stock and is shrinking. Municipalities are responsible for providing social housing for those in need, including accessible housing. However, there is no strategic framework and a lack of coordination between national and local administrations. Due to political instability and uncertainty, the long-term housing strategy is still being adopted. There is no updated monitoring system to count people experiencing homelessness, nor statistical data on the housing needs of persons with disabilities. The legislation on social services lacks concrete services for homelessness prevention and reintegration.

A significant portion of the housing stock remains vacant – despite the strong demand – with a higher proportion in some rural areas. Policy plans to mobilise vacant housing in the market (e.g. as social housing) are limited.

The rental market remains relatively unregulated and small. Discrimination is widespread and tenant protection measures are limited. The national programme for accessible housing is restricted to homeowners and does not cover tenants

Bulgaria faces capacity and coordination challenges in terms of land-use planning and zoning procedures. Restrictive and slow planning procedures as well as regulatory clearance stages need significant improvement.

Housing Market developments

Recent data show that nominal house prices – while accelerating – grew less than domestic incomes, resulting in negative house-price-to-income growth**.** Annual growth in nominal house prices reached 16.5% in 2024 (Graph A16.1), and 14.6% in 2025 ([363]) with prices now showing signs of overvaluation of around 19% (based on the standard European Commission methodology). The price growth is explained by strong demand from buyers, fuelled by rising incomes, accommodative financing conditions and somewhat limited growth in housing supply. Despite rising house prices, the price-to-income ratio continues to trend downwards (in 2025, it stood around 15% below long-term average), owing to the sustained double-digit annual income growth observed in recent years. Regional differences in house price growth are notable, with the bulk of growth being concentrated in urban areas, especially in Sofia and Varna ([364]). The rental market is relatively small, an owner occupancy rate of about 86 ([365]). Rental prices

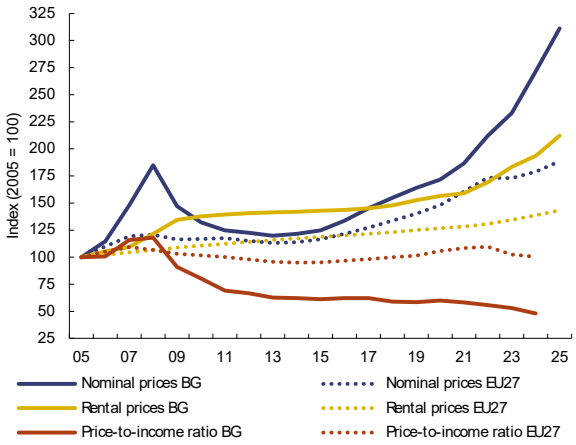
([363])Source: Eurostat dataset [prcp_hpi_q].

([364]) According to the regional House Price Indices published by the Bulgarian National Statistical Institute.

([365])Eurostat ([ilc_lvho02] Distribution of population by tenure status, type of household and income group).

(including existing and new rental contracts) grew at a rate of 9.6% in 2025 (up from 5.6% in 2024).

Graph A16.1:**House prices, rents and price-to-income evolution in BG and EU27 since 2005**

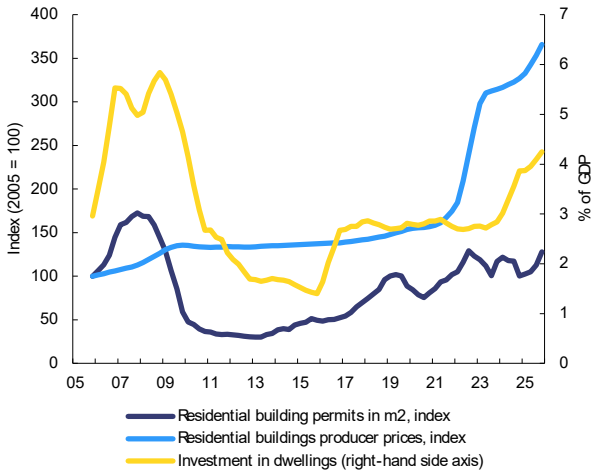


Source: Eurostat

Rising house prices were mostly the result of strong demand for housing. Rising incomes and an underdeveloped capital market contributed to the robust demand. Strong competition between banks and abundant liquidity in the banking sector translated into near-zero interest rates on deposits. This in turn led to low lending rates, which, together with rising incomes and a low (though growing) level of household indebtedness, fuelled housing demand. Looking forward, the outlook for house prices is unclear, given the presence of counteracting factors likely to influence housing market dynamics. On the one hand, wage growth is expected to cool down, and borrower-based macroprudential policies introduced in late 2024 could limit further acceleration of credit growth. This could exert a downward pressure on house prices. On the other hand, the changeover to the euro in 2026 reduces reserve requirements in the banking sector, increasing the available liquidity in the sector, which could stimulate credit and house price growth.

Residential investment has been increasing in recent years, but not enough to contain house price increases given growing housing demand. Investment in dwellings was 3.9% of GDP in 2024, reaching levels similar to its pre-financial crisis peak. Investment increased further, reaching close to 4% in Q3 2025, which suggests a potential easing of supply constraints in future. The residential permits by residential area built has substantially increased from their post-financial crisis low but remain lower than pre-crisis levels (see Graph A16.2).

Graph A16.2:**House supply indicators in BG since 2005**



Source: Eurostat

Construction prices have increased sharply since the pandemic. The cumulative growth in the Bulgarian construction price index between 2021 and 2024 was 87.3%, much above the EU-27 average of 22.6% ([366]). This increase reflects both the higher costs of inputs and rising wage costs, which are partly driven by labour shortages.

The construction sector lacks workers. Since 2023, construction workers are regularly included among the 20 professions for which employers in Bulgaria report the highest demand ([367]). In addition, the Commission's business survey ([368]) shows that 42.3% of

([366]) See Eurostat [STS_COPI_A] dataset.

([367]) https://www.az.government.bg/pages/prouchvane-potrebnosti-2025/.

([368]) Source: European Business and Consumer Surveys, data until October 2025.

employers in the construction sector expect labour shortages to constrain production, compared with an EU average of 27.5%.

Structural policies

Political instability and uncertainty made it difficult to implement long-term housing strategies in Bulgaria. The national housing strategy 2018-2030, which has never been adopted, was an attempt to create a coherent housing policy. It provided a framework for the development of the housing sector, containing a package of public housing policy objectives, the means to achieve them and the respective responsibilities of stakeholders, including citizens, the state, municipalities, and the private and non-governmental sectors.

In Bulgaria, about 86% of households are owner-occupiers and 14% are tenants ([369]). This overwhelming majority of home owners is partly as a the privatisation carried out after 1989 as part of the country's transition into a market-oriented economy. This trend has been reinforced by the absence of a robust rental market and limited state intervention in housing ([370]).

Bulgaria does not have an official definition of social housing, instead relying on municipal housing, which is available to, among others, people with housing needs ([371]). There are no national criteria on determining these needs, with rules differing across municipalities. The sector appears underdeveloped, with the OECD estimating that only about 1.5% of households rely on municipal housing units. In Bulgaria, social/public housing is a competence and responsibility of municipalities, but no state funding is dedicated to municipal housing. Local governments are required to have their own housing policy and criteria (in line with the Municipal Property Act) to provide social housing for those in need, but public social housing policy is inadequate both in terms of quality and quantity([372]). The sector has no strategic framework and lacks coordination between national and local administrations. Municipalities have the responsibility for investing in housing with few resources available to achieve this goal, but can rely on financing from EU funds.

A significant portion of the housing stock is vacant (38.9% as of 2021), with a higher proportion in some rural areas. Sofia is affected by a high level of vacant property (over 25%), despite the high housing demand. The many competing explanations are dominated by depopulation and migration from rural areas, as well as ownership disputes and the purchase of new housing for investment that remains unoccupied in the main urban areas. Policy plans to use vacant housing in the market (e.g. as social housing) are missing and have emerged only in advocacy activities of the NGO sector (e.g. Habitat for Humanity Bulgaria).

Since 2007, significant EU funding has been provided for energy efficiency renovation and other measures. Over EUR 300 million of European Structural and Investment Funds have been provided for energy efficiency renovation measures in public and residential buildings, including structural (and seismic) strengthening, heating and air conditioning

([369]) Eurostat data [ilc_lvho02].

([370]) ESPON european-compendium-of-housing-policies.pdf.

([371]) Municipal Property Act, Articles 43-45, available at: https://www.lex.bg/laws/ldoc/2133874691. Municipal housing is housing owned by a municipality, which can be used for either social housing, reserve housing (in the event of temporary accommodation due to natural disasters for example), or general property for the municipality to sell. As a result, Bulgaria does not have social housing officially.

([372]) UNDA Report 'Lessons learned from the OPRG 2014-2020 and recommendations for the PDR 2021-2027 and other relevant plans' (2021)- 11 Tranche Project 'Strengthening the capacities of national and local governments to formulate and implement evidence-based and participatory housing policies and strategies'.

systems, integrated renewable energy installations, and building digitalisation. The Recovery and Resilience Facility alone provides financing of EUR 612 million for these purposes. It also includes a commitment to set up a national decarbonisation fund to offer grants and financial and technical assistance, combined with financial instruments including loans and guarantees, for energy efficiency renovations. There are no targets for renovating existing housing on the private market to make it accessible, for accessible newbuild housing or for accessible social housing, whether newbuild or existing.

The rental market remains relatively unregulated and small – less than 5% of the housing stock is leased on the formal rental market – leaving many households that cannot afford to buy with limited quality rental options ([373]). Tenants often face difficult dwelling conditions, insecure contracts and a lack of protection against evictions. The absence of affordable housing programmes and the limited scope of current initiatives pose significant challenges for addressing Bulgaria's affordability challenges.

Land-use planning, complex re-zoning procedures and uneven local administrative capacity limit housing supply responsiveness, particularly in high-demand urban areas, and weaken incentives for densification and redevelopment. Bulgaria's spatial planning instruments – including the national concept for spatial development and municipal detailed plans – are frequently slow in responding to market and demographic trends, limiting the availability of residential land in high-demand urban areas. The wide gap between permits and the subsequent construction activity suggests bottlenecks in planning and regulatory clearance stages. The number of building permits has increased sharply in the last decade (nearly quadrupling between 2010 and 2022), but has not fully translated into an equivalent number of housing completions.) Delays in implementation can be linked to planning and infrastructure challenges. Bulgaria has taken steps to improve regulatory management, especially via its recovery and resilience plan, by introducing building information modelling to increase administrative capacity and by setting up the unified information system for spatial planning to digitalise procedures and increase transparency. Capacity and coordination efforts should continue to improve effective implementation of regulations across sectors, including land use and housing policy.

Vulnerable groups

Municipal housing represents 0.8% of the total housing stock of Bulgaria and it is shrinking. This suggests a total municipal stock of approximately 32 225 dwellings, accommodating a total of 82 240 people (1.2% of the population ([374]). Most municipalities, 216 of 265, offer municipal housing, but 27.5% of the dwellings are in Sofia, indicating regional disparities. The quality of housing is critical, with 50% of stock deemed in a bad condition, and 9% characterised as uninhabitable.

Public expenditure in the housing sector, and especially funding targeted to lower income and vulnerable groups, is less than 2% of the overall annual state budget. According to available data on government expenditure by function ([375]), while public expenditure on supporting housing development amounted to 1.7% of the total government budget in 2019, expenditure

([373]) World Bank Document 2025.

([374]) Habitat for Humanity Bulgaria and the Ministry of Regional Development and Public Works, 2023. Първо проучване на общинския жилищен фонд в България - Habitat for Humanity - Bulgaria.

([375]) Eurostat, General government expenditure by function (COFOG) Government expenditure by function – COFOG - Statistics Explained - Eurostat.

related to housing as part of social protection represented only 0.2% of the total budget. For 2020-2024, no data are available on overall housing expenditure, only data on social protection expenditure. The social housing benefits paid out in this period were very small.

The Bulgarian population faces a significant overcrowding issue and severe material and social deprivation. 16.6% of Bulgarians experience severe material and social deprivation ([376]) while 32.5% ([377]) of Bulgarians also live in overcrowded homes. These rates are significantly higher among Roma. Severe housing deprivation affects 5.5% of the population ([378]). The repair and upgrade of buildings is a challenge, due to households' limited financial resources, which has significant economic, environmental, health and demographic repercussions.

Housing affordability and quality concerns are disproportionally more prevalent among lower income and rural households. The overall housing cost overburden rate markedly decreased by 3.3 percentage points (pps) in 2024 vs only 0.6 pps in the EU, due to strong income growth ([379]). Yet, around 30% of the poorest quintile of households and 9.3% of rural residents were affected by housing cost overburden compared with only 8% of the general population in 2024. In a similar vein, housing deprivation (leaking roof, damp walls, etc.) is much more widespread for households at risk of poverty (18%) than the general population (8.4%). Overcrowding also disproportionally affects households at risk of poverty (42.9%), but the rate is also very high among all households (33.8%), one of the highest in the EU (EU average: 16.9%).

Bulgaria faces a severe energy poverty crisis. One fifth (20.7%) of households in Bulgaria (1.8 million people) cannot afford to keep their dwelling adequately warm. This is the highest share among EU Member States ([380]). The government lags behind in introducing mechanisms for the energy poor households, introducing schemes to tackle them and monitor the progress.

Limited housing affordability and low job mobility are trapping many young Bulgarians in prolonged dependence on family. 48.8% of Bulgarians aged 25–34 are unable to afford a house and are therefore still living with their parents or other family ([381]).

There are no targeted policies to tackle homelessness or monitoring systems ([382]). Shelters and temporary accommodation centres are available as dedicated social services for the homeless with a total capacity of 885 people for the country as a whole ([383]). There are no specific measures to prevent homelessness or with a specific focus on the social reintegration of homeless people, except for temporary accommodation centres and shelters, which are at full capacity in winter. The Law on Social Services adopted in 2019 is setting up a broader framework of social services to support vulnerable people from 2021. However, by design, this service is not intended to address long-term housing needs or to resolve structural housing problems of homeless persons. Its primary purpose is to

([376]) Eurostat 2024 Severe material & social deprivation rate in EU: 6.4% - News articles - Eurostat .

([377]) Eurostat 2025 [ilc_lvho05a] Overcrowding rate by age, sex and poverty status - total population.

([378]) Eurostat 2025 [ilc_mdho06c] Severe housing deprivation rate by tenure status.

([379]) The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([380]) Eurostat 2024.

([381]) Eurostat 2019.

([382]) Ministry of Labour and Social Policy, 2025.

([383]) Agency for Social Assistance, available at https://asp.government.bg/bg/deynosti/sotsialni-uslugi/sotsialni-uslugi-za-palnoletni-litsa/registar-na-vidovete-sotsialni-uslugi-finansirani-ot-darzhavniya-byudzhet/.

provide immediate protection, crisis support, and short-term stabilization.

Beyond the above-mentioned social services for homeless people, Bulgaria does not have stand-alone policy instruments to tackle housing deprivation and affordability issues. Social assistance for rent is available solely to tenants of municipal dwellings who are over 70 years old and living alone, or who are single parents ([384]). According to the Agency of Social Assistance, only 37 people received such support throughout 2024, illustrating the low coverage. Nevertheless, Bulgaria has incorporated housing and homelessness as a priority in its broader goal of reducing poverty. Under the national strategy for poverty reduction and promotion of social inclusion 2030, measures such as the development of cross-sectoral services for homeless adults and children, housing stock assessments, provision of modern affordable municipal housing (including for Roma), were outlined as essential for addressing housing difficulties and homelessness. The latest two-year action plan (2025-2026) includes a new concept of housing mediators, but their role in practice remains unclear.

The situation for persons with disabilities is more precarious than for the general population, especially in terms of accessibility and institutionalisation. The national strategy for persons with disabilities (2021–2030) emphasises the need for accessible housing, but there are no binding targets. The 2025-2026 action plan for the implementation of the strategy introduced a specific target for new or modernised social housing for 1 247 persons with disabilities in 2029, to be financed with close to EUR 32.4 million under the development of regions programme (Placeholder for REGIO to confirm]. The national programme for an accessible environment and personal mobility is also providing around EUR 1.3 million annually to build accessible environments in residential buildings, with a target of 100 facilities by the end of 2026. However, the allocated resources do not appear commensurate to the challenge, as 82.4% of all buildings were estimated to be inaccessible in 2021 ([385]). The lack of sufficient accessible affordable and social housing and of housing support in the community is stalling the process of deinstitutionalisation of adults with disabilities.([386])

Inadequate housing conditions are still widespread among the Roma population. According to the EU Fundamental Rights Agency's Roma Survey 2024 ([387]), more than half of Roma in Bulgaria live in inadequate housing, almost one fifth still live in houses without water supply, close to half of Roma houses are not connected to the central sewerage system, and one third have no bathrooms inside. Access to housing is one of the seven priorities outlined in the national strategy for Roma inclusion 2021-2030, but, despite the improving trend in recent years, in 2024, 57% of Roma still lived in unsuitable accommodation, indicating housing deprivation. In four years, the share of Roma living in overcrowded dwellings increased by 7 pps to 79% in 2024. One in three Roma has no flushing toilet, shower or bathroom available. Between 2019 and 2024, 2% of Roma in Bulgaria were forced to leave due to eviction or distraint ([388]). Eligibility criteria in municipal housing are set independently by each municipality and may include requirements such as having completed a certain level of

([384]) Art 14 of the Implementing Act of the Social Assistance Act (https://www.lex.bg/laws/ldoc/-13038592.

([385])A crisis on the horizon: Ensuring affordable, accessible housing for people with disabilities, OECD, 2021.

([386]) EDE, Accessible and sustainable housing for persons with disabilities Bulgaria, 2026; EDE disability expertise Semester reports, several years; UN Committee on the rights of persons with disabilities, initial review of Bulgaria, 2018.

([387])FRA 2024; https://fra.europa.eu/en/publications-and-resources/data-and-maps/2025/roma-survey-2024.

([388]) FRA Roma survey 2024.

Graph A16.3:**Housing affordability selected indicators**

		EU27				BG							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	73.7	66.9		YoY%	-4.8	-9.2	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	56.8	53.9	53.1	YoY%	-1.9	-5.2	-1.5
Overburden rate, total	%	9.9	8.8	8.2		13.4	11.1	8.0	6.9	PPS/y	-4.0	-3.1	-1.1
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		39.6	33.3	27.8	31.7	PPS/y	-5.2	-5.5	3.9
Overvaluation gap	%					0.4	6.3	14.4	19.2				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	113.8	169.9	172.2	185.9	YoY%	11.2	2.3	13.7
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	567.7	837.7	714.1	918.4	YoY%	-3.3	-14.7	28.6
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	2.9	2.8	3.9	4.2	YoY%	0.0	39.3	7.7
Share of ownership	%	70.0	69.1	68.4		85.3	86.1	86.0	86.1	PPS/y	1.3	-0.1	0.1
Share of people living in overcrowded homes	%	17.7	16.8	16.9		42.2	34.9	33.8	32.5	PPS/y	-1.3	-1.1	-1.3

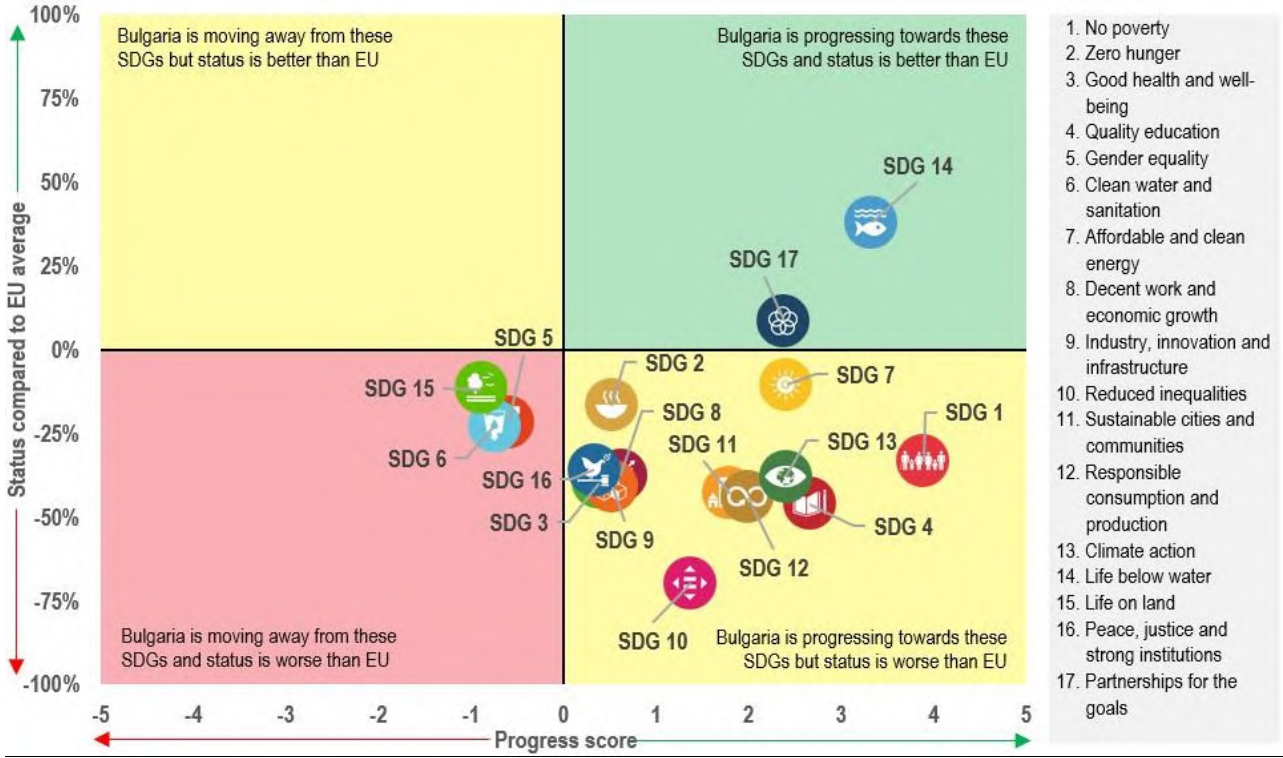
Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

education, which can exclude vulnerable groups, including Roma.

This annex assesses Bulgaria's progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness, and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in an EU context.

Bulgaria is improving on indicators related to *competitiveness* (SDGs 4, 8, and 9) but needs to catch up with the EU average on indicators regarding decent work and economic growth. Indicators under SDG 4 (Quality education) developed positively, particularly on basic education. Participation of children aged 3+ and over in early childhood education increased from 87.6% to 89.3% between 2019 and 2024 (EU average: 95%). Moreover, Bulgaria has improved significantly regarding the percentage of early leavers from education and training. It now performs better than the EU average, reducing its percentage of early leavers aged 18-24 from 13.9% in 2019 to 8.6% in 2025 (EU average: 9.1%). On SDG 8 (Decent work and economic growth), Bulgaria's employment rate of people aged 20 to 64 climbed from 76.8% in 2024 to 77.0% in 2025,

Graph A17.1:**Progress towards the SDGs in Bulgaria**



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

exceeding the EU average of 76.1% in 2025. Similarly, the percentage of young people neither in employment nor in education and training (NEET) decreased from 16.6% in 2019 to 13.8% in 2025 (EU average 2025: 11 %). The long-term unemployment rate decreased to 1.5% in 2025, below the EU average of 1.9%. However, Bulgaria is regressing on indicators related to decent work, with the in-work at-risk-of-poverty rate rising from 8.9% (2019) to 11.8% (2024), above the EU average (8.2%). Bulgaria has made some progress on R&D and innovation indicators (SDG 9), with 41.2% of the population aged 25 to 34 having tertiary educational attainment in 2025, compared to 32.6% in 2019, thereby reducing the gap to the EU average of 44.8%. Regarding sustainable infrastructure indicators, both Bulgaria and the EU average have worsened in recent years. In Bulgaria, the share of buses and trains as a percentage of inland passenger transport decreased from 14.2% to 11.2% between 2018 and 2023 (EU: 17.0% to 16.9%). Similarly, the share of rail and inland waterways in Bulgaria's freight transport decreased from 53.2% in 2019 to 39.9% in 2024 (EU: 24% to 21.8%).

Bulgaria is improving on several indicators related to *sustainability* (SDGs 7, 9, 11, 12, 13, 14) but often remains below the EU average. Indicators under SDGs 2, 6, and 15 still have room for improvement. Bulgaria is progressing on some of the indicators under SDG 2 (Zero hunger). While the use and risk of chemical pesticides decreased by 45% between 2015-2017 and 2023, the average nitrate level in groundwater increased from 27.5 mg NO_3/l to 29.2 mg between 2018 and 2023 (EU average: 18.1 mg). On SDG 6 (Clean water and sanitation) Bulgaria is improving on water quality, but the percentage of areas experiencing drought-related ecosystem stress increased significantly (up 1.4% to 20.1% between 2019 and 2024). Bulgaria is advancing on affordable and clean energy (SDG 7). Final energy consumption in households per capita fell from 327 kilograms of oil equivalent (kgoe) in 2019 to 305 kgoe in 2024, below the EU average of 507 kgoe. Energy poverty also declined. The percentage of the population unable to keep their homes warm enough fell significantly from 30.1% to 19.1% between 2019 and 2024, although the rate is still double the EU average of 9.2%. Under SDG 9 (Industry, innovation, and infrastructure) the air emission intensity of fine particulate matter (PM2.5) from industrial output in Bulgaria fell from 0.19 to 0.17 g/EUR between 2018 and 2023, but was still over three times higher than the EU average of 0.05 g/EUR. Bulgaria needs to catch up regarding sustainable cities and communities (SDG 11), as the recycling rate of municipal waste reduced significantly from 31.5% in 2018 to 16.7% in 2023 (EU average: 47.9%). Bulgaria is progressing on SDG 12 (Responsible consumption): energy productivity of economic output increased from 2.5 to 3.0 EUR/kgoe, still behind the EU average of 10 EUR/kgoe. The cost of climate-related economic losses decreased from EUR 31.3 per inhabitant in 2019 to EUR 29.2 in 2024 (SDG 13). On ocean health (SDG 14), the percentage of coastal bathing water with excellent quality significantly increased from 67 to 97.8% between 2019 and 2024, above the EU average of 88.8%. Life on land (SDG 15) shows stable trends with the exception of the increase in drought impact (see SDG 6).

Bulgaria continues to improve on the SDGs related to *social fairness* (SDGs 1, 3, 5, 7, 10), but a significant gap to the EU average remains on the indicators for quality education (SDG 4) and decent work and economic growth (SDG 8). There has been an overall improvement towards SDG 1 (No poverty), with most indicators showing positive trends. Bulgaria further reduced its rate of persons at risk of poverty or social exclusion from 33.2% in 2019 to 30.3% in 2024 (EU average 2024: 21%). It is also improving on SDG 5 (Gender equality), where the gender employment gap was 7.4 percentage points in 2025 compared to 8.1 in 2019. On SDG 7 (Affordable and clean energy) most indicators have improved or stalled compared to 2019. The percentage of renewable energy in gross final energy consumption increased from

21.5% in 2019 to 23.2% in 2024. The country is also improving on SDG 10 (Reduced inequalities). For instance, the urban-rural gap for risk of poverty or social exclusion dropped from 25 percentage points difference in 2019 to 18.7 percentage points in 2024. Bulgaria needs to catch up with the EU average on SDG 3 (Good health and well-being): while indicators like the share of unmet needs for medical care (1.1% compared to 2.5% in the EU in 2024) show targeted improvements, others show a need for further action. These include life expectancy at birth (71.3 years compared to 75.3 years in the EU in 2023) and premature deaths due to exposure to fine particulate matter (104 per 100 000 people compared to 41 in the EU in 2023). At the same time, SDG 4 (quality education) and SDG 8 (decent work and economic growth) show a more mixed picture: the share of adults with at least basic digital skills increased from 31.2% in 2021 to 38.3% in 2025 but is significantly behind the EU average (60.4%). The Bulgarian European Social Fund Plus (ESF+) and RRP include measures to address most of these challenges. In particular, the plan contains measures to improve the quality and effectiveness of education, strengthen the provision and availability of health services, improve the minimum income scheme and support social inclusion.

Bulgaria continues to perform well on SDG 17 (Partnerships for SDGs). It is stalling on *macroeconomic stability* indicators (SDGs 8 and 16), where it still needs to catch up with the EU average. Bulgaria performs 26.9% better than the EU average on SDG 17 (Partnerships for the goals) indicators. The Bulgarian debt-to-GDP ratio for 2025 was 29.9%, which is well below the EU average of 81.7%. While the percentage of the population reporting crimes (SDG 16) has dropped from 21.8% in 2018 to 15.6% in 2023, the country is lagging behind the EU average (10%). The percentage of the population with a very good or fairly good perception of the independence of the justice system decreased from 34% in 2019 to 27% in 2025. Regarding sustainable economic growth (SDG 8), the country still needs to catch up with the EU on real GDP per capita, although it increased from EUR 9 650 in 2019 to EUR 11 710 in 2024.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Regional development trends

Since joining the EU in 2007, Bulgaria's regions have shown strong convergence towards the EU average in terms of GDP per head (in purchasing power standard, PPS). Bulgaria's GDP per head has risen markedly since 2007, increasing from 41% of the EU average to 66% in 2024. Within Bulgaria, all six NUTS 2 regions improved their relative GDP per head positions vis à vis the EU average. The region where the capital of Sofia is located, Yugozapaden, saw an increase from 66% of the EU average in 2007 to nearly 108% in 2024. The gap between Yugozapaden and the least developed region over this period has grown from 38 percentage points to 66. All regions remain below 75% of the EU average GDP per head, except Yugozapaden (Map A18.1) ([389]).

Map A18.1: **GDP per head compared with the EU average.**

2021-2023 average GDP per head in purchasing power standard compared with the EU average.
Source: Commission calculations based on Eurostat 16 July 2025 data

([389]) A territorial reorganisation of the Bulgarian NUTS 2 regions is under way, without affecting eligibility categorisation as per Map A18.1.

Economic activity in Bulgaria remains highly concentrated in the capital, which generates about half the national GDP, and there are strong disparities between the other regions. These disparities in GDP per head between and within the Bulgarian regions are reflected in differences in: (i) labour productivity; (ii) demographics; (iii) education and training; (iv) employment; (v) wages; (vi) poverty and social exclusion; (vii) infrastructure; (viii) competitiveness; and (ix) research and innovation performance. These indicators are all typically worse in the north-west of the country, but also in some municipalities in southern Bulgaria, with a clear divide between urban and rural areas.

Though several regions have recorded population growth since the COVID-19 pandemic, the country's overall population continues to decline, exacerbating territorial divergence. Between 2015 and 2024, the population of all Bulgarian regions shrank, with Severozapaden and Severen tsentralen particularly affected. After the pandemic, migration patterns in Bulgaria reversed, bringing significant changes to demographic indicators at regional level ([390]). Improved migration dynamics have led not only to positive net inflows but also to population growth in certain areas. In 2024, all southern planning regions, as well as the north-east, reported population growth – a first in over 30 years. Only the Severozapaden and Severen tsentralen regions continued to see a fall in their populations, albeit on a smaller scale than before.

Labour productivity has steadily increased but regional disparities persist. Bulgarian regions rank among the bottom 20% of EU regions for labour productivity (Graph A18.1).

([390]) Institute for Market Economics (2024): White Paper: Unlocking Growth.; Adrian Nikolov (2025): Positive migration continues, but the demographic problem is far from solved.; Adrian Nikolov (2025): Demographic processes in municipalities are normalizing, but with more migration.

However, labour productivity is the highest in the Yugozapaden region at 72%. This contrasts sharply with Yuzhen tsentralen and Severen tsentralen, the least productive regions, at 39-41% of the EU average. In these two regions, manufacturing and industry as well as agriculture are the dominant sectors.

Table A18.1: **Main development trends, challenges and the concentration of resources**

	Main development trends
Less developed regions (population 4.4 million)	Bulgaria has five less developed regions, which are ranked among the least competitive in the EU. They are predominantly located in the northern and south-eastern parts of the country. Severozapaden is the most consistently underdeveloped region and one of the poorest in the entire EU. Less developed regions tend to have a larger share of employment and output in value-added activities, such as agriculture, traditional manufacturing and basic services, which limits growth potential relative to more diversified or knowledge-intensive regions. All less developed regions show gradual convergence towards EU averages over time, but gaps between these regions have barely narrowed. The significant regional disparities in Bulgaria have led to ongoing discussions and proposals for redrawing the NUTS 2 map to better implement EU cohesion policies and ensure more balanced development and access to EU funds.
Transition region (population 2 million)	Since the 2021-2027 programming period, Yugozapaden region has been a transition region. With the capital Sofia located here, Yugozapaden is by far the most economically developed region in Bulgaria, exhibiting a wide gap compared with the country's other five regions. The region produces approximately half of Bulgaria's GDP, driven mainly by activity centred in Sofia. This includes services, high-tech, finance, logistics and manufacturing industries. However, there are also severe internal disparities in Yugozapaden, and the region suffers from labour market mismatches, demographic pressure and challenges to social inclusion.
Specific territories	There is a clear divide between dynamic urban cores and peripheral and rural regions, especially in north-west Bulgaria and other parts of the north. In these regions, GDP per capita, income levels, employment opportunities and access to services remain significantly lower than the national averages. Many small towns and rural areas face ongoing population loss, ageing and out-migration, leading to 'demographic deserts', with shrinking labour forces outside major cities. Bulgaria's coastal areas combine high economic potential and strategic importance with environmental sensitivity and seasonal, spatial and social imbalances, making integrated and sustainable territorial development particularly critical. Roughly 70% of tourism revenue is generated in the summer months, the highest share in the EU. Regions on the south-eastern coast are particularly exposed to tourism's high seasonality. While tourism is a major contributor to national GDP and employment, it also creates economic vulnerabilities, such as revenue instability, short-term jobs, labour shortages in peak season, and underused infrastructure in the off-season.
National cohesion aspects	Bulgaria's transport system remains one of the critical structural bottlenecks to competitiveness and balanced regional development. Despite gradual modernisation along the main axes of the Trans-European Transport Network (TEN-T), significant disparities in road and rail quality and accessibility remain across the country. The north–south divide is particularly striking: northern regions continue to lag behind the better-connected southern part of the country, with outdated infrastructure, incomplete motorways, and limited maintenance of secondary roads. In addition, parts of the national road network and sections of the TEN-T corridors are increasingly exposed to climate-related risks. These risks include flooding, landslides and extreme heat, which all pose growing challenges for infrastructure resilience and long-term service reliability. Investments in connectivity, climate-resilient design and transport infrastructure are key to unlocking the potential of the regions. Priority allocation of funds is needed for sustainable transport infrastructure and connectivity in northern Bulgaria, ensuring horizontal and vertical connectivity across the entire northern territory, and breakthrough links to southern Bulgaria. Additionally, boosting investments in the country's railway network and sustainable urban transport will be crucial. Bulgaria's water and sewerage infrastructure faces persistent structural weaknesses that threaten service reliability, environmental compliance and climate resilience. Despite gradual progress in modernisation, the sector continues to struggle with ageing assets, high leakage rates and uneven investment capacity across regions. It could be beneficial to prioritise investments in access to clean and reliable water supplies, especially in municipalities with frequent restrictions, poor quality and high network losses. Replacing and modernising water supply and sewerage systems needs particular attention, including the adoption of smart monitoring and leakage detection technologies.

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1

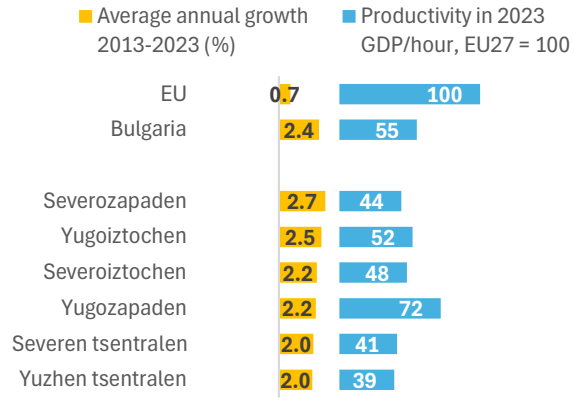
Table A18.2: **Key regional indicators (at NUTS 2 level) for Bulgaria**

	GDP per head (PPS, index)	Population growth	Net migration	Real GDP per head growth	Real productivity growth (per hour worked)	Employed with high educational attainment	Employment in high-technology sectors	Unemployment rate	At-risk-of-poverty or social exclusion rate (AROPE)	R&D expenditure
	EU27=100	Average annual change per 1000 residents	Average annual change per 1000 residents	Average annual % change	Average annual % change	% of employed aged 25-64	% of total employment	% of labour force	% of population	% of GDP
	2024	2015-2024	2015-2024	2014-2024	2013-2023	2025	2025	2025	2025	2023
EU	100	1.8	3.5	1.4	0.7	41.5	5.1	6.0	21.0	2.24
Bulgaria	66	-8.8	-0.7	3.8	2.4	40.8	5.3	3.5	29.0	0.77
Severozapaden	42	-18.1	-4.1	3.9	2.7	34.0	1.8	7.3	33.5	0.26
Severen tsentralen	43	-17.0	-4.7	2.8	2.0	36.9	2.7	4.0	33.8	0.34
Severoiztochen	51	-9.7	-1.8	2.8	2.2	43.6	3.0	3.9	27.7	0.39
Yugoiztochen	57	-8.0	-1.0	3.8	2.5	36.7	2.4	4.6	35.8	0.27
Yugozapaden	107	-3.4	1.9	4.0	2.2	47.4	10.2	1.9	19.8	1.25
Yuzhen tsentralen	43	-7.8	0.1	3.5	2.0	34.9	3.2	3.2	34.4	0.41

Dark green – the indicator is at least 120% the EU average.
Light green – the indicator is at least 100% but less than 120% of the EU average.
Yellow - the indicator is at least 90% but less than 100% of the EU average.
Light red – the indicator is at least 75% but less than 90% of the EU average.
Dark red – the indicator is less than 75% of the EU average.
This colour scale applies to 'positive' indicators where higher values are favourable.

For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
Source: Eurostat and JRC

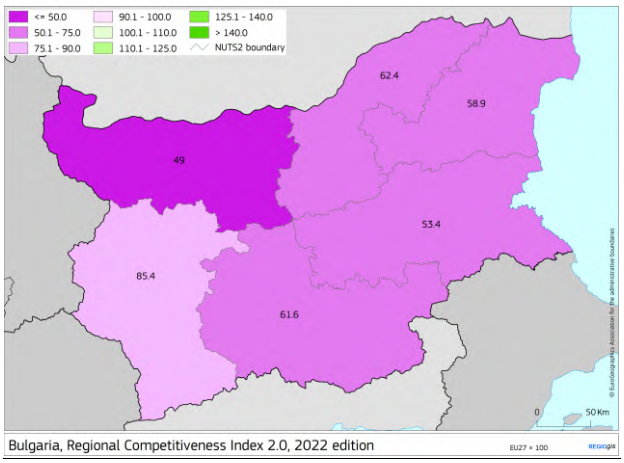
Graph A18.1:**Labour productivity growth (2013-2023) and labour productivity (2023), Bulgaria (NUTS 2 regions)**



Source: Calculations by the Directorate-General for Regional and Urban Policy (REGIO) based on Joint Research Centre (JRC) (ARDECO) data. Note: productivity growth is measured as average annual change

Key challenges for regional competitiveness

Map A18.2:**Competitiveness in Bulgarian regions, 2022**



Source: Bulgaria, Regional Competitiveness Index 2.0, 2022 edition

R&D expenditure remains low and is mainly concentrated in the Yugozapaden region,

reflecting significant disparities linked to differing regional economic structures ([391]). Aggregate R&D expenditure in 2023 was between 0.3% and 0.4% of GDP in all regions, except Yugozapaden, where it was 1.2% due to the capital's higher investment levels However, this figure is still only about half the EU average (see Annex 4 and the country-specific recommendation on increasing public R&D investment and commercialisation). Lower business R&D intensity outside Yugozapaden region is largely due to structural factors, including smaller firm sizes and lower uptake of advanced technologies, which constrain innovation capacity. The high share of employment in less R&D-intensive sectors outside the capital plays a particularly significant role. Agriculture accounts for more than 19% of employment outside Yugozapaden and reaches 26.6% in Severozapaden. Employment in high-technology sectors remains limited, despite some increases over the past decade. In Yugoiztochen, Severozapaden and Severoiztochen, only between 1.4% and 2.1% of workers were employed in high-technology sectors in 2024. Strengthening linkages with multinational companies could help improve domestic firms' integration into their value chains and generate knowledge transfer and spillover effects (see Annex 5). Cohesion policy investments, aligned with the smart specialisation strategy, aim to strengthen regional innovation by harnessing local strengths, supporting technology transfer and enhancing linkages between businesses and research institutions. These investments help improve innovation performance and reduce regional competitiveness gaps through targeted and strategic funding. This funding supports, among other things, centres of competence and centres of excellence with a strategic regional role, digital innovation hubs and established regional innovation clusters. These structures play a key role in fostering innovation by: (i) promoting collaboration between local businesses, universities and research organisations; (ii) facilitating knowledge transfer; and (iii) strengthening regional innovation ecosystems. Their impact, however, remains uneven across regions, pointing to the need for further efforts to strengthen cooperation, increase business participation and ensure a more effective translation of research results into marketable innovations, beyond contract research.

High-speed network coverage in rural areas remains very uneven, hampering the integration of peripheral regions into the country's digital economy. Rural, remote and sparsely populated areas still lack adequate high-speed networks, largely because there are limited commercial incentives for private operators to invest there. Rural very high-capacity network (VHCN) coverage is widest (above 95%) in Sofia and Blagoevgrad, while Vidin and Montana fail to reach 65% ([392]). These imbalances limit equal access to digital services and slow the integration of peripheral regions into Bulgaria's broader digital economy ([393]).

Low levels of tertiary education attainment limit the capacity of regions lagging behind to develop a knowledge-based economy. In Severozapaden, Yuzhen tsentralen and Yugoiztochen, only about one out of four people aged 25-64 had a tertiary degree in 2024. By contrast, in the Yugozapaden region, the share (43%) was higher than the EU average (36%). In general, tertiary educational attainment is higher in cities (48%), where it is

([391]) European innovation scoreboard 2025 - Research and innovation.

([392]) OMDIA and Point Topic (2025) Broadband Coverage in Europe 2024: Mapping progress towards the coverage objectives of the Digital Decade.

([393]) Invest Sofia and Institute for Market Economics (2024): Economic and Investment Profile of Sofia 2024; Institute for Market Economics (2023): Economic Centres; Republic of Bulgaria, Ministry of Finance (2023): National Development Programme Bulgaria 2030; OECD (2023): OECD Skills Strategy Bulgaria 2023; World Bank (2024): Country partnership framework for Bulgaria; World Bank (2021): Systematic Country Diagnostic.

comparable to the EU average for cities, and much lower in rural areas (13.6%), where it is even much lower than the respective EU average (26.6%). Accessibility is the main bottleneck to participation in regions lagging behind, in particularly Severozapaden. The region has a considerably lower number of tertiary institutions relative to its population than, for instance, Yugozapaden. These institutions also have a significantly lower number of fields of study to choose from ([394]) (see Annex 13).

Bulgaria's regional development and competitiveness are constrained by the low capacity of local governments. The European Quality of Government Index is uneven across the country but lower than the EU average in general (Table A18.3). The lowest values for the main index are found in Severozapaden, Yuzhen tsentralen and the Yugozapaden region. Moreover, in Yuzhen tsentralen, the index has decreased substantially over the last 15 years (see Annex 7). The lack of capacity of local governments to plan, design and implement projects is a major bottleneck to regional competitiveness and impacts the quality of local services ([395]). This limited capacity is driven by several factors, including the difficulty in attracting skilled staff (see Annex 7) and regions' reliance on dedicated transfers, which undermines the efficiency and fairness of local public finance. There is a lack of financial autonomy at local level and a lack of own resources for investment and policy implementation. Financial disparities between municipalities are striking and remain a core driver of regional inequalities. As a result of depopulation and the subsequent reduced economic activity, most small and rural municipalities rely almost entirely on central transfers, with own revenues often below 10% of their budgets. The current equalisation transfer system is overly complex, fosters dependency and discourages municipalities from improving their revenue collection and attracting investment, undermining the efficiency and fairness of local public finance ([396]).

Table A18.3: **European Quality of Government index (2024)**

	Overall index	Corruption	Quality and accountability	Impartiality
Severozapaden	**-2.4**	-2.6	-2.7	-1.6
Severen tsentralen	**-0.6**	-0.1	-1.4	-0.1
Severoiztochen	**-1.0**	-1.0	-1.4	-0.3
Yugoiztochen	**-1.3**	-1.2	-1.7	-0.9
Yugozapaden	**-1.9**	-1.8	-2.2	-1.5
Yuzhen tsentralen	**-2.3**	-1.5	-2.7	-2.3

Source: European Quality of Government at the subnational level, 2024 edition

Regions and regional development councils have limited capacity for effective territorial planning and coordination. The regions are served by units within the Ministry of Regional Development and Public Works. At the Ministry's level, regional planning does not take territorial needs sufficiently into account. This can partly be attributed to difficulties in practical implementation of strategic documents and not effective integration of priorities across levels. Regional development councils are largely formal structures and not active drivers of policy coordination and investment programming. Therefore, regional perspectives and priorities tend to be

([394]) OECD (2025) Education and Skills in Bulgaria, p. 161.

([395]) OECD (2023) Economic Surveys: Bulgaria; World Bank (2021) Systematic Country Diagnostic: Bulgaria.

([396]) Republic of Bulgaria (2021): Bulgarian Decentralisation Strategy 2016-2025; Centre of Expertise for Good Governance, Council of Europe (2023): Fiscal autonomy and financial management of local administrations in Bulgaria; Centre of Expertise for Good Governance, Council of Europe (2024): Developing fiscal decentralisation and improving local financial management in Bulgaria; World Bank (2025): Rethinking Municipal Finance: Bulgaria Subnational Public Finance Review; Institute for Market Economics (2025): The state of municipal budgets in Bulgaria and opportunities for expanding the financial autonomy of local authorities; OECD (2021): Decentralisation and Regionalisation in Bulgaria: Towards Balanced Regional Development; Institute for Market Economics (2022): Equalisation mechanisms in local finances: Sharing income tax revenues and models for 'smoothing' regional imbalances through targeted transfers; Ganev (2023): The New Horizon for Local Authorities.

overshadowed by national and municipal needs ([397]).

Inter-municipal cooperation remains under-developed in both urban and rural areas, especially for joint investments and services, e.g. in education, transport and health. There are successful examples of partnerships and cooperation between municipalities, with a view to implementing integrated territorial investments. There are few examples of effective inter-municipal coordination (beyond what is mandated for waste, water and sewerage) despite a conducive legal framework that provides for a range of governance and funding mechanisms. Strategic planning remains fragmented across overlapping frameworks, and the current system is overly complex and slow ([398]).

Limited access to key local public services is a challenge to the right to stay, particularly in less developed regions, and hampers the growth prospects of areas lagging behind. Bulgarian municipal responsibilities fall into two categories: (i) shared functions – such as education, social protection and healthcare – managed jointly with the national government; and (ii) exclusive responsibilities, including for housing, water supply and environmental protection ([399]). The provision of key local public services, including healthcare, long-term care, education, transport infrastructure and water supply remains highly uneven across the country, with the largest gaps in the least developed regions, particularly in the north. Given their central role in shaping regional competitiveness and quality of life, persistent deficits in public service provision significantly limit the development prospects of disadvantaged regions ([400]).

Access to healthcare is uneven across regions and is especially problematic in rural areas. The share of people with access to a hospital within a 10-minute drive ranges from 59% in Severozapaden to 81% in the Yugozapaden region. The situation is far worse in rural areas in NUTS 2 regions: only 9% of people in Severoiztochen and 18% in Yugoiztochen have a hospital within a 10-minute drive ([401]). This figure is below the EU average of 30% in other regions too. In addition, physicians are concentrated in urban areas and near medical universities, which creates an uneven distribution of healthcare professionals and shortages in rural regions. The number of people per general practitioner also varies significantly (see Annex 15).

There are large regional disparities in the quality of education coupled with a strong urban-rural divide (see Annex 13). This is clearly apparent in the dramatic differences in PISA scores between urban and rural areas, reaching 93 points for reading scores. These differences are further influenced by students' socio-economic backgrounds. Poorer learning outcomes outside Yugozapaden and large urban centres, such as Plovdiv and Varna, also contribute to students in these regions being less likely to complete upper secondary education. Underlying bottlenecks include a prevalence of smaller schools and a lack of sufficient tools and incentives to support and

([397]) Parashkekova et al. (2021): Administrative Capacity for ITI implementation; OECD (2021): Decentralisation and Regionalisation in Bulgaria: Towards Balanced Regional Development.

([398]) OECD (2021): Reducing Regional Disparities for Inclusive Growth in Bulgaria; Institute for Market Economics (2025): The state of municipal budgets in Bulgaria and opportunities for expanding the financial autonomy of local authorities; Foundation for Local Government Reform & Centre of Expertise for Good Governance, Council of Europe (2023): Training Nees Analysis of Local Government in Bulgaria; Council of Europe (2023): Comprehensive Analysis of the Current Legal, Administrative, and Operational Framework of Municipalities.

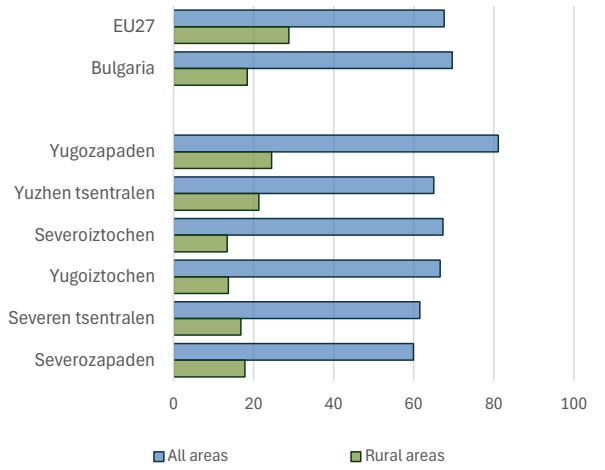
([399]) SNG-WOFI Country profile: Bulgaria.

([400]) OECD (2023) Economic Surveys: Bulgaria; OECD (2025) Education and Skills in Bulgaria; World Bank (2021) Systematic Country Diagnostic: Bulgaria.

([401]) Institute for Market Economics (2022): Integrated Social Assistance in Bulgaria; Institute for Market Economics (2016): Poverty in Bulgaria: Education and Employment: Key Drivers of Income and Inequality.

attract teachers in peripheral areas. In addition, there is limited access to early childhood education and care services in rural settlements. Participation rates in kindergarten vary significantly across regions. Bottlenecks include poor transportation, a lack of available places in educational facilities, and poor accessibility ([402]). For example, 40% of municipalities have only one or two kindergartens, but larger urban centres are also struggling to keep up with demand.

Graph A18.2:**Share of population with a hospital within 10 minutes by car in Bulgaria, 2023, (NUTS 2 regions)**



Source: REGIO calculations based on Eurostat data

Rural and remote regions are constrained by limited access to water and high water losses in the water supply network. Territorial differences in water availability reflect significant regional disparities in water infrastructure. Rural and remote regions, in particular, face persistent challenges related to ageing networks and limited investment in modernisation. For instance, Pleven in the north of Bulgaria, one of Bulgaria's 10 largest cities, had only limited access to water in the summer of 2025. Wastewater treatment for agglomerations with a population of over 10 000 has yet to be fully achieved ([403]).

Transport connectivity remains a significant challenge that hampers northern Bulgaria's growth prospects. The persistent imbalance in development between the north and south is exacerbated by the lack of high-quality, interoperable transport corridors. This leaves northern Bulgaria poorly connected to the country's main growth centres and European networks ([404]). The situation is most acute in rural areas and towns, since only 40% of the population within a 120 km radius can be reached within a 90-minute drive. Rail transport also suffers from the uneven distribution of rail infrastructure across regions, with varying levels of network length and density at NUTS 2 level ([405]). Delays in implementing sustainable transport investments effectively point to constraints in administrative capacity. This is highlighted by the delayed completion of major transport infrastructure projects receiving cohesion policy funding. Institutional capabilities, including qualified staff and appropriate digital tools, are crucial for effective project planning, coordination and delivery across regions.

([402]) Institute for Market Economics (2024): White Paper: Unlocking Growth; OECD (2023): PISA 2022 Results; OECD (2025): Education and Skills in Bulgaria; OECD (2022): Reviews of Evaluation and Assessment in Education Bulgaria; European Commission (2024): Education and Training Monitor 2024; Institute for Market Economics (2025): Education Without Direction: A Study of National Secondary School Performance with Emphasis on the Lowest-Performing Institutions.

([403]) Supreme Advisory Council on Water, Water Management Policy (2024): Problems with Water Scarcity; Nova (2025): Water Shortage in Pleven: The City Remains Under Severe Water Restrictions.

([404]) European Commission (2025): TENtec Map.

([405]) Eurostat, [tgs00113] Rail network by NUTS 2 region.

Table A18.4: **Renewable energy production in Bulgaria and the EU by degree of urbanisation (MWh per head), 2023**

Indicator		Total	Cities	Towns / suburbs	Rural areas
Onshore wind					
Production	BG	0.28	0.01	0.91	0.18
	EU-27	0.77	0.05	0.38	2.38
Technical potential	BG	3.38	0.69	2.46	8.03
	EU-27	3.29	0.12	1.41	10.59
Solar PV					
Production	BG	0.45	0.17	0.92	0.50
	EU-27	0.56	0.14	0.58	1.17
Technical potential	BG	62.79	18.09	73.86	119.25
	EU-27	24.84	2.44	13.18	74.20

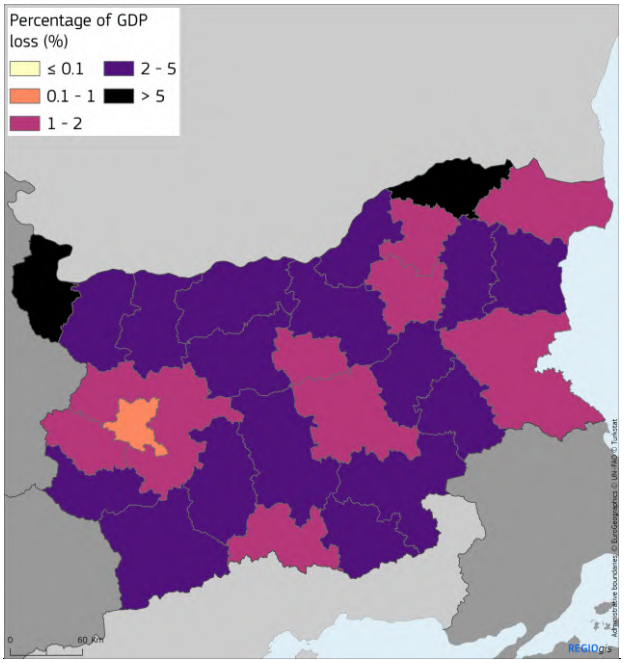
Source: Rural Observatory

The just transition to clean energy generation and infrastructure poses specific challenges for transition regions. These challenges are most acute in the regions of Stara Zagora, Kyustendil and Pernik, where coal power production is to be phased out by 2038 at the latest. To meet this goal, the regions face transition needs linked to: (i) expanding renewable energy; (ii) promoting energy efficiency and decarbonisation; (iii) developing storage capacities and technology; (iv) fostering economic diversification, job creation and workforce retraining; and (v) preparing degraded mining sites for other economic activities. All three regions currently benefit from the EU's Just Transition Fund. However, the delayed adoption of the territorial just transition plans in December 2023 reflects gaps in administrative capacity, governance mechanisms, project pipelines and prioritisation.

Bulgaria's transition regions face some of the EU's most severe air pollution challenges. The Maritsa Iztok lignite complex in Stara Zagora ranks among the EU's largest single-site emitters of SO_2 and NO_x. Meanwhile, in Pernik, the benzo(a)pyrene concentrations recorded are among the highest measured anywhere in the EU, driven by widespread residential solid fuel burning. Kyustendil frequently exceeds PM10 and PM2.5 limits, particularly during the winter heating season.

Bulgaria's territories face specific challenges and untapped potential in renewable energy deployment. In 2023, Bulgaria performed below the EU average for onshore wind production and solar PV production (Table A18.4). Production also falls far short of the country's total technical potential, which is much larger than the EU average for solar PV production, in particular in rural areas. There is also a need for investment in the electricity networks as the lack of grid capacity is a critical bottleneck for the roll-out of renewables (see Annex 9). Settlements in the municipality of Troyan, for example, were left without electricity in winter 2025 ([406]).

Map A18.3: **Percentage of GDP loss by 2050 due to climate change under the +2°C scenario in Bulgaria (NUTS 3 regions)**



Source: JRC

([406]) Republic of Bulgaria (2024): National Report on the State and Protection of the Environment in the Republic of Bulgaria; Energy and Water Regulatory Commission (EWRC) Bulgaria (2024): Annual Report and Comparative Analysis of the State of the Water Supply and Sewerage Sector in the Republic of Bulgaria for 2023; Nova (2025): Water Shortage in Pleven: The City Remains Under Severe Water Restrictions; ESO EAD: Bulgaria's Electricity Transmission Network Development Plan 2025-2034; Republic of Bulgaria (2024): National Energy and Climate Plan 2021-2030; Mediapool (2024): Record Power Outages Hit Troyan Villages; Energy Minister Calls Urgent Meeting.

The Bulgarian blue economy, concentrated in the country's coastal regions, faces several challenges. Bottlenecks include: (i) (green) port infrastructure and hinterland connectivity issues; (ii) limited value-added maritime activities; and (iii) weak research–innovation capacity, particularly in port modernisation; (iv) declining fisheries productivity; and (v) sustainability challenges in the Black Sea coastal areas (Varna, Dobrich and Burgas).

This Transport Annex presents the state of play and the challenges Bulgaria faces with the implementation of the trans-European transport network (TEN-T), the European railway traffic management system (ERTMS), and road safety.

The Bulgarian TEN-T rail network comprises 2 437 km and is one of the oldest railway networks in the European Union. The TEN-T road network covers 2 753 km (804 of which form part of the core network). In addition, Bulgaria has 469 km of inland waterways, eight ports (including three core ports), five airports (including one core airport), and seven urban nodes ([407]). Three TEN-T corridors cross the country: the Baltic Sea – Black Sea – Aegean Sea (BBA) corridor, the Western Balkans – Eastern Mediterranean corridor and the Rhine – Danube corridor solely along the Danube river, positioning Bulgaria as a transit country in south-eastern Europe.

The two north-south routes of the BBA corridor have high geopolitical and strategic relevance, providing rail connectivity between Aegean and Black Sea ports and Ukraine and Moldova. This was highlighted in the memorandum of understanding ([408]), signed by the Bulgarian, Greek and Romanian transport ministers in December 2025. The west-east axis of the Western Balkans–Eastern Mediterranean corridor constitutes the principal rail link towards Türkiye and subsequent connections to Asia, with significant potential for modal shift from road to rail. EU-funded investments are supporting infrastructure upgrades to meet TEN-T standards in terms of capacity, safety, and speed.

The ERTMS is essential to digitalising the railways and to modernising and harmonising railway operations across Europe. The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

As of late 2024 ([409]), **the ERTMS was only operational on 9% of the Bulgarian rail network.** To meet its national plan's ERTMS roll-out target by 2035, Bulgaria aims to deploy ERTMS on an additional 500 km.

Project preparation and implementation are hampered by a lack of administrative capacity at all levels. This is reflected in an insufficient pipeline of mature projects and a lack of specialised expertise to manage large-scale infrastructure projects. Public procurement procedures are lengthy and often trigger appeals. Permitting procedures for works and land acquisition as well as environmental impact assessment processes are protracted. Combined with planning weaknesses, this leads in many cases to implementation delays and cost overruns. Moreover, for Bulgaria, would be of great benefit to give the National Safety Authority the powers and independence required to operate in full, as it still faces challenges related to commitment and resources, staff retention, the effectiveness of supervision, and the smooth functioning of vehicle authorisation.

Agreeing on joint priorities, aligned timelines and technical specifications would improve cross-border project coordination with neighbouring EU and non-EU countries. Bulgaria also lacks capability in the authorisation of rolling stock and certification

([407]) TENtec Information System, according to Reg. 2024/1679.

([408]) Memorandum of Understanding between Bulgaria, Greece and Romania on Enhanced Cross-Border Cooperation in the Framework of the Black Sea – Aegean Sea Corridor Platform.

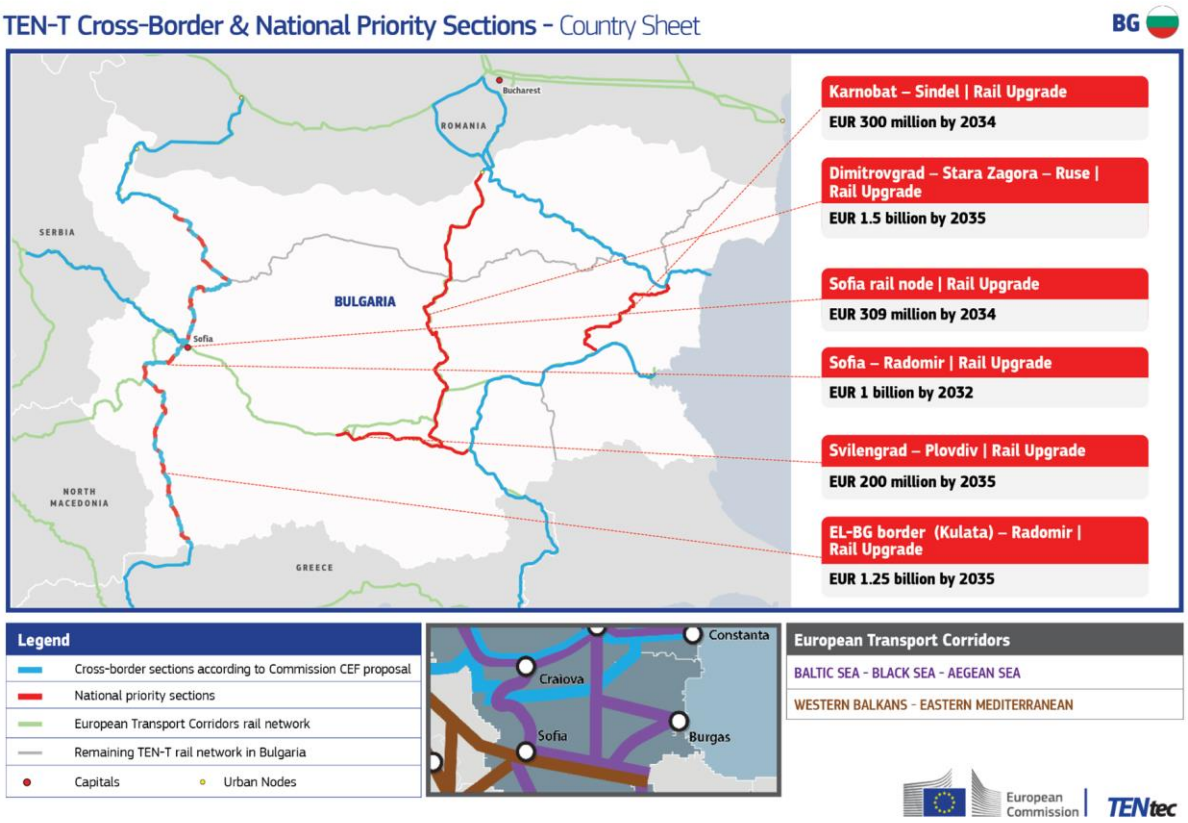
([409]) Based on ERTMS – Third work plan of the European coordinator Matthias Ruete.

Table A19.1: **ERTMS deployment in Bulgaria.**

Bulgaria				
TEN-T rail network	ERTMS (trackside) in operation			Min. estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
2 437 km	end 2024	209 km	9 %	
	by 2035	701 km	29 %	EUR 118 million

Source: Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

Map A19.1: **TEN-T Cross-Border & National Priority Sections in Bulgaria.**



process of railway undertakings for train operations to Romania and Greece in line with the rules of the single European railway area and could reduce come of the national rules impeding efficient operations.

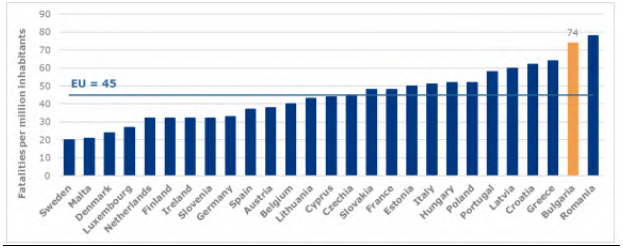
Road crashes impose an enormous social, economic and health burden on the EU economy. The external socio-economic costs of fatal, serious and minor injuries have remained persistently high despite the progress made in reducing crash frequency and severity. These resources could otherwise fuel innovation, education, healthcare and other crucial public investments ([410]).

In 2024, Bulgaria recorded 478 road fatalities. While the number has fallen in recent years – indicating some limited progress – Bulgaria still has the second highest fatality rate in the EU, with 74 fatalities per million inhabitants compared with the EU average of 45 per million.

Compared with the EU average (53%), the distribution of fatalities in Bulgaria shows a relatively high proportion (62%) of fatalities occurring on rural roads.

Given the Bulgarian road fatality rate is 64% higher than the EU average, it needs to take action to improve its road safety performance and reduce the gap with other EU Member States. Possible ways to address this include exploring new financial resources for the implementation of delayed road safety measures in the national road safety strategy, with a focus on road infrastructure works both inside and outside urban areas; resolving any legislative obstacles preventing or delaying the implementation of the strategy, and speeding up the implementation of planned road safety measures. Any other relevant activities should be explored, with an emphasis on those relating to the prevention of serious injuries([411]).

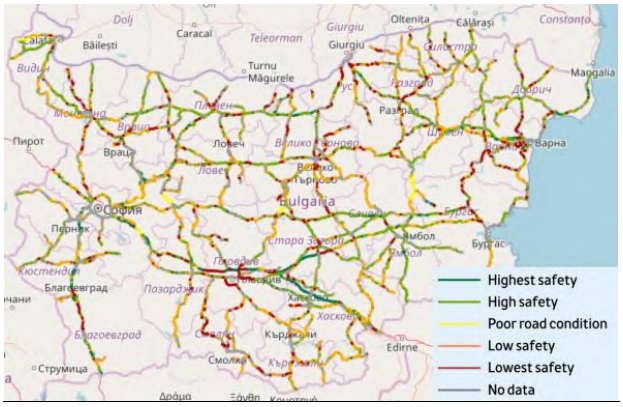
Graph A19.1:**Bulgaria's road fatalities per million, 2024**



Source: Report at the Mid-Point - Bulgaria, SWD(2026) 35 final.

The map below presents the roads where infrastructure safety is poor and urgent action is required.

Map A19.2:**Bulgaria's road safety map**



Source: TENtec Information System and TEN-T map library – European Commission

([410]) Report on the implementation of the EU Road Safety Policy framework at the Mid-Point, COM(2026) 77 final.

([411]) More details in Report on the implementation of the EU Road Safety Policy framework at the Mid-Point – Bulgaria, SWD(2026) 35 final.