



Bulgaria Country Strategy

2020-2025

Approved by the Board of Directors on 15 January 2020



European Bank
for Reconstruction and Development



Table of Contents and Glossary

Table of Content		Glossary of Key Terms			
Executive Summary	3	ABI	Annual Business Investment	H&S	Health & Safety
Bulgaria – EBRD Snapshot	4	ASB	Advise for Small Businesses	HR	Human Resources
I. Implementation of Previous Strategy – 2015-2019	5	BAT	Best Available Techniques	ICA	Industry, Commerce & Agribusiness
Key Transition Results Achieved during Previous Strategy Period	5	BEEPS	Business Environment and Enterprise Performance Survey	ICT	Information and Communication Technologies
Challenges to Implementation and Key Lessons	7	BEH	Bulgaria Energy Holding	IDLO	International Development Law Organization
II. Economic Context	8	CEB	Council of Europe Development Bank	IFC	International Finance Corporation
Macroeconomic Context and Outlook for Strategy Period	8	CEZ	Power distribution company in Bulgaria	IFI	International Financial Institution
Key Transition Challenges	9	CoOs	Countries of Operation	ILO	International Labour Organization
III. Government Priorities and Stakeholder Engagement	11	CVM	Cooperation and Verification Mechanism	MFF	Multiannual Financial Framework
IV. Defining EBRD's Bulgaria Country Strategy Priorities	12	CPC	Commission for Protection of Competition	MSME	Micro, Small and Medium Enterprise
V. Activities and Results Framework	13	E&S	Environmental and Social	NPL	Non-Performing Loans
VI. Mapping of International Partners' Complementarity in EBRD Business Areas	16	EBRD	European Bank for Reconstruction and Development	ODA	Official Development Assistance
VII. Implementation Risks and Environmental and Social Implications	17	EC	European Commission	PPP	Purchasing Power Parity
VIII. Donor Co-Financing Assessment	18	EIA	Environmental Impact Assessments	PR	Performance Requirements
Annex 1 – Political Assessment	20	EIB	European Investment Bank	PTI	Portfolio Transition Impact
		EIF	European Investment Fund	R&D	Research and Development
		ESCO	Energy service companies	SEE	South-Eastern Europe
		ESIF	European Structural and Investment Fund	SME	Small and Medium Enterprise
		ETI	Expected Transition Impact	SOE	State-Owned Enterprise
		EU	European Union	TC	Technical Cooperation
		FDI	Foreign Direct Investment	TFP	Trade Finance Project
		FI	Financial Institution	TPES	Total primary energy supply
		FOPIP	Financial and Operational Performance Improvement Programme	VCIP	Venture Capital Investment Program
		GDP	Gross Domestic Product	WB	World Bank
		GET	Green Economy Transition	WEF	World Economic Forum

Bulgaria's commitment to and application of principles set out in Article 1 of the Agreement Establishing the Bank continued over the period since the previous Country Strategy approval. The country has made further progress in certain areas of democratic development, including the rule of law, particularly in the area of legislation, although some challenges remain as regards implementation.

In recent years the Bulgarian economy has demonstrated solid growth, increasingly driven by domestic demand. This has been lately accompanied by a tighter labour market, lower unemployment and upward pressures on wages. Investment has also been strong, helped by the growing disbursement of EU funds. A long period of fiscal tightening with strong revenue performance and decreasing expenditures resulted in four consecutive years of budget surpluses (2016-19), and continued decline in the public debt to one of the lowest levels in the EU (an estimated 21 per cent of GDP at end-2019). However the current GDP per capita, adjusted for purchasing power standards, is only half the average in the EU suggesting the need to accelerate convergence to close income gap.

Bulgaria's economy is relatively diverse. Small enterprises (MSMEs) play a more important role in the country than in the average EU member state, with their activity being particularly promising in the ICT sector, where Bulgarian companies have made a name for themselves in developing and supplying products worldwide. Banking sector is highly liquid, and continuing downward interest rate trend contributes to fierce competition for the top clients in an increasingly leveraged corporate sector. The contribution of capital market to accessing finance is limited amid low capitalization and turnover on the Bulgarian Stock Exchange.

Supported by the EU funds, the country's infrastructure has seen notable improvements, both in terms of quality and coverage. Nevertheless, still large infrastructure deficit and regional disparities compared to the EU average remain. Bulgaria's energy intensity is among the highest in the EU, and behind national energy saving and efficiency targets.

EBRD is well placed to support Bulgaria in addressing remaining transition challenges, in line with the reform efforts of the authorities. Competitiveness of the economy will in particular benefit from better governance, stronger integration in regional and global value chains and increased capacity to generate value added and to innovate. Labour and skills shortages, due to population ageing, strong outward migration and skills mismatch, also need to be addressed, as they could threaten the potential growth prospects. The Bank is also ready to support upgrades of the transport and municipal infrastructure, as well as the energy sector reform and its improved sustainability. Given Euro adoption plans, the country should expand the range and sophistication of available financial products and deepen capital markets.

The Bank will pursue the following strategic priorities in Bulgaria in 2020-2025:

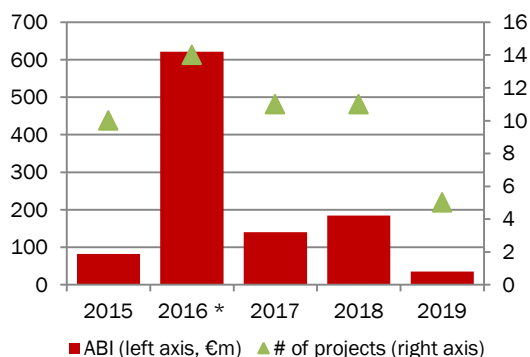
- Support competitiveness by improving governance, enhancing value chains, promoting knowledge economy, and assisting adaptation to demographic challenges;
- Support sustainable infrastructure development through regional connectivity, green municipal solutions, decarbonisation and resource efficiency; and
- Strengthen resilience of financial intermediation.

Bulgaria - EBRD Snapshot

EBRD Investment Activities in Bulgaria (as of November 2019)

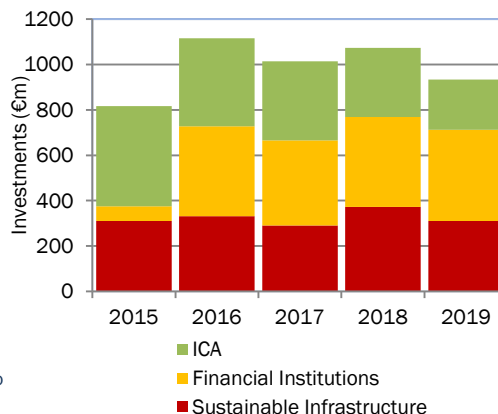
Portfolio	€933m	Active projects	73
Equity share	10%	Operating assets	€881m
Private Share ¹	79%	Net cum. investment	€3,911m

ABI and Operations

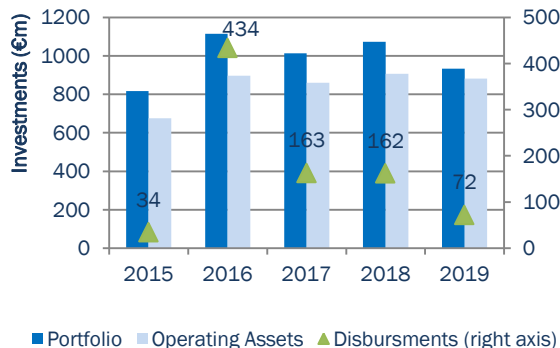


*2016 ABI reflects two one-off transactions including €300m loan to Deposit Insurance Fund and €56m restructuring of AES Maritza East

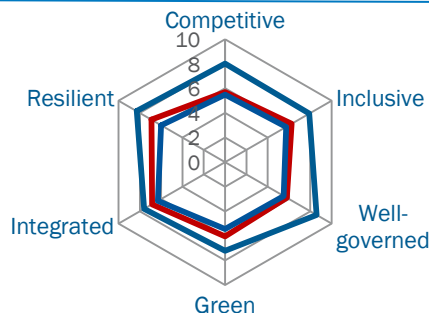
Portfolio Composition



Portfolio Dynamics



Transition Gaps²



— Bulgaria — SEE — Advanced economies

Bulgaria Context Figures

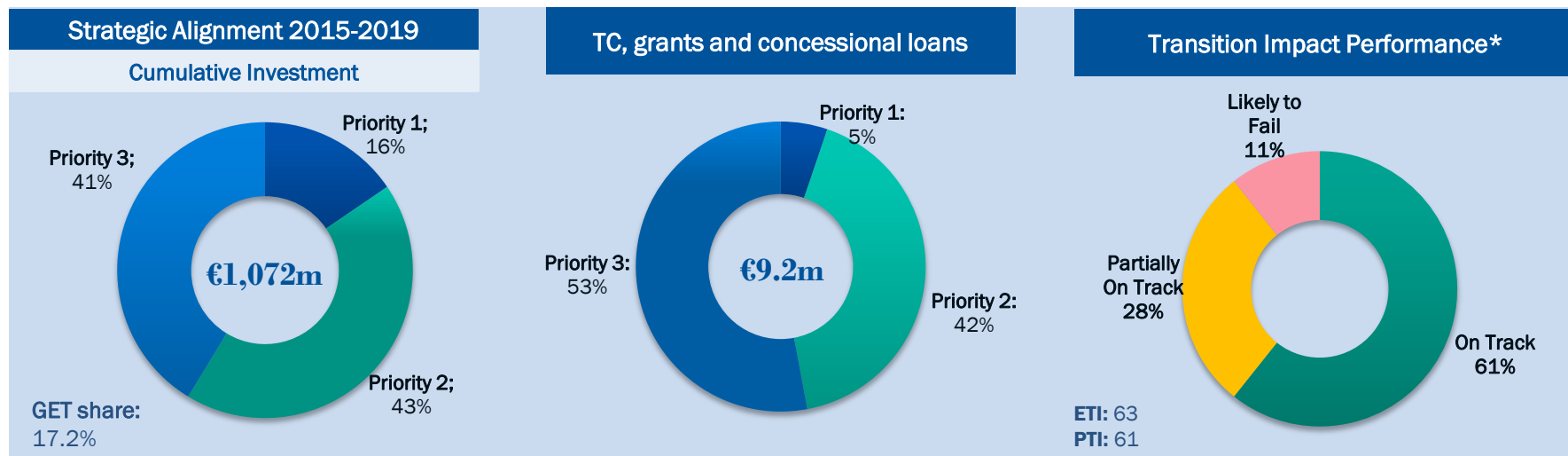
	Bulgaria	Comparators
Population (million) ³ (2018)	7.0	Romania (19.5), Croatia (4.1), Hungary (9.8), Poland (38.0)
GDP per capita (PPP, USD) ³ (2018)	19,321	Romania (24,544), Croatia (23,637), Hungary (28,243), Poland (28,752)
Global Competitiveness Index (WEF) (2019) (out of 141 economies)	ranked 49 th	Romania (51st), Croatia (63rd), Hungary (47th), Poland (37th)
Unemployment (% ILO est.) ⁴ (2018)	5.3	Romania (4.3), Croatia (8.9), Hungary (3.7), Poland (3.7)
Youth unemployment (% ILO est.) ⁴ (2017) share of youth not in employment, education or training (NEET)	15.0	Romania (14.5), Croatia (13.6), Hungary (10.7), Poland (8.7)
Female labour force participation (% ILO est.) ⁴ (2018)	49.2	Romania (45.6), Croatia (45.5), Hungary (48.7), Poland (48.5)
Energy intensity (TPES/GDP) ⁵ (2016)	0.32	Romania (0.16), Croatia (0.14), Hungary (0.17), Poland (0.17)
Emission intensity/GDP (kgCO2/10'\$) ⁵ (2016)	0.72	Romania (0.34), Croatia (0.26), Hungary (0.30), Poland (0.51)

¹ Cumulative Bank Investment: 5 year rolling basis on portfolio. ² Cf. EBRD Transition Report 2018-2019. ³ World Bank WDI. ⁴ International Labour Organisation. ⁵ IEA's Energy Atlas.

⁶ Canada, Czech Republic, France, Germany, Japan, Sweden, United Kingdom and United States

1. Implementation of Previous Strategy (2015-2019)

1.1. Key Transition Results achieved under previous Country Strategy



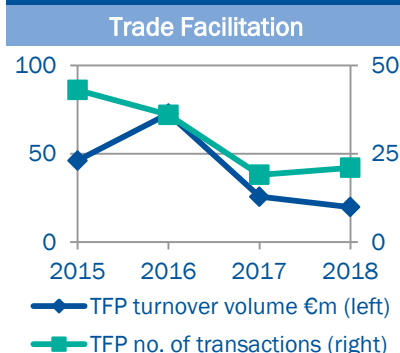
Priority 1: Enhancing competitiveness through improved efficiency, governance and innovation



1. Implementation of Previous Strategy (2015-2019)

1.1. Key Transition Results achieved under previous Country Strategy

Priority 2: Strengthen the financial sector intermediation through targeted investments and improved governance



Key Transition Results

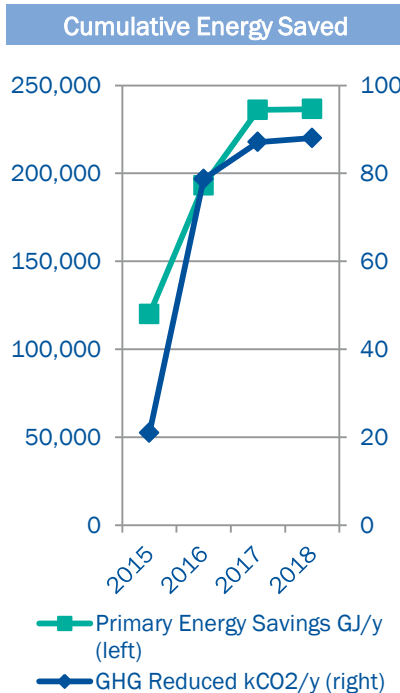
Supported **financial intermediation**:

- Committed over €740m to support Raiffeisen Leasing and Procredit Bank to increase MSMEs' access to finance; UBB and Piraeus banks for residential energy efficiency financing; Expressbank and UniCredit Bulbank with unfunded risk sharing frameworks; expanded Trade Facilitation Programme early in the strategy period to meet growing demand; Bulgarian Deposit Insurance Fund to ensure its long-term sustainability.

Supported **local capital market development**:

- Encouraged BEH to pursue dual listing and acted as anchor investor in BEH bonds and private corporate convertible bonds investing €186m; established the SEE Link (originally connecting stock exchanges in Bulgaria, North Macedonia and Croatia) and facilitated its expansion; supported identification of alternative solutions for dormant accounts legacy; provided €3m funding to a local NPL service company; organised and hosted an NPL workshop to unlock NPL market for private investment.

Priority 3: Narrowing the infrastructure gap through commercialisation, reform and efficiency.



Key Transition Results

Supported **power sector reform, including private sector participation**:

- Served as anchor investor in two issues of BEH bonds to support power sector reform, including elimination of the tariff deficit and overdue liabilities; completed the 1st Phase of capacity building TC with the Energy Regulator resulting in legislative amendments in line with the EU Third Energy Package focused on increasing sector transparency, monitoring and competition; trainings and roadmap for tariff liberalisation and advanced with the 2nd Phase to support the Energy Regulator with setting internal procedures and methodologies to effectively monitor liberalised power market; mobilised syndicated loan to CEZ Distribution to support capex program; supported private FDIs in renewables through successful restructuring of two windfarm projects, with new or reconfirmed sector commitments exceeding €410m.

Supported **energy efficiency solutions** in various sectors:

- Provided TC to mid-tier municipalities (Gabrovo, Pleven) on energy performance contracts with private service companies; financed over 800 building-level projects leading to more than 20,000 MWh/year electricity equivalent savings and more than 13,000 tonnes of annual CO2 reductions as part of Residential Energy Efficiency Credit Line Framework; supported the Ministry of Energy and Sustainable Energy Development Agency through policy engagement on the best practices to implement Energy Efficiency Obligations.

Worked with the public sector to **improve urban and inter-regional infrastructure**:

- Embarked on a program of up to €230m to manage and co-finance ESIF financial instrument to support water and waste water investments and provide TC to improve commercialization and sustainability of the regional water operators; finalised the construction of a 15 km Bus Rapid transit corridor in the City of Burgas together with the EU; supported the construction of urban flood protection and launch of a paid on-street parking zone in the City of Varna; financed the acquisition of 30 electric buses and 12 charging stations in the City of Sofia as part of Green Cities Action Plan; promoted energy performance contracts for public sector assets by working with municipalities and public hospitals.

1. Implementation of Previous Strategy (2015-2019)

1.2. Challenges to Implementation and Key Lessons

Context for implementation: EBRD has delivered on its strategy against highly liquid banking sector, underdeveloped and relatively illiquid capital market, increasingly leveraged corporate sector, high grant availability from EU for both infrastructure and corporates, and dominant presence of state owned enterprises in the infrastructure sector. The Bank demonstrated agility in responding to the government needs with the innovative and pilot solutions, including the request to support setting up of the Fund Manager for Financial Instruments and designing selected financial instruments. In recognition of the EBRD expertise and business practices the Bank was entrusted to manage and co-finance financial instrument dedicated to the water sector. The Bank also, at the request of the government, undertook a comprehensive revision of the ex-ante assessment for the Operational Program Environment to reflect the market needs. The Bank encouraged progress liberalising the energy market through increased investments and targeted policy advice. However challenges remain in infrastructure, including heavy public sector involvement in power generation, dependence on a limited number of energy suppliers and a single route for primary energy imports, requiring further development of gas infrastructure.

Implementation Challenges

- A highly liquid banking sector and continuing downward interest rate trend contributed to fierce competition for good clients and an increasingly leveraged corporate sector.
- SMEs account for 60% of GDP and employ 75% of the workforce, requiring a strong focus on SMEs. SME activity is particularly promising in the ICT sector, where Bulgarian companies have made a name for themselves in developing and supplying products worldwide.
- Underdeveloped, relatively illiquid capital market. Low capitalisation and turnover on the Bulgarian Stock Exchange with government remaining majority shareholder.
- Bulgaria's energy intensity is over 5 times the EU-28 average, remaining the least efficient energy economy in the EU. The country is behind national energy saving and energy efficiency targets.
- High infrastructure deficit and regional disparities compared to the EU average. Significant funding gap in the water and waste water sector. High prevalence of SOEs in the infrastructure sector.

Key Lessons & Way Forward

- Risk-sharing products are additional in a highly liquid banking sector, including for infrastructure where local banks have limited appetite. The Bank can also help corporates restructure their balance sheets and facilitate NPL market transactions.
- The Bank can leverage its expertise in SME advisory to support business accelerators/start-ups and ease access to finance for SMEs for innovation/technological upgrades (Horizon funds) as well as use risk-sharing products to deepen financial intermediation.
- EBRD can support listings and new instruments including by investing in the issues as well as provide policy advice to further advance capital market development.
- Opportunities for EBRD to support closing the gaps in the context of a liberalising energy market by working with the government on policy aspects as well as supporting private sector to implement energy efficient solutions.
- EBRD is well placed to support commercialisation of public infrastructure and private sector participation. The Bank's growing partnership with the EU and the open nature of InvestEU create opportunities to leverage EU funds through newly designed financial instruments to advance the infrastructure sector's commercialisation and address regional inequality. Project preparation and implementation support is important to ensure good quality and bankability of projects.

2. Economic Context

2.1 . Macroeconomic Context and Outlook for Strategy Period

Bulgaria- Main macroeconomic indicators

	2014	2015	2016	2017	2018	2019
GDP growth (% y-o-y)	1.9	4.0	3.8	3.5	3.1	3.7
HICP inflation (% avg.)	-1.6	-1.1	-1.3	1.2	2.6	2.4
Government balance (% of GDP)	-5.4	-1.7	0.1	1.1	1.8	1.1
Current account balance (% of GDP)	0.1	0.0	2.3	4.4	2.4	1.6
Net FDI (% of GDP)	0.3	5.0	1.3	3.9	2.6	2.4
External debt (% of GDP)	85.4	72.6	67.8	68.7	58.2	56.3
Gross reserves (% of GDP)	35.9	44.0	47.3	48.0	43.8	44.5
General government gross debt (% of GDP)	27.1	26.0	29.3	25.3	22.3	21.1
Unemployment (% pop)	11.4	9.2	7.6	6.2	5.2	4.4
Nominal GDP (\$bn)	57	50	53	58	65	66

Economic growth has been solid in the recent years. The economy moderated to an estimated growth rate of 3.1 per cent in 2018, following an average growth rate of 3.8 per cent in 2015-2017. Growth is increasingly driven by domestic demand, propelled by tightening labour market pushing wages up and unemployment down. Investment has also been strong, helped by the growing disbursement of EU funds. While current account remains in surplus, import demand and Turkey weakness started to weigh on external balance.

Fiscal policy has remained tight and public debt is very low. A period of fiscal tightening with strong revenue performance and decreasing expenditures resulted in three consecutive years of budget surpluses, 2016, 2017 and 2018. Surplus is expected also in 2019. In this environment, public debt continues to decline and is estimated at around 23 21 per cent of GDP at end-2019, one of the lowest levels in the EU (higher only than public debt in Estonia and Luxembourg).

Following a three year deflation, consumer prices have risen continuously over the past three years, driven by increasing disposable incomes and credit growth. Inflation rose to a five-year high of 3.5 per cent in August 2018, and averaged 2.6 per cent in 2018. It is estimated at 2.4 per cent in 2019.

The labour market has tightened considerably during the current upswing. Unemployment fell to a recent low of below 5 per cent by early-2019, while nominal wages grew robustly to an average of some EUR 620 as of late-2018. Meanwhile, both the availability and skills of workers pose a long term risk to growth, due to the declining population; emigration of skilled workers; and ongoing skills mismatches.

Growth is expected to remain solid, mainly underpinned by private consumption. GDP growth is expected at 3.7 per cent in 2019 and projected at 3.0 per cent in 2020. Key risks to the outlook are prolonged weakness in major trade partners, particularly that of the Eurozone, exacerbation of current labour shortages and worsening of investor sentiments towards emerging markets. While convergence prospects remain high, with GDP per capita (PPP) standing at just half of the EU average, sustaining high growth rates in the long run will require reinvigoration of structural reforms.

2. Economic Context

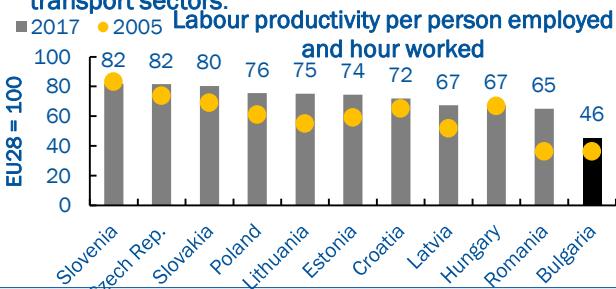
2.2 . Key Transition Challenges



European Bank
for Reconstruction and Development

Competitive (5.88)

- **Productivity remains low compared to the EU levels and its convergence towards more advanced countries has been slow.** Economic complexity is also below the EU average, and has not improved over the transition period.
- **The business environment remains problematic in some areas.** According to the WB Doing Business 2020, Bulgaria ranked 61st out of 190 economies, dropping more than 20 places compared to 2014. Procedures for getting electricity, starting a business, and paying taxes remain burdensome, but the country, as most EU members, scores well on trading across borders.
- **Weak institutions are driving down the country's score in Global Competitiveness Report** (ranked 49th out of 141 economies). Bulgaria scores very well on the macroeconomic environment, but poorly on the innovation capability, product market and quality of institutions.
- **Competitors' practices in the informal sector remain an issue.** According to EBRD BEEPS survey 60% of firms reported they have to compete against unregistered firms.
- **Most economic activities are privately-generated; but SOEs still dominate in the utilities and transport sectors.**

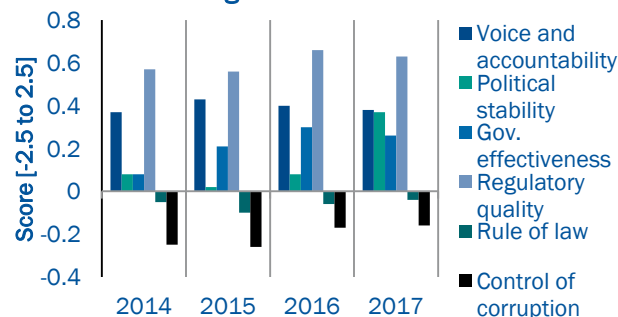


Source: Eurostat

Well-governed (5.73)

- World Bank's Worldwide Governance Indicators (WGI) show **corruption** and **rule of law** as the most worrying governance issues in Bulgaria.
- According to **2018 Transparency international Corruption Perception Index**, Bulgaria was ranked 77th out of 180 countries, below all other EU members.
- Despite challenges, **progress under the EU's Cooperation and Verification Mechanism (CVM), has been positive.** Following the 2019 CVM report, the mechanism's completion is on the horizon for Bulgaria. Bulgaria's progress has been sufficient to meet the country's commitments made at the time of its accession to the EU. Bulgaria will need to continue working consistently on the implementation of those commitments.
- Bulgaria's corporate governance standards are mixed. According to the EBRD's **corporate governance assessment** prepared in 2017, areas of strength include the rights of shareholders and transparency and disclosure, while weaknesses include the structure and functioning of the boards, internal control, and stakeholders and institutions.

Worldwide governance indicators

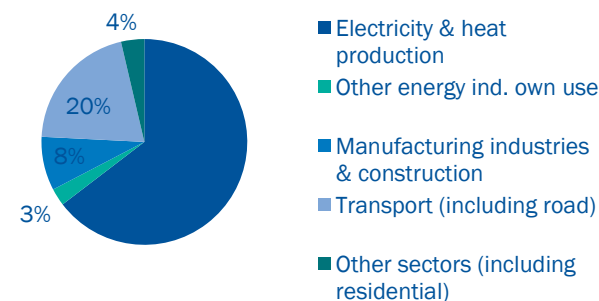


Source: World Bank Worldwide Governance Indicators

Green (6.20)

- **Bulgaria's green economy transition will need to focus on sustainable energy, improving air quality, and further advancement in municipal infrastructure management.** The implementation of EU environmental requirements is ongoing, but remains a challenge.
- **Bulgaria's energy and carbon intensity remains one of the highest in the EU-28.** Progress was rapid in the first decade and a half of transition but seems to have stalled since 2005.
- **Most CO2 emissions (85%) are due to electricity, heat generation and transport.** Lignite, used mostly for electricity generation, represented 35% of the primary energy supply, while oil, largely driven by transport, represented 35% of the final energy consumption.
- **Air quality continues to give cause for serious concern.** Bulgaria's level of pollution-related deaths (per capita) is well above the EU average.
- **Bulgaria still has one of the highest landfilling rates of municipal waste in the EU.** Recycling of municipal waste remains relatively low at 25% compared to the EU average of 44%, and significant efforts are needed to meet 50% recycling target by 2020.

CO2 emissions by sector



Source: International Energy Agency

2. Economic Context

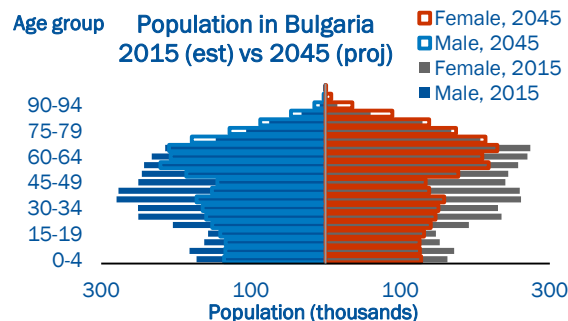
2.2 . Key Transition Challenges



European Bank
for Reconstruction and Development

Inclusive (6.38)

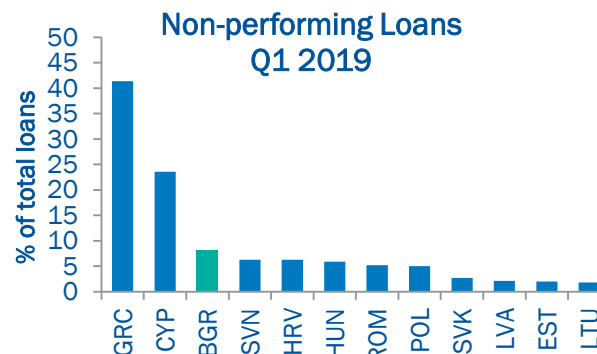
- **Labour and skills shortages are becoming the paramount challenge facing enterprises in Bulgaria.** The population is both shrinking and rapidly aging. This will exacerbate existing labour shortages, but can help inclusion of economically inactive parts of the population.
- **Bulgaria performs relatively well on international benchmarks around gender inclusion.** Bulgaria, for example, was recently ranked among the highest performing economies in women's legal rights affecting work by the World Bank's Women, Business and the Law Index.
- **On indicators related to youth inclusion, Bulgaria generally performs around the EBRD average.** Skills gaps are substantial, partly driven by high outward emigration. The brain drain combined with relatively low quality of education (e.g. low PISA results), hinders innovation. Young people's share of total unemployment is, however, smaller in Bulgaria than in most other EBRD countries
- **Bulgaria performs relatively badly on indicators capturing regional inclusion,** though access to water and establishments with bank accounts show relatively moderate inter-regional disparities



Source: United Nations

Resilient (6.84)

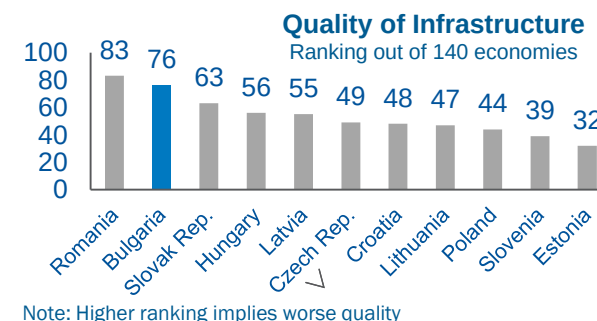
- **The financial sector is bank-centric, with underdeveloped capital markets.** Although there is a large number of banks (25), the system remains concentrated, with the five largest banks controlling around 60% of banking system assets.
- **The banking sector has strong capital buffers and exhibits moderate profitability.** Capital adequacy ratio is ca. 20% (vs. regulatory minimum of 13.5%).
- **Cross-border exposure is limited, notwithstanding the high foreign ownership.** Banks are largely deposit-funded. 1/3 of deposits are of corporates.
- **Credit growth** has been subdued until recently when signs of recovery in the household sector began to appear.
- **NPLs are still relatively high but declining.** The banking system's NPL ratio was a still relatively high 8.1% as of mid-2019. The improvement in asset quality has been supported by economic growth and portfolio sales.
- **The main source of gas supply in Bulgaria is Russia,** through the single route via Ukraine, Moldova and Romania. The government is working on diversifying its gas supply through the



Source: European Banking Authority

Integrated (6.89)

- **Bulgaria's foreign trade to GDP ratio has increased significantly over recent years,** mainly as a result of being part of the EU's single market since 2007.
- **Bulgaria's level of FDI stock per capita, at less than 7,000 USD per capita, is low compared to its regional peers,** and half that of the EU average.
- **Bulgaria's capital account openness is high,** however, portfolio inflows are on average at about 1% of GDP, which is below the EBRD average.
- **Quality of infrastructure, and especially of the roads, is considered to be a bottleneck to the country's economic growth.** The road infrastructure is struggling to keep up with demand, which is driven by a steady increase in traffic and car ownership. Under-maintenance of the existing road infrastructure is a widespread problem.
- **The quality of electricity supply in Bulgaria is below regional EU peers;** and it takes particularly long to obtain a permanent electricity connection.
- **Bulgaria's ICT infrastructure is generally good.** Availability of fast bandwidth and mobile broadband is at levels comparable to the frontier countries. However, broadband penetration remains low in remote areas.



Source: World Economic Forum Global Competitiveness Index

3. Government Priorities and Stakeholder Engagement

3.1. Government Reform Priorities

The Government program for 2017-2021 is based on the following key priorities:

- **Balanced Regional Development** – addressing regional disparities.
- **Social and Demographic policy priorities** – limiting negative demographic trends, including increasing fertility, decreasing youth emigration, balanced immigration policy in line with the business needs; increasing incomes and labour productivity; stable pension system; equal access to qualitative social services; protecting rights of people with disabilities.
- **Finances** – stable financial system to ensure sustainable economic development and attractive investment environment; fighting grey economy.
- **Management of EU Funds** – effective management of EU funds to ensure maximum positive impact; adequate participation in the negotiations on the MFF and future Cohesion policy.
- **Investment climate and e-governance** – introduction of principles of “silent agreement” and “single information to single administration”; development of economic zones; capital markets development; improved and effective post-privatisation and post-concession control; strengthening growth and competitiveness of national economy; decrease of administrative burden; improving public service; e-governance development; modern, effective, qualitative and secure public e- communication and postal services.
- **Agribusiness** - sustainable, competitive and market focused development of agriculture, food processing, fish and aquaculture, forestry sectors.
- **Transport** – effective modernisation and development of transport infrastructure; attracting investments; increasing transport safety and security; improving quality of railway services.
- **Energy** – national energy security; full liberalisation of electricity and gas markets; maintenance and development of nuclear energy capacity; strengthening financial stability and sustainability of strategic energy companies; fulfilment of national energy saving targets for 2020.
- **Environment** – sustainable policy for healthy environment; simplified procedures for investments; climate change adaptation.
- **Healthcare** – achieving financial stability and phased de-monopolisation of the National Healthcare Fund; development of e-healthcare; decreasing regional imbalance and functional cooperation.

3.2. EBRD Reform Areas Broadly Agreed with Authorities

- **Energy sector:** support transition to decarbonisation across all sectors of economy, assist energy sector reform to fully liberalised, well-regulated and sustainable energy market.
- **Governance and investment climate:** support e-government and e-procurement, implementation of OECD corporate governance for and commercialisation of SOEs.
- **ICT and innovation:** support domestic penetration of ICT and innovation and global expansion of Bulgarian ICT, innovative and high-growing companies.
- **Capital market:** provide assistance in designing new capital market instruments, support and participate in the issuances on the local market.
- **Management of EU Funds:** work on selected financial instruments and innovative products that could help mobilise and effectively deploy European Structural and Investment Funds and InvestEU.

3.3. Key Messages from Civil Society to EBRD

- Focus on regional development and closing the gap in regional differences.
- Social and economic inclusion is overlooked in the government’s agenda.
- Discrimination in the field of employment (gender pay gaps) is very obvious.
- The transport and municipal infrastructure is in great need of further development and investments.
- The business environment is still very weak and not competitive.
- Support in energy sector is required. Noticeable presence of energy poverty in the country.
- Strengthen the efforts to more green and sustainable energy resources while moving away from coal. Support with decarbonisation is required.
- Educational sector is weak and in need of various types of trainings, in particular vocational training. The country is lacking skilled workers due to the population aging, migration and skills mismatch.
- Absence of dialogue between the public, government and private sectors creates a lack of public awareness.
- Absence of innovations is placing the country at the bottom of EU list.
- Welcome the Bank’s support for economic diversification and SMEs.
- More governance transparency is needed. Corruption remains a challenge.



4. Defining Bulgaria Country Strategy Priorities

What needs to change? (Country Diagnostics)	Can it be changed? (Political Economy)	What can the Bank do? (Institutional Capabilities)	Strategic Priorities (2019-2024)	What We Want to See in 2024
• An improvement to business environment and governance would enhance economic activity, wealth generation and address perceived low quality of institutions . • There is room for improvement to the regulatory quality and government effectiveness in order to increase capacity to generate value added and innovate. • State presence is still pervasive in key industries. • Economic performance is hampered by labour and skills shortages, due to population aging, strong outward migration and skills mismatch.	• The EU's Cooperation and Verification Mechanism was set up at joining the EU in 2007 to help with judicial reform and fight against corruption and organised crime. • Narrowing the gap in living standards will require an intensification of reforms needed for building sustainable market economies. • ICT sector is rapidly developing and is among the largest in the EU in relative terms.	• Investment Climate and Governance Initiative to assist judicial capacity building, anticorruption, e-procurement. • Support for enhancement of competition law enforcement. • Extensive experience with commercialisation and restructuring of state owned enterprises. • Financing and advice for private sector clients, helping companies to improve operations, and strengthen linkages with other companies both locally and internationally, while improving corporate governance. • New innovative products to help the country face demographic challenges arising from aging and large scale emigration of working age population.	Support competitiveness by improving governance, enhancing value chains, promoting knowledge economy, and assisting adaptation to demographic challenges	• Improved quality of institutions • Enhanced value chains, linkages and skills • Improved innovation and levels of technology penetration
• Despite rapid progress in the first decade Bulgaria's energy and carbon intensity remains one of the highest in the EU-28. • The transport and municipal infrastructure is poor and the sector is facing a number of challenges.	• A comprehensive strategy on decarbonisation of all sectors of the economy supported by administrative incentives and funding is required. • State involvement is significant, requiring funding for the public sector. • Available funding from EU, both for capex and for technical assistance.	• Provide policy advice, assistance to set-up regulatory support schemes and financing to enable decarbonisation. • Assistance with infrastructure expansion and upgrades, in close cooperation with the EU and others, including private providers. • Wide range of Green Economy products can be deployed.	Support sustainable infrastructure development through regional connectivity, green municipal solutions, decarbonisation and resource efficiency	• Improved connectivity and integration of key transport and energy infrastructure with more private sector participation • Improved green infrastructure and access to finance at the local and municipal level • Decarbonisation and increased energy and resource efficiency
• Range and sophistication of available financial products should expand and capital markets deepen prior to Euro adoption.	• Euro adoption is top government priority. • Implementation of EU based regulatory and supervisory framework, could be stronger.	• Launch of innovative, more sophisticated products than currently available. • Focus on equity, equity funds, and other capital market instruments.	Strengthen resilience of financial intermediation	• Strengthened financial sector resilience • Increased financial sophistication; Developed local capital markets

5. Activities and Results Framework

Priority 1: Support competitiveness by improving governance, enhancing value chains, promoting knowledge economy, and assisting adaptation to demographic challenges

Key Objectives	Activities	Tracking Indicators (Outcomes)
Improved quality of institutions	• Improve business climate via policy and capacity building (e.g., Investment Climate and Governance Initiative) and support enhancement of competition law enforcement. • Work with selected SOEs to improve financial transparency, procurement processes (e.g., e-Procurement) and corporate governance (e.g., Corporate Governance Action Plans).	• Legal, institutional or regulatory improvements related to good governance
Enhanced value chains, linkages and skills	• Provide direct and indirect financing (debt, equity, and equity funds, supported by risk-sharing where appropriate) to corporates and SMEs. • Provide advisory to corporates (including Advice for Small Business) emphasising value creation, improved governance, business standards and market access. • Finance FDIs and large domestic anchor investors, with a focus on regional value chains integration and innovation transfer to local suppliers. Support cross-border investments of corporate clients and mergers & acquisitions (local and regional). • Mobilize donors' funds to create blended financial products to support competitiveness, innovation and skills for both SMEs and larger corporates. • Raise the quality and market relevance of training. Invest in training (e.g., vocational) together with corporate clients to achieve improved employability and skills, including for up-skilling, life-long learning opportunities, youth, and populations living in underserved areas.	• Number and volume of financing supporting targeted value chains • Total number of people receiving improved skills as a result of training provided with Bank's assistance
Improved product and process innovation and levels of technology penetration	• Financing expansion of Information and Communication Technology companies and digitalisation of private and public companies. • Supporting start-up / early stage companies through financing (VCIP, private equity venture capital funds and other investment vehicles) and by leveraging networks inside and outside of EBRD. • Financing for innovation / R&D activities in all sectors of the economy and leverage Horizon 2020 ASB programme for support of innovative companies.	• Total amount of R&D supported by the Bank's operations • Number of clients introducing innovative/ new technology

5. Activities and Results Framework

Priority 2: Support sustainable infrastructure development through regional connectivity, green municipal solutions, decarbonisation and resource efficiency

Key Objectives	Activities	Tracking Indicators (Outcomes)
Improved connectivity and integration of key transport and energy infrastructure with more private sector participation	- Helping to structure and finance infrastructure modernisation and upgrades (airports, ports, roads, municipal and social infrastructure, energy), including through Private-Public Partnerships / concessions supported by Sustainable Infrastructure Policy and Project Preparation facility and Invest EU. - Supporting investments in power and gas connectivity, both new connections and network upgrades including modernisation, energy security, energy storage and digital connectivity. - Support development of gas and electricity markets, including policy engagement / development of the regulatory framework and capacity building. - Support development of Danube river climate resilience plan and intermodal links to the ports.	Net increase in infrastructure usage and/or capacity
Improved green infrastructure and access to finance at the local and municipal level	- Promote sustainable municipal investments using Green and Smart Cities frameworks to address environmental challenges. - Helping public service operators (water, wastewater, solid waste, district heating) to improve their services and comply with EU directives via technical cooperation and funding, including through managing and co-financing EU structural funds to ensure their effective utilisation. - Support urban regeneration plans and brownfield redevelopment (including new industrial development zones). - Facilitating financing by local commercial banks to public utility companies by providing risk sharing instruments, such as guarantees.	- Total Water saved (m3/y) - Total number of people benefitting from improved/increased access to wastewater
Decarbonisation and increased energy and resource efficiency	- Supporting decarbonisation / electrification, / renewable energy production and integration through both policy engagement / technical cooperation (e.g., tariff methodology) and financing of both energy companies and other industrials for green solutions. - Creating access to employment and skills by the workforce to be freed up by decarbonisation, including through training (e.g., vocational) and investment (e.g., property and tourism). - Resource efficiency / emissions reduction / energy audits for corporates including through ASB and financing (e.g., resource efficiency credit lines). - Financing for public buildings, street lighting, urban roads and urban transport, including assistance with energy audits and investment in ESCO approaches.	- Total CO2 reduced/avoided (ton/yr) - Improved energy management standards (including building/goods certifications)



5. Activities and Results Framework

Priority 3: Strengthen resilience of financial intermediation

Key Objectives	Activities	Tracking Indicators (Outcomes)
Strengthened resilience of financial sector including capitalisation, sustainable funding structure and sound risk management practices of banking sector	- Risk sharing facilities (funded or unfunded) to help banks in optimising their capital structures and risk management, along with specialised credit lines and blended finance to increase access to finance. - Support capital market development and banks' funding diversification through policy engagement on alignment of the covered bond framework with EU legislation and best international practice, and investment in the follow-on instruments. - Investing in innovative/structured debt instruments, and select equity participation in banks if opportunities arise, to optimise funding structure, strengthen resilience and support consolidation of the banking sector. - Potential investments in transactions that facilitate NPL resolution, including support for the development of the secondary market.	Legal, institutional or regulatory improvements to strengthen banking sector's resilience
Increased variety and sophistication of non-banking financial products and services; Developed local capital markets financing solutions	- Expand product range and services to increase access to non-banking finance, including mezzanine financing and bond issues, operational leasing and factoring. - Capital markets development, including supporting the development of derivatives markets and close-out netting reform, as well as green capital market products development. - Strengthening regional links, including in securities and derivatives clearing. - Policy engagement on dormant accounts / mass privatisation accounts. - Policy engagement, advisory and funding for corporates to issue capital market instruments, including acting as an anchor investor (bonds, equity). - Encouraging dual listing for clients, including financing.	- Total volume of capital market transactions facilitated - Legal, institutional or regulatory frameworks in target areas improved (e.g. capital market instruments and infrastructure)

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

EBRD BUSINESS AREAS														
		Sectors								Cross-cutting Themes				
		Industry, Commerce & Agribusiness					Sustainable Infrastructure		Financial Institutions		Strategic Initiatives			
Indicative annual investment/ grants (2015-2019 average unless otherwise specified, excluding budget support)		Agribusiness	ICT	Manufacturing & Services	Natural resources	Property & Tourism	Energy	Infrastructure	Banking	Non-bank Financial Institutions	Green Economy	Inclusion and Gender	Local Currency and Capital Markets	Small Business
EU	690	€	€	€P		€	€P	€P			€P	€P		€
EIB	206			€	€		€	€P	€					
CEB	78								€		€P			€
World Bank	58									€P				
IFC	37	€		€			€							
EIF	26		€							€P				
EBRD	240	€		€	€		€P		€		€P		P	€

Potential Areas of Cooperation



Green:

Co-operate with EU on supporting the water sector to comply with EU Directives and deliver environmental and climate benefits.



Integrated:

Cooperate with EU, EIB and WB on infrastructure development and modernisation including in the context of regional connectivity.



Resilient:

Build on the WB policy work on water sector financing strategy.

€	Area of significant investments	●	Focus mostly on private sector
P	Area of significant policy engagement	○	Focus mostly on public sector

Note: IFI activity mapping based on publicly available information.

Significant IFI investment defined as projects exceeding 5% of annual investment and signed from 2015 onwards. Change rate used is of 18 March 2019.

PUBLIC

7. Implementation Risks, Environmental and Social Implications

Risks to the Strategy Implementation	Probability	Effect	Environmental and Social Implications
Weak corporate governance could undermine investors' confidence	●	●	▪ Assessment and Management of Environmental and Social Impacts, Stakeholder Engagement: Ensure that direct, indirect and cumulative impacts of projects are appropriately assessed in accordance with the EU EIA Directive and EBRD PRs. Support clients to strengthen E&S management capacity and disclose E&S reports, where needed. ▪ Labour and Working Conditions: Ensure clients' and relevant third party employers' HR policies and practices comply with EBRD and EU requirements. Large scale retrenchment may be associated with the privatisation of SOEs and require appropriate planning, consultation and management. ▪ Resource Efficiency and Pollution Prevention and Control: Challenges remain in wastewater collection and treatment and air pollution with major health impacts. Support clients to comply with relevant EU Directives and improve the efficiency of industry-specific processes in line with BAT. ▪ Health and Safety: Improvement of occupational and community H&S standards across all sectors. TC funds may be required to support clients and stakeholders in road safety, access to clean water and contractor H&S. ▪ Land Acquisition, Involuntary Resettlement and Economic Displacement: Ensure that effective livelihood restoration and meaningful engagement with people affected by projects in terms of involuntary resettlement caused by physical and/or economic displacement in accordance with EBRD requirements, including those with no legal title. ▪ Biodiversity Conservation and Sustainable Management of Living Natural Resources: Poor enforcement of conservations laws and plans and projects being authorised without consideration of cumulative impacts to Natura 2000 areas, or on the basis of inadequate assessments are on-going issues. Renewable energy as well as linear infrastructure projects may encroach or fragment sensitive habitats, protected areas or proposed or existing Natura 2000 sites. To avoid or minimise such impacts, ensure threats to biodiversity through habitat loss and poor enforcement of conservation laws are avoided by requiring robust biodiversity assessment are carried out. ▪ Cultural Heritage: Ensure appropriate assessment carried out and clients consult with key stakeholders to protect cultural heritage. ▪ Financial Intermediaries: Ensure FI partners strengthen E&S risk management capacity and systems. ▪ Stakeholder Engagement: Support clients in developing and implementing stakeholder engagement plans and ensure transparent participatory consultation carried out as part of local permitting and ESIA's.
Willingness or pace of reforms implementation can defer /decrease private sector investments	●	●	
Potential lack of grant funding can delay certain reforms, and undermine the quality and timing of the infrastructure and public sector projects	●	●	
External economic shocks could negatively impact exporters/economic growth	●	●	
Weak project preparation and implementation capacity of public counterparts could delay key infrastructure projects and impact EU funds absorption	●	●	

8. Donor Co-Financing Assessment

8.1. Needs Assessment for the New Country Strategy Period

Donor funding will be required to achieve the strategic objectives of the Country Strategy, including for:

- Advisory services for start-ups and SMEs, including for enhancing competitiveness, innovation and access to finance
- Co-financing and client capacity building support for projects in the water and wastewater sectors
- Project preparation and implementation support for other green infrastructure projects, including for energy efficiency programmes and projects under the Green Cities Framework
- Technical cooperation grants to increase the capacity and resilience of financial intermediaries, as well as initiatives in support of strengthened local capital markets
- Continued support with early closure and decommissioning of four units of Kozloduy nuclear power plant.

Selected Affordability Indicators

EBRD regional percentile rank¹

GDP per capita (PPP, current. \$)² 21,687 61st

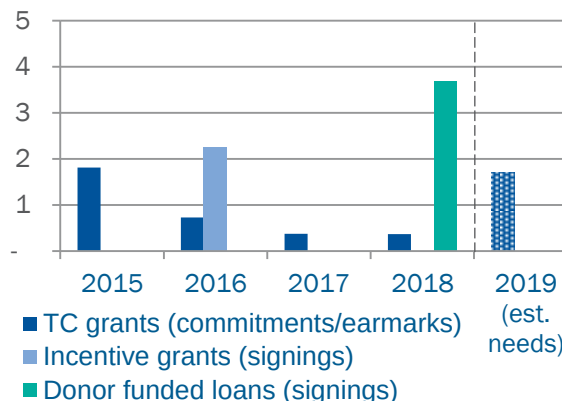
ODA Country No N/A

Source: ² IMF (2017)

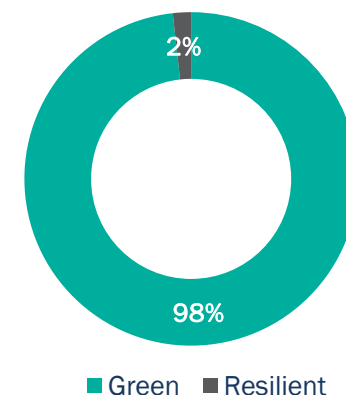
8.2. Potential Sources of Donor Funds

- The **EU** remains a very important source of funding, most notably via the European Structural and Investment (ESI) Funds. In 2018 EUR 64million was contributed in this context in the form of concessional lending and guarantees for blending with EBRD investments in the water and wastewater sectors. In addition, the availability of TC resources for strengthening client capacity and operational efficiency is also being explored
- Other **EU** funds could also possibly be drawn upon, including the **EU Horizon** programme for initiatives promoting research and innovation, the **Structural Reform Support Programme** for reform and capacity building projects in the public sector, as well as EU funds channelled through the **European Investment Advisory Hub** for business advisory programmes
- The **EBRD Shareholder Special Fund**, via its window for non-ODA countries of operation, will remain an important complementary facility to donor resources
- The **Kozloduy International Decommissioning Support Fund (KIDSF)** established in 2001 as an assistance programme of the **European Commission and other European contributors** to early closure of the Kozloduy nuclear power plant will continue focusing on decommissioning program.

Donor finance during last strategy (€m)³



Current Grant Funding Needs⁴



1. Simple percentile rank reported as the share of EBRD countries that are represented below Bulgaria.

3. The 2015 TC data is based on commitments as at the end of March 2016 (the latest available date before data migration to a new Donor Funds System). 2016-2018 TC data is based on earmarks at the project level. Incentive grants and donor funded loan amounts are based on client signings.

4. Estimated grant funding needs are based on the operational needs reported by banking teams for projects to be funded by 2019. Estimated funding needs generally exceed actual grant use as some needs may not materialise, may be delayed, or may be split into several years of fundraising efforts due to operational needs and realities.



ANNEX

ANNEX 1 – POLITICAL ASSESSMENT

Bulgaria's commitment to and application of principles set out in Article 1 continued over the period since the previous Country Strategy. The country has made further progress in certain areas of democratic reform, including the rule of law, while its progress under the Cooperation and Verification Mechanism (CVM) of the European Commission (EC) has been assessed as sufficient to meet the country's commitments made at the time of its EU accession. The CVM, which was established when Bulgaria joined the EU in 2007, focuses on the areas of judicial reform, and the fight against corruption and organised crime. Elections continue to be conducted in a manner deemed by the Organization for Security and Co-operation in Europe (OSCE) to be free and in line with international standards. The constitutional and legislative framework for a pluralistic parliamentary democracy is in place. At the same time, despite progress, particularly in the area of legislation, some challenges remain as regards implementation.

Free Elections and Representative Government

Free, fair and competitive elections

Under the Constitution, the parliament (National Assembly) is a unicameral body consisting of 240 MPs elected under a proportional system. Previous elections in the country were assessed as “free and fair” by observers from the Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR)¹, as well as by other competent international observers.

The existing legal framework is generally conducive to holding democratic elections, as assessed by the OSCE/ODIHR. The last (early) parliamentary elections, which took place in March 2017, were positively assessed by OSCE/ODIHR. These were the second parliamentary elections under a preferential voting system and, compared to the previous elections in 2014, the electorate was better informed about the system.

Separation of powers and effective checks and balances

The constitutional and legislative framework for a parliamentary democracy – underpinned by the separation of powers and checks and balances in the political system, an independent legislature and well established procedures of legislative oversight in prescribed domains of decision-making – is in place in Bulgaria and in line with international and European standards.

Effective power to govern of elected officials

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

1. OSCE/ODIHR, Limited Election Observation Mission, Final Report, Early Parliamentary Elections – 26 March 2017, Republic of Bulgaria, published on 30 June 2017.

Civil Society, Media and Participation

Scale and independence of civil society

There is a satisfactory legal framework for civil society organisations (CSOs). More than 14,000 civil CSOs are currently registered with the Central Registry of non-profit legal entities acting in the public interest. More than 800 CSOs are registered in Bulgaria every year. The majority have limited financial resources, and work in the areas of education, culture, and sport, with only few working on human rights issues.

There were significant regulatory developments in Bulgaria within the last few years. Following the September 2016 Amendment Act of the Law on Non-profit Legal Entities, major changes took effect in 2018 in the legal and regulatory framework under which CSOs function. Under the changes, all organisations must register with the Registry Agency of the Ministry of Justice alongside commercial entities. The legislation significantly simplified registration and reporting activities.

Financial dependency has remained an obstacle for many CSOs. A large number of CSOs is extremely dependent upon grant financing and unable to function in a sustainable manner outside the timetable of the grants received. At the same time, there have been reports of public rhetoric, opposing the work of some CSOs, from media outlets and political movements.

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

Independence and pluralism of media operating without censorship

Bulgaria has a pluralistic media environment, which includes public and private broadcasters and which offers citizens a wide range of political views. A legal framework is largely in place and in line with international standards. However, media ownership lacks transparency. The latest CVM report notes that such a situation affects the quality of public debate.

Television remains the predominant source of public information. Growth of internet access is increasing consistently; it grew from 55 per cent in 2012 to 67 per cent in 2018. Social media is playing an increasingly important role. In 2017, 56 per cent of Bulgarians were active Facebook users compared to 36 per cent in 2012.²

Multiple channels of civic and political participation

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

2. Internet World Stats, <https://www.internetworldstats.com>

Freedom to form political parties and existence of organised opposition

The freedom to form political parties is guaranteed by the Constitution and implemented in practice, as highlighted by the existence of a significant and diverse opposition able to campaign freely and oppose government initiatives. 11 political parties, nine coalitions and nine independent candidates registered to compete in the last general elections. The current National Assembly consists of five parliamentary groups, of which three are formally in opposition.

Rule of Law and Access to Justice

Supremacy of the law

Necessary legislative and institutional safeguards for the supremacy of the law are in place. Citizens have the right to a free and fair trial, and are free from arbitrary arrest or detention. In the years preceding accession to the EU, Bulgaria made progress in aligning its judiciary with European standards and legislation. The work has continued since then and is annually assessed by the CVM.

Independence of the judiciary

The independence of the judiciary is guaranteed by the Constitution and key safeguards are in place to ensure its impartiality. Judges can be dismissed only if they have committed a crime or become incapable of carrying out their duties. Their work is overseen by the independent Supreme Judicial Council (SJC). In 2017, a new SJC was elected, which was a key development with regards to a transparent and merit-based appointment process for judicial posts.

However, the public perception of the independence of the judiciary remains low. The Parliamentary Assembly of the Council of Europe (PACE) expressed its concerns about the justice system in Bulgaria in its resolution 2188 in 2017.³

Government and citizens equally subject to the law

The Constitution guarantees the equality of all citizens before the law and it is generally upheld in practice. The Bulgarian Ombudsman may intervene by the means envisaged by law, when citizens' rights and freedoms have been violated by actions or omissions of the state, municipal bodies and public services.

3. Resolution 2188 of the Parliamentary Assembly of the Council of Europe, Committee on Legal Affairs and Human Rights, "New threats to the rule of law in Council of Europe member States: selected examples," text adopted on 11 October 2017.

Effective policies and institutions to prevent corruption

The latest (2018) Transparency International Corruption Perception Index (CPI) ranked Bulgaria 77th out of 180 countries, which is the lowest position among EU countries.⁴ At the end of 2017, the country adopted a comprehensive anti-corruption law, setting up a single anti-corruption agency to tackle corruption among high-level officials and to deal with issues such as conflicts of interest and declaration of personal assets. The agency is based on a merger of existing institutions and is now fully operational.

When Bulgaria joined the EU in 2007, the EC established a Cooperation and Verification Mechanism (CVM) designed to help Bulgaria address the shortcomings in the area of the rule of law, focussing particularly on the fight against corruption. The CVM was initially envisaged to run for three years. Following the 2019 report, its completion is finally on the horizon for Bulgaria. The EC praised Bulgaria's efforts and progress under the mechanism. It considered that the country's progress has been sufficient to meet its commitments made at the time of its accession to the EU. Bulgaria will need to continue working consistently on translating the commitments reflected in the CVM report into concrete legislation and on continued implementation.⁵

According to the Council of Europe's Group of States against Corruption (GRECO), the necessary legal framework to prevent corruption is largely in place, with some room for improvement. In its Evaluation Report on corruption prevention in respect of members of parliament, judges and prosecutors, adopted in 2015, GRECO noted a number of shortcomings and issued 19 specific recommendations. In its compliance report, GRECO concluded that the Bulgarian authorities implemented or partly implemented 18 of the recommendations in a satisfactory manner.⁶

Civil and Political Rights

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

Overall civil and political rights continue to be respected in Bulgaria. The last assessment of Bulgaria's track record in the area of human rights in the framework of the United Nations Universal Periodic Review (UPR) was adopted in 2015. The top two recommendations for Bulgaria included rights of the child (23.16 per cent) and minorities (22.63 per cent). Bulgaria supported 95.79 per cent of the recommendations made in the course of the review process.⁷

4. Transparency International, Corruption Perception Index 2018

5. European Commission, Report from the Commission to the European Parliament and the Council on progress in Bulgaria under the Cooperation and Verification Mechanism, published on 22 October 2019.

6. Council of Europe, GRECO, Fourth Evaluation Round, Corruption prevention in respect of members of parliament, judges and prosecutors, Compliance Report on Bulgaria, published on 25 July 2017.

7. United Nations, Universal Periodic Review (UPR) Statistics

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

Political inclusiveness for women, ethnic and other minorities

The Constitution provides for the right of individuals to self-identification. However, it does not make a clear reference to ethnic minorities. Furthermore, the Constitution prohibits the formation of political parties on an ethnic or religious basis. According to the opinion of the Advisory Committee on the Framework Convention for the Protection of National Minorities, the legislation prohibiting formation of political parties on ethnic basis can lead to unwarranted limitations of their rights.⁸ The OSCE/ODIHR Electoral Observation Mission recommended once again in the last general elections that national minorities should be allowed to campaign in their mother tongue.⁹

Roma continue to face various problems and their general living conditions and level of inclusion is below average in the country.

The key legislative elements for gender equality are in place in Bulgaria. Women are active at the grassroots level and have a few high-profile representatives at the national level. The share of women in the national parliament has remained at the same levels after the last general elections (25.8 per cent).¹⁰ More than one fourth of the members of the current Bulgarian cabinet (ministerial level) are women. On average women in Bulgaria earn less than men with equal level of professional qualifications. According to Eurostat, in Bulgaria the gender pay gap stands at 13.6 per cent; below the EU average at 16 per cent.¹¹

Freedom from harassment, intimidation and torture

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

A delegation of the Council of Europe's European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) carried out a periodic visit to Bulgaria from 25 September to 6 October 2017 to review the measures taken by the Bulgarian authorities in response to the recommendations made by the Committee after previous visits. The Committee acknowledged measures taken by the Bulgarian authorities, while at the same time it made some additional recommendations on safeguards against ill-treatment in detention facilities.¹²

8. Advisory Committee, Council of Europe Framework Convention for Protection of National Minorities, Third opinion on Bulgaria, 30 July 2014

9. OSCE/ODIHR, Limited Election Observation Mission, Final Report, Early Parliamentary Elections – 26 March 2017, Republic of Bulgaria, published on 30 June 2017.

10. Inter-Parliamentary Union (IPU) Statistics

11. European Commission, Eurostat (2017), Gender pay gap statistics, available at https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics

12. Council of Europe, European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT), Report on the visit to Bulgaria from 25 September to 6 October 2017, published on 4 May 2018.