



Economic Challenges of Lagging Regions

Annex 2

Task 2 - Country report BULGARIA

Contract Ref. No. 2015.CE.16.BAT.053

*DATE:
September 2016*

*Submitted by:
Applica sprl, Cambridge Econometrics, wiiw*

EUROPEAN COMMISSION

Directorate-General for Regional and Urban Policy
Directorate B — Policy
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Task 2 - Country report BULGARIA



A joint effort by



- › The Vienna Institute for International Economic Studies
Wiener Institut für Internationale Wirtschaftsvergleiche
- › Cambridge Econometrics
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Luxembourg: Publications Office of the European Union, 2017

ISBN: 978-92-79-73217-1

doi: 10.2776/284297

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Preliminary note

The Country Reports are concerned with identifying the main structural imbalances in each of the 8 Member States on the basis of a broad range of data from various sources with regard to the 6 reform areas that has been identified as likely to most influence investment decisions and which are:

1. Corporate taxation
2. Banking and Access to finance
3. Labour market
4. Education
5. Business environment including product markets, research and innovation
6. Governance

The approach is to compare, for each structural variable, the situation in the country concerned and, so far as possible, in the lagging (NUTS 2) regions where data are available with the EU average, used as a benchmark. The findings are then confronted with the reforms recommended and implemented so to identify areas still in need of reform.

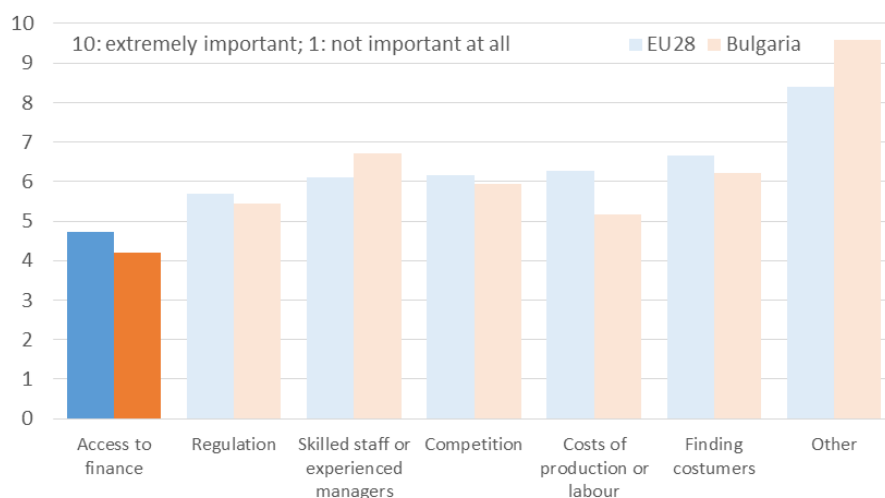
A summary of the main findings coming out from the detailed analysis provided in the Country Reports is included in the main report.

1. CORPORATE TAXATION

Data is not available for Bulgaria. No country-specific recommendations have been made in relation to this issue over the period 2011-2015. Corporate taxation does not seem to be considered as an outstanding challenge to be tackled¹. In 2014, the 100% corporate tax exemption applied to manufacturing companies located in municipalities with high unemployment rates is now also available to municipalities where the unemployment rate is 25% higher compared to the national average (before the threshold was 35%).

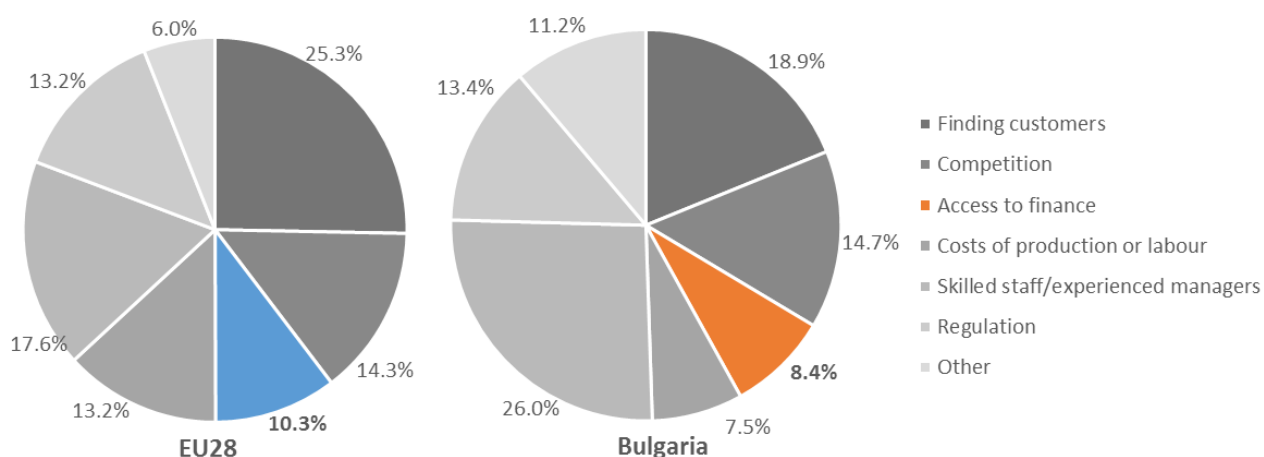
2. ACCESS OF ENTERPRISES TO FINANCE

Figure 2.1 – Problems faced by enterprises in the past 6 months in Bulgaria, 2015



Source: SAFE, wave 13.

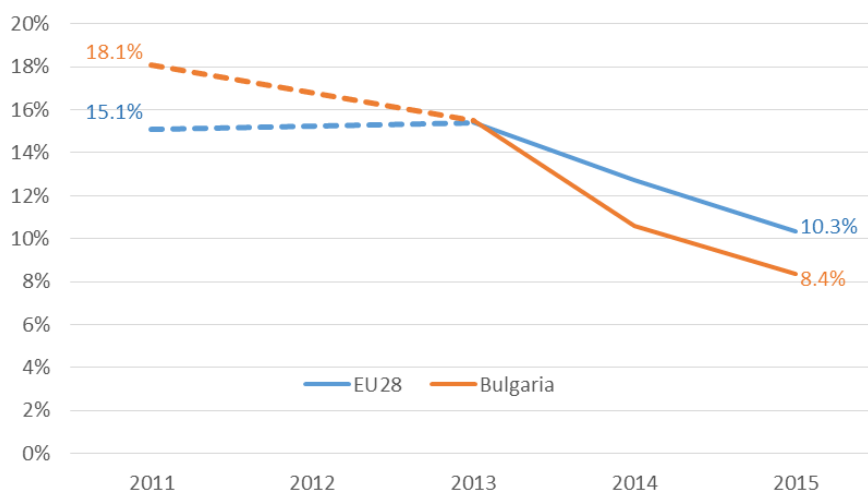
Figure 2.2 – Current most important problem for enterprises in Bulgaria, 2015



Source: SAFE, wave 13.

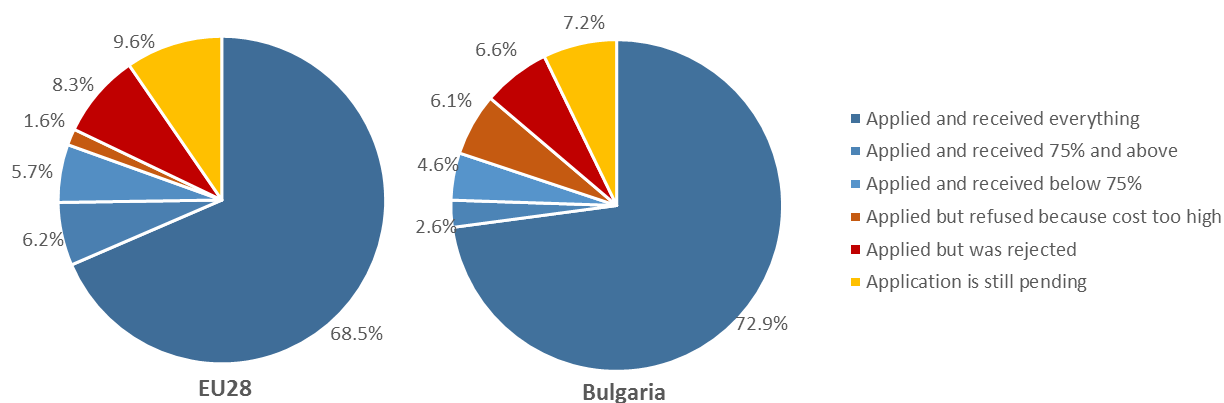
¹ Member States Investment Challenges – SWD(2015) 400 final.

Figure 2.3 – Share of responding enterprises that said that access to finance was the current most important problem for them in Bulgaria, 2011-2015



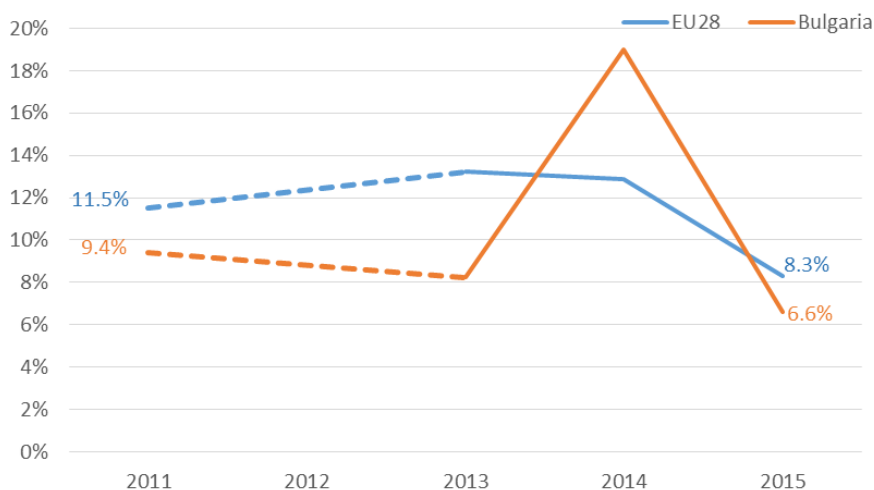
Source: SAFE, waves 5, 9, 11 and 13.

Figure 2.4 – Outcome of applications by enterprises for bank loans in Bulgaria, 2015



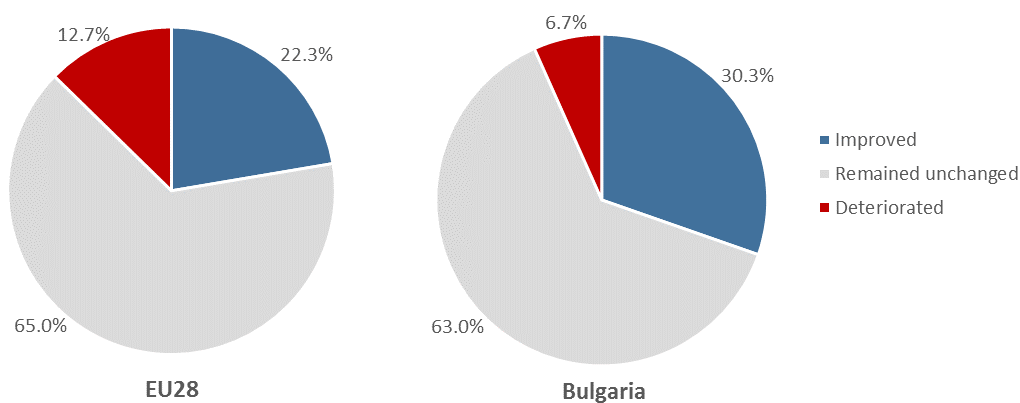
Source: SAFE, wave 13.

Figure 2.5 – Share of responding enterprises that applied for a bank loan but saw their application rejected in Bulgaria, 2011-2015



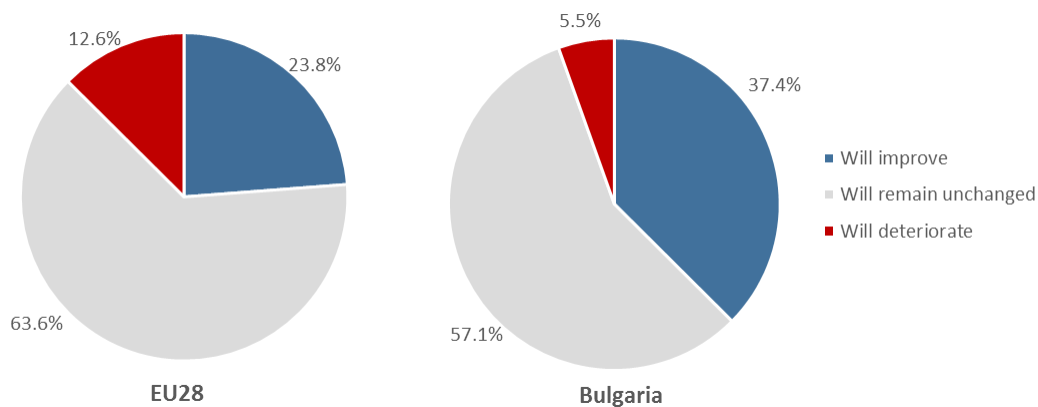
Source: SAFE, waves 5, 9, 11 and 13.

Figure 2.6 – Availability of bank loans over the past 6 months in Bulgaria, 2015



Source: SAFE, wave 13.

Figure 2.7 – Evolution of the availability of bank loans for the future in Bulgaria, 2015



Source: SAFE, wave 13.

ACCESS TO FINANCE in Bulgaria	
Country-specific recommendation, 2011-2015	
2011-2015	None.
Structural reforms carried out, 2011-2015	
2011	Under the JEREMIE initiative, 3 equity funds were set up and a <i>Guarantee Fund</i> was also established to enhance investment loans for SMEs by encouraging banks to fund projects including for start-ups and innovative businesses with no credit history.
2011	Under the JESSICA initiative, a <i> Holding Fund</i> finances public, private and public-private partnership projects by providing loans and bank guarantees.
2012	<i>Funded Risk Sharing Product</i> : a new instrument to reduce the levels of interest rates on new loans to SMEs by at least 50%.
2015	The <i>Angel investment network</i> was established in September 2015 and is expected to start financing projects in 2016.
Outstanding challenges	
	SMEs access to finance could be improved in particular in terms of the interest rates level (which is among the highest in the EU).
	Non-banking financing is very underdeveloped, limiting access to finance for investment.
	Insufficient access to finance for R&D investment hamper innovation and competitiveness.

Sources: CSRs 2011-2015, CR 2016 (SWD2016 - 72 final), National Reform Programmes (NRP) 2001-2015, Member States Investment Challenges – SWD(2015) 400 final.

Overview

In the case of access to finance, data are not available at the regional level. The analysis is therefore limited to the country level.

Based on the SAFE results for 2015, access to finance was not considered to be an important issue for enterprises in Bulgaria which seem more concerned about finding skilled staff or experienced managers. This has however not always been the case: access to finance was indeed considered as a major issue in 2011, but since then it has become less and less of a problem for enterprises, and since 2014, the situation is even better than in the EU. In addition, data on the outcome of bank loan applications indicate that enterprises in the country seem to have better access to this form of financing than elsewhere in the EU, and that they are more confident in the future availability of bank loans than in the EU.

No country-specific recommendation was issued in relation to access to finance for enterprises. Nevertheless, over the 2011-2015 period, various tools were set up in order to further facilitate access to funding for businesses operating in Bulgaria. For instance, 3 new equity funds as well as a new guarantee fund were created in 2011, and a few years later, the Angel investment network was established.

Despite these efforts, access to finance of SMEs was still considered in end-2015 as an outstanding challenge as interest rates remain relatively high. Alternative sources of financing and access to finance for R&D investment also both need to be further encouraged.

3. LABOUR MARKET

Figure 3.1 – Unemployment rate (15 and over) in Bulgaria, 2002-2015



Source: Eurostat, LFS [lfst_r_lfu3rt].

Table 3.1 – Unemployment rate in Bulgaria, 2015

Region	Unemployment rate, 15 and over (%)
Severozapaden	12.1
Severen tsentralen	10.6
Severoiztochen	10.3
Yugoiztochen	10.4
Yuzhen tsentralen	9.2
Bulgaria	9.1
EU average	9.4

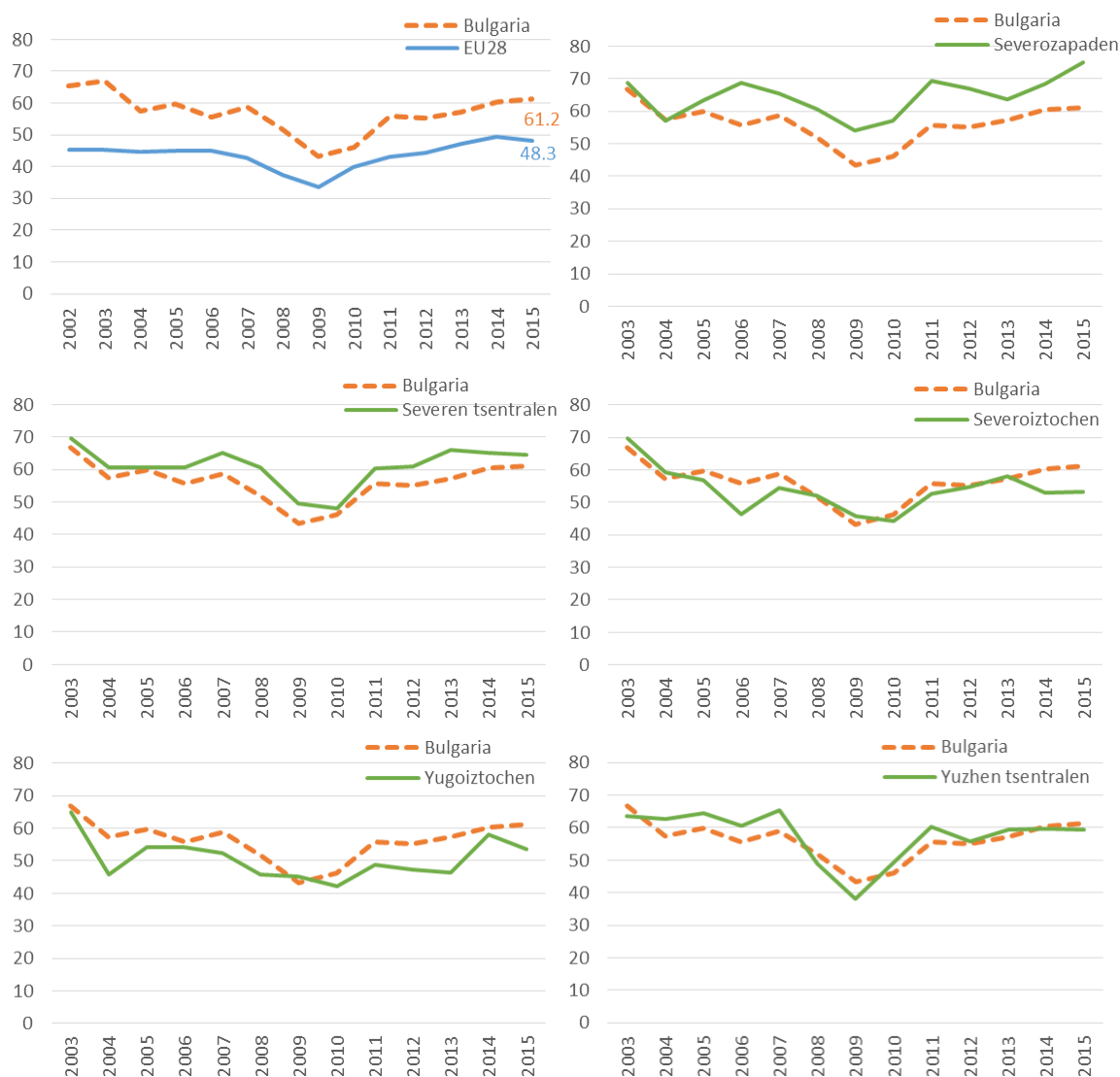
Source: Eurostat, LFS [lfst_r_lfu3rt].

Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The unemployment rate in Bulgaria was less than the EU average in 2015 having been above the average over the preceding 5 years. After the recession in 2008 the rate significantly increased up to 2013, before falling below the EU average in 2015. The unemployment rate was however higher than the national average in all the lagging regions, and also above the EU average in all the regions except in Yuzhen tsentralen where the rate was slightly lower than in the EU. In all the lagging regions, unemployment was consistently above the EU average over the period 2010-2014. In Severozapaden, Severen tsentralen and Severoiztochen, it was also higher than the national average over the same period whereas in the other two lagging regions, Yugoiztochen and Yuzhen tsentralen the rate was very similar to the national average over this period. In 2015, job shortages seem to be a particular problem in Severozapaden, Severen tsentralen, Severoiztochen and Yugoiztochen.

Figure 3.2 – Long-term unemployment in Bulgaria, 2002-2015, % of total unemployed



Source: Eurostat, LFS [lfs_r_lfu2ltu].

Table 3.2 – Long-term unemployment in Bulgaria, 2015

Region	LTU rate (% of total unemployed)
Severozapaden	75.1
Severen tsentralen	64.5
Severoiztochen	53.2
Yugoiztochen	53.5
Yuzhen tsentralen	59.4
Bulgaria	61.2
EU average	48.3

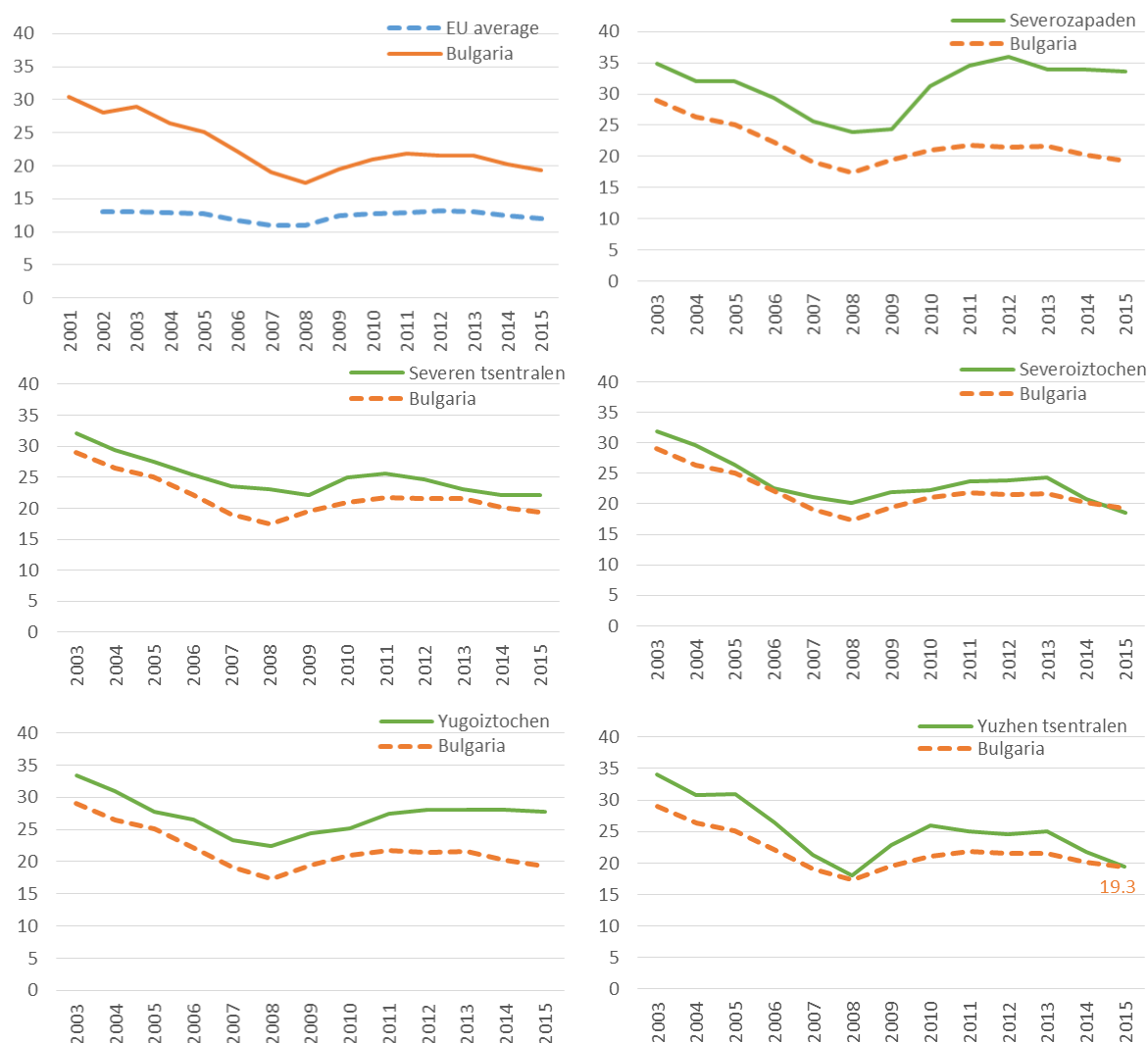
Source: Eurostat, LFS [lfs_r_lfu2ltu]

Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The share of the unemployed out of work for a year or more – i.e. long-term unemployment – was higher in Bulgaria in 2015 than the EU average and was consistently above over the 2002-2015 period, suggesting that structural unemployment was a more of a problem in Bulgaria than in the rest of the EU. In 2015, the share was above the EU average in all lagging regions and above the national average in Severozapaden and Severen tsentralen. Structural unemployment, therefore, seems to be a particular problem in these two regions.

Figure 3.3 – Proportion of young people aged 15-24 neither in employment nor in education and training in Bulgaria, 2001-2015



Source: Eurostat, LFS [edat_lfse_22].

Table 3.3 – NEET rate in Bulgaria, 2015

Region	NEET rate (15-24), %, 2015
Severozapaden	33.6
Severen tsentralen	22.2
Severoiztochen	18.6
Yugoiztochen	27.8
Yuzhen tsentralen	19.4
Bulgaria	19.3
EU average	12.0

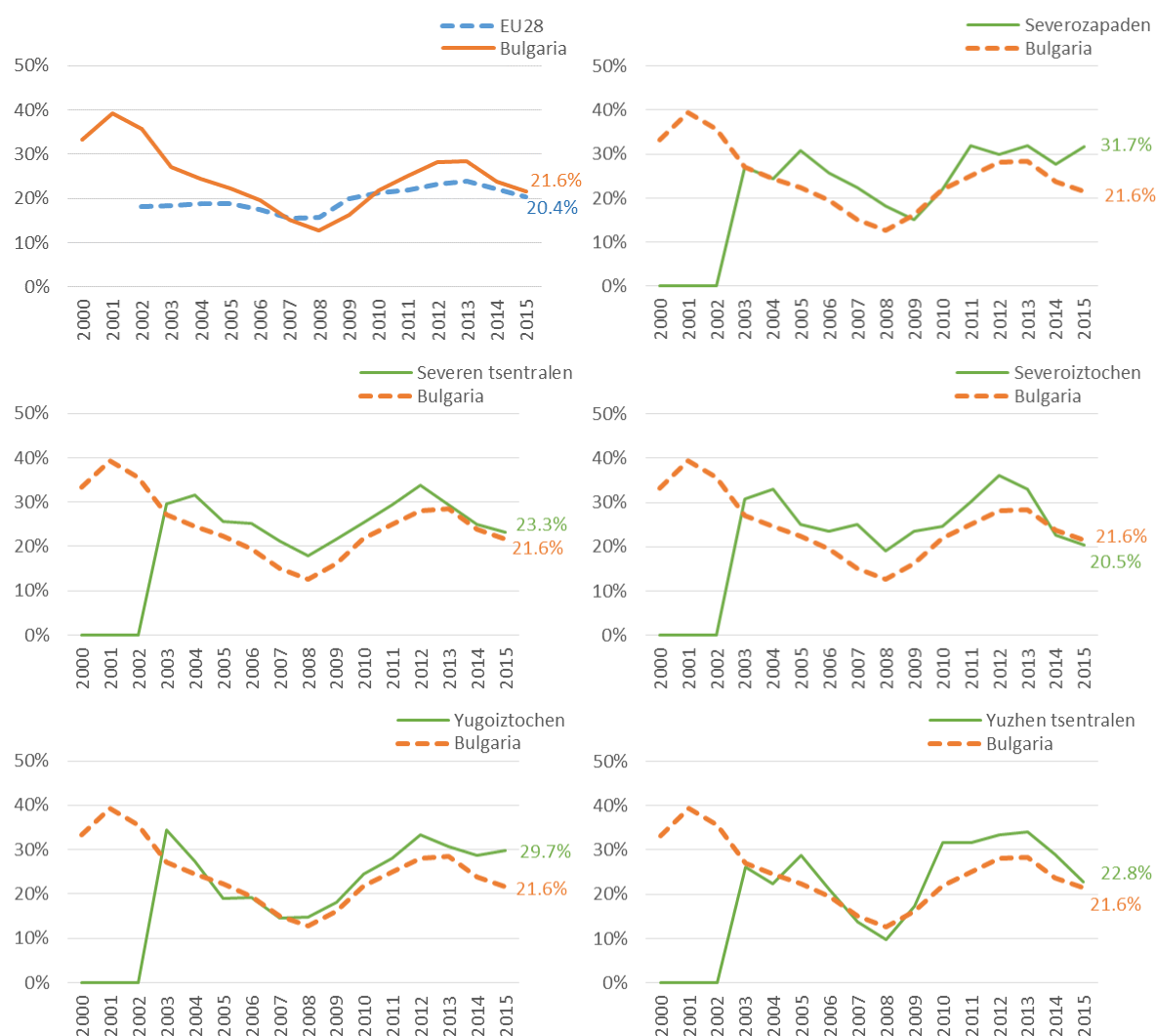
Source: Eurostat, LFS.

Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The NEET rate for young people aged 15-24 in Bulgaria was above that in the EU in 2015 and this was consistently the case since 2001, even if the gap is not as large as in the beginning of the 2000s. In all the lagging regions, the rate was higher than the national and the EU average except in Severoiztochen where the rate below the national average but still well above the EU rate. In 2015, the NEET rate was particularly high in Severozapaden and Yugoiztochen. In most lagging regions the rate has been constantly above the national and EU average over the 2003-2015 period, even if in Severoiztochen and Yuzhen tsentralen the rate in 2015 was very similar to the national average was. Lack of jobs for young people and/or their limited participation in education or initial vocational training were a problem in all the lagging regions, and in particular in Severozapaden and Yugoiztochen.

Figure 3.4 – Unemployment rate (15-24 years) in Bulgaria, 2000-2015



Source: Eurostat, LFS [lfst_r_lfu3rt].

Table 3.4 – Youth unemployment rate in Bulgaria, 2015

Region	Unemployment rate (15-24), %, 2015
Severozapaden	31.7

Severen tsentralen	23.3
Severoiztochen	20.5
Yugoiztochen	29.7
Yuzhen tsentralen	22.8
Bulgaria	21.6
EU average	20.4

Source: Eurostat, LFS.

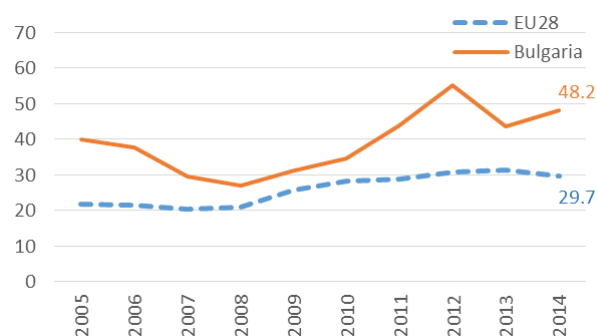
Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The youth unemployment rates show exactly the same picture than the NEET rates. In Bulgaria as a whole, youth unemployment was higher than the EU average in 2015 just like the NEET rate, implying that it was more difficult to find a job for young people but also that they were more likely not to participate in education or training in the country than in the rest of the EU. Since 2010, the youth unemployment rate in Bulgaria was consistently above the EU average.

At the regional level, the youth unemployment rate was highest in Severozapaden and Yugoiztochen, well above the national and EU average, as was the NEET rate. The implication is that jobs were especially scarce for young people entering the labour market in these two regions.

Figure 3.5 – Unemployment rate of young people aged 15-24 with low education in Bulgaria, 2005-2014



Source: Eurostat, LFS microdata.

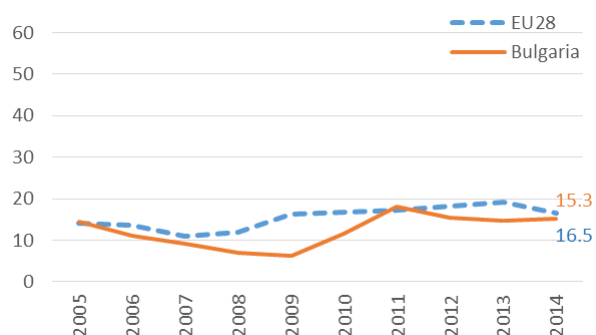
Note: Unemployment rates of people with low education cannot be published for most of the lagging regions because of the insufficient number of observations.

Figure 3.6 – Unemployment rate of young people aged 15-24 with medium education in Bulgaria, 2005-2014



Source: Eurostat, LFS microdata.

Figure 3.7 – Unemployment rate of young people aged 15-24 with high education in Bulgaria, 2005-2014



Source: Eurostat, LFS microdata.

Note: Unemployment rates of people with high education cannot be published for most of the lagging regions because of the insufficient number of observations.

Table 3.5 – Youth unemployment rate by education attainment level in Bulgaria, 2014

Region	Unemployment rate, 15-24, %		
	Isced 0-2	Isced 3-4	Isced 5-8
Severozapaden	40.2	26.3	:
Severen tsentralen	44.2	20.8	:
Severoiztochen	38.9	19.8	:
Yugoiztochen	48.6	25.0	:
Yuzhen tsentralen	28.4	25.1	41.5
Bulgaria	48.2	20.8	15.3
EU average	29.7	20.0	16.5

Source: Eurostat, LFS.

Notes: Latest publishable unemployment rates of people with low education relates to 2006 for Severozapaden, 2008 for Severen tsentralen and 2013 for both Yugoiztochen and Yuzhen tsentralen. Unemployment rates of people with high education cannot be published for most of the lagging regions because of the insufficient number of observations.

Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The unemployment rate among young people with only basic schooling was substantially higher in Bulgaria than that in the rest of the EU in 2014 and over the preceding 9 years. At the regional level, the unemployment rate among the low-educated youth was lower than the national average in all the lagging regions except Yugoiztochen where the rate was above the national and EU average in 2014. Problems of young people with only basic education finding employment therefore seem to be particularly acute in this region. Data however needs to be interpreted with care for this group of population as the latest reliable data for Severozapaden and Severen tsentralen respectively refer to 2006 and 2008 and are therefore relatively old.

For young people with upper secondary education, the unemployment rate in Bulgaria was also above the EU average though less so compared to those with only basic schooling. In 2014, the rate was particularly high in Severozapaden but also in Yugoiztochen and Yuzhen tsentralen, while in Severoiztochen it also both below the national and EU average.

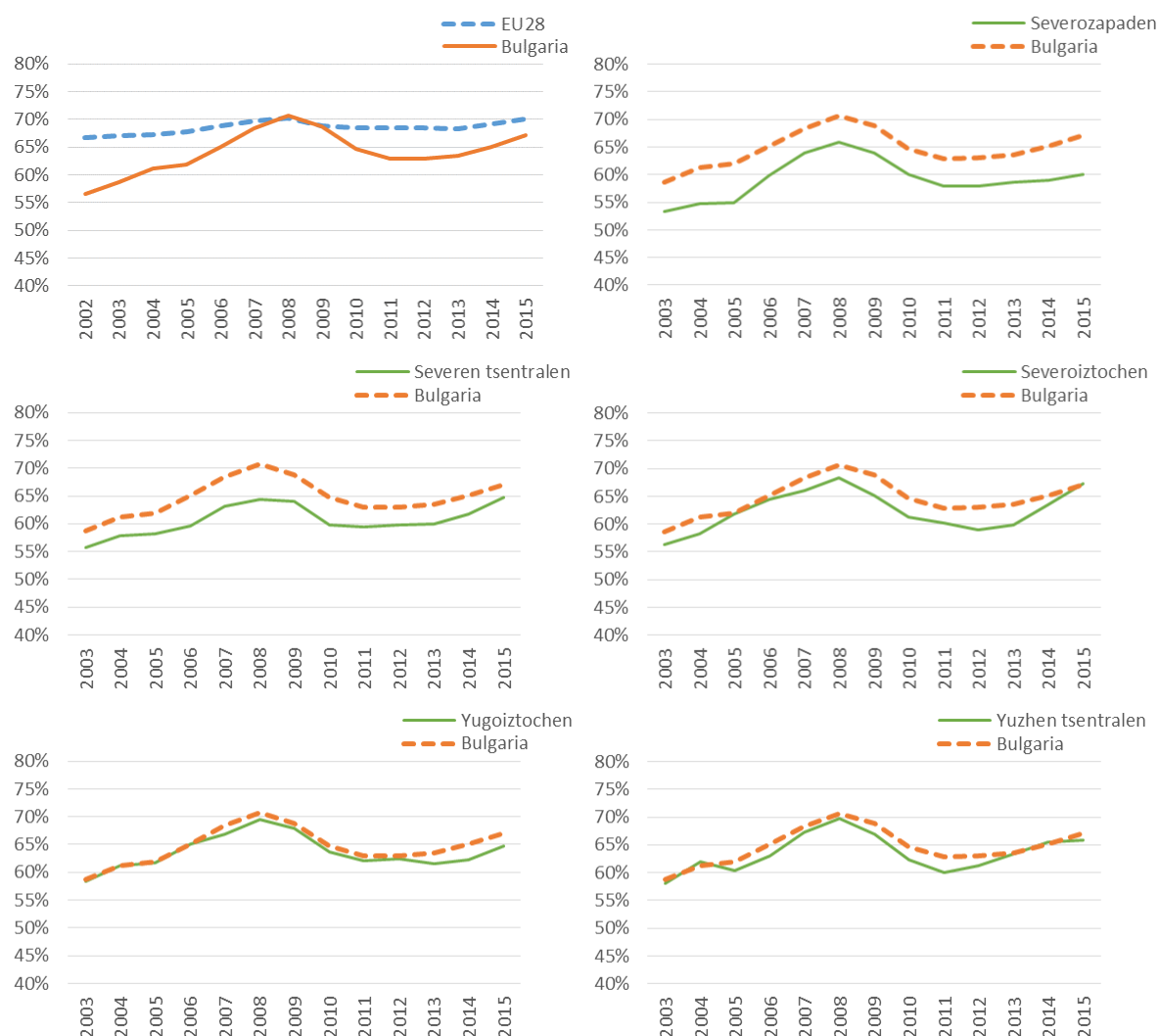
On the other hand, the unemployment rate for young people with tertiary education was lower in Bulgaria than in the rest of the EU in 2014 and over the preceding years (except in 2011 where the rate was slightly above the EU average). Because of reliability issues, regional data can only be published for Yuzhen tsentralen for 2014, and it shows that the rate in this region is much higher than in the country as well as in the EU.

In sum, the unemployment of young people was higher than the national (and EU) average in all the lagging regions for those with both upper secondary and tertiary level education and, except in Świętokrzyskie, for those with only basic schooling too. Irrespective of their level of education, therefore, there was a shortage of jobs for young people entering the labour market in all the regions.

In sum, in Severozapaden, the shortage of jobs was particularly marked for young people with upper secondary education. In Yugoiztochen, the problem concerned both young people with upper secondary

education and those with only basic schooling. While in Yuzhen tsentralen, job shortage was particularly acute for tertiary educated young people (and to a lesser extent for those with upper secondary education).

Figure 3.8 – Employment rate (20-64 years) in Bulgaria, 2002-2015



Source: Eurostat, LFS [lfst_r_lfe2emprr].

Table 3.6 – Employment rate in Bulgaria, 2015

Region	Employment rate (20-64 years), %, 2015
Severozapaden	60.1
Severen tsentralen	64.8
Severoiztochen	67.2
Yugoiztochen	64.8
Yuzhen tsentralen	65.8
Bulgaria	67.1
EU average	70.0

Source: Eurostat, LFS.

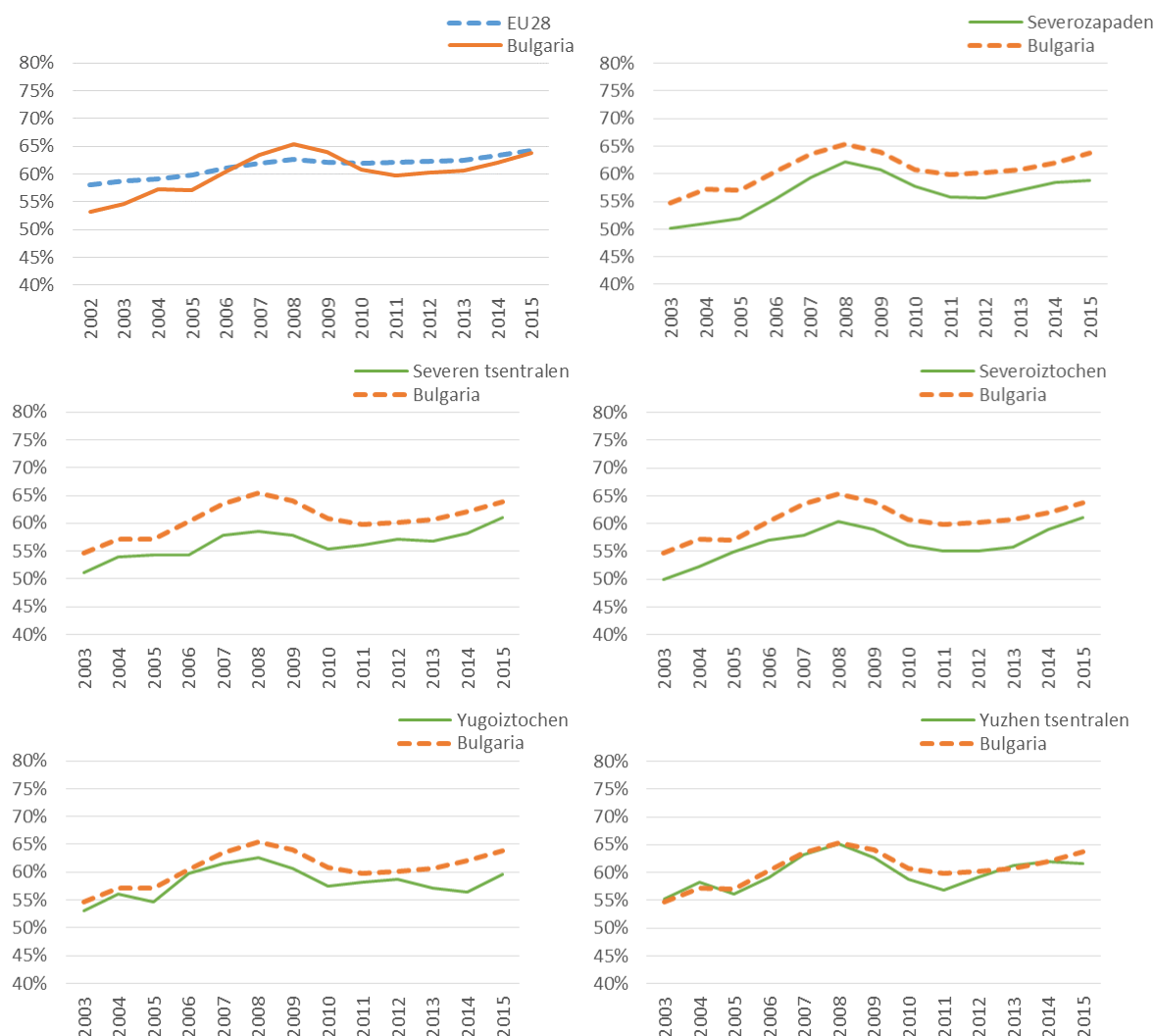
Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Commentary

The employment rate in Bulgaria has been consistently below the EU average over the 2002-2015 period, though it was slightly above in 2008 during the crisis. Since the unemployment rate was also below the EU average in 2015, the implication is that the rate of participation in the work force (the rate of economic activity) was below the EU average as well.

At the regional level, the employment rate in 2015 in Severoiztochen was much the same as the national average unlike earlier years where it was below. In all lagging regions, the employment rate was below the national and EU rate in 2015 except in Severoiztochen. It's in Severozapaden that the lowest employment rate was observed in 2015, 7 percentage points below the national average and 10 percentage points below the EU average, and it has been consistently low over earlier years. It's also in this region that the unemployment rate was particularly high in 2015.

Figure 3.9 – Employment rate of women (20-64 years) in Bulgaria, 2000-2015



Source: Eurostat, LFS [lfst_r_lfe2emp].

Table 3.7 – Employment rate of women in Bulgaria, 2015

Region	Female employment rate (20-64 years), %, 2015
Severozapaden	58.8
Severen tsentralen	61.1
Severoiztochen	61.1
Yugoiztochen	59.6
Yuzhen tsentralen	61.6
Bulgaria	63.8
EU average	64.2

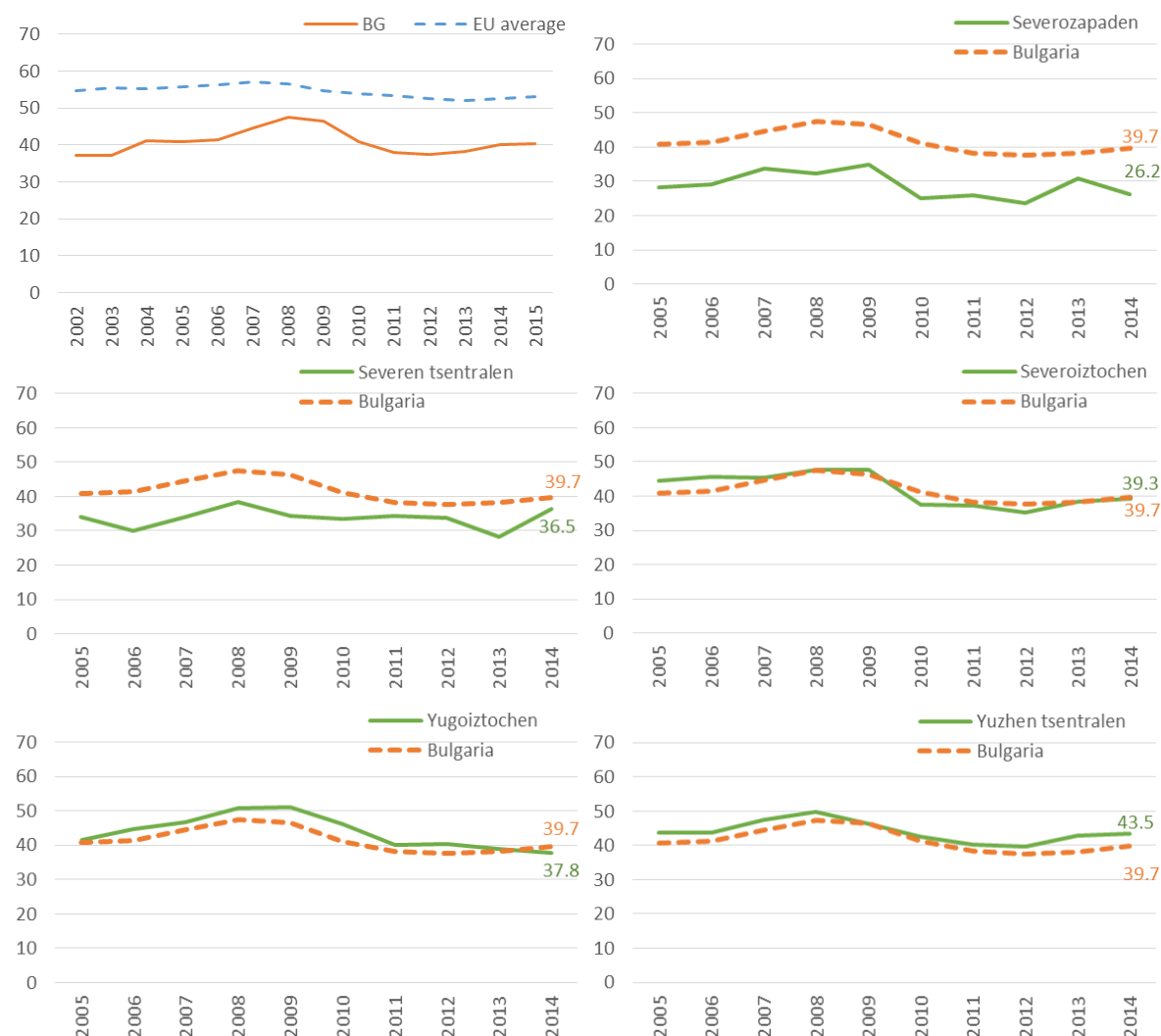
Source: Eurostat, LFS.

Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Commentary

In 2015, the employment rate of women in Bulgaria was slightly below the EU average compared to the overall rate, almost reaching the level observed in 2008-2009 when the rate was highest. It was also below the EU average and below the national average in all lagging regions, broadly reflecting the results found for the overall employment rate. Women, therefore, seem to face similar difficulties as men to find a job in all the lagging regions though their participation rates are also relatively low in most of these regions, which might reflect a shortage of jobs as much as a reluctance to be in paid employment.

Figure 3.10 – Employment rates of those aged 25-64 with low education in Bulgaria in 2002-2015 and lagging regions in 2005-2014

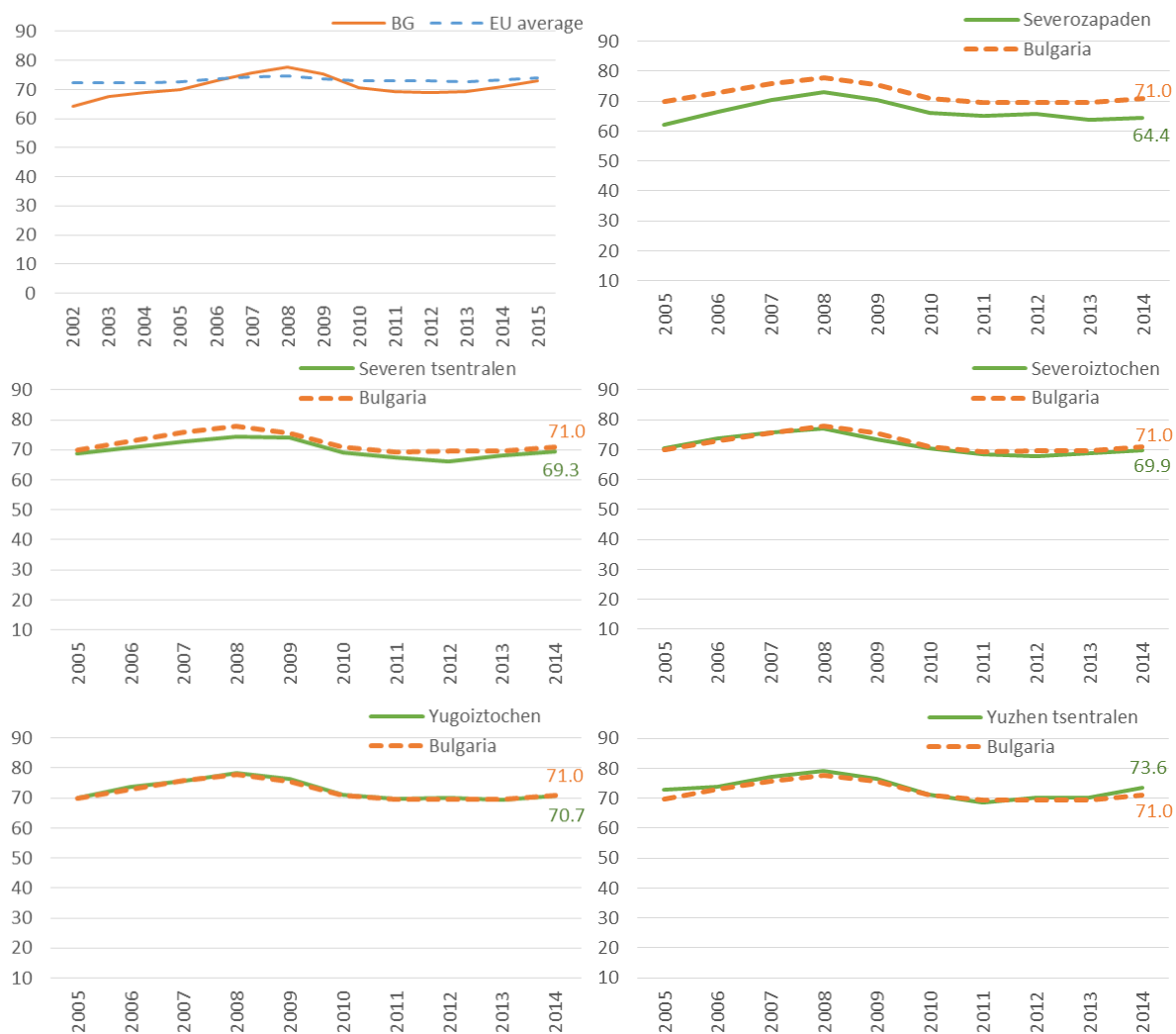


Source: Eurostat, LFS [lfst_r_lfe2eedu] and LFS microdata for the regional data.

Commentary

The employment rate of those aged 25-64 with only basic schooling in Bulgaria was well below the EU average in 2015 and this has consistently been the case over the 2002-2015 period. People with low education, therefore seem to face particular problems finding work in Bulgaria though it is also the case that participation rate is equally relatively low among this group. In almost all the lagging regions, the employment rate of those with only basic schooling in 2014 was both lower than the national and EU average. In Yuzhen tsentralen however, the rate was higher than the national average though well below the EU rate, which implies that in this region, therefore, there seems to be more jobs available for the low-educated than in the rest of the country. In Severozapaden and Severen tsentralen, the rate was consistently below the national average over the 2005-2014 period whereas in the other three lagging regions the difference with the national average was less marked over the same period.

Figure 3.11 – Employment rates of those aged 25-64 with medium education in Bulgaria in 2002-2015 and lagging regions in 2005-2014

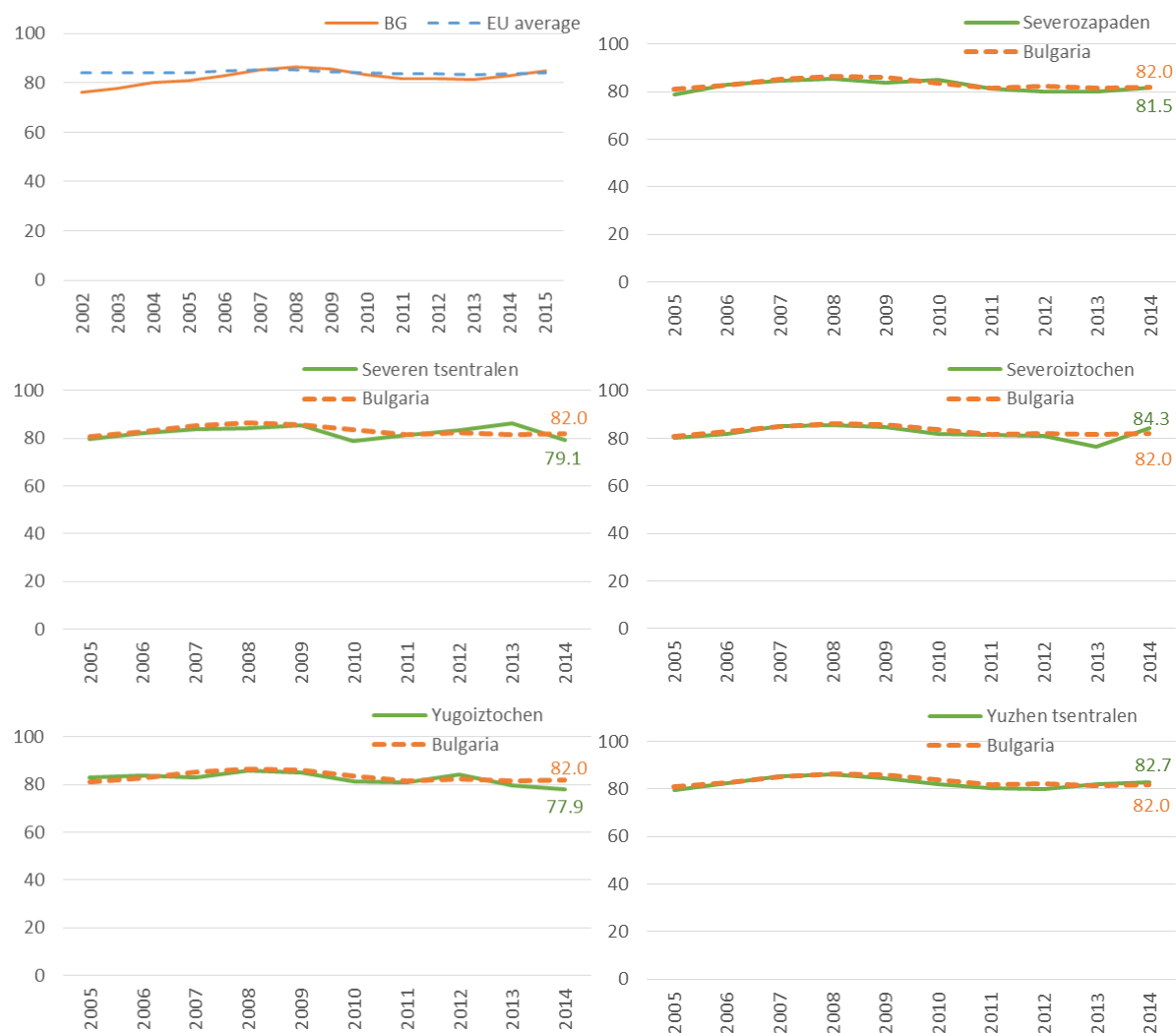


Source: Eurostat, LFS [lfst_r_lfe2eedu] and LFS microdata for the regional data.

Commentary

In 2015, the employment rate of those with upper secondary education in Bulgaria was also below the EU average, though less so, and this was also the case over the preceding 5 years. In the lagging regions, the relative rates broadly reflect the relative level of the overall employment rates. In 2014, the rate was above the national average only in Yuzhen tsentralen, where it was even slightly higher than the EU rate.

Figure 3.12 – Employment rates of those aged 25-64 with high education in Bulgaria in 2002-2015 and lagging regions in 2005-2014



Source: Eurostat, LFS [lfst_r_lfe2eedu] and LFS microdata for the regional data.

Commentary

In contrast to the employment rates for the low educated and those with upper secondary education, the rate for those with tertiary education in Bulgaria was slightly above the EU average in 2015 (but it was lower over the preceding 5 years). In fact, since 2007 the rates were much the same. At the regional level for which the latest available data refer to 2014, the rate was below the national and EU average in Severozapaden, Severen tsentralen and Yugoiztochen, suggesting that the demand for those with tertiary education is relatively low as compared to the national average.

Table 3.8 – Employment rate by education attainment level in Bulgaria, 2014

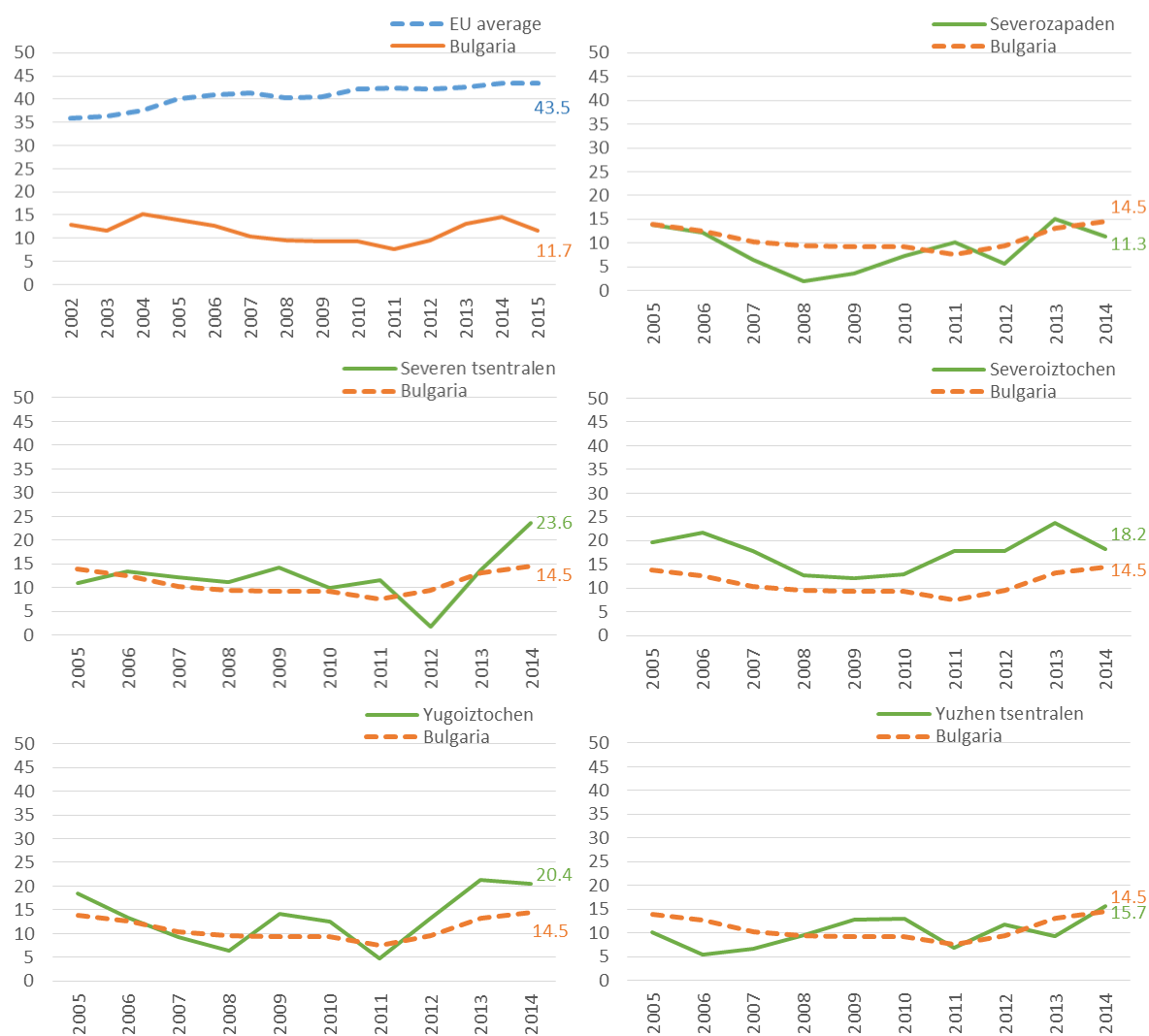
Employment rate (25-64), %, 2014			
	ISCED 0-2	ISCED 3-4	ISCED 5-8
Severozapaden	26.2	64.4	81.5
Severen tsentralen	36.5	69.3	79.1
Severoiztochen	39.3	69.9	84.3
Yugoiztochen	38.9	69.2	79.8

Yuzhen tsentralen	43.5	73.6	82.7
Bulgaria	39.7	71.0	82.0
EU average	52.8	73.4	83.6

Source: Eurostat, LFS.

Note: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey. Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Figure 3.13 – Temporary employment (% of total employees aged 15-24) in Bulgaria in 2002-2015 and its lagging regions in 2005-2014

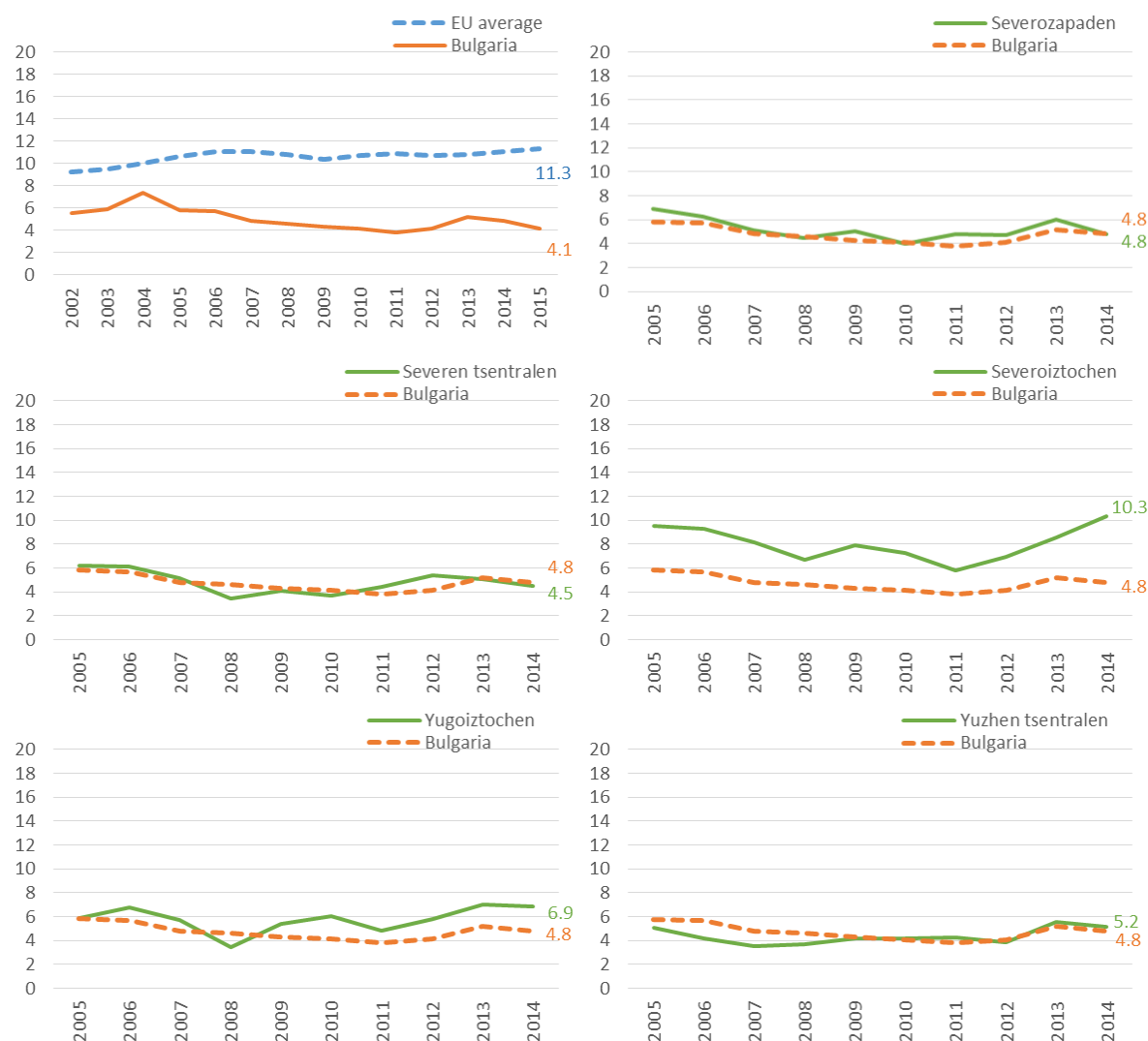


Source: Eurostat, LFS [lfsa_etpga] and LFS microdata for the regional data.

Commentary

Over the 2002-2015 period, the share of young employees aged 15-24 in temporary jobs was much lower in Bulgaria than in the EU. This was also the case in all the lagging regions, reflecting the fact that young people are generally employed on standard contracts in the country.

Figure 3.14 – Temporary employment (% of total employees aged 25 or over) in Bulgaria in 2002-2015 and its lagging regions in 2005-2014



Source: Eurostat, LFS [lfsa_etpga] and LFS microdata for the regional data.

Table 3.9 – Temporary employment in Bulgaria by age group, 2014

Region	Temporary employment (% of total employees), 2014	
	15-24	25 or over
Severozapaden	11.3	4.8
Severen tsentralen	23.6	4.5
Severoiztochen	18.2	10.3
Yugoiztochen	20.4	6.9
Yuzhen tsentralen	15.7	5.2
Bulgaria	14.5	4.8
EU average	43.4	11.1

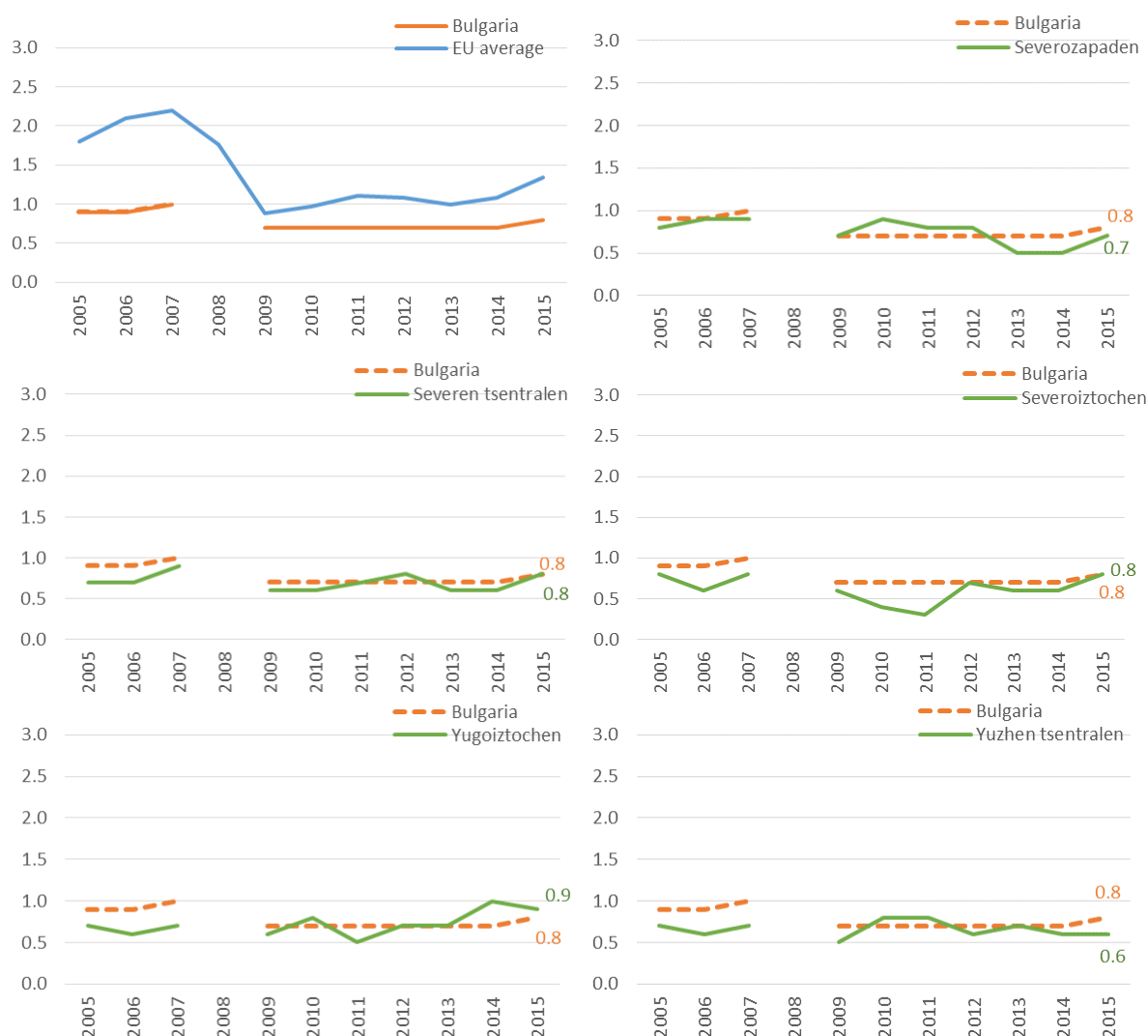
Source: Eurostat, LFS.

Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey. Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Commentary

The share of employees aged 25 and over who are in temporary jobs is also well below the EU average and has shown little sign of increasing over the recent years. It was equally well below the EU average in all the lagging regions but above the national average in all of them except Severozapaden and Severen tsentralen. In Bulgaria, therefore, temporary workers do not seem to represent a significant proportion of employees, reflecting the fact that people are generally employed on standard employment contracts.

Figure 3.15 – Job vacancy rate in Bulgaria, 2005-2015



Source: Eurostat, Job vacancy statistics [jvs_a_nace2].

Notes: Data is not available for 2008 for Bulgaria. For the calculation of the EU average: 2003-2007 refers to EU27 as provided by Eurostat. From 2008, average estimated with available data, which excludes BE, DK, IE, EL, ES, FR, IT, CY, MT and AT, for PT data are available only for 2014 and 2015. There is no data for SE for 2008 and 2014.

Table 3.10 – Job vacancy rate in Bulgaria, 2015

Region	Job vacancy rate, %, 2015
Severozapaden	0.7
Severen tsentralen	0.8
Severoiztochen	0.8
Yugoiztochen	0.9
Yuzhen tsentralen	0.6
Bulgaria	0.8
EU average	1.3

Source: Eurostat, Job vacancy statistics.

Commentary

The rate of unfilled job vacancies is much less in Bulgaria than the EU average but because of the partial coverage of the data, this means relatively little. More relevantly, the vacancy rate in all the lagging regions in 2015 was either the same as or less than the national average except in Yugoiztochen where it was slightly higher. The implication is that in Yugoiztochen, where the unemployment rate is also higher than the national average, there are major structural problems in the labour market in this region. In other lagging regions, which are also characterised by a high unemployment rate, there is an insufficient demand for labour from enterprises in these regions.

Summary 1 – Overview of labour market (percentage point differences relative to the EU average for the national figures and relative to the national average for the regional figures)

LABOUR MARKET						
	Bulgaria	Severozapaden	Severen tsentralen	Severoiztochen	Yugoiztochen	Yuzhen tsentralen
Unemployment and long-term unemployment						
Unemployment rate (15+), 2015	-0.3	+3.0	+1.5	+1.2	+1.3	+0.1
LTU rate (15+), 2015	+12.9	+13.9	+3.3	-8.0	-7.7	-1.8
NEETs						
NEET rate (15-24), 2015	+7.3	+14.3	+2.9	-0.7	+8.5	+0.1
Youth unemployment rates						
Youth unemployment rate (15-24), 2015	+1.2	+10.1	+1.7	-1.1	+8.1	+1.2
Youth unemployment rate (15-24), ISCED 0-2, 2014	+18.5	-8.0	-4.0	-9.3	+0.4	-19.8
Youth unemployment rate (15-24), ISCED 3-4, 2014	+0.8	+5.5	-0.1	-1.0	+4.2	+4.2
Youth unemployment rate (15-24), ISCED 5-8, 2014	-1.2	:	:	:	:	+26.2
Employment rates						
Total employment rate (20-64), 2015	-2.9	-7.0	-2.3	+0.1	-2.3	-1.3

Female employment rate (20-64), 2015	-0.4	-5.0	-2.7	-2.7	-4.2	-2.2
Employment rate (25-64), ISCED 0-2, 2014	-13.1	-13.5	-3.2	-0.4	-0.8	+3.8
Employment rate (25-64), ISCED 3-4, 2014	-2.4	-6.5	-1.6	-1.0	-1.7	+2.7
Employment rate (25-64), ISCED 5-8, 2014	-1.6	-0.5	-2.8	+2.3	-2.2	+0.7
Temporary work						
Temporary employees (15-24), 2014	-28.9	-3.2	+9.1	+3.7	+5.9	+1.2
Temporary employees (25+), 2014	-6.3	-0.0	-0.3	+5.5	+2.1	+0.4
Job vacancy*						
Job vacancy rate, 2015		-0.1	-	-	+0.1	-0.2
STRUCTURAL IMBALANCE						
Number of unfavourable variables	10	11	10	6	13	10
Number of favourable variables	4	3	3	7	1	5

Notes: Unfavourable situations compared to the EU average are highlighted in grey and those which are unfavourable relative to the national average are shown in red.

* The job vacancy rate is considered in conjunction with the unemployment rate. Low vacancies and high unemployment mean that there is insufficient demand for labour, that there are unused resources which could add to GDP; high vacancies and high unemployment mean that there are structural problems in the sense that labour is available but it does not have the skills demanded by employers; high vacancies and low unemployment signal the labour available is not sufficient to meet the demand; low vacancies and low unemployment suggests a balanced labour market. Since there are problems in comparing vacancy statistics across countries because of the partial extent of coverage, the comparison here is relative to the national average only.

“.” Not available, “-“ No difference.

LABOUR MARKET in Bulgaria	
Country-specific recommendations, 2011-2015	
2011	Take measures for modernising PES to enhance their capacity to match skills profiles with labour market demand and focusing support on young people with low skills.
2012	Accelerate the implementation of the national YEI. Step up efforts to improve the PES performance.
2013	Accelerate the YEI for example through a YG. Further strengthen the capacity of the PES with a view to providing effective counselling to jobseekers and develop capacity for identifying and matching skill needs. Enhance active labour market policies in particular concerning national employment schemes.
2014	Improve the efficiency of the PES by developing a performance monitoring system and better targeting the most vulnerable. Extend the coverage and effectiveness of active labour market policies to match the profiles of jobseekers and reach out to non-registered young NEET.
2015	Develop an integrated approach for groups at the margin of the labour market (in particular older workers and young NEET).
Structural reforms carried out, 2011-2015	
2011	250 labour mediators were hired to work mainly with the vulnerable groups, and training for career development and qualification refinement are envisaged for 1,550 labour mediators. In 2015, appointment of 100 youth mediators at the municipalities who will identify and activate inactive youth.

2011	National Action Plan on Employment: “Assistants to People with Disabilities” providing employment to unemployed people looking after disabled people, National Programme for Employment and Professional Training of People with Permanent Disabilities, “New Chance for Employment” (before being orientated to subsidised employment, people participate in motivation training, training for professional qualification and training in key competencies), “Career Start” (provides an opportunity to young unemployed with higher education to gain length of service), Implementation of measures for subsidising the employment of young people, LTU, mothers with children aged up to 5 years, etc., Implementation of 153 regional programmes proposed by the regional employment commissions (road network repair and maintenance, planting, archaeological activities, social services, etc.), “Development Scheme” provides training and subsequent employment to unemployed people, “I can” and “I can more” for training vouchers for employed and self-employed people, etc.
2011	“New start”: efficient integration of young people on the labour market. The focus is on facilitating the transition from education and training to employment and the labour market, as well as on providing different measures of second chance type for individuals who are not within the educational and training system or not employed.
2012	Under the scheme “Modernising the services provision system”, electronic terminals will be established in 108 contact points in the PES to facilitate access to information on job vacancies.
2012	“Jobs for young people” provides opportunities for young people to find their first job, including by providing training for young people with a low education level and no qualification. The initiative will cover a package of measures, programmes and services for activation, information, counselling, training and employment of young people up to 29 years of age, including through a simplified access to registration with labour offices and new practices in the provision of mediation services to young people.
2014	To strengthen the capacity of the PES, measures were taken in 2014 to enhance the system for monitoring of activities, to improve mediation services by conducting labour exchanges, setting up information terminals for provision of e-services, conducting training events, consulting, etc. The following electronic services were introduced: opportunity for employers to submit vacancy applications by electronic means, jobseekers can receive information about vacancies by SMS and e-mail, improved interface of the web site of the EA in order to facilitate its use by unemployed people with disabilities. At the beginning of 2015 additional measures were undertaken for strengthening the capacity of the PES: 5 career centres are being developed and 30 consultants are expected to be trained to provide services in the area of career guidance, an action plan for improving the quality of work within the PES system was developed). By the end of the second quarter of 2015 a plan for reform of the public employment services will be implemented in order to create additional capacity for implementation of activation policies. It will improve planning in the creation of new types of services, with a view to further improving the effectiveness of active labour market policies.
2014	Youth Guarantee Implementation Plan: key measures include a VET reform, legal framework for traineeship, measures against early school leaving, higher education reform and local partnerships for enhancing outreach. The PES has taken some measures to strengthen outreach to non-registered NEETs by organising job fairs and working at local level with youth and Roma mediators. The PES is also in contact with the educational institutions to identify young people at risk of dropping out of school and to support higher education graduates.
2014	Changes in the Employment Promotion Act aim at activating the unemployed through regionalisation of employment programmes and the targeting of specific risk groups by regions. The reform envisages also individualised, better targeted and higher quality services for people with disabilities and other vulnerable groups.
2015	A package of active labour market measures will enable the majority of unemployed to return more quickly to the labour market and to improve the balance between existing job vacancies and the qualifications of unemployed persons, by reducing the gap between existing and desired skills, which will improve the matching process. Amendments to the Law on Employment Promotion – provides for development of regionalization to increase the role of Regional Employment Committees, introducing activation activities for unemployed persons, increase the flexibility of the measures and the role of the National Employment Action Plan, which will annually identify key parameters of the active employment policy, promoting trainings in activities with high added value, and will increase training quality.

2015	New Programme for Training and Employment of LTU was launched: part of the salary is subsidised in addition to the social security contributions.
Outstanding challenges	
	The structural nature of LTU, a shrinking and ageing labour force, low labour market participation and skills mismatches hamper labour market adjustment.
	Increased outflow of highly qualified professionals adds to existing labour market challenges in the medium and long term, particularly considering Bulgaria's ageing population.

Sources: CSRs 2011-2015, CR 2016 (SWD2016 - 72 final), National Reform Programmes (NRP) 2001-2015, Member States Investment Challenges – SWD(2015) 400 final.

Overview

Unemployment is a problem in all the five lagging regions (and in particular in Severozapaden), even if the unemployment rate has decreased in all these regions over the recent years. This is combined with a relatively low vacancy rate in most of the regions, which suggests that there are not the jobs available to employ the people looking for them rather than the unemployed not having the skills to take up the jobs on offer. (This, however, has to be a tentative conclusion insofar as employers may not create jobs if they consider that there is not the labour available with the requisite skills to fill them.) Moreover, the long-term unemployment rate was particularly high again in Severozapaden. It's also in this region as well as in Yugoiztochen that the highest NEET and unemployment rates among those aged 15-24 were observed, reflecting the fact that not only young people struggle to find a job but also it's difficult for them to participate in education or training programmes in these regions.

Employment rates were below the national and EU average in 2015 in all the lagging regions except Severoiztochen, and again the rate was particularly low in Severozapaden. Low employment seems to be a particular problem for those with only basic education in Bulgaria while employment rates are relatively high and close to the EU average for those with upper secondary or tertiary education. This in itself seems to suggest that the lower skilled people do not possess the skills demanded by employers. However, such an interpretation is arguably too simplistic since it is always likely to be the case that those with high education levels will have high levels of employment even though they might not be doing jobs requiring such education levels. It is an asymmetrical feature of the labour market, therefore, that while the highly educated are capable of doing jobs requiring low education levels, the reverse is not the case for the low educated who are likely to be incapable of doing jobs requiring high education. So long as the highly educated are prepared to take lower level jobs if higher level ones are not available, the likely outcome is the one observed in Bulgaria with low employment rates for those with only basic schooling and high employment rates for those with at least upper secondary education.

The country-specific recommendations with regards to the labour market for the 2011-2015 period mainly focused on the modernisation of the PES and on the support provided to young unemployed, in particular in the context of the Youth Employment Initiative (YEI). Several measures were implemented over the period to promote employment of young people (such as *New Start*, *Jobs for young people*) as well as of other vulnerable groups (such as people with disabilities or LTU) and various initiatives were undertaken to strengthen and improve the capacity of the PES (for instance in 2011 new labour mediators were hired to support vulnerable groups in their jobsearch, and in 2014 the PES has set up measures to strengthen outreach to non-registered NEETs by organising job fairs and working at local level with youth and Roma mediators). Both the NEET and the youth unemployment rates fell over the recent years while employment generally increased.

In the lagging regions, the labour market situation in Severoiztochen seems more favourable than in the country as a whole, with a relatively higher employment rate (especially among the tertiary-educated people), lower rates of LTU and NEET, and relatively few young unemployed people.

In Yuzhen tsentralen, the indicators are very close to that observed in the country as whole. What is interesting to note in this region is the very low unemployment rate among the low-educated youth and the very high unemployment rate among tertiary-educated youth, reflecting the fact that it is more difficult for those with tertiary education to find a job in this region compared to those with lower levels of education.

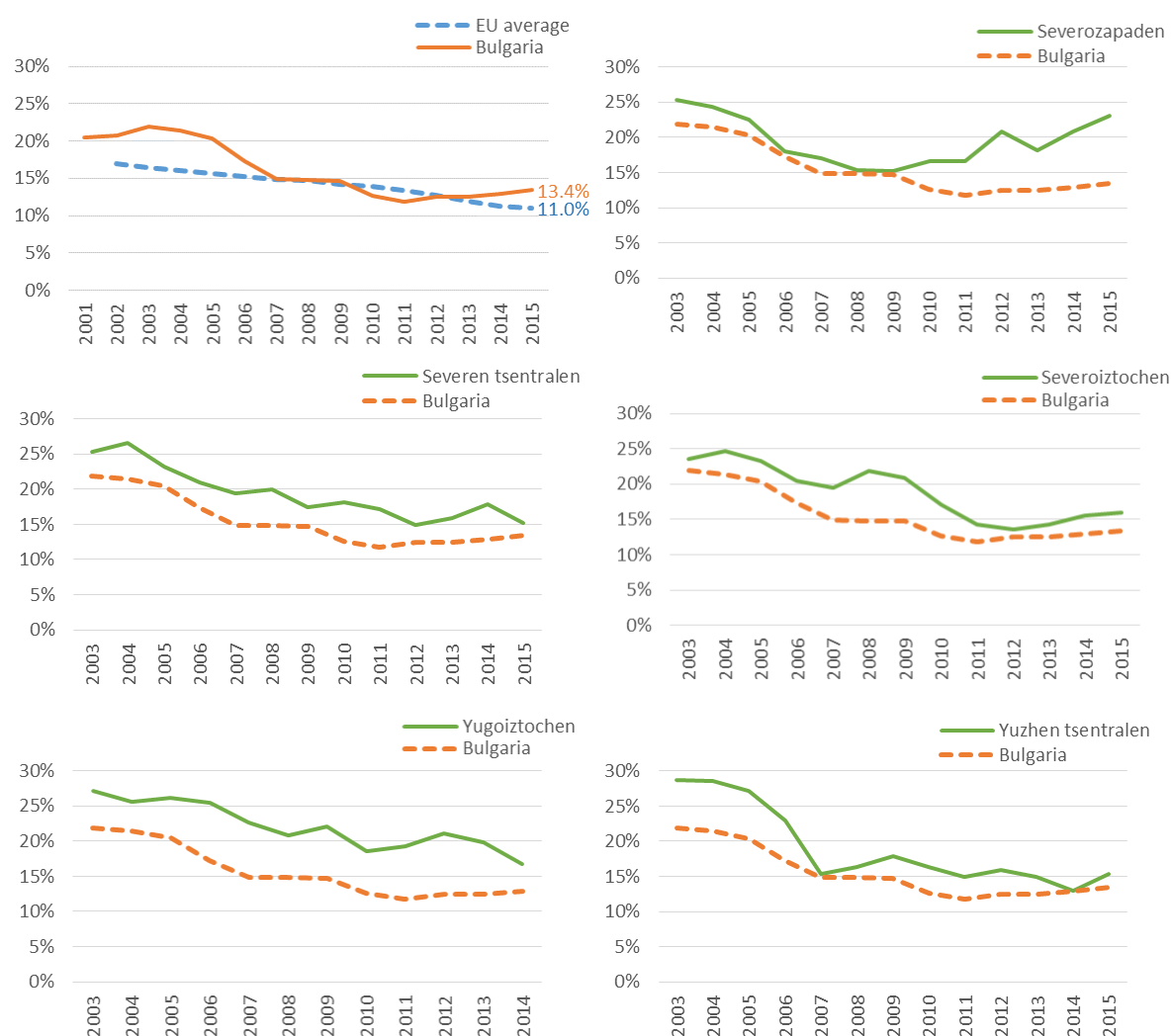
By contrast, the situation in Severozapaden is more critical with a relatively high unemployment rate and high LTU rate and a low employment rate signalling an acute shortage of jobs in the region. This is especially true for young people who have the highest NEET rate and unemployment rate among all the lagging regions.

In Severen tsentralen, the situation is broadly similar to that in Severozapaden, though the differences with the national averages are less marked.

In Yugoiztochen, the main problem lies in the relatively high NEET rate and also a relatively important number of young people aged 15-24 who are unemployed.

4. EDUCATION AND TRAINING

Figure 4.1 – Early leavers from education and training in Bulgaria, 2001-2015



Source: Eurostat, LFS [edat_lfse_16].

Table 4.1 – Early leavers from education and training in Bulgaria, 2015

Region	Early leavers aged 18-24, %, 2015
Severozapaden	23.1
Severen tsentralen	15.2
Severoiztochen	16.0
Yugoiztochen	19.3
Yuzhen tsentralen	15.3
Bulgaria	13.4
EU average	11.0

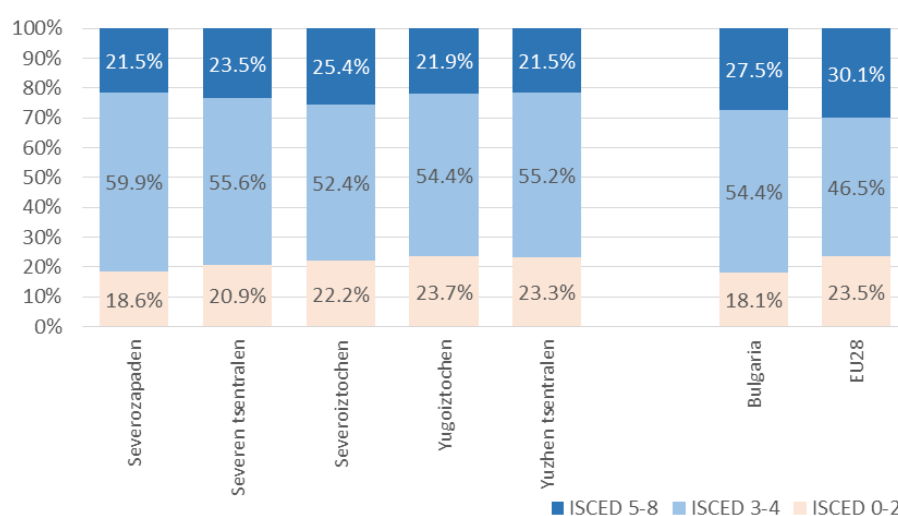
Source: Eurostat, LFS.

Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The relative number of young people leaving school without any qualifications beyond basic schooling in Bulgaria is above the EU average (and this was the case over the 2002-2015 period except during 2010-2012 when it was slightly below). In all the lagging regions the share of early leavers is below the EU and national average. In 2015, the highest rates were observed in Severozapaden and Yugoiztochen. This is particularly worrying in Severozapaden where the employment rate of those with only basic education is relatively low (in 2014 it was half the EU rate), which represents an obstacle both for the young people concerned to find employment and for the region to achieve its growth potential.

Figure 4.2 – Educational attainment by ISCED level in Bulgaria, % of population aged 25-64, 2015



Source: Eurostat, LFS [edat_lfse_04].

Table 4.2 – Percentage of population aged 25-64 by educational attainment in Bulgaria, 2015

Region	Individuals with ISCED 3-8, %	Individuals with ISCED 5-8, %
2015		
Severozapaden	81.4	21.5
Severen tsentralen	79.1	23.5
Severoiztochen	77.8	25.4
Yugoiztochen	76.3	21.9
Yuzhen tsentralen	76.7	21.5
Bulgaria	81.9	27.5
EU average	76.5	30.1

Source: Eurostat, LFS.

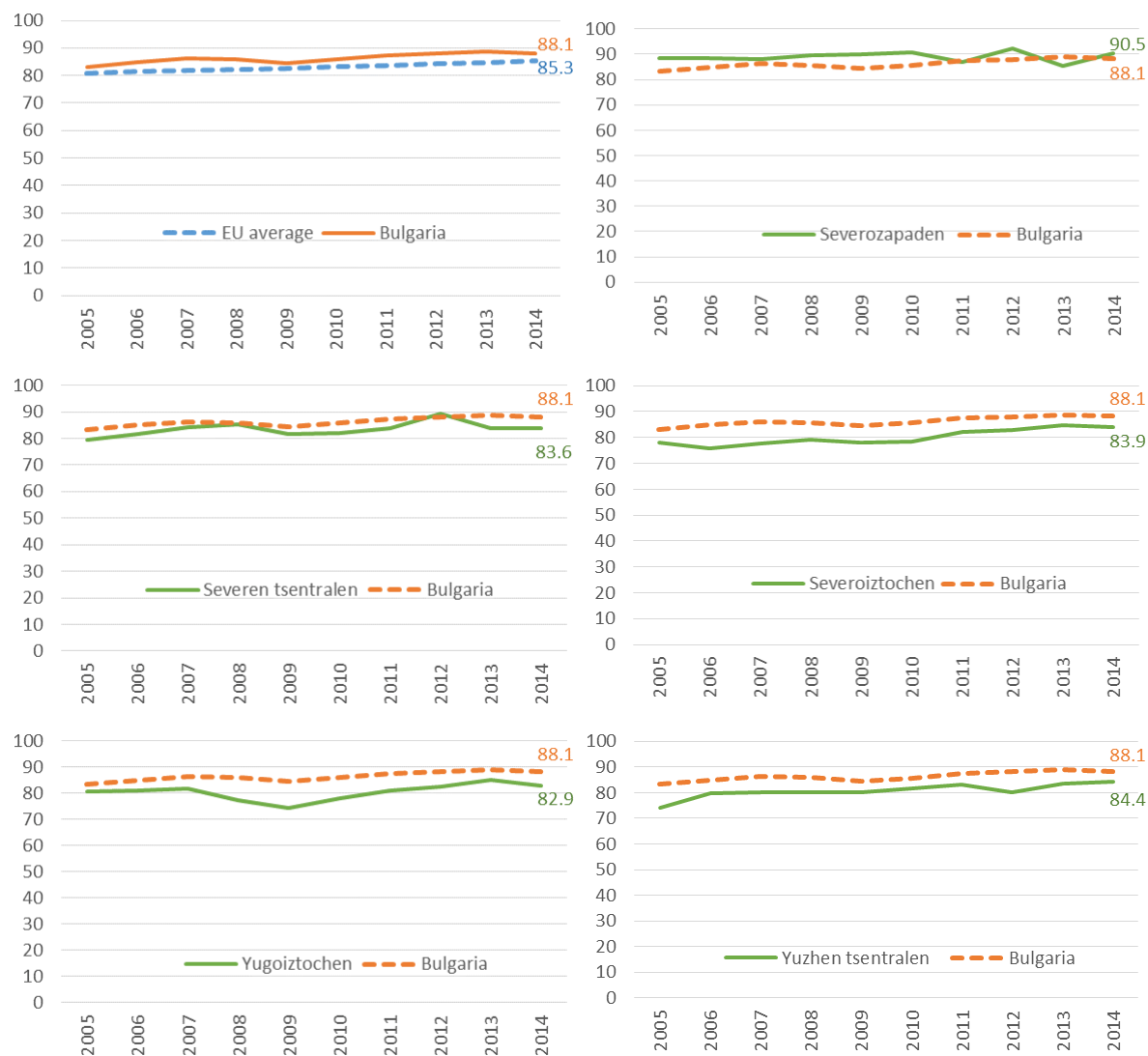
Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Commentary

The relative number of people of working age with qualifications beyond basic schooling is higher in Bulgaria than in the EU as a whole and this is also the case in all the lagging regions, except in

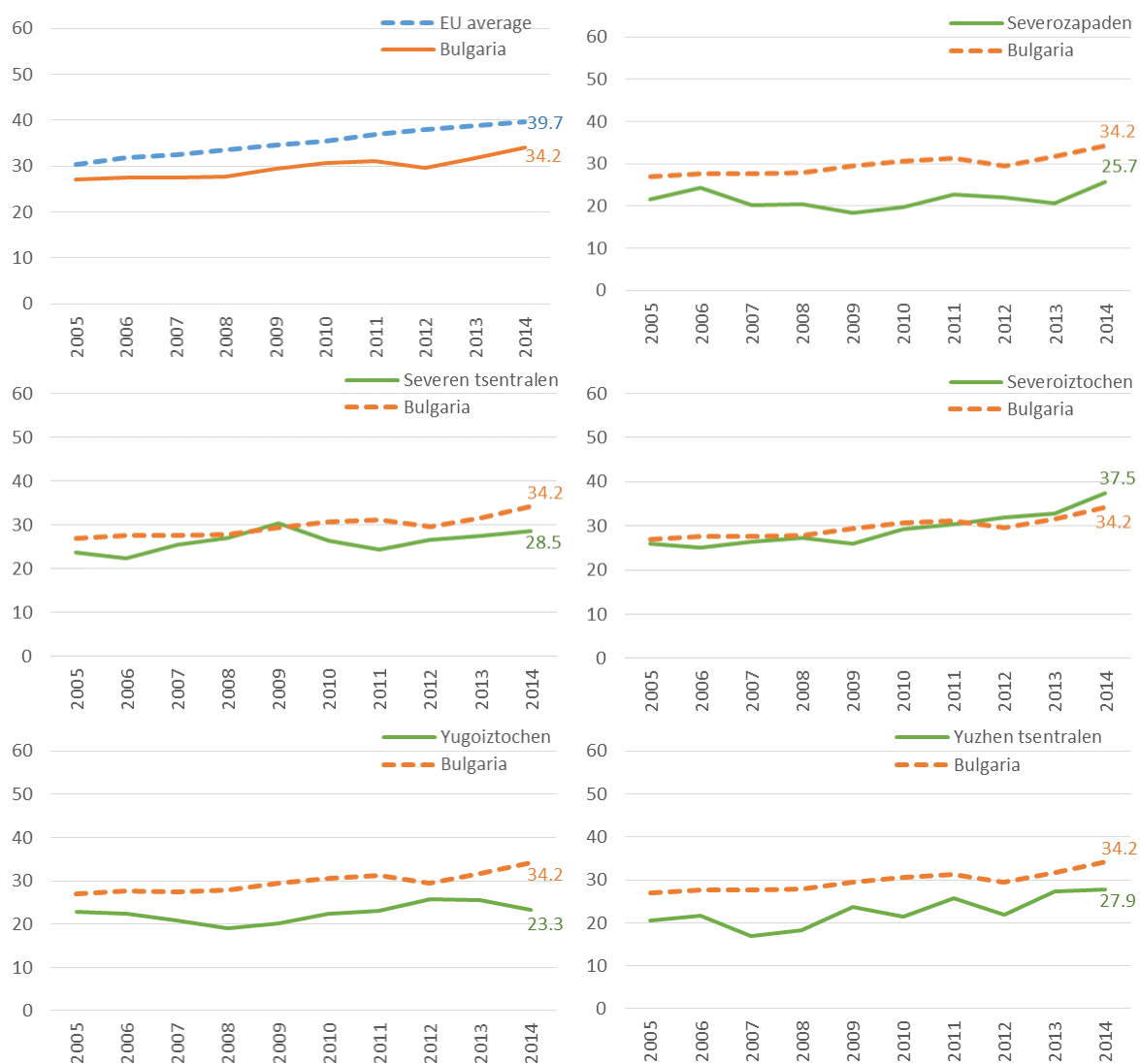
Yugoiztochen where it was slightly less. In all the five lagging regions, the proportion is however less than the national average, most especially in Yugoiztochen. By contrast, the proportion with tertiary education is less than the EU average, as it is in all of the lagging regions. It is also below the national average in all these regions, in particular in Severozapaden and Yuzhen tsentralen. Since the proportion of the work force with tertiary education has consistently been found to be closely correlated with GDP per head, the relatively small proportion in these regions in particular is a potential hindrance to growth.

Figure 4.3 – Proportion of individuals aged 25-34 whose highest education level attained is ISCED 3-8 in Bulgaria, 2005-2014



Source: Eurostat, LFS microdata.

Figure 4.4 – Proportion of individuals aged 25-34 whose highest education level attained is ISCED 5-8 in Bulgaria, 2005-2014



Source: Eurostat, LFS microdata.

Table 4.3 – Highest educational level attained among people aged 25-34 in Bulgaria, 2014

Region	ISCED 3-8, %	ISCED 5-8, %
2014		
Severozapaden	90.5	25.7
Severen tsentralen	83.6	28.5
Severoiztochen	83.9	37.5
Yugoiztochen	82.9	23.3
Yuzhen tsentralen	84.4	27.9
Bulgaria	88.1	34.2
EU average	85.3	39.7

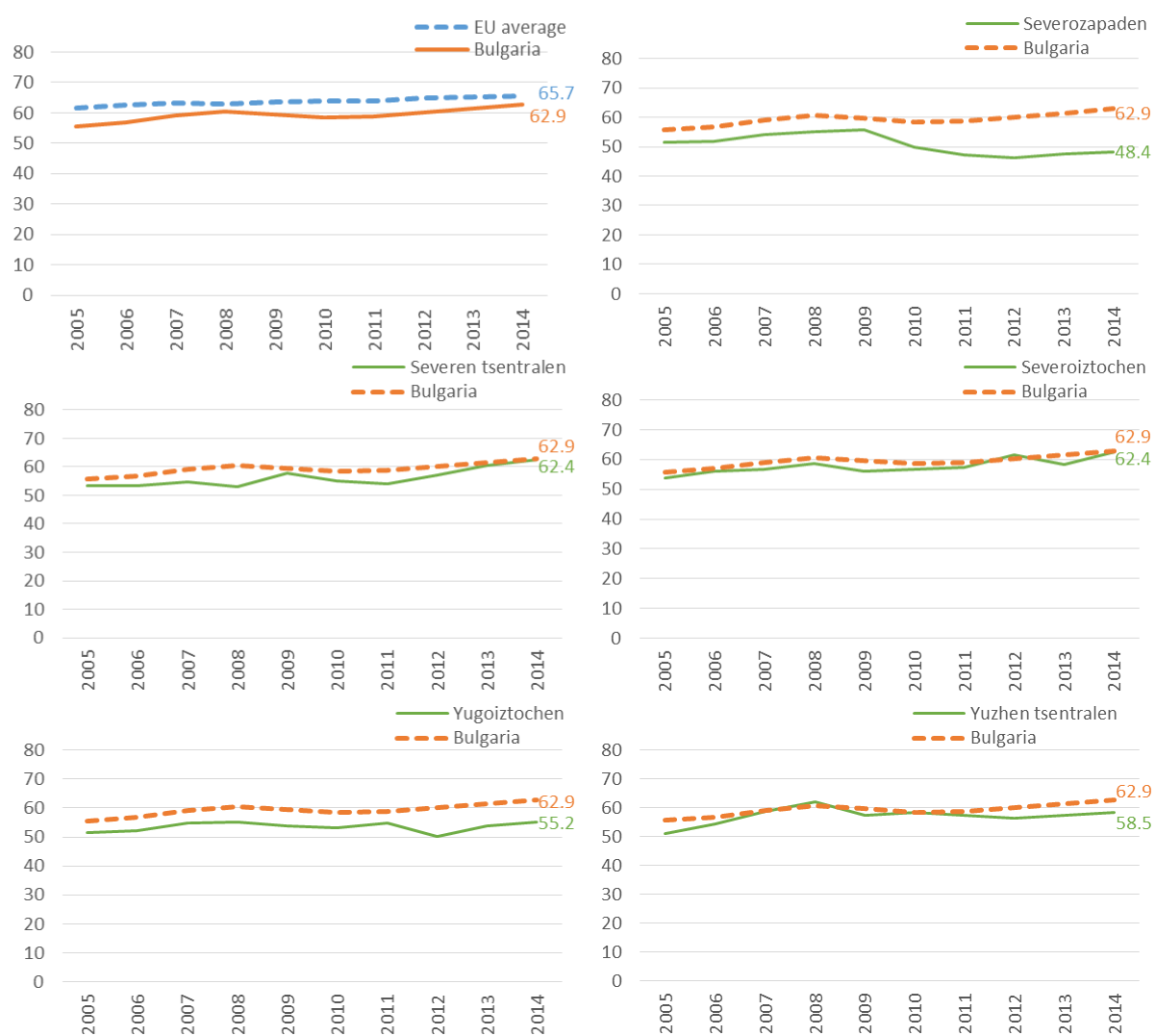
Source: Eurostat, LFS.

Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey. Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Commentary

Like for the working-age population as a whole, the proportion of the 25-34 age group in Bulgaria who completed tertiary education is below the EU average. Participation in tertiary education however seems to be on an increasing trend over the last decade. The proportion in the lagging regions is also below the EU average and the national average in all cases (except Severoiztochen where the rate was higher than in the country though still lower than in the EU), suggesting that there has been less young people participating in tertiary education in most of the lagging regions or alternatively that a significant number of those who have participated have left the region to live and work elsewhere.

Figure 4.5 – Share of young people aged 15-24 in regular education or vocational training in Bulgaria, 2005-2014



Source: Eurostat, LFS microdata.

Table 4.4 – Share of young people aged 15-24 in regular education or vocational training in Bulgaria, 2014

Region	Young people in regular education or vocational training (% of population 15-24), 2014
Severozapaden	48.4
Severen tsentralen	62.4
Severoiztochen	62.4
Yugoiztochen	55.2
Yuzhen tsentralen	58.5
Bulgaria	62.9
EU average	65.7

Source: Eurostat, LFS.

Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey. Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Table 4.5 – Share of young people aged 15-24 in vocational education or training in Bulgaria, 2014

Region	Young people in vocational education or training (% of population 15-24), 2014
Severozapaden	8.9
Severen tsentralen	12.5
Severoiztochen	11.2
Yugoiztochen	10.6
Yuzhen tsentralen	7.0
Bulgaria	8.8
EU average	16.4

Source: Eurostat, LFS.

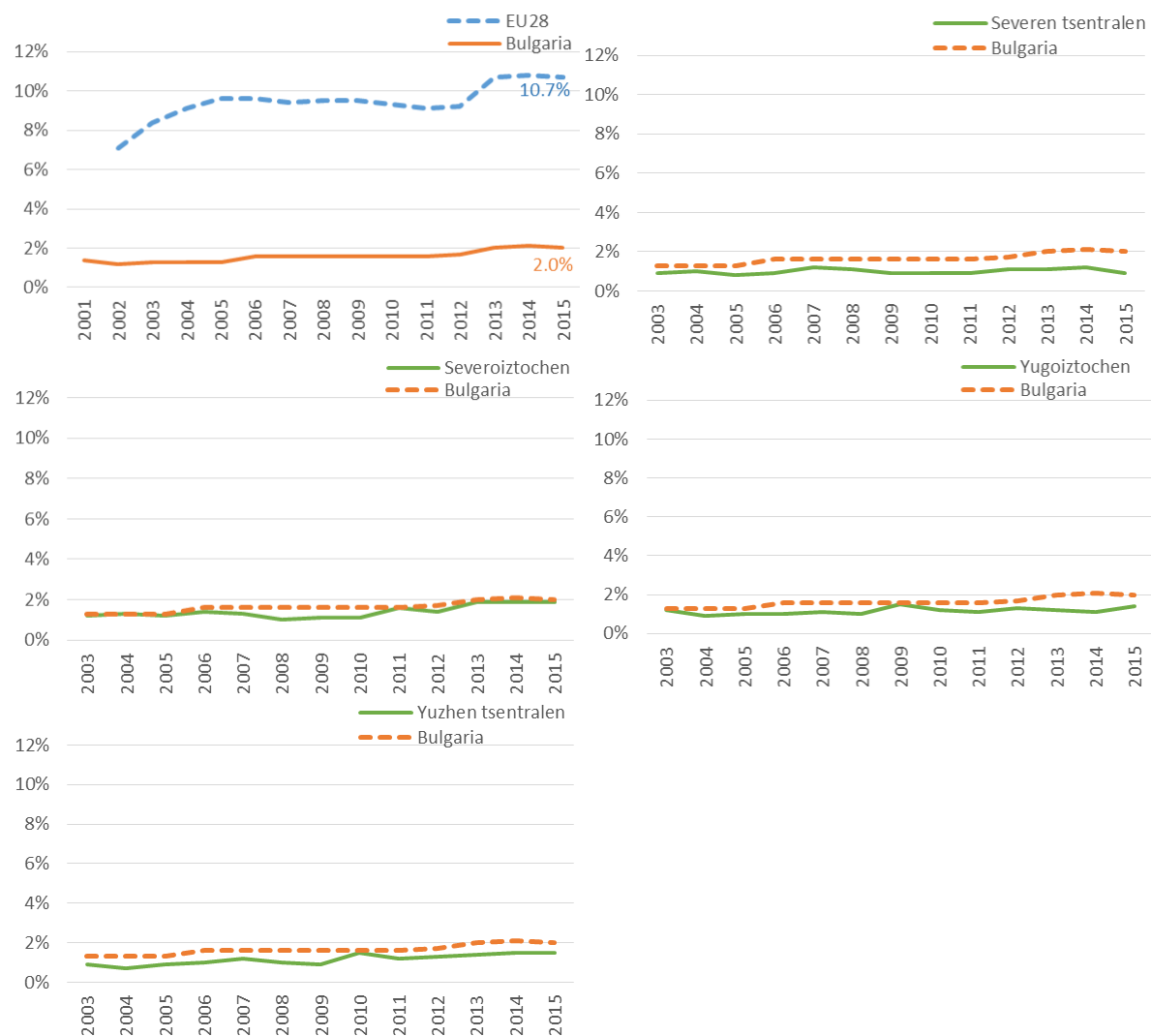
Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey. Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Commentary

In 2014, the proportion of young people aged 15-24 in education or initial vocational training is lower in Bulgaria than in the rest of the EU, and this has consistently been the case since 2005. The historical data however show that as for the EU rate, the rate in the country has tended to rise over the last decade. The proportion is also lower in all the lagging regions, especially in Severozapaden (where less than half of those aged 15-24 were in education or training), somehow contradicting the relatively large proportion of those aged 25-34 with at least upper secondary education observed in this region.

In 2014, the proportion of young people in vocational education or training in Bulgaria was significantly lower than the EU average (about half). Again this was also the case in all the lagging regions, especially in Yuzhen tsentralen and Severozapaden. The former region is the only one where the rate was also below the national average.

Figure 4.6 – Participation rate of people aged 25-64 in continuing education and training in Bulgaria, 2001-2015



Source: Eurostat, LFS [trng_lfse_04].

Notes: Data for Severozapaden is only available for 2003 and 2012 and is therefore not shown here.

Table 4.6 – Participation rate of people aged 24-64 in continuing education and training in Bulgaria, 2015

Region	Education and training participation rate (%), 2015
Severozapaden*	0.9
Severen tsentralen	0.9
Severoiztochen	1.9
Yugoiztochen	1.4
Yuzhen tsentralen	1.5
Bulgaria	2.0
EU average	10.7

Source: Eurostat, LFS.

Notes: *Data for Severozapaden refer to 2012.

Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Commentary

The participation of those of aged 25-64 in continuing education or training is markedly lower in Bulgaria than in the EU, however as for the EU, the participation rate in Bulgaria has tended to increase over the past few years. The situation is even less favourable in the lagging regions, where the rate was lower than the national and EU average, and this has broadly been the case over the 2001-2015 period. This is especially the case in Severozapaden and Severen tsentralen, where the proportion was not much more than half the national average in 2015. In Bulgaria generally, therefore, and in the lagging regions in particular, workers have less possibility of improving their skills or acquiring new ones than in the rest of the EU, and equally, the unemployed have less access to training to help them increase their employability.

Figure 4.7 – Participation rate of 4-years-olds in education in Bulgaria, 1999-2012



Source: Eurostat, Regional education statistics [educ_regind].

Table 4.7 – Participation rate of 4-year-olds in education in Bulgaria, 2012

Region	4-years-old in education (%), 2012
Severozapaden	82.9
Severen tsentralen	86.7
Severoiztochen	79.8
Yugoiztochen	73.1
Yuzhen tsentralen	77.5
Bulgaria	79.5
EU average (EU27)	91.9

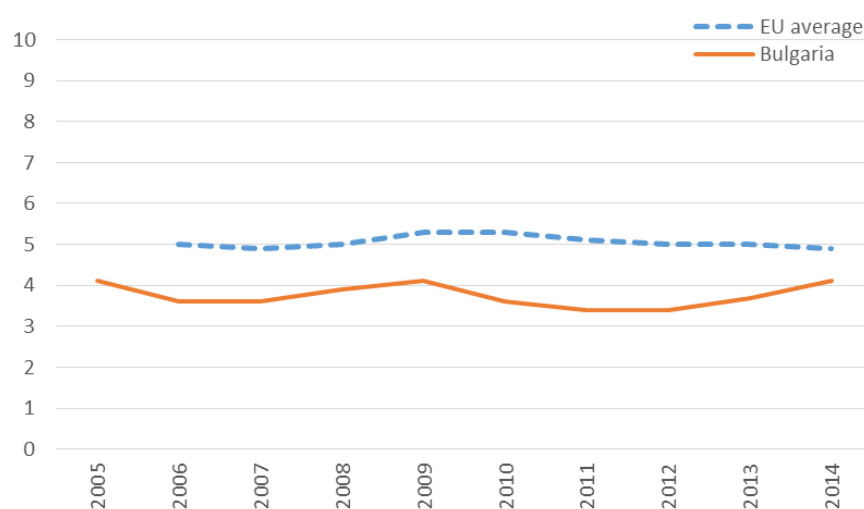
Source: Eurostat, Regional education statistics.

Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Commentary

The extent to which children are involved in education at the age of 4 is much less in Bulgaria than in the EU as a whole even though the gap seems to have narrowed over the last years for which data are available. It is also less in all the lagging regions and less too than the national average in Yugoiztochen and Yuzhen tsentralen, though in all these regions as well, the proportion has recently tended to rise. While the situation is tending to improve, the implication is that children are less well prepared for school in the these two regions.

Figure 4.8 – Expenditure of the general government in education in Bulgaria, 2005-2014, % of GDP



Source: Eurostat, General government expenditure [gov_10a_exp].

Commentary

Expenditure on education was lower in relation to GDP in Bulgaria than the EU average in 2014 and was consistently so over the preceding 8 years.

Summary 2 – Overview of Education (percentage point differences relative to the EU average for the national figures and relative to the national average for the regional figures)

EDUCATION						
	Bulgaria	Severozapaden	Severen tcentralen	Severoiztochen	Yugoiztochen	Yuzhen tcentralen
Early leavers						
Early leavers aged 18-24, 2015	+2.4	+9.7	+1.8	+2.6	+5.9	+1.9
Educational attainment level						
Share of population aged 25-64 with ISCED 3-8, 2015	+5.4	-0.5	-2.8	-4.1	-5.6	-5.2
Share of population aged 25-64 with ISCED 5-8, 2015	-2.6	-6.0	-4.0	-2.1	-5.6	-6.0
Share of population aged 25-34 with ISCED 3-8, 2014	+2.8	+2.4	-4.5	-4.3	-5.3	-3.8
Share of population aged 25-34 with ISCED 5-8, 2014	-5.5	-8.4	-5.6	+3.3	-10.9	-6.3
Education and apprenticeship						
Young people aged 15-24 in regular education or vocational training, 2014	-2.8	-14.5	-0.5	-0.4	-7.7	-4.4
Young people aged 15-24 in vocational education or training, 2014	-7.6	+0.1	+3.7	+2.4	+1.8	-1.8
Lifelong learning						
Participation rate of 25-64 in continuing education and training, 2015*	-8.7	-1.1	-1.1	-0.1	-0.6	-0.5
Early childhood education						
Participation rate of 4-years-olds in education, 2012	-12.4	+3.4	+7.2	+0.3	-6.4	-2.0
Education expenditure						
General government expenditure in education (% of GDP), 2014	-0.8	:	:	:	:	:
STRUCTURAL IMBALANCE						
Number of unfavourable variables	8	6	7	6	8	9
Number of favourable variables	2	3	2	3	1	0

Notes: Unfavourable situations compared to the EU average are highlighted in grey and those which are unfavourable relative to the national average are shown in red.

* Data for Severozapaden refer to 2012.

“:” Not available.

EDUCATION in Bulgaria	
Country-specific recommendations, 2011-2015	
2011	Advance the educational reform by adopting a Law on Pre-school and School Education and a new Higher Education Act by mid-2012.
2012	Speed up reform of legal acts on schools and higher education and of accompanying measures by focusing on modernising curricula, improving teacher training and ensuring effective access to education for disadvantaged groups.
2013	Adopt the School Education Act and pursue the reform of higher education in particular through better aligning outcomes to labour market needs and strengthening cooperation between education, research and business. Improve access to inclusive education for disadvantaged children, in particular Roma.
2014	Adopt the School Education Act and pursue the reforms of vocational and higher education to increase the level and relevance of skills while fostering partnerships between educational institutions and business with a view to better aligning outcomes to labour market needs. Strengthen the quality of vocational education and training institutions and improve access to lifelong learning. Improve access to quality inclusive pre-school and school education of disadvantaged children (in particular Roma) and implement strictly the rules linking the payment of child allowance to participation in education.
2015	Adopt the reform of the School Education Act. Increase participation in education of disadvantaged children (in particular Roma) by improving access to good quality early schooling.
Structural reforms carried out, 2011-2015	
2011	28 regional career development centers were established to provide information, consultancy and advisory services to pupils at all stages of secondary education. The information search system will contain structured information about the national network of secondary and higher schools, the profiles, professions as well as diagnostic instruments.
2011	Introduction of the University Ranking System to measure the achievements of the graduates on the labour market (best faculties receive additional resources). A motivation promotion system providing for better performance in education in the form of additional scholarships and awards is introduced to ensure equal access to education. The implementation of the Students Loan Programme aims to increase the attractiveness of higher education by ensuring equal access to higher education to all candidates, regardless of their social status. The implementation of the Law on Providing Credits to Graduate, Post-graduate and PhD Students to enable the sharing of educational costs between the state and students as well as to promote competition among higher schools to improve the quality of education and to ensure equal access to higher education.
2012	An Action Plan for Lifelong Learning 2012–2013 was adopted. The main measures are expanding the scope to the disadvantaged groups, providing for mechanisms for validating the results of informal training and self-dependent learning, introducing generally recognised practices in the system of professional education and training, and building closer ties between the universities and the business with a view to improving the consistency between the demand of new skills at the local and regional level and their supply. A Lifelong Learning Strategy for 2014–2020 has also been elaborated and envisages concrete measures to increase the rate of adult participation and widen its coverage, including a focus on disadvantaged groups.
2013	The National strategy on reducing early school leaving (2013-2020). Support measures include the introduction of all day schooling, additional training for children at risk of dropping out, and support for the reintegration of early school leavers. The objective is to achieve good interaction between institutions and the non-government sector so that schools are not left to solve this serious problem on their own. As a result of its implementation, better coordination is expected among the parties involved through the action of a Coordination Mechanism at all levels – national, district and municipal.
2014	System for validation and recognition of informally and independently acquired knowledge and competences is operational. It allows the issuing of a document proving professional knowledge,

	skills and competences, acquired outside formal education.
2014	The Strategy for the Development of Vocational Education and Training (VET) was adopted for the period 2015-2020. The objective is to help achieve: a lasting positive effect ensuring quality and efficiency; flexible access; implementation of VET in the context of lifelong learning, and enhancing the participation and responsibilities of all stakeholders. Modernisation efforts in vocational education and training include an action plan 2015-2017 for the VET strategy. The aim is to ensure quality of VET, to introduce work-based learning, to adapt VET curricula to labour market needs and to embed a system for validation of non-formally and informally acquired learning outcomes.
2015	The Preschool and School Education Act was adopted. It provides a consolidated legal framework for improving the quality and equity of primary and secondary education. A better access to education and retaining pupils in the educational system is envisaged through the elaboration of new educational standards regardless of the location or the type of school, offering flexible learning pathways (alternative, parallel, distance), general and additional support, organisation of the learning process in outdoor activities and preparation, and improving the system's permeability. Schools are also given autonomy to develop curricula for expanded and additional training. The Law introduces a new educational structure that provides an equal access to quality education for all pupils. The key measures of the reform are: including the children aged 4 years in pre-school education as of the 2016/2017 school year; extending the possibilities for full-day school organisation for pupils up to the seventh class; efficient funding of the access and quality at all stages and steps of school education; developing distance learning and introduction of combined education forms. Possibilities for validating competences acquired through informal and self-dependent learning will be created.
2015	The Strategy for the development of higher education was adopted with the following measures envisaged: use of forecasts of demand and supply of labour, in determining the demand for specialists with higher education and planning of admissions at universities; encouraging the dialogue between higher education institutions and the business regarding the contents of education; targeted financing of strategic professional fields and protected fields defined on the basis of defined criteria; establishing a programme for the integration of young academics and researchers (MSc, PhD students, post-graduate students) etc.
2015	The new Strategy for Educational Integration of Children from Ethnic Minorities (2015-2020) and the corresponding action plan have recently been approved.
Outstanding challenges	
	The education system has limited capacities to include vulnerable groups (in particular Roma) and equip learners with relevant skills.
	The quality of education and training systems and their inadequacy with regard to labour market needs continue to hamper the supply of skilled workers to the economy. There are skill shortages in sectors such as IT and engineering and an overall lack of digital skills.

Sources: CSRs 2011-2015, CR 2016 (SWD2016 - 72 final), National Reform Programmes (NRP) 2001-2015, Member States Investment Challenges – SWD(2015) 400 final.

Overview

The extent of early school leaving is relatively important in Bulgaria as compared with the EU and the same is the case in all the lagging regions. In these regions, young people are more likely to leave education with no qualifications beyond basic schooling than in the EU but also in the country as a whole.

As a reflection of this, the proportion of people of working age with at least upper secondary education is lower in all the lagging regions than in the country. The relative number of 15-24 year-olds in some form of education or training is also lower in Bulgaria than in the EU, as it is in all the lagging regions, which bodes ill for the future education level of the work force.

The situation is even less favourable in relation to tertiary education, which is generally regarded as being particularly important for economic development. The proportion of the working age population with this level of education is smaller in Bulgaria and its lagging regions than in the EU and smaller in all the lagging regions than in the rest of the country. And the situation is much the same among the 25-34 age group (even if participation in tertiary education among this group has consistently increased over the past decade in Bulgaria and most of the lagging regions).

In Bulgaria, but also in all lagging regions, the relatively low proportion of young people who have successfully completed a tertiary-level education programme is coupled with a relatively low share of working age people with tertiary education. This suggests that the overall share of working-age population with this level of education is likely to stay low in future years, which constitutes a challenge for economic development.

In addition, the very limited extent of continuing training is also an essential issue in Bulgaria as workers have limited opportunity to learn new skills and to adapt to advances in technology and methods of working. The proportion of those aged 25-64 participating in education or training is indeed substantially below the EU average in the country and all the lagging regions.

It is also the case that early childhood education (the proportion of 4-year olds in school or pre-school) is more limited in Bulgaria than in the EU, as it is in all the lagging regions, which suggests that children may be less well prepared for their future schooling than those elsewhere.

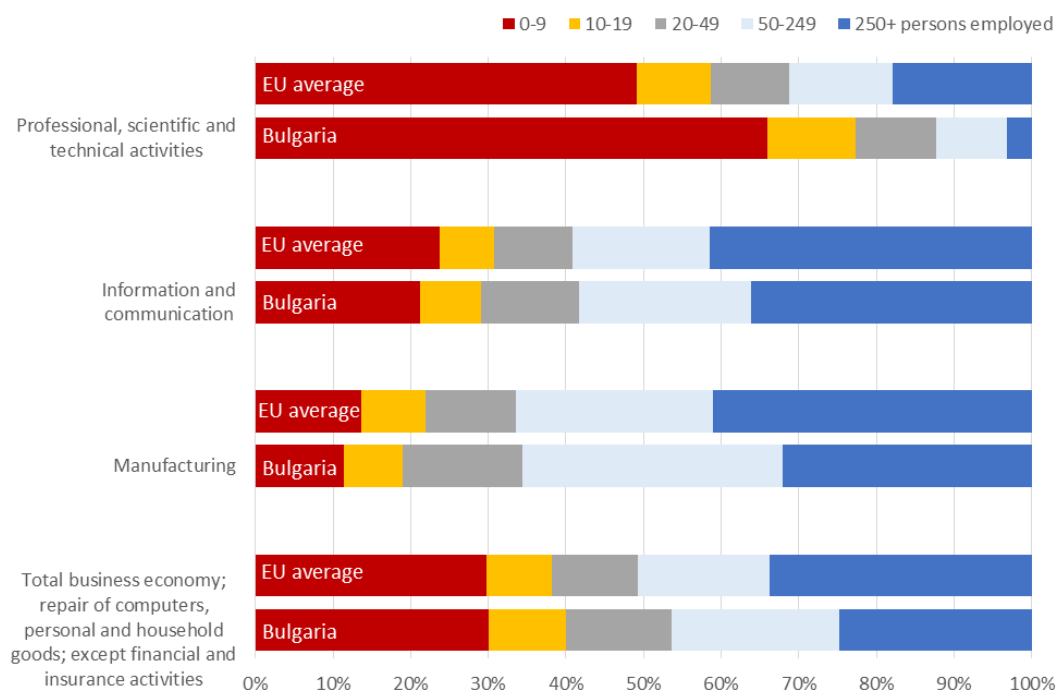
Country-specific recommendations in relation to education and training mainly underlined the need to implement the education reform, to increase participation in education of disadvantaged children as well as to improve access to lifelong learning. The law on preschool and school education was adopted in 2015 in order to improve the quality and ensure a better access to education. For instance, in the context of this reform, pre-school education for children aged 4 will be mandatory as of the 2016/2017 school year. In addition, a new Strategy for the educational integration of children from ethnic minorities (2015-2020) and the corresponding action plan have recently been approved. In addition, a Lifelong learning strategy for 2014-2020 has also been elaborated, and various measures taken to promote equal access to higher education (*Students Loan Programme*, Law on providing credits to graduate, post-graduate and PhD students). Despite that, it was still considered that the access to education for vulnerable children remains an issue, and there was still a mismatch between the supply of skills and the demand for them in the labour market.

In the lagging regions, the situation with regard to education and training was particularly unfavourable in Severozapaden and Yugoiztochen, where the proportion of people of working age with tertiary education was not only well below the national and EU average but this was also true of the share of 25-34 year-olds with the same level of education. It was equally the case that the relative number of young people leaving school without adequate qualifications was higher in these regions than elsewhere. In addition, young people aged 15-24 were less likely to participate in regular education or vocational training in these regions.

By contrast, the situation was more favourable than elsewhere in Severoiztochen where the proportion of 25-34 year-olds with tertiary education is relatively large along with the relative number of those aged 15-24 in vocational education or training.

5. BUSINESS ENVIRONMENT AND RDTI

Figure 5.1 – Breakdown of employment by size of enterprise in critical sectors in Bulgaria in 2013



Source: Eurostat, Structural Business Statistics [sbs_sc_sca_r2].

Note: Data for Bulgaria on 'Professional, scientific and technical activities' relate to 2010.

Commentary

The share of employment in Professional, scientific and technical activities in micro and small-sized enterprises is much larger in Bulgaria than in the EU, which indicates that firms in the country clearly face a size disadvantage compared to those in other countries in this sector. By contrast, this does not seem to be the case in Manufacturing or Information and communication.

Table 5.1 – Ease of doing business and Starting a business in Bulgaria, 2016

	Bulgaria (rank in the EU, 1-28)
Ease of doing business*	20
Starting a business**	16

Source: World Bank: Doing Business report 2016.

Notes: * A low value corresponds to a high ease of doing business.

** A low value implies a more favourable situation in terms of the regulatory environment for starting a business.

Table 5.2 – Starting a business indicators in Bulgaria, 2016

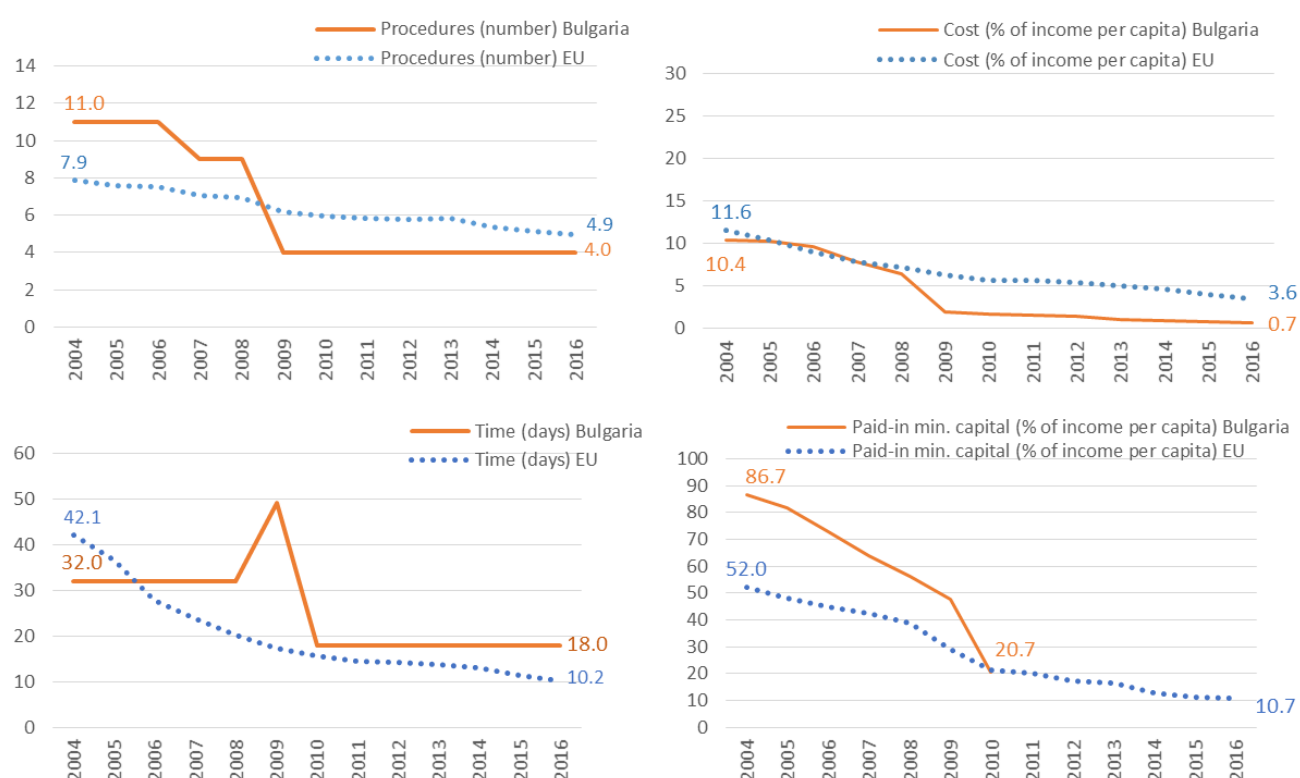
Region	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-up minimum capital (% of income per capita)
Bulgaria	4	18	0.7	20.7*
EU average	4.9	10.2	3.6	10.7

Source: World Bank: Doing Business report 2016.

Notes: *The latest available data on paid-up minimum capital for Bulgaria refer to 2010.

Values which are higher than the EU average are highlighted in grey.

Figure 5.2 – Starting a business indicators in Bulgaria, 2004-2016



Source: World Bank: Doing Business 2004-2016.

Note: The latest available data on paid-up minimum capital for Bulgaria refer to 2010.

Commentary

The ease of doing business in Bulgaria is below the EU average (i.e. the country is ranked 20 out of the 28 EU Member States), which means that it is more difficult to do business in this country than in the EU on average. In terms of the ease of starting a business, the situation is slightly better as Bulgaria is ranked 16 out of the 28 Member States. The number of days (which has remained unchanged since 2010) as well as the minimum capital required (for which the latest data refer to 2010) are the main obstacles to start a business in the country, which are both significantly higher in Bulgaria than in the EU as a whole. These data are unfortunately not available at the regional level.

Table 5.3 – Product Market Regulation (PMR) indicators in Bulgaria, 2003, 2008 and 2013

	Overall PMR			State control			Barriers to entrepreneurship			Barriers to trade and investment		
	2003	2008	2013	2003	2008	2013	2003	2008	2013	2003	2008	2013
Bulgaria	:	:	1.57	:	:	2.80	:	:	1.70	:	:	0.23
EU average	1.78	1.53	1.44	2.57	2.27	2.17	2.15	1.85	1.69	0.63	0.45	0.47

Source: OECD PMR indicators.

Notes: Values which are higher than the EU average are highlighted in grey.

The index ranges from 0 to 6, from least to most restrictive.

Commentary

The PMR indicators from the OECD are again available only at the national level. In 2013, there was more State control and barriers to entrepreneurship in Bulgaria than in the EU (which is in line with the World Bank index on starting a business which ranked the country 16 out of 28). Barriers to trade and investment were however significantly lower than those in the rest of the EU. Nevertheless, the overall PMR in the country is still assessed as more restrictive than in the EU.

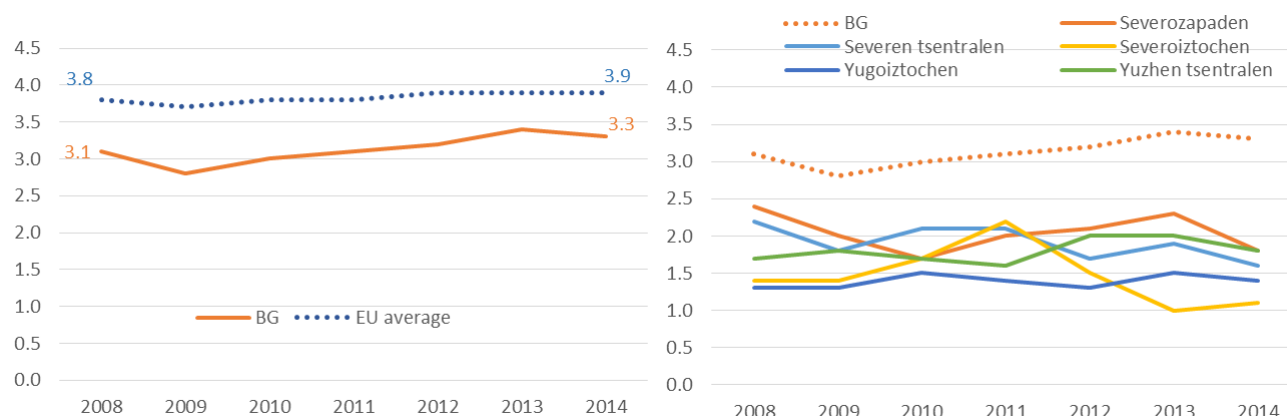
Table 5.4 – Employment in high-technology sectors (manufacturing and knowledge-intensive services) in Bulgaria, 2014, % of total employment

Region	Employment in high-technology sectors (% of total employment), 2014
Severozapaden	1.8
Severen tsentralen	1.6
Severoiztochen	1.1
Yugoiztochen	1.4
Yuzhen tsentralen	1.8
Bulgaria	3.3
EU average	3.9

Source: Eurostat, High-tech statistics [htec_emp_reg2].

Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Figure 5.3 – Employment in high-technology sectors (manufacturing and knowledge-intensive services) in Bulgaria, 2008-2014, % of employment



Source: Eurostat, High-tech statistics [htec_emp_reg2].

Commentary

The share of employment in high tech manufacturing and knowledge-intensive sectors is smaller in Bulgaria than in the EU and the share has slightly decreased between 2013 and 2014 (which is the latest year available). The share in the lagging regions is around half or less than the national average in all cases and has shown little tendency to increase. It is particularly small in Severoiztochen.

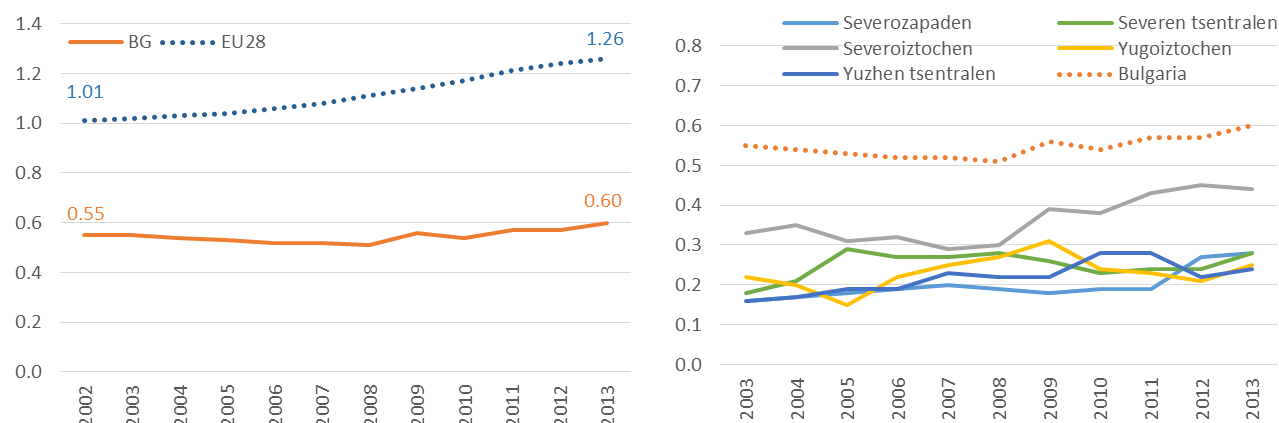
Table 5.5 – R&D personnel and researchers in Bulgaria, 2013

Region	Total R&D personnel and researchers (% of total employment), 2013
Severozapaden	0.3
Severen tsentralen	0.3
Severoiztochen	0.4
Yugoiztochen	0.3
Yuzhen tsentralen	0.2
Bulgaria	0.6
EU average	1.3

Source: Eurostat, R&D statistics [rd_p_persreg].

Note: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Figure 5.4 – R&D personnel and researchers in Bulgaria, 2000-2013, % of total employment



Source: Eurostat, R&D statistics [rd_p_persreg].

Commentary

The share of employment accounted for by R&D personnel and researchers in Bulgaria is only around half the EU average and this has not changed greatly over the past decade. The share is smaller than the national average in all lagging regions. It is particularly small in Yuzhen tsentralen.

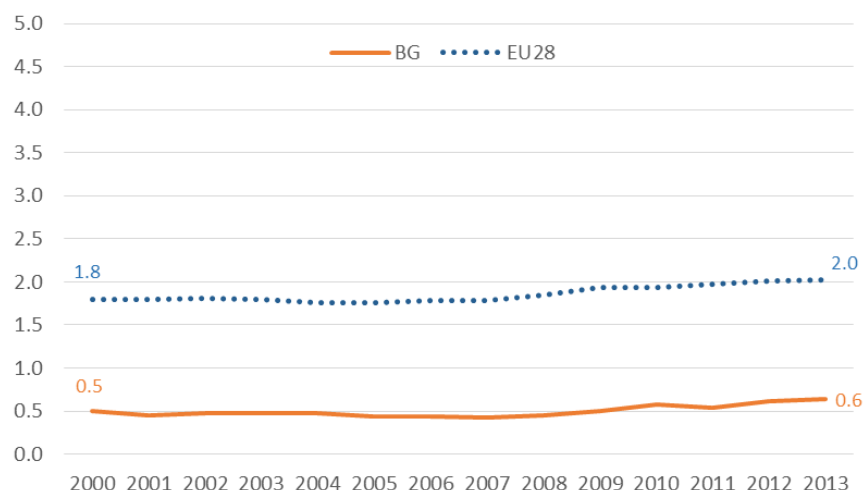
Table 5.6 – Total intramural R&D expenditure in Bulgaria, 2013

Region	Total intramural R&D expenditure (GERD) % of GDP, 2013
Severozapaden	0.2
Severen tsentralen	0.2
Severoiztochen	0.3
Yugoiztochen	0.2
Yuzhen tsentralen	0.2
Bulgaria	0.6
EU average	2.0

Source: Eurostat, R&D statistics [rd_e_gerdreg].

Note: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Figure 5.5 – Total intramural R&D expenditure in Bulgaria, 2000-2013, % of GDP



Source: Eurostat, R&D statistics [rd_e_gerdreg].

Commentary

Expenditure on R&D in Bulgaria relative to GDP is less than half the EU average and there has been no tendency for it to converge towards the average in recent years. In 2013, it was below the national average in all the lagging regions, where the rate was much the same (about three times as low as the proportion in the whole country).

Summary 3 – Overview of business environment (percentage point differences relative to the EU average for the national figures and relative to the national average for the regional figures, except where otherwise stated)

BUSINESS ENVIRONMENT AND RDTI						
	Bulgaria	Severozapaden	Severen tsentralen	Severoiztochen	Yugoiztochen	Yuzhen tsentralen
Doing business						
Ease of doing business ranking, 2016	Bottom half (20/28)	:	:	:	:	:
Starting a business ranking, 2016	Bottom half (16/28)	:	:	:	:	:
Procedures (number), 2016	-0.9	:	:	:	:	:
Time (days), 2016	+7.8	:	:	:	:	:
Cost (% of income per capita), 2016	-2.9	:	:	:	:	:
Paid-up min. capital (% of income per capita), 2016	+10.0	:	:	:	:	:
PMR indicators (The index ranges from 0 to 6, from least to most restrictive)						
Overall PMR, 2013	+0.13	:	:	:	:	:

State control, 2013	+0.62	:	:	:	:	:
Barriers to entrepreneurship, 2013	+0.01	:	:	:	:	:
Barriers to trade and investment, 2013	-0.24	:	:	:	:	:
Employment in technology and knowledge intensive sector						
Employment in high-technology and knowledge intensive sector, 2014	-0.6	-1.5	-1.7	-2.2	-1.9	-1.5
R&D personnel/researchers and expenditure						
Intramural R&D expenditure, 2013	-1.4	-0.5	-0.5	-0.3	-0.5	-0.4
R&D personnel and researchers, 2013	-0.7	-0.3	-0.3	-0.2	-0.4	-0.4
STRUCTURAL IMBALANCE						
Number of unfavourable variables	10	3	3	3	3	3
Number of favourable variables	3	0	0	0	0	0

Notes: Unfavourable situations compared to the EU average are highlighted in grey and those which are unfavourable relative to the national average are shown in red.

“:” Not available.

“-”: No difference with benchmark.

BUSINESS ENVIRONMENT and RDTI in Bulgaria	
Country-specific recommendations, 2011-2015	
2011	Step up efforts to enhance administrative capacity in key government functions and regulatory authorities in order to make public services more effective in responding to the needs of citizens/businesses.
2012	Take measures to remove market barriers. Step up efforts to enhance administrative capacity and reforms by reducing red tape.
2013	Take further steps to improve the business environment by cutting red tape, implementing an e-government strategy and implementing the legislation on late payments.
2014	Cut red-tape. Streamline insolvency procedures and implement the legislation on late payments.
2015	With a view to improve the investment climate, prepare a comprehensive reform of the insolvency framework (in particular to improve mechanisms for pre-insolvency and out-of-court restructuring).
Structural reforms carried out, 2011-2015	
2011	Amendments were made to various laws (on tourism, spatial development, on energy efficiency, on consumer protection etc.) to simplify the administrative procedures and eliminate obstacles to the activities. In 2013-2014, three reform packages for reducing the regulatory burden on businesses were adopted. In addition, three action plans for administrative burden reduction were adopted for the period 2010-2017. The <i>Third Action Plan for Reducing the Administrative Burden 2015-2017</i> was developed in 2015 in order to cut red tape and improve business environment: submission of documents electronically; official exchange of information among institutions; reducing the time-periods for provision of services; developing guidelines and standard forms of documents;

	simplification of procedures. Moreover, the time-period for registration of new business is reduced to 3 days and the cost is EUR 100.
2011	<i>Support for research and development activities of Bulgarian enterprises</i> : enterprises can receive grants for the development of innovative products, processes and services, for protection of intellectual property rights, testing trial models, etc.
2011	<i>Establishing and developing centres for promotion of entrepreneurship in high schools</i> : to prepare students in technical universities to start their own business, to support them in assessing the possibilities for the realisation of technological ideas and in studying market demand for the product, to provide financial resources and to support start-ups established by graduating students.
2012	Amendment of the Law on SMEs will introduce a “SMEs test” which will provide for an obligatory impact assessment of any legal amendment on SMEs.
2013	Draft Law on Innovations to introduce modern organisation and management of the innovation processes by all stakeholders in the innovation system. This will be done with a view to increasing the competitiveness of the economy and transforming it into knowledge-based growing and sustainable economy, capable of facing the challenges of the globalised world. The law introduces tax credits in order to encourage the private sector to invest in R&D, in new, globally competitive products, and in modern production management and control systems.
2015	New Innovation Strategy for Smart Specialisation 2014-2020 was adopted. Its objective is that by 2020 Bulgaria moves from the group of “timid innovators” to the group of “moderate innovators”.
2015	The Government adopted in August 2015 a report regarding the main obstacles to investment, and created 10 working groups to tackle them.
2016	To improve the existing regulatory framework on insolvency procedures, the authorities have presented various policy initiatives: introducing preventive procedures to allow a debtor to continue his activity while negotiating with his creditors with a view to avoiding the start of insolvency proceeding and declaration of insolvency, introducing expedited restructuring proceedings through a fast-track court approval procedure of pre-agreed agreements, and introducing a sound framework providing out-of-court debt restructuring. The authorities are also currently working on amendments to the Commerce Act, aiming to introduce a pre-court insolvency procedure for companies facing financial difficulties.
2016	Newly established Council for Smart Growth, the government also has the intention to create a professional agency for research and innovation.
Outstanding challenges	
	Higher effectiveness and efficiency in the public administration, notably in the municipalities, could ease public investment.
	The slow implementation of reforms in the areas of public administration and e-government prevents significant improvements in the business environment.
	The insolvency framework provides little scope to reduce a still high level of corporate indebtedness. Companies prefer to hold payables/arrears than to go through the lengthy legal procedure, This creates uncertainty among market participants and reduces the country’s overall attractiveness to investors.

Sources: CSRs 2011-2015, CR 2016 (SWD2016 - 72 final), National Reform Programmes (NRP) 2001-2015, Member States Investment Challenges – SWD(2015) 400 final.

Overview

It is more difficult to do business in Bulgaria than in the rest of the EU. On the other hand, the ease of starting a business in the country seems to be around the EU average, though it is more time-consuming and requires a relatively higher minimum capital in the country than in the EU.

In addition, product market regulation is considered to be more restrictive in Bulgaria than the EU average, though there are less restrictions in relation to trade and investment.

The share of employment in high-technology sectors is smaller in Bulgaria than the EU average and it is even smaller in all the lagging regions (only around half the national average) and especially small in Severoiztochen.

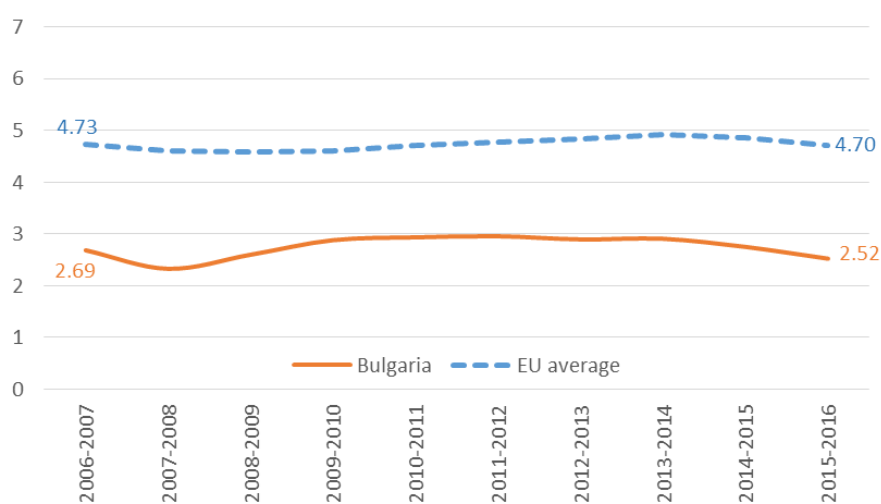
Equally, both the share of employment in R&D activities and R&D expenditure relative to GDP in Bulgaria are only around half the EU average and in lagging regions even smaller.

Accordingly, both the regulations in place and the limited availability of research expertise and R&D facilities are likely to discourage investment in Bulgaria, especially in the areas with most growth potential (in knowledge-intensive sectors) and in the lagging regions in particular.

The focus of country-specific recommendations has been on the reduction of red tape, the implementation of the legislation on late payments, and the necessity to reform the insolvency procedures. Various measures were introduced as a response to these recommendations: for instance in 2015, the Third action plan for reducing the administrative burden 2015-2017 was proposed in order improve business environment. Moreover, only 3 days are now required to register a new business. Moreover, in 2016 the authorities have presented various initiatives to improve the existing regulatory framework on insolvency procedures (such as the promotion of out-of-court debt restructuring).

6. GOVERNANCE

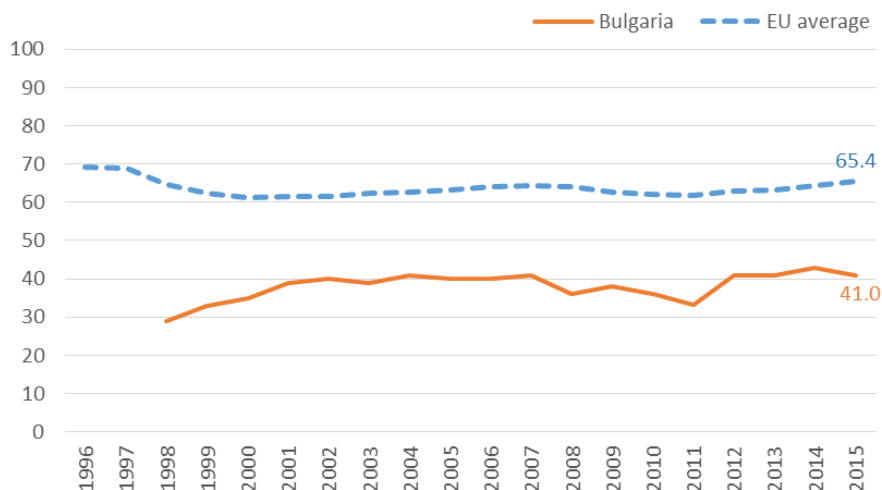
Figure 6.1 – Judicial independence in Bulgaria, 2006-2016



Source: World Economic Forum.

The scale ranges from 1 to 7, from least to most independent (i.e. a higher value reflects a more independent judicial system).

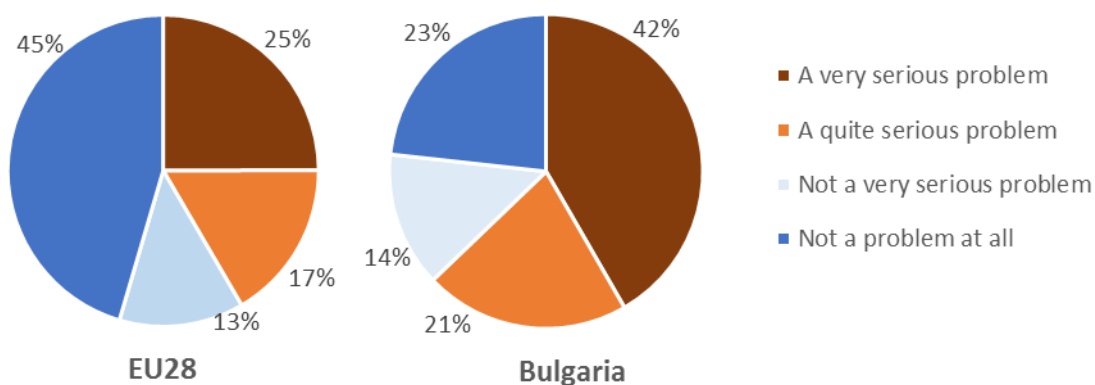
Figure 6.2 – Corruption perception index in Bulgaria, 1996-2015



Source: Transparency International.

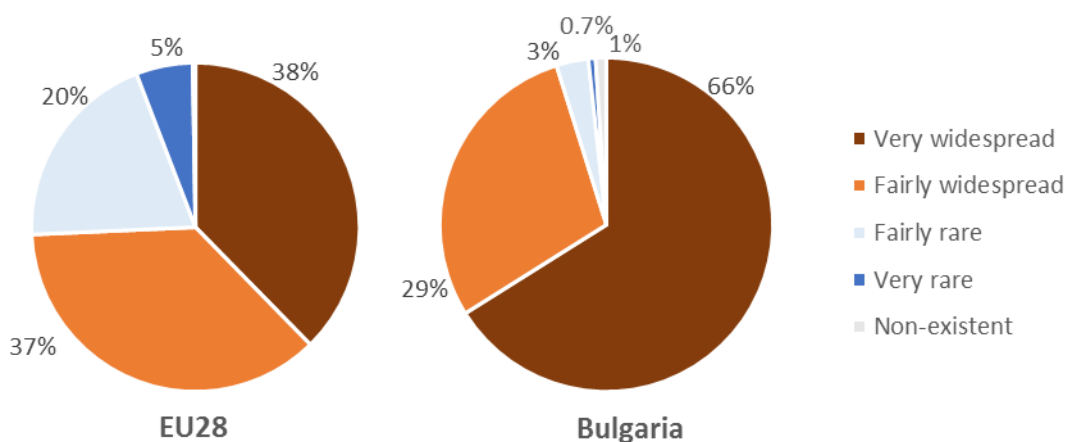
Note: The scale ranges from 0 to 100, from highly corrupt to highly clean.

Figure 6.3 – Corruption as problem for doing business in Bulgaria, 2015



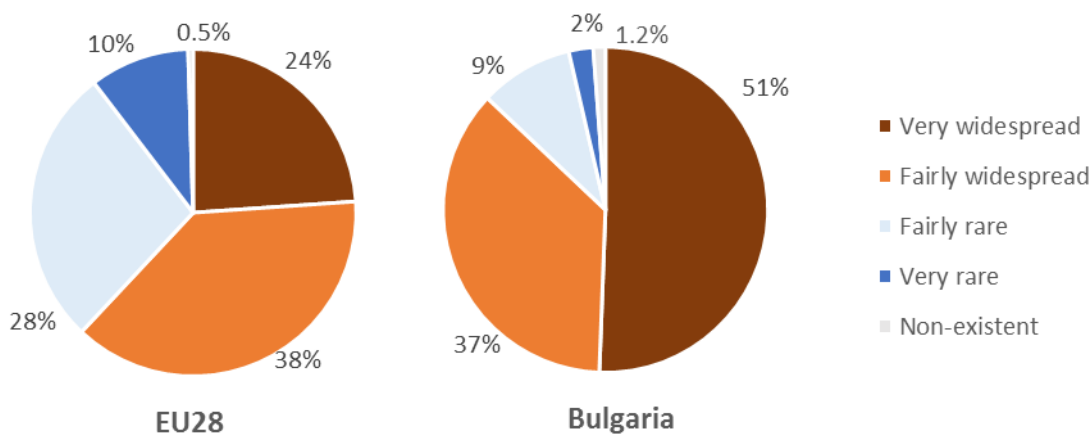
Source: Flash Eurobarometer 428, European Commission.

Figure 6.4 – Extent of corruption in Bulgaria, 2015



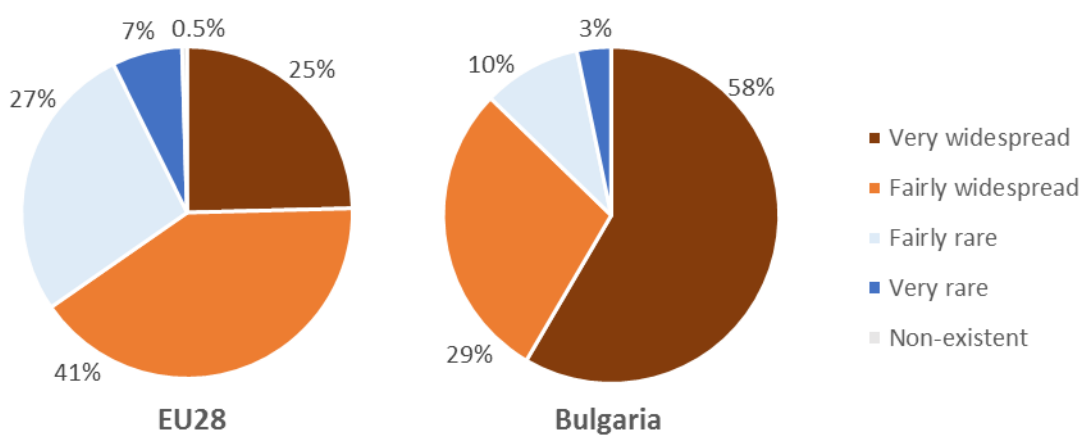
Source: Flash Eurobarometer 428, European Commission.

Figure 6.5 – Extent of corruption in public procurement managed by national authorities in Bulgaria, 2015



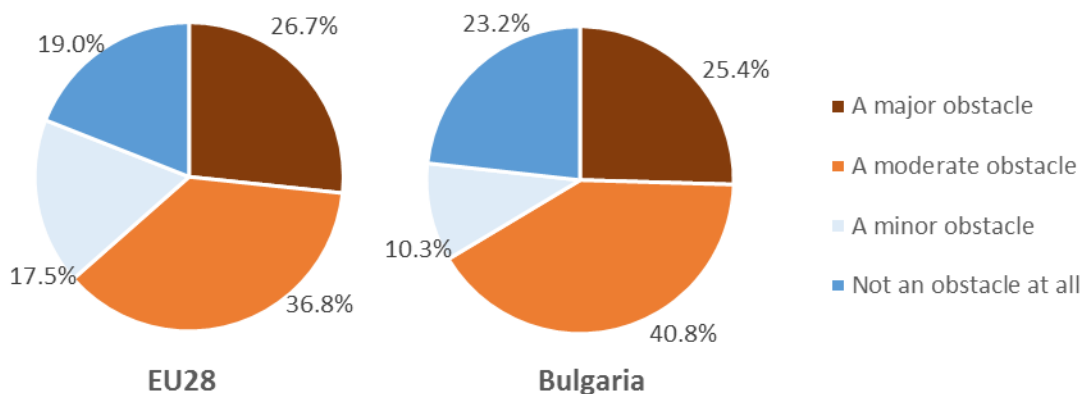
Source: Flash Eurobarometer 428, European Commission.

Figure 6.6 – Extent of corruption in public procurement managed by regional or local authorities in Bulgaria, 2015



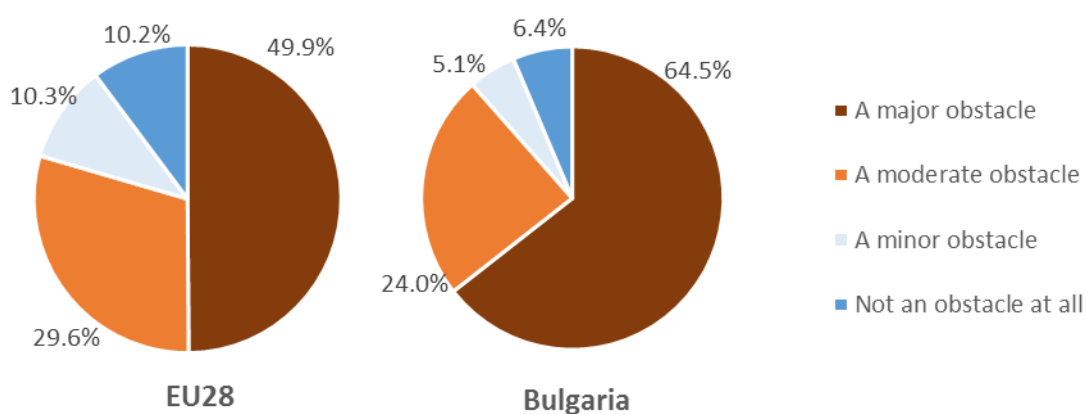
Source: Flash Eurobarometer 428, European Commission.

Figure 6.7 – Procedures for contract enforcement is an obstacle to the activities of enterprises in Bulgaria, 2015



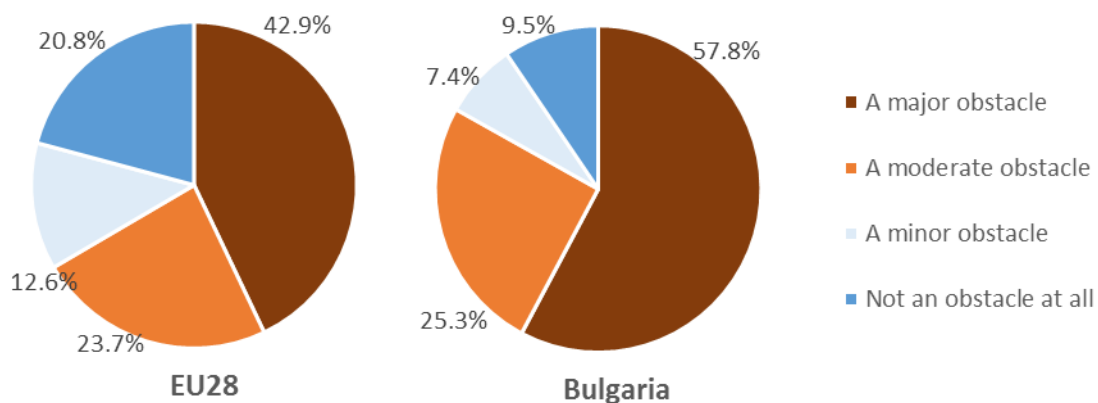
Source: Flash Eurobarometer 417, European Commission.

Figure 6.8 – Lack of predictability and stability of legislation is an obstacle to the activities of enterprises in Bulgaria, 2015



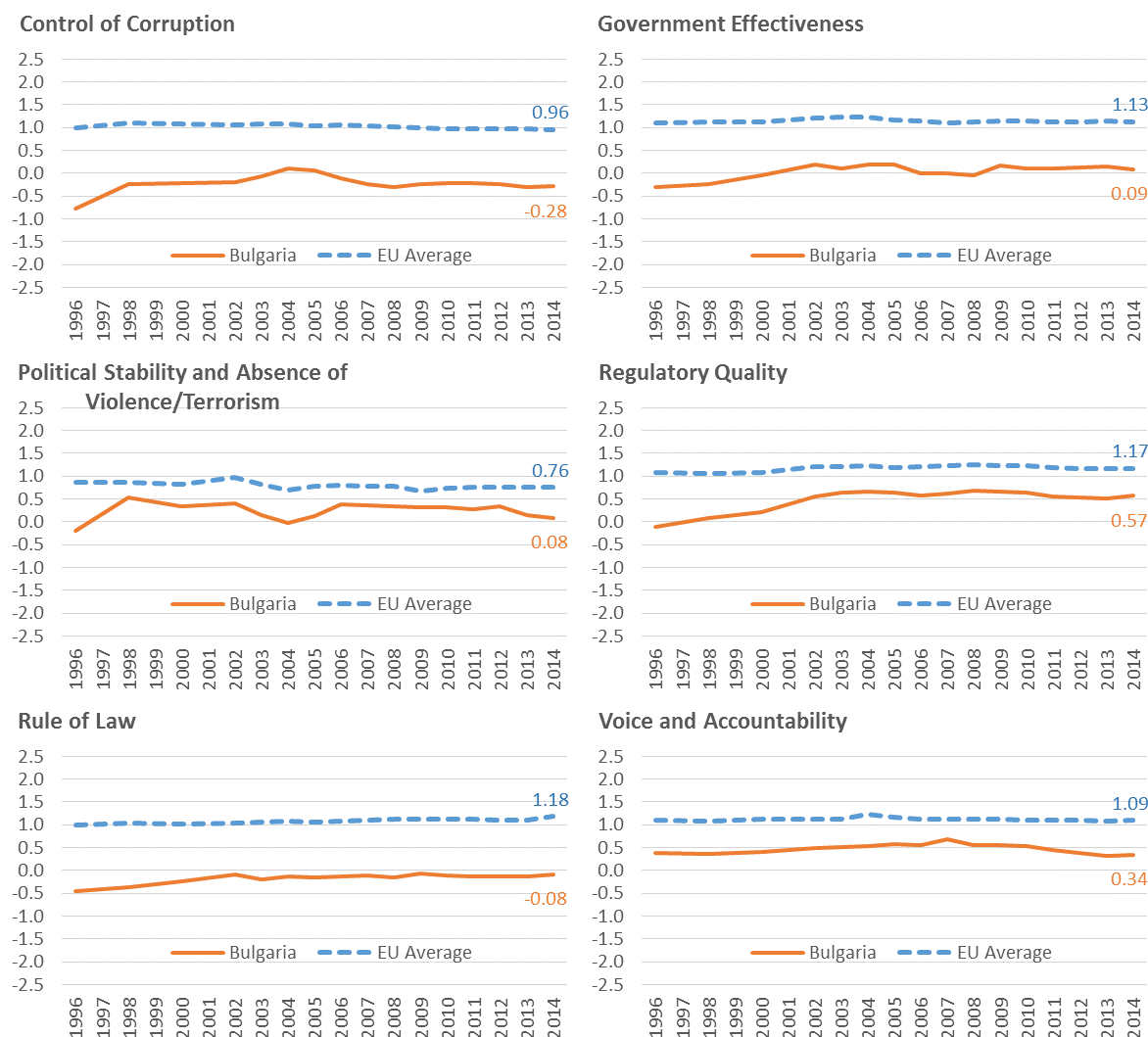
Source: Flash Eurobarometer 417, European Commission.

Figure 6.9 – The existence of an informal economy is an obstacle to the activities of enterprises in Bulgaria, 2015



Source: Flash Eurobarometer 417, European Commission.

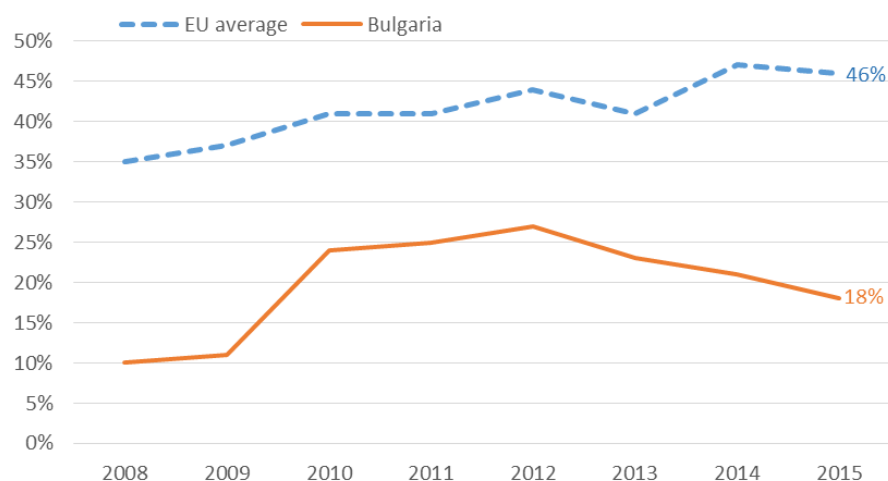
Figure 6.10 – Worldwide Governance Indicators in Bulgaria, 1996-2014



Source: Worldwide Governance Indicators, World Bank.

Note: The scale ranges from -2.5 to 2.5, higher values corresponding to better governance.

Figure 6.11 – People aged 16-74 using the internet for interaction with public authorities in Bulgaria, 2008-2015 (% total)



Source: Eurostat ([tsdgo330] for years 2000-2010; [tin00012] afterwards).

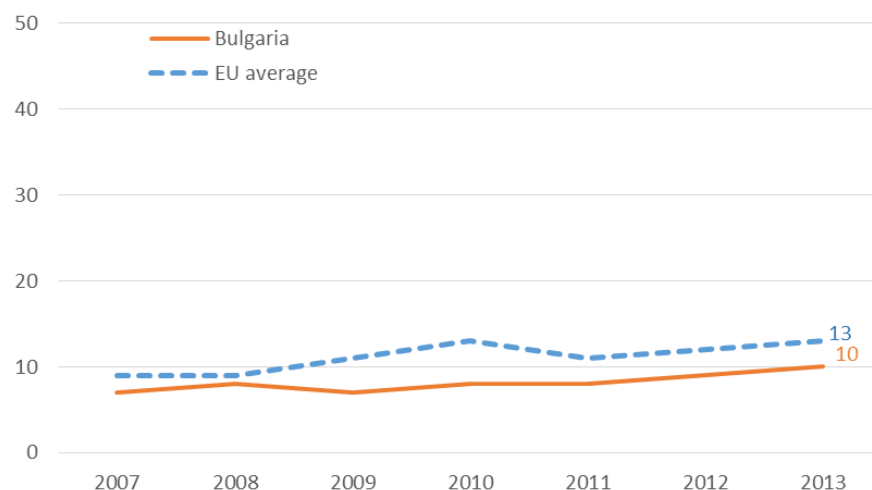
Table 6.1 – People aged 16-74 using the internet for interaction with public authorities in Bulgaria, 2015

Region	% of individuals 16-74
Severozapaden	13.0
Severen tsentralen	15.0
Severoiztochen	15.0
Yugoiztochen	15.0
Yuzhen tsentralen	10.0
Bulgaria	18.0
EU average	46.0

Source: Eurostat [isoc_r_gov_i].

Notes: Values which are lower than in the whole country are shown in red. Values which are lower than in the EU are highlighted in grey.

Figure 6.12 – Enterprises using the Internet to submit a proposal to public authorities in Bulgaria, 2005-2013



Source: Eurostat [tin00109].

Table 6.2 – European Quality of Government Index in Bulgaria, 2010 and 2013

Region	European Quality of Government Index (0-100)	
	2010	2013
Severozapaden	11.7	5.2
Severen tsentralen	23.3	16.7
Severoiztochen	46.8	42.9
Yugoiztochen	19.6	14.9
Yuzhen tsentralen	31.6	38.9
Bulgaria	19.9	24.4
EU average	51.2	61.7

Source: N. Charron, L. Dijkstra and V. Lapuente, 'Mapping the Regional Divide in Europe: A Measure for Assessing Quality of Government in 206 European Regions'.

Notes: Values which are lower than in the whole country appear in red. Values which are lower than in the EU are highlighted in grey.

In 2013, Bulgaria was ranked 28th among the EU countries.

The scale ranges from 1 to 100 range, higher values corresponding to a better quality of government.

GOVERNANCE in Bulgaria	
Country-specific recommendations, 2011-2015	
2011	Introduce and implement effectively measures to check public procurement on the basis of risk assessments, strengthen the capacity of the authorities to prevent and sanction irregularities in order to improve quality and value-for-money in the use of public funds.
2012	Ensure sound implementation of public procurement legislation. Strengthen the prevention of irregularities and effectively apply the sanctions under the Public Procurement Law and those of the Law on Conflict of Interest. Improve the quality and independence of the judicial system and speed up the introduction of e-government.
2013	Fight corruption more effectively. Ensure sound implementation of public procurement legislation by extending ex ante control by the

	Public Procurement Agency to prevent irregularities. Improve the quality and independence of the judicial system.
2014	Promote e-government. Step up the fight against corruption. Improve public procurement system by enhancing administrative capacity, strengthening the ex-ante checks and taking concrete steps for the implementation of e-procurement. Enhance the quality and independence of the judiciary.
2015	-
Structural reforms carried out, 2011-2015	
2011	A Law on the Amendment of the Law on Public Procurement was adopted. It offers a uniform regulatory framework for all types of public procurement regimes and procedures, improves the 'ex-ante' control of public procurement for EU-funded projects which is being implemented centrally by the Public Procurement Agency (PPA) and allows for a greater flexibility of procedures. In 2014, the National Strategy for the Development of the Public Procurement Sector 2014-2020 was adopted. It includes measures in 5 areas (legislation, law enforcement, publicity and transparency, strengthening of administrative capacity and professionalism, and control systems), which aim at overcoming the deficiencies and weaknesses identified in procurement and increasing the lawful use of public funds. The development of a national centralised single-platform model for e-procurement was approved in 2015. The staged introduction of e-procurement will start in 2016, and initially it will ensure mandatory electronic communication between contracting authorities and tenderers, including electronic submission of tenders. An entirely new Law on Public Procurement was adopted in 2016. It creates statutory grounds for expanding the scope of ex-ante control exercised by the PPA and for strengthening its administrative capacity.
2012	Work has begun to set up a centralised e-justice portal, which will ensure efficiency and transparency of the judicial system by providing real-time centralised and authorised access to the content of electronic case files, publication of e-communications and e-summons, fee payment, provision of e-services and access to standardised websites of the courts of law.
2015	A new electronic system for random case allocation that takes into account the complexity of the cases and the workload of the judges was launched in all courts. Random allocation is an important instrument to safeguard the independence and impartiality of judges.
2015	New Law Amending and Supplementing the Constitution aiming at a reform of the structure of the Supreme Judicial Council, while at the same time strengthening the judicial inspectorate, with a view to improving the independence and integrity of the judiciary.
2015	An Updated Strategy for Continuing the Reform in the Judiciary was adopted. It will serve as the basis for future legislative amendments, governance actions and analysis of the constitutional framework of the judiciary. The overall objective of the strategy is to build on the efforts for modernising the judiciary and to complete its reform by achieving effective guarantees of the independence of the courts and the judiciary, through effective measures against corruption, political and economic pressure. A Mechanism for assessing the workload in the judicial system at the level of individuals and institutions, with an emphasis on developing qualitative indicators and criteria, will be adopted.
2015	In April 2015, a comprehensive anti-corruption strategy was proposed by the government, containing concrete measures to address the problems. However, this faced a major set-back in September, when the Parliament failed to adopt a new law establishing an unified anti-corruption authority and reforming the system concerning conflicts of interest and asset declarations for public officials.
Outstanding challenges	
	Corruption remains an important concern and the response of the national authorities continues to be hampered by weak and fragmented institutions.
	Bureaucracy, the perceived level of corruption and political instability are considered to be among the strongest obstacles for doing business.
	Complex, lengthy and relatively costly procedures in particular for enforcing contracts.
	The frequently changing regulatory framework creates uncertainty as to the business environment.
	Concerns about the independence, quality and efficiency of the judicial system, including a certain

lack of predictability due to inconsistent rulings, may hamper investment.
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Sources: CSRs 2011-2015, CR 2016 (SWD2016 - 72 final), National Reform Programmes (NRP) 2001-2015, Member States Investment Challenges – SWD(2015) 400 final.

Overview

According to the World Economic Forum survey the judiciary in Bulgaria is perceived to be less independent of Government and other sources of influence than the EU average and the difference has slightly widened over the recent years. The Transparency International indicator on corruption also shows that Bulgaria is perceived to be more corrupt than the EU average, and there is a limited tendency for the difference to narrow over the recent years. On the other hand, the Eurobarometer survey of business views on corruption indicate that in 2015 this is seen as more of a problem in Bulgaria than in the EU as a whole both in terms of doing business in the country and in relation to public procurement.

In addition, a larger proportion of businesses in Bulgaria surveyed by Eurobarometer in 2015 considered the lack of predictability and stability of legislation as an obstacle to their activities than in other parts of Europe. The same is true as regards the presence of an informal economy. On the other hand, procedures for enforcing contracts were seen as an obstacle by much the same proportion of respondents in Bulgaria as in other countries.

Moreover, the World Bank Worldwide Governance Indicators indicate that Bulgaria is viewed less favourably than the EU in terms of political stability, quality of regulations, accountability as well as rule of law, corruption control, government effectiveness; and this is especially true for the latter three indicators.

The extent to which the internet is used by people to communicate with public authorities in Bulgaria is much less than the EU average and the difference has tended to widen rather than narrow in recent years. In the lagging regions, the extent is even less. Equally, a lower proportion of enterprises in Bulgaria used the internet to submit a proposal to public authorities in 2013 (the latest year for which there are data) than in the rest of the EU.

The quality of government index, which is based on a survey of residents, shows government in Bulgaria to be assessed less favourably than that in other parts of the EU, the difference in 2013 being wider than in 2010. The index is particularly low in Severozapaden. However, higher values than the national average were observed in two lagging regions in 2013 (Severoiztochen and Yuzhen tsentralen, though these were still well below the EU average). This contrasts with the situation in 2010 where three lagging regions were considered to have a higher quality of government than the national average: the former two regions as well as Severen tsentralen, suggesting that the quality of government in this region significantly worsened over three years.

Over the years 2011-2015, the country-specific recommendations in respect of governance highlighted the need to ensure the sound implementation of public procurement legislation, to increase the quality of the judiciary and to fight corruption.

In order to improve public procurement, the government has taken various initiatives: first, in 2011, a Law on the amendment of the Public Procurement Act was adopted, followed by a National Strategy for the Development of the Public Procurement Sector 2014-2020 in 2014. In 2015, the development of a national centralised single-platform model for e-procurement was approved. And a new Law on Public Procurement

was adopted in 2016. In order to increase the independence and impartiality of judges, a new electronic system for random case allocation was launched in all courts in 2015. In addition, an updated Strategy for continuing the reform in the judiciary as well as a new Law reforming the Supreme Judicial Council were also adopted in 2015. In terms of corruption, a comprehensive anti-corruption strategy was proposed in April 2015. On the other hand, the same year, the Parliament failed to adopt a new law establishing a unified anti-corruption authority and reforming the system concerning conflicts of interest and asset declarations for public officials. Therefore, at the end of 2015, corruption is still considered as an outstanding challenge to be addressed, along with the independence, quality and efficiency of the judicial system, political instability and procedures for enforcing contracts. These challenges apply equally to the lagging regions, despite the quality of government being regarded as better in Severoiztochen and Yuzhen tsentralen.

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