

BULGARIA

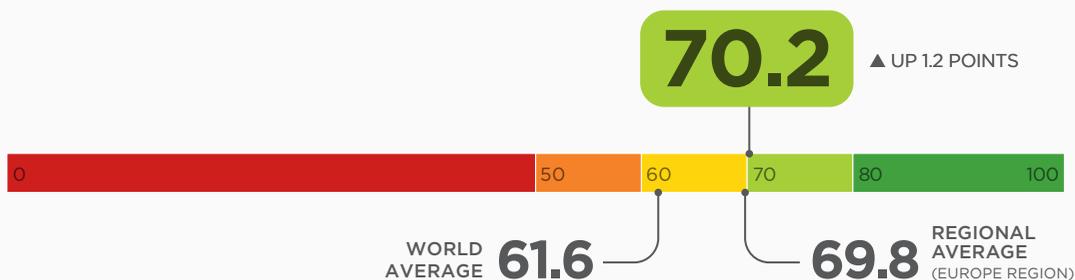


Bulgaria's economic freedom score is 70.2, making its economy the 36th freest in the 2020 *Index*. Its overall score has increased by 1.2 point due to an increase in the score for **government integrity**. Bulgaria is ranked 19th among 45 countries in the Europe region, and its overall score is just above the regional average and well above the world average.

Bulgaria has been making steady progress in economic freedom for more than a decade, and this year, its economy has finally entered the ranks of the mostly free. Improved economic freedom has been tracked closely by steady and healthy GDP growth during the past five years.

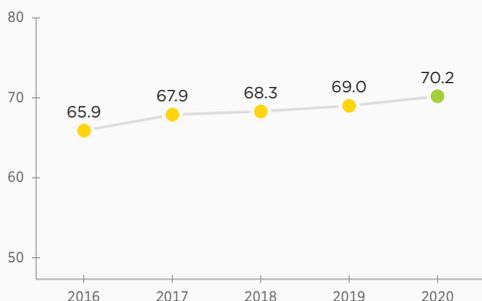
For the Bulgarian economy to move higher in the mostly free category, the government will have to implement reforms that address the additional deficiencies that are reflected in the country's still-low scores for judicial effectiveness and government integrity.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +20.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
7.0 million

GDP (PPP):
\$162.3 billion
3.2% growth in 2018
5-year compound annual growth 3.3%
\$23,156 per capita

UNEMPLOYMENT:
5.3%

INFLATION (CPI):
2.6%

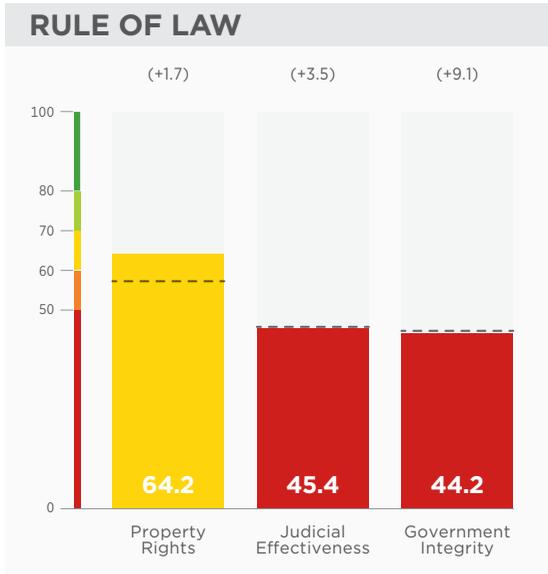
FDI INFLOW:
\$2.1 billion

PUBLIC DEBT:
20.5% of GDP

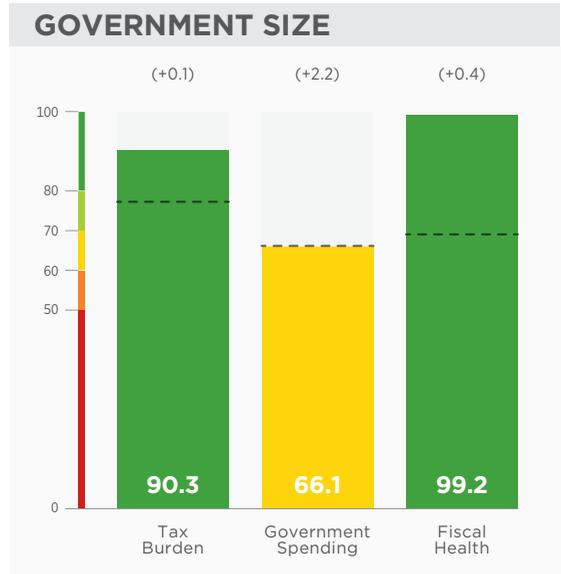
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Communist domination of the former People's Republic of Bulgaria ended in 1990. The country joined NATO in 2004 and the European Union in 2007. Boyko Borissov of the center-right GERB party was elected prime minister for the third time in 2017, supported by three nationalist parties in a United Patriots coalition that has been weakened by a series of corruption scandals. Pro-Russian independent Rumen Radev won the largely ceremonial presidency in 2016. Tourism, information technology and telecommunications, agriculture, pharmaceuticals, and textiles are leading industries. Bulgaria has been trying (so far unsuccessfully) to join the eurozone and Schengen Area. Heavily dependent on Russian gas, Bulgaria is seeking a link to the new Turkish Stream pipeline.

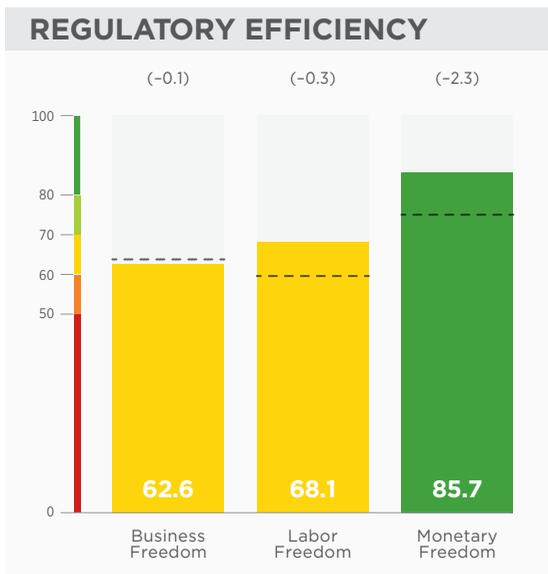
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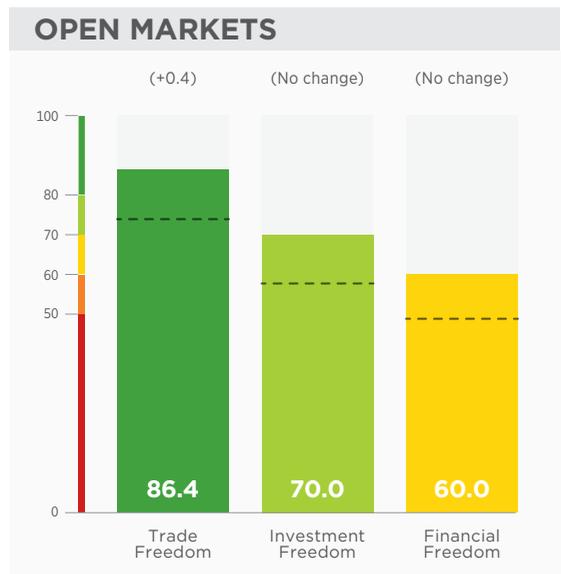
Property rights are not well protected. Jurisprudence is inconsistent, and the judiciary continues to be the least trusted institution in the country. Bulgaria has one of the lowest scores in Europe on the *Corruption Perceptions Index*, and Transparency International reports persistent and unaddressed problems that include dirty money in politics, unregulated lobbying, a lack of uniform anticorruption policies, nontransparent appointments to key public offices, and no clear ethics policy for the parliament.



The individual income and corporate tax rates are a flat 10 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 27.7 percent of total domestic income. Government spending has amounted to 33.6 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 0.8 percent of GDP. Public debt is equivalent to 20.5 percent of GDP.



The weakest areas in the World Bank's 2019 Ease of Doing Business score for Bulgaria are for getting electricity and resolving insolvency. The government has extended the waiting period required for eligibility to file for unemployment benefits, but growth of labor productivity has declined. Despite the relative importance of Bulgaria's farming sector in providing employment, EU agricultural subsidies are expected to diminish.



The total value of exports and imports of goods and services equals 128.1 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Bulgaria has an additional 116 country-specific nontariff barriers. Bureaucratic and regulatory hurdles continue to hamper the investment climate. The financial sector is underdeveloped but relatively stable.