Bulgaria's economic freedom score is 70.4, making its economy the 35th freest in the 2021 Index. Its overall score has increased by 0.2 point, primarily because of an improvement in the tax burden score. Bulgaria is ranked 20th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Bulgaria made it over the threshold into the ranks of the mostly free in 2020 for the first time since 1995. This year, it is barely clinging to that status. 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.

**IMPACT OF COVID-19:** As of December 1, 2020, 4,188 deaths had been attributed to the pandemic in Bulgaria, and the economy was forecast to contract by 4.0 percent for the year.

**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. Three-time Prime Minister Boyko Borissov of the center-right GERB party leads a United Patriots coalition, supported by three nationalist parties. A series of corruption scandals has weakened the government and led to massive protests. 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 remains outside the Schengen Area, but recent steps have brought it closer to qualifying for membership in the eurozone. Heavily dependent on Russian gas, Bulgaria is seeking a link to the new Turkish Stream pipeline.

**POPULATION:** 7.0 million

**GDP (PPP):** $170.9 billion

3.4% growth in 2019

5-year compound annual growth 3.6%

$24,561 per capita

**UNEMPLOYMENT:** 4.3%

**INFLATION (CPI):** 2.5%

**FDI INFLOW:** $1.2 billion

**PUBLIC DEBT:** 20.4% of GDP

2019 data unless otherwise noted. Data compiled as of September 2020.
Despite a generally supportive legal and regulatory framework, property rights are not well protected in practice. The judiciary remains one of Bulgaria’s least trusted institutions, and allegations of nepotism, corruption, and undue political and business influence are widespread. Higher-level corruption, particularly in public procurement and the use of EU funds, is likewise widespread.

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 20.2 percent of total domestic income. Government spending has amounted to 34.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.01 percent of GDP. Public debt is equivalent to 20.4 percent of GDP.

Costs associated with starting a business, dealing with construction permits, and obtaining electricity connections are now lower. Resolution of insolvency has become slightly more efficient. The contribution period required for an employee to qualify for unemployment protection has been extended. Bulgaria is receiving subsidies from the EU for agriculture and numerous other economic sectors.

As a member of the EU, Bulgaria has 45 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 3 percent, with 639 EU-mandated nontariff measures in force. Bulgaria has an additional 116 country-specific nontariff barriers. Generally, foreign and domestic investors are treated equally under the law. Several measures to support financial-sector liquidity were introduced in 2020.