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EUROPEAN SOCIAL CHARTER

Ad hoc report on the cost-of-living crisis

submitted by

THE GOVERNMENT OF BULGARIA

Report registered by the Secretariat

on 04 January 2024

CYCLE 2024

**Ad hoc report at the request of the European Committee of Social Rights (ECSR)
on the cost of living in Bulgaria
(Ad hoc report on the cost-of-living crisis)**

This Ad hoc report has been prepared after consultation and cooperation with the competent units.

Pursuant to Art. 23 of the European Social Charter (ESC) the Ad hoc report was sent to the nationally representative organizations of employers and employees.

The Bulgarian national currency is leva (BGN), and its exchange rate is fixed to the euro at 1.95583 leva for 1 EUR (0.511292 euro for 1 BGN).

The Bulgarian side remains available for any additional questions or clarifications that may arise in the process of considering this Ad hoc report.

1. Information on whether and how the statutory minimum wage is regularly adjusted/indexed to the cost of living. Please indicate when this last happened, specifically whether it has been adjusted/indexed since the end of 2021.

By Decree no. 37 of March 24, 2022 (SG, no. 25, of March 29, 2022) of the Council of Ministers from April 1, 2022, the minimum monthly wage for the country was set at BGN 710.

The amount of the minimum wage of BGN 710 as of April 1, 2022, has increased by BGN 60, which has resulted in a realized growth of 9.2% compared to the previous amount of BGN 650.

By Decree no. 497 of December 29, 2022 (SG, no. 1 of January 3, 2023) of the Council of Ministers of January 1, 2023, the minimum monthly wage for the country was set at BGN 780.

The amount of the minimum wage of BGN 780 from January 1, 2023, has increased by BGN 70, which is a realized growth of 9.9% compared to the previous amount of BGN 710. The new amount of BGN 780 has a favourable impact on the standard of living of the lowest-income part of the workforce.

By Decree no. 193 of October 12, 2023 (SG, No. 87 of October 17, 2023) of the Council of Ministers from January 1, 2024, the minimum monthly wage for the country was set at BGN 933. When developing the above-mentioned decree, we were guided by the macroeconomic forecasts for 2023 the levels of the average salary reached, the provisions of Art. 244 of the Labour Code and the recommended indicative values related to the adequacy in determining the minimum wage laid down in Directive 2022/2041 of the European Parliament and the Council on adequate minimum wages in the EU.

The amount of the minimum wage of BGN 933 as of January 1, 2024, has increased by BGN 153, which is a realized growth of 19.6% compared to the previous amount of BGN 780.

2. Information on any supplementary measures taken to preserve the purchasing power of the minimum wage since the end of 2021.

In response to the increased uncertainty regarding the prospects for economic activity and inflation in Bulgaria, the rapid increase in inflation recorded during the period and the negative impact on the ability of low-income workers to meet their and their families' minimum needs, measures were taken to update the amount of the minimum wage for the country.

With the update of the amount of the minimum wage (CMD no. 497 of 29.12.2022) to BGN 780 from 01.01.2023, an increase of BGN 70 was achieved, which resulted in a realized growth of 9.9% compared to the previous amount of 710 BGN, and compared to the value of the minimum wage from 2021 of BGN 650, there is an increase of 20%, or BGN 130.

In 2022 and the first half of 2023, the socio-economic and statistical environment deviated significantly from its natural progression, due to the overall unpredictability of the international situation and inflationary processes. These changes, being different from the cyclical socio-economic deficits associated with structural changes, made it necessary to update the amount of the minimum wage.

By Decree no. 193 of October 12, 2023 (SG, No. 87 of October 17, 2023) of the Council of Ministers from January 1, 2024, the minimum monthly wage for the country was set at BGN 933.

The update of the minimum wage for the country is based on the dynamic socio-economic transformations and aims to regulate the price of low-skilled work performance, taking into account the wide-ranging impact of this income indicator both in terms of social development and in terms of the competitiveness of the Bulgarian enterprises.

The average salary growth trends for the country remained within the expected limits, but this was largely due to the strengthening of the role of the state in the economy and in the determination of extraordinary incomes, benefits and compensations, rather than balanced economic development and deployment of the economic potential of the country in terms of social stability and security. The increased economic demand as a result of the recovery of the economy also fits into this context.

3. For States Parties with no statutory minimum wage, please describe any measures taken to preserve the purchasing power of the lowest wages since the end of 2021.

Not applicable.

4. Information on whether the cost-of-living crisis has led to the extension of in work benefits.

State social insurance applies to a wide range of insured persons for a large number of insured social risks - general illness and maternity, disability due to general illness, old age and death, occupational accident and occupational disease and unemployment. Upon the occurrence of any of the insured social risks, the right to compensation or pension arises for the insured persons, subject to the prerequisites defined in the law. With regard to persons of working age, in general these are benefits for illness (monetary benefit for temporary incapacity for work) and maternity (monetary benefit for pregnancy and childbirth; monetary benefit for raising a child up to 2 years of age; monetary benefit for adoption of child up to 5 years of age; monetary benefit for raising a child up to 8 years of age by the father/adoptive parent), as well as for unemployment (monetary compensation for unemployment). In the event of an occupational accident, persons insured for this risk are entitled to monetary compensation or monetary assistance.

It should be noted that in 2022, with an amendment to the Labour Code and the Social Security Code, the individual right of the father (adoptive parent) to parental leave with the right to monetary compensation for the period of use, was regulated. Thus, from August 1, 2022, fathers of children up to the age of 8 can take leave for up to 2 months, during which time they also receive monetary compensation from the state social insurance.

By ensuring the individual right of the father (the adoptive parent) to use parental leave, an opportunity is created for a balanced participation of the parents in caring for the child in a family environment and compliance of Bulgarian legislation with the requirements of Directive 2019/1158/EU of the European Parliament and of the Council of 20 June 2019 on the work-life balance of parents and carers, is ensured. This is also a prerequisite for building a more fulfilling relationship between the father and the child and guarantees active participation in its upbringing. In order to facilitate the reconciliation of personal and professional life, the leave can be taken either all at once or in parts.

5. Information on changes to social security and social assistance systems since the end of 2021. Information on benefits and assistance levels and the allocation of benefits.

Social security

The purpose of social protection systems is to provide adequate support for vulnerable groups. That is why the good functioning of these systems, including also the social security system, is crucial. In this way, the adverse consequences for individuals related to the loss of income are mitigated, thus providing them with the necessary replacement funds.

In the conditions of demographic, health and economic crises, a number of measures have been taken, which lead to easier access of individuals to monetary benefits, increasing the amounts of unemployment and maternity benefits, as well as providing additional support for pensioners, who are among the most affected social groups.

In the period 2021-2022, a number of measures have been taken to permanently increase the incomes of the elderly, and the amounts of all pensions - both those related to work and those not related to work - have been increased more than once.

The general rule established in the Bulgarian legislation is that the amounts of pensions related to labour activity are determined depending on the participation of each person in the insurance. However, a variety of redistribution mechanisms (solidarity mechanisms) exist in the pension system.

Such a mechanism is the existence of a minimum and maximum amount of the pension. They are determined by the law on the state social security budget for the relevant year, and it should be noted that in the last few years there has been an increase at extremely high rates. From 2021 to 2023, the minimum amount of the pension for insurance length of service and age has been increased from BGN 300.00 to BGN 523.04, which has led to an increase in the minimum amounts of the other pensions for labour activity, which are determined as a percentage of the minimum pension for length of service and age (the disability pension due to general illness, the disability pension due to occupational accident and occupational disease, and inheritance pensions).

The maximum monthly amount of one or more pensions received, without the supplements to them, has been increased from BGN 1,200 to BGN 1,440 as of January 1, 2021, and subsequently increased again, and is currently BGN 3,400.

With a view to updating the amounts of pensions, their annual updating continued. As of July 1, 2021, the amounts of pensions for labour activity granted until December 31, 2020, have been increased by 5.0 percent (percentage determined according to the so-called "Swiss rule").

From December 25, 2021, the eighth of the length of service in the pension formula for determining the amount of pensions for work activity has been increased from 1.2 percent to 1.35 percent for each year of social security length of service without conversion and the

corresponding proportional part of this percentage for the months of social security length of service without conversion. Pensions granted with a starting date of December 24, 2021, have been recalculated from December 25, 2021 with the new weight of the insurance period.

From July 1, 2022, the amount of work-related pensions granted with a starting date until December 31, 2021, has been increased by 10 percent. This amount includes the sum of BGN 60 (the so-called "covid supplement") and the amount representing the difference between the income from pensions and the "covid supplements" in December 2021 and January 2022 (the so-called individual differences), if any.

The amounts of work-related pensions granted with a starting date until December 31, 2021, were recalculated once again on October 1, 2022. After the recalculation, 894,249 pensioners (45.3% of the total number of persons with work-related pensions) received an increase. For pensioners who received an increase, the average monthly pension increased from BGN 813.84 to BGN 937.55 (an increase of 15.2%).

From July 1, 2023, all pensions granted until the end of the previous calendar year have been updated according to the so-called Swiss rule, with their amount increased by 12 percent.

The adequacy of post-retirement income also increases through the participation of individuals in supplementary pension insurance schemes. In this regard, the regulation of the payment phase of the supplementary mandatory pension insurance has been improved. From September 2021, the first groups of eligible persons will receive pension for old-age from the universal pension funds.

Non-work-related pensions are intended for those in extreme need who have extremely low or no income, or who are unable to work and are therefore not entitled to any other type of pension. Non-contributory pensions have a markedly social character, and for their granting and payment it is not required for the person to have made social security contributions or to have acquired certain social security length of service. They are paid from a special fund of the state social insurance, and the funds are collected through transfers from the state budget. Such are social pensions for old age and disability, pensions for military and civilian disability and personal pensions.

The amounts of these pensions also increase annually. From 2021 to 2023, the amount of the social pension for old age has been increased from BGN 141.63 to BGN 276.64, which is almost a double increase. As a result, the amounts of pensions and supplements are increased, the amounts of which are determined as a percentage of the social pension for old-age - the military disability pension, the civil disability pension, the social disability pension and the personal pension, as well as the legally established supplements to pensions, which are determined as a percentage of the social pension for old age - the supplement for assistance, the supplement to the pensions of the disabled from the Second World War and the supplement for war veterans.

As a result of the measures taken to increase both contributory and non-contributory pensions, according to data from the National Social Security Institute, the average amount of pension per pensioner increased from BGN 459.39 in January 2021 to BGN 734.72 in June 2023.

A number of measures aimed at supporting crisis-affected persons of working age have also been adopted.

In order to facilitate citizens' access to social security rights, the scope of electronic services for granting benefits from the state social insurance has been expanded, and an opportunity has been created to submit an application for receiving monetary compensation for unemployment electronically.

In the period 2021-2022, the daily minimum amount of the unemployment benefit has been increased, and at the moment its amount is BGN 18 (from BGN 12/day in 2021).

The amount of compensation for raising a small child up to the age of 2 has been significantly increased in the period 2021-2022 - from BGN 380 in 2021 to BGN 780 in 2023. The new type of compensation for raising a child up to the age of 8 by the father is at the same monthly amount of BGN 780.

Social assistance

A social assistance reform is carried out in line with the need to improve the adequacy of social assistance, especially the minimum income schemes and to expand the scope of those assisted, which is in line with the priorities of the EC and with the commitments of Bulgaria, reflected in the National Plan for Recovery and Resilience.

The mechanism laid down in the Social Assistance Act (effective as of 2020), which directly affects the minimum income scheme, was an obstacle to the implementation of the recommendations and commitments undertaken by Bulgaria in the context of combating poverty. The change in the Social Assistance Act (SAA) became imperative, but given the long procedure for its implementation, it was necessary to start the process of transformation of social assistance by laying down the reform in the Recovery and Resilience Plan and taking actions before making the necessary legal changes in the by-laws.

In this regard, the following was undertaken:

In line with the need to improve the adequacy of social assistance, especially the minimum income schemes and to expand the scope of those assisted, which is in line with the priorities of the EC and with the commitments of Bulgaria, reflected in the National Plan for Recovery and Sustainability, it is realized social assistance reform.

The mechanism laid down in the Law on Social Assistance (effective as of 2020), which directly affects the minimum income scheme, was an obstacle to the implementation of the recommendations and commitments undertaken by Bulgaria in the context of combating poverty. The change in the Social Assistance Act (SAA) became imperative, but given the long procedure for its implementation, it was necessary to start the process of transformation of social assistance by laying down the reform in the Recovery and Resilience Plan and taking actions before making the necessary legal changes in the by-laws.

In this regard, the following was undertaken:

➤ **In 2021 with CMD no. 257/28.07.2021, amendments and additions were made to the Regulations for the Implementation of the Social Assistance Act (RISAA).**

Through a correction in the direction of increasing the individual percentages for the individual risk groups that determine the differentiated minimum income (DMI), a corresponding expansion of the access limit and the possibility of increasing the amount of aid received was achieved.

For the period 2022 - 2024, estimated parameters of the relative share of 20%, 25% and 30% of the poverty line were set, which would be the basis for determining access limits and the amount of aid for the period.

With the changes in RISAA, a smooth transition took place compared to the existing mechanism, while respecting the following principles:

- ✓ smooth transition – it is guaranteed that no significant changes which could lead to significant critical situations in the system, are allowed;

- ✓ financial affordability - provides an opportunity to implement changes that will not lead to an excessive burden on the budget, which at some point would make it impossible to implement the measures;
- ✓ quick start of the changes - given the current legislation, which includes legislative changes that were to come, and with a view to starting the transformation process, actions were taken to implement possible changes in the by-laws within the framework of the currently effective Social Assistance Act;
- ✓ a higher amount of benefits for more needy people - an increase in the effectiveness of social benefits is ensured by simultaneously and smoothly expanding the access limit and the net amount of monthly social assistance.

➤ **In 2022, a Law amending and supplementing the SAA was adopted, which entered into force on 01.06.2023, with an emphasis on the changes made:**

A mechanism has been created for better social protection of risk groups of the population by expanding the scope and improving the adequacy of social assistance in the context of reducing poverty and raising the standard of living of the population, which will be implemented through the transition of social assistance from binding of social benefits with guaranteed minimum income (GMI), the amount of which was BGN 75, not updated for a long period of time, to tying it to the poverty line. The adopted legal changes are related to:

- ✓ tying social benefits to the poverty line, complying with the conditions set by the EC;
- ✓ abolition of GMI when determining and granting social benefits and introduction of a mechanism for regularly updating access to assistance and the amount of benefits;
- ✓ reduction of the terms of the restrictions in cases where persons have received social benefits in bad faith, as well as in cases where unemployed persons receiving social benefits refuse to participate in employment programs.

To implement these changes, it was necessary to align the RISAA with the SAA.

➤ **In 2023, actions were taken to bring the by-laws into line with the changes in the SAA, which, according to the Act, came into force on 1 June 2023**

The changes made to the Regulations for the Implementation of the Social Assistance Act, adopted with CMD no. 74/15 May 2023, provide:

- ✓ A mechanism created for regular updating of the size and scope of the minimum income scheme, by moving from GMI (in the amount of BGN 75) to a poverty line determined according to the EUROSTAT methodology;
- ✓ Making the amount of the basis for determining the differentiated minimum income, determining the access limit and the amount of benefits, 30% of the poverty line for the relevant year (for 2003 it was BGN 151.20, i.e. more than 2 times higher relative to GMI);
- ✓ Changing the groups of assisted persons. The approach of uniting the currently existing groups has been adopted, which aims to create an additional opportunity to expand the scope of supported individuals and families.

✓ Shortening the restrictive terms are as follows:

- The time term for mandatory, continuous registration in the Labour Bureau Directorate, before submitting the application-declaration, has been reduced from 6 to 3 months;
- The time for performing community service has been reduced from 14 days of 4 hours per day to 40 hours per month;
- The time terms for the termination of assistance in case of non-fulfilment of requirements related to performing community service are reduced;
- The time term of the requirement for granting the aid that they have not transferred for consideration or donated residential, cottage, agricultural or forest property and/or ideal parts of them in the last 5 years is reduced to 2 years.

✓ Additional forms of support are foreseen.

- The right to cover the initial needs of adults leaving the residential type of service is given, by granting them targeted assistance in the amount of the poverty line for the relevant year. The aid is for three months, granted only once and on the condition that the person has registered with the Labour Bureau Directorate;
- The right is granted in cases where an unemployed person or an unemployed family member receiving a monthly allowance under Art. 9 starts work, the received aid to continue to be paid for a period of 3 months, within one year, starting from the moment of concluding the employment contract;
- The restriction on granting monthly allowances to students in higher education institutions, as well as students in private schools, is abolished;
- It is planned not to require registration in the Labour Bureau Directorate for the granting of monthly allowances to persons who study at a higher school in a specialty for which only a regular form of education is provided;
- Individuals' access to assistance for paying rent for municipal housing is changed, as the previous requirement for "the previous month's income of up to 250 percent of DMI" is changed to "up to the poverty line for the relevant year";
- The amount of the one-time aid under Art. 16 is changed from "up to five times the GMI" to "three times the poverty line for the relevant year".
- The amount of one-time assistance for issuing an identity card to persons changes from "up to GMI" to "up to the amount of the support base";
- Submission of the application-declaration is planned to be possible in any Social Assistance Directorate at the applicant's choice, as well as by e-mail.

➤ **Ordinance no. RD-07-5 of May 16, 2008, on the terms and conditions for granting targeted aid for heating was also brought into line with the amendments made to the mentioned normative acts and is effective for the upcoming heating season. The changes are in the following guidelines:**

- ✓ The amount of the basis for determining the differentiated minimum income for heating becomes 30% of the poverty line for the relevant year;
- ✓ The groups for assisted persons are changed, analogous to the changes in RISAA;
- ✓ It is planned that families in which children from 4 to 16 do not attend school regularly or have not completed the immunization calendar, as well as in cases where the child does not study, will not be excluded from the support.

In these cases, it is envisaged that the families will receive only a lower amount of the allocated targeted aid;

- ✓ The method of payment of the targeted aid for heating is changed, whereas it is paid once at the latest by the end of the month following the month of issuing the order by which the aid was granted.

6. Information on whether social security benefits and assistance are indexed to the cost of living, as well as information in particular on how income-replacing benefits such as pensions are indexed. Please indicate when benefits and assistance were last adjusted/indexed.

Social protection systems continue to prove their effectiveness and stabilizing function in preserving citizens' purchasing power and living standards during economic, health and other crises. That is why our efforts are focused on maintaining these systems, incl. by ensuring the necessary indexation of the amounts of benefits and pensions paid by the state social insurance.

In general, the amounts of short-term benefits from the state social insurance are determined depending on the participation of each person in the insurance. In this way, it is guaranteed that for the time they are not working, individuals will receive an adequate replacement income.

Thus, for example, the amount of compensation for pregnancy and childbirth is determined at the rate of 90 percent of the average daily gross remuneration or the average daily insurance income, on which insurance contributions have been paid or are due for a period of 24 months preceding the start of the leave.

The amount of monetary compensation for unemployment is determined at the rate of 60 percent of the person's insurance income for the previous 24 months and cannot be lower than the minimum daily amount and higher than the maximum daily amount determined by the law on the state budget social insurance for the relevant year.

With this law, the amount of monetary compensation for raising a child up to the age of 2 and for raising a child up to the age of 8 by the father (the adoptive parent) is determined annually.

In view of the fact that pensions for labour activity are received over a longer period of time, a mechanism for their updating is provided for in our legislation. It is regulated by the provision of Art. 100 of the Social Security Code, according to which pensions granted until December 31 of the previous year are updated annually from July 1 with a decision of the supervisory board of the National Social Security Institute. The update is carried out with a percentage equal to the sum of 50 percent of the increase in the insurance income and 50 percent of the consumer price index in the previous calendar year - the so-called "Swiss rule".

Every year, a new higher amount of the social pension for old age is determined by an act of the Council of Ministers, thereby increasing other pensions not related to work.

All pension rates – both occupational and non-occupational were increased on 1 July 2023

Ensuring adequate and sustainable social payments is an important element of support for people with disabilities in the country.

With the entry into force of the Law on Persons with Disabilities, as of January 1, 2019, the model for determining financial support for persons with disabilities was changed. The types of financial support for them were regulated, consisting of two components: monthly financial support, according to the degree of disability, to which people with permanent disabilities over

the age of 18 are entitled, and targeted benefits, according to the type of disability, through declared and established need for individual assessment and compliance with the set conditions. Financial support is intended to compensate for the costs associated with overcoming difficulties caused by the type and degree of disability. The support is granted without introducing explicit targeting of the spending of the funds, but according to the individual needs of the individual, and in practice it can be considered as additional income. It is exempt from taxes and fees.

The new basis for calculating the amount of financial support is the poverty line established for the country for the relevant year, prepared according to the Eurostat methodology, which as a dynamic monetary indicator with annual indexation and this creates a guarantee for regular growth of the received monthly financial means to satisfy the personal needs of people with disabilities against the background of the changing economic environment and social impacts. With the updating of the poverty line for the country, in accordance with the socio-economic conditions, adequate material support is provided to people with disabilities. They are thus placed in a more favourable position against the rising cost of living. At the same time, the need for a differentiated approach to the intensity of support is reflected, which is why monthly financial support is provided to people with permanent disabilities over the age of 18, as follows:

1. From 50 to 70.99 percent degree of disability - in the amount of 7 percent of the poverty line;
2. From 71 to 90 percent degree of disability - in the amount of 15 percent of the poverty line;
3. Over 90 percent degree of disability - in the amount of 25 percent of the poverty line;
4. Over 90 percent degree of disability with certain need for assistance, for persons who receive a disability pension due to a general illness or due to an occupational accident or occupational disease - in the amount of 30 percent of the poverty line;
5. Over 90 percent degree of disability with certain need for assistance, for persons who receive a social disability pension or a military disability pension, or a civil disability pension, or an inheritance pension - in the amount of 57 percent of the poverty line.

People with permanent disabilities, whose mobility is difficult, are entitled to targeted assistance for the purchase of a personal motor vehicle up to four times the amount of the poverty line for the relevant year, with an income criterion set, and in due time they should meet the prescribed formal conditions.

People with permanent disabilities with over 90 percent degree of permanently reduced working ability or type and degree of disability and children with certain type and degree of disability have the right to targeted assistance for home renovation up to twice the amount of the poverty line for the relevant year, whereas an income criterion is set, and at the same time they should meet the prescribed formal conditions.

People with permanent disabilities with more than 90 percent reduced ability to work, children with permanent disabilities and military disabled persons have the right to targeted assistance for balneotherapy and/or rehabilitation services, which is provided once a year in the presence of a medical prescription from a specialist doctor for the need for the treatment, in accordance specific needs. The targeted aid is up to 80 percent of the poverty line for the relevant year. Persons with a certain need for assistance are entitled to assistance to cover the costs of one companion, if they use one, respectively in the same amount.

The purpose of the new forms of support for people with disabilities is to increase their amounts, given their regular and automatic updating in relation to the growth of the amount of

the poverty line. By Decree no. 286 of 21.09.2022 of the Council of Ministers, the amount of the poverty line for the country for 2023 is set at BGN 504. With the adoption of this significantly higher amount of the poverty line for 2023 compared to 2022 (413 BGN), an increase of BGN 413 is reported 22% of the monthly financial support received by people with permanent disabilities.

By Decree no. 212 of 02.11.2023 of the Council of Ministers, the amount of the poverty line for the country for 2024 is set at BGN 526. Its value increases by BGN 22, or by 4.4%, compared to 2023. The increased amount of the poverty line will also increase social support for vulnerable groups, as more people and families in need will receive support from the state.

7. Information on whether any special measures have been adopted since the end of 2021 to ensure persons can meet their energy and food costs, such as price subsidies for energy, fuel and basic food items.

Within the framework of social assistance under the Social Assistance Act in 2022, extraordinary support measures were taken to cover the costs associated with providing heating in winter:

- Decision no. 500/19.07.2023 of the Council of Ministers provided additional funds in the amount of BGN 20 per month for the heating season to the targeted aid for heating;
- CMD no. 349/27.10.2022 ensured the payment of one-time financial support for heating to compensate for the increased prices of energy sources in the amount of BGN 400 for individuals and families from vulnerable groups who did not receive targeted assistance for heating;
- CMD no. 383/30.11.2022 provided support with a one-time financial assistance for heating in the amount of BGN 300 for persons and families from vulnerable social groups who did not receive assistance under the previous measures.

In response to the difficulties and disruptions in the global energy market caused by Russia's invasion of Ukraine, the European Commission presented the REPowerEU plan. In the context of the actions of the EC under the REpowerEU plan, targeted amendments to Regulation (EU) no. 1303/2013 to formulate the Affordable Energy Support Instrument SAFE. The aim is to ensure a flexible use of the available resource from the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and REACT EU to support small and medium-sized enterprises as well as vulnerable households affected by the increase in the price of electricity due to the war in Ukraine. According to the changes in the regulation, ESF funds can help **vulnerable households, as defined in national rules, to cover their energy consumption costs, without the need for active labour market measures**. The same measures can be financed by REACT-EU funds.

In connection with the above, the Managing Authority of the Human Resources Development Program (HRDP) proposed a "Support for Vulnerable Households - SAFE" operation with the **ASP as a specific beneficiary**.

The operation provided **supplements for vulnerable families who receive monthly benefits according to Art. 7, para. 1 of the Family Allowances Act (FAA)**, in order to compensate the costs of these families for electricity and heat caused by the high level of inflation for these services, as a result of the war in Ukraine.

The operation complemented the package of social measures aimed at families with children. Given the higher threshold for access to family benefits for children, a significant part

of its beneficiaries does not fall within the scope of the targeted energy protection programme. Taking into account the **vulnerability of these families** and the high degree of dependence of the children on normal living conditions, especially in the winter months, providing support for the operation will have a beneficial effect on the general well-being of the families. Families with children are among the most vulnerable groups in terms of rising electricity and heating costs.

The payment of a supplement to vulnerable families was a necessary measure to address the energy crisis resulting from the impact of Russia's aggressive war against Ukraine and is a measure to prevent social exclusion and poverty for these families. The supplement also ensures that assisted persons have access to basic services and thus contributes to the health conditions necessary for participation in the labour market. **The supplement compensates for the amount of inflation for electricity and heating costs that families have already incurred in the period 04/01/2022 - 03/31/2023.**

Through the implementation of the operation, support is provided to vulnerable households to meet their energy consumption costs.

At the end of November 2023, the support was extended to the target group of 320,000 vulnerable households that received support to meet the costs of energy consumption, the target group of households in which there is a person with 100% reduced working capacity was added, as well as households in which there is a person over the age of 75 with over 90% degree of disability without certain foreign aid and who did not receive heating aid during the past heating season. In this way, the supplement of BGN 148.35 should reach a total of 365,700 households.

Households in which there is a person with 100% reduced working capacity, as well as households with a person over the age of 75 with a more than 90% degree of disability without certain external assistance are selected for support under the procedure, insofar as they do not receive targeted assistance for heating. They are among the most vulnerable groups, given the extent of their disability and the lack of the right to companion assistance, as they also experience serious difficulties in interacting with their environment, which prevents their full participation in public life. In this sense, they encounter a number of barriers in their daily lives.

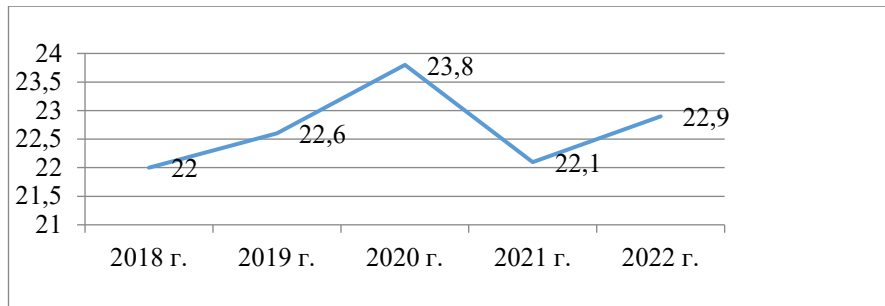
In view of the international emergency that has arisen as a result of the war in Ukraine, which has caused direct negative socio-economic consequences, disrupted the economic trend of development, brought chaos and a certain powerlessness among the public, through job losses, an increase in the unemployment rate, difficulties for small and large businesses, lack of income and a number of others, households in which there is a person with 100% reduced working capacity, as well as households in which there is a person over the age of 75 with over 90% degree of disability without a certain external assistance, need special attention through supportive measures. Public support should offset the high bills of these households, for electricity and heat, caused by the increase in prices and leading to the increased levels of the inflation indices. The total budget for the operation, after the expansion of the target group, reached BGN 56,776,512.

8. Up-to-date information on at-risk-of-poverty rates for the population as a whole, as well as for children; families identified as being at risk of poverty; persons with disabilities and older persons. Please show the trend over the last 5 years, as well as forecasts for upcoming years.

Bulgaria is among the countries where the risk of poverty for the population is above the EU average. In the period 2018-2022, the poverty level remains relatively stable. The crisis caused by COVID-19 has led to a deepening of existing inequalities and the risk of poverty, especially for the most vulnerable groups in society. It affected a number of sectors of the

economy, leading to a decline in production, an increase in unemployment, a decrease in income and employment prospects, job insecurity. The gradual recovery from the crisis led to an increase in economic activity, normalization of the labour market situation, restoration of the unemployment rate to the level registered in the pre-crisis 2019. As expected, the data on poverty and social exclusion are strongly influenced by these trends. According to data from the survey of incomes and living conditions (EU-SILC) in 2022, the poverty level in Bulgaria is 22.9%, or about 1,572 thousand people are poor. Compared to the previous year, the relative share of the poor population increased by 0.8 percentage points (pp).

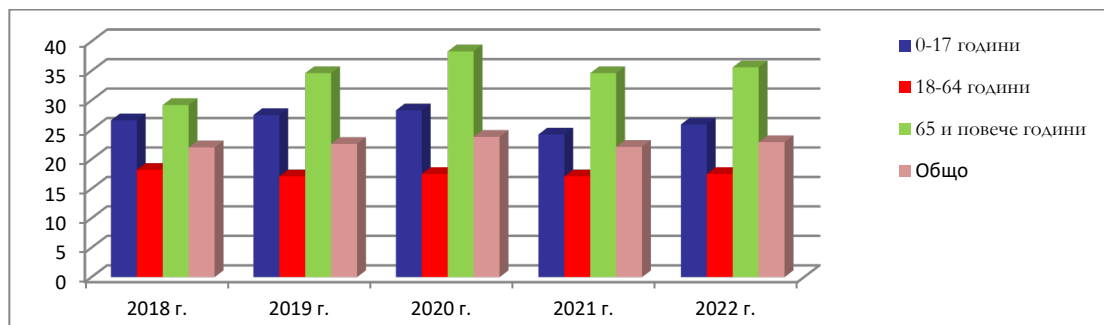
Fig. 1: Relative share of people living in poverty in the period 2018-2022 (in %)



Source: NSI, “Statistics of income and living conditions (EU-SILC)”

The risk of poverty also shows a slight increase for individual age groups - children up to 18 years of age - 25.9% compared to 24.2% in 2021; the population aged 65 and over – 35.6% compared to 34.6% in 2021; population aged 18-64 (working age population) – 17.5% compared to 17.1% in 2021.

Fig. 2 Relative share of the poor, distributed by age group in the period 2018-2022 (in %)



Source: NSI, “Statistics of income and living conditions (EU-SILC)”

Compared to 2021, there is also an increase in the share of the poor according to their economic activity - unemployed (39.5% in 2022 compared to 37.2%) and pensioners (36.8% in 2022 compared to 34.7%). The most serious increase was registered among the poor among the unemployed - by 6.7 percentage points, with their share reaching 56.9% in 2022. Only the share of the working poor declined by 0.3 pp, reaching 9.7% in 2022. Data show that labour market activity remains a key tool for poverty reduction, with the working poor over 6 times less than those among the unemployed and more than 3 times less among pensioners.

Estimates of poverty depending on the type of household show that the relative share of the poor is highest among single-member households with a person aged 65 and over (61.3% for 2022), with an increase in their share compared to 2021 by almost 6 p.p. A slight decrease in the risk of poverty in 2022 compared to 2021 is observed in households with two adults with three or more children - by 0.8 pp, reaching 48.5% and single parents with children - by 0.8 pp, reaching 34.9%.

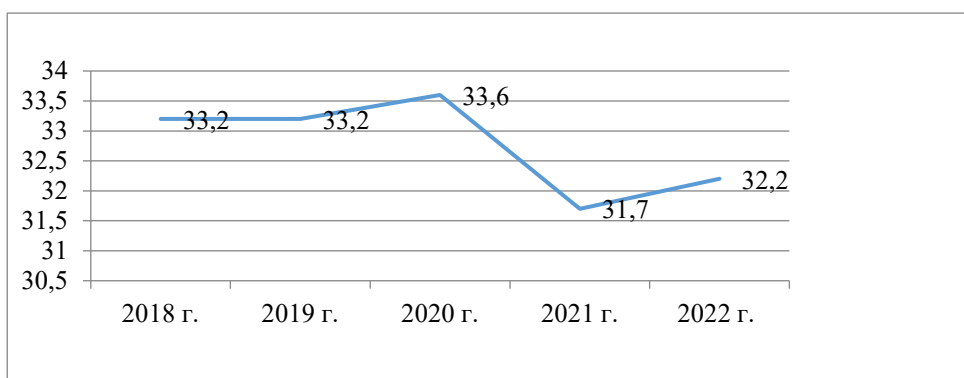
According to the data for 2022, if pension income is included in household income, but other social transfers (benefits, social and family benefits and supplements) are excluded, the poverty level rises from 22.9% to 30.3%, or with 7.4 p.p. Accordingly, excluding pensions and other social transfers, the poverty level rises to 44.2% or by 21.3 pp. Although social transfers are an important tool for reducing poverty, according to the social indicators put forward in support of the European Pillar of Social Rights, Bulgaria is one of the EU countries where they still have a limited impact on reducing poverty and inequality.

The level of poverty is directly correlated with the levels of socio-economic inequalities. Inequality in the distribution of income in Bulgaria is the highest in the EU. In 2022, a certain decrease in the values of the general indicators of inequality is reported. Compared to 2021, the Gini coefficient decreases by 1.3 p.p. to 38.4, hitting its lowest value since 2017 so far. The S80/S20 index decreased by 0.1 pp. to 7.3. This mainly reflects the increase in the income of households falling in the lowest quintile of the income distribution and especially, the growth of the minimum pension.

Subjective indicators related to material deprivation are also included in the general poverty assessment indicators. In 2021, the indicator "material deprivation" (restrictions in 4 out of 9 indicators) was modified to "material and social deprivation" (restrictions in 7 out of 13 indicators) and it included new elements related to social activities (free time, Internet, gathering with friends/family, pocket money). According to EU-SILC data, in 2022, the trend of reducing the share of the population in material and social deprivation (restrictions in 7 out of 13 indicators) continues, reaching its lowest value - 18.7% (a decrease of 0.4 pp. p. vs. 2021).

With regard to the combined indicator - risk of poverty or social exclusion, which registered constant improvement in recent years, in 2022 there was a slight increase in its value - 32.2% compared to 31.7% in 2021. In absolute terms, there was an increase in the number of persons at risk of poverty or social exclusion from 2,193.5 thousand people in 2021 to 2,206.1 thousand people in 2022. In the medium term, the value of the indicator decreases by almost 6 pp. – from 38.0% in 2017 to 32.2% in 2022.

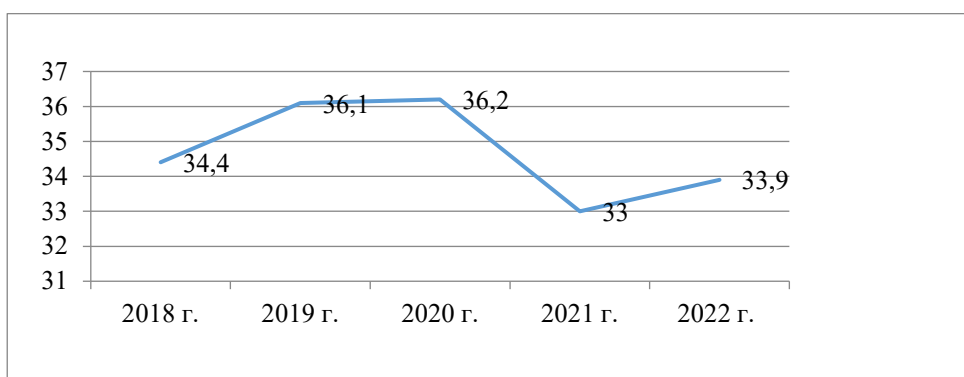
Fig. 3: Share of the population at risk of poverty or social exclusion in the period 2018-2022 (in %)



Source: NSI, "Statistics of income and living conditions (EU-SILC)"

Children are a particularly vulnerable group, much more at risk of poverty and social exclusion than adults. The factors causing poverty among children are many and of a different nature – low educational status and unemployment of parents, low income, household composition, etc. According to data from the National Statistical Institute (NSI), in 2022 eight out of ten children (78.4%) whose parents have primary, or no education will live in poverty. Approximately 18 times less, or 4.3%, are children whose parents have a higher education, living at risk of poverty. In 2022, the share of children living with severe material and social deprivation is 19.2% (deprivation 7 out of 13 indicators) – the lowest value of the indicator for the last five years. Compared to 2021, there is a slight decrease in their share by 0.8 pp. Regarding the combined indicator - risk of poverty or social exclusion, which registered constant improvements in recent years, in 2022 there was a slight increase in the share of children at risk of poverty or social exclusion - 33.9% compared to 33.0% in 2021. In absolute terms, the number of children at risk of poverty or social exclusion decreased by 134.2 thousand in the period 2018-2022

Fig. 4: Share of children at risk of poverty or social exclusion in the period 2018-2022 (in %)



Source: NSI, “Statistics of income and living conditions (EU-SILC)”

The data on the main indicators of poverty and social exclusion highlight as particularly vulnerable groups of children those who live in families with low incomes, in families with many children, children raised by single parents, children with disabilities, children of Roma origin, etc.

Recent years have been marked by a series of intervening crises, having a negative impact on various indicators related to the implemented policies in the field of the labour market and the social sphere. In 2021, the world economy, and in particular the Bulgarian one, began to gradually recover from the crisis caused by the spread of COVID-19 and the restrictive measures introduced. The health crisis related to the spread of COVID-19 was followed by the military conflict in Ukraine that began in February 2022 and further complicated the macroeconomic environment. In parallel with the serious challenges facing the states related to the integration of Ukrainian refugees, the military conflict has led to a sharp increase in energy and food prices. In the conditions of high inflation, low incomes and ever-increasing costs of living, vulnerable groups are particularly affected, and the risks of deepening energy poverty are serious. Forecasts are that high inflation will be accompanied by stagnation in the economy, which immediately after the pandemic was on the rise. All these unfavourable processes are expected to have a negative impact on the level of poverty and inequalities in the coming years.

9. Information on what measures are being taken to ensure a coordinated approach to combat poverty, as required by Art. 30 of the Charter, and to diminish reliance on last-resort relief, such as food banks and soup kitchens.

Taking into account the multi-sectoral nature of poverty and social exclusion, efforts are aimed at implementing an integrated approach between different sectoral policies – educational, health, social, economic, financial, housing, tax, etc. This approach is the basis of the National Strategy for Poverty Reduction and Promotion of Social Inclusion 2030, which is the leading strategic document that indicates the vision, goals and measures for the development of the policy in the field of poverty and social exclusion in Bulgaria until 2030. Based on the understanding, that prevention is the main tool for reducing poverty, 8 key priorities are formulated in the Strategy:

- Sustainable labour market integration of inactive and unemployed persons, incl. long-term unemployed;
- Equal access to quality preschool and school education;
- Equal and effective access to quality healthcare;
- Accessible and quality social and integrated services and integrated support;
- Effective and targeted financial and material support to those in need;
- Ensured accessibility of the environment - physical, architectural, institutional, information and accessibility of transport and transport services;
- Improved housing conditions for vulnerable groups and support for the homeless;
- Working in partnership and applying innovative approaches in implementing integrated policies for social inclusion and social innovation.

In implementation of the Strategy, the measures of the Action Plan for the period 2023-2024 are implemented. A significant place in the Plan is allocated to the measures for the integration of economically inactive and unemployed persons on the labour market, including from disadvantaged groups, as well as for increasing the adaptability of employed persons. Activities are also planned to promote the start-up and development of social enterprises, as well as to ensure employment of persons from vulnerable groups, including by providing personal assistance to people with permanent disabilities. Focus is also placed on increasing the scope of children and students in compulsory pre-school and school education, reducing the share of early school leavers, improving the access of vulnerable groups to medical care. The Plan also includes activities in accordance with legislative changes to improve and optimize the social assistance system.

As an EU member state, Bulgaria is committed to contributing to the achievement of the pan-European goal to reduce poverty by 2030. In 2021, our country has set an ambitious national goal to reduce by 2030 the number of persons at risk of poverty or social exclusion in Bulgaria by 787,000 people. With its implementation, it is expected that in 2030 the share of the population at risk of poverty or social exclusion will decrease by nearly 10 pp compared to the base 2019, reaching 23.6%. Bulgaria is one of the member states that has also set a specific sub-goal to reduce the number of children under 18 at risk of poverty or social exclusion by 196,750 persons (25% of the total national goal).

10. Information on the steps taken to consult with, and ensure the participation of, the persons most affected by the cost of living crisis and/or the organizations representing

their interests in the process of designing of measures in response to the crisis.

The policy in the field of state social insurance in the Republic of Bulgaria is developed, coordinated and implemented by the Minister of Labour and Social Policy. According to the Law on Normative Acts, in the process of developing the drafts of normative acts and strategic documents, public consultations are held with citizens and legal entities. In this regard, drafts of normative acts in the field of public insurance, developed by the Ministry of Labour and Social Policy (MLSP), are published on the Portal for public consultations, as well as on the department's website. After the conclusion of the public consultations and before the adoption, respectively the issuance of the normative act, a report on the received proposals together with a justification for the rejected proposals is published on the website of the MTSP and on the Portal for public consultations.

State social security is administered by the National Social Security Institute (NSSI). Social dialogue in the management of the social security system is one of the main principles laid down in the main legal act in this area - the Social Security Code (SSC). In this regard, as per the regulations of the SSC, the management of NSSI is carried out by the Governor and Deputy Governor of the Institute and the Supervisory Board of NSSI. The functions, powers and responsibilities of the Supervisory Board are defined in the SSC, among which is the approval of the drafts of the annual budget of the State Social Security and its reports, as well as the drafts of the normative acts on the State Social Security before they are submitted for adoption by the relevant state bodies. Transparency in the management of the institute is guaranteed by the tripartite principle on which the Supervisory Board is built - it consists of one representative of each of the representative organizations of workers and employees and of employers recognized under the Labour Code, and an equal number of representatives, appointed by the Council of Ministers, one of whom must be the Deputy Executive Director of the National Revenue Agency. The representatives of workers' and employers' organizations are determined by their governing bodies at the national level. The Supervisory Board has a 4-year mandate and is led by a chairman elected by its members on a rotating basis for one year.

Changes in the regulations concerning labour and directly connected relations, insurance relations, as well as the issues of the standard of living, are the subject of discussion in the National Council for Tripartite Cooperation - a tripartite body whose functions and organization are regulated in the Labour Code. The National Council for Tripartite Cooperation consists of two representatives each, of the Council of Ministers, of the representative organizations of workers and employees, and of employers. The Council of Ministers appoints its representatives, and the representatives of the representative organizations of workers and employees and of employers are appointed by their management according to their statutes.

In this regard, all measures implemented through laws and by-laws in the field of social security, social protection and social assistance with the aim of increasing the income of the affected persons have been discussed and consulted with the representative organizations of workers and employers.

In addition, it should also be noted that in the field of social policy, a basic principle at work is the provision of timely and useful information to people who need it. For this purpose, such information is available on the websites of the Ministry of Labour and Social Policy, the Agency for Social Assistance, the Agency for the Quality of Social Services, and the Employment Agency. It is possible to connect people directly both through the "Questions and Answers" section and through individual consultations, incl. also in the territorial divisions of the Social Assistance Agency. Information is also provided through mass media.