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The economic integration of Bulgaria in the European Union

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Abstract. Bulgaria is a member of the European Union (EU) and the country has been making efforts to successfully integrate in it. The article presents the contributions of scientists engaged in research activities on two projects developed at the Economic Research Institute at the Bulgarian Academy of Sciences and related to the topic of Bulgaria's fuller economic integration in the EU, namely: (a) economic growth and convergence in the EU, and (b) the Eurozone and Bulgaria's accession to it. In connection with the second issue, two main topics are considered: (a) what the Eurozone is and how it is developing, and (b) what advantages and risks there are for Bulgaria joining the Eurozone, given the country's level of economic development and preparedness for membership. The need for changes in the economic policies of both the Eurozone and Bulgaria, which would strengthen and support their development, is substantiated.

Keywords: economic integration, economic growth in the EU, nominal and real convergence, Eurozone, Bulgaria

Introduction

Bulgaria is a member of the European Union (EU) and the country has been making efforts to successfully integrate in it. The article presents the contributions of scientists engaged in research activities aligned with the priorities set by the Economic Research Institute (ERI) at the Bulgarian Academy of Sciences (BAS) for the period 2021-2030 in the following areas: economic development and growth; macroeconomic stability, economic and financial integration of Bulgaria in the Economic and Monetary Union (EMU) of the EU; Bulgaria's participation in the reforms of the EMU and in the governance mechanisms of the EU; assessment of the prospects and possible consequences of adopting the euro, etc.

This paper highlights key points from two research projects developed at the ERI - BAS on the topic of Bulgaria's economic integration in the EU: (1) economic growth and convergence in the EU, and (2) the Eurozone and Bulgaria's accession to it[1]. The authors' thesis on the *first issue* is that the Eurozone has an institutional framework that provides convergence primarily for countries that have already achieved high economic development, whereas the positives and challenges resulting from the functioning of this framework pose limited opportunities and greater risks for countries with a lower level of economic development like Bulgaria. Our thesis on the *second issue* is that the better prepared Bulgaria is, the greater benefits and smaller risks (losses) it would have upon its future accession to the Eurozone.

The meaning behind the concept of "economic integration" in the European Union

To describe the process of the EU Member States becoming more similar in terms of economic and social power, several concepts are used: *convergence* (as opposed to divergence - drifting apart), *cohesion* and *integration*. Convergence generally refers to the process of countries becoming more similar in terms of the level of economic development and it is classified into two types. *Nominal convergence* is expressed through the fulfilment of the so-called Maastricht criteria, which are: 1) *inflation* according to the harmonized index of consumer prices - it should not be higher than 1.5 p.p. above the average inflation rate of the three member countries with the lowest inflation; 2) *budget deficit*, expressed as a percentage of GDP - it should not exceed 3%; 3) *public debt*, expressed as a percentage of GDP - it should not exceed 60%; 4) *long-term interest rates* (average yield on ten-year government bonds) should not exceed by more than 2 p.p. the average value between the three member countries with the lowest inflation; 5) *stability of the exchange rate against the euro* - the candidate country's currency should not have significantly devalued against the European currency over the past two years. Initially introduced as a mechanism for imposing budgetary discipline in the EU, these criteria later became the basis for countries' accession to the single currency. The concept of *real convergence* involves higher economic growth over a relatively long period in order to bring the level of development of an economy closer to that of the developed world (Rangelova 2008, 3-20; Rangelova 2021, 3-26). The concept of *cohesion* is closely connected with politics. The main part of cohesion policy funding is aimed at less developed countries and regions in the EU (with co-financing from the national budget) in order to help them reduce the economic, social and territorial disparities that exist in the EU. The concept of *integration* has the broadest meaning compared to the other concepts under consideration.

Generally speaking, economic integration represents increasing economic interaction between countries. It involves removing the discriminatory barriers

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[1] The two projects have been published in monographs: Rangelova, Bobeva, Zlatinov 2021 and Rangelova et al. 2023a. At the ERI - BAS, research on the specified topic is also conducted by other colleagues, mainly from the Department of International Economics, some of whom are cited in this article. See also: Panushev et al. 2017.

to trade between the affected countries, developing and deepening the cooperation between them. European integration is a process of interaction between the economic, social and political institutions of the countries in Europe. Economic integration brings the benefits of greater size, internal efficiency and stability to the EU economy as a whole and to the economies of the individual Member States. This offers opportunities for stability, higher economic growth and greater employment - outcomes that directly benefit EU citizens. In a broader sense, European integration today is viewed as a process of strengthening the political, legal, economic, even social and cultural interaction between European countries, including countries that are partially or closely located to Europe (Totev 2010, 3-23; Marinov 2023, 293-306; Christova-Balkanska 2017, 84-102).

Economic integration in the EU is managed by the EMU, which involves the coordination of economic and fiscal policies, the common monetary policy and the common currency - the euro. While all 27 EU countries participate in the EMU, 20 countries took a step further in the integration process and adopted the euro, thereby forming the Eurozone.

The formation of the Eurozone is set as an act of deepening the integration between the EU Member States. The Eurozone represents the core of more closely connected economies with a single currency, whose number is expected to gradually increase and thus strengthen the power of the Union. The accession of each country to the Eurozone is a political commitment made upon the country's joining the EU. The Treaty of Accession does not specify a particular term or date on which this obligation must be fulfilled.

Economic growth and convergence in the European Union

In the cited monograph *Economic Growth and Convergence in the European Union* (Ikonomicheski rastezh i konvergentsiya v Evropeyskiya sayuz) (Rangelova, Bobeva, Zlatinov 2021), the authors develop and expand theoretically questions about the correlation between economic growth and convergence. Empirically, these questions are applied to the EU Member States in general, particularly to those from the Eurozone and Central and Eastern Europe (CEE), as well as to the candidate countries from the so-called Western Balkans.

It has been proven that *higher economic growth leads to more pronounced convergence, with present internal and/or external macroeconomic imbalances playing no decisive role. These imbalances do not always hinder convergence* - some can contribute to it and others can slow it down.

In recent years, there has been a slowdown in both the global and European economies and a deepening of regional problems. The most general picture, showing the level and dynamics of economic development in the EU-27 countries, is presented in the data in Table 1. For the Eurozone, there is a notable decrease in the index during the period 2008-2023. Ireland has experienced the *highest growth rate* throughout this period, which indicates a rapid recovery from the negative effects of the 2008 financial crisis. Thus, the country is approaching the exception level (outlier) Luxembourg, which has consistently had an index much higher than 250, although it now shows a decrease. Most of the other

Table 1. Indices of GDP per capita in PPS (purchasing power standard), EU27_2020=100

Country	Index			Country	Index			Country	Index		
	2008	2019	2023		2008	2019	2023		2008	2019	2023
Eurozone-19*	110	106	104	Italy	108	97	97	Latvia	60	69	71
				Republic of Cyprus	107	93	95	Greece	95	66	67
Luxembourg	266	252	248	Czech Republic	85	93	91	**Bulgaria**	**43**	**53**	**64**
Ireland	136	189	212	Slovenia	91	89	91				
Netherlands	143	127	138	Spain	102	91	89	United Kingdom	113	104	99 **
Denmark	127	126	128	Poland	56	73	89				
Austria	127	126	123	Lithuania	64	84	87	Turkey	49	59	67**
Sweden	129	119	117	Portugal	82	79	83	Monte-negro	42	50	50**
Belgium	116	118	117	Estonia	70	83	81	Serbia	39	41	44**
Germany	118	121	115	Romania	52	70	78	Bosnia and Herze-govina	29	33	35**
Finland	123	109	108	Hungary	64	73	76	Albania	25	30	34**
Malta	80	104	105	Croatia	64	67	76	North Mace-donia	32	30	34**
France	108	106	101	Slovakia	73	71	73				

* As of 2023, the number of countries is 20.
** For the year 2022.
Source: Eurostat, https://ec.europa.eu/eurostat/databrowser/view/tec00114/default/table?lang=en

highly developed countries (with an index above 100, i.e. above the EU average level) have seen a decrease, with the exception of a slight increase for Denmark. The decrease is more pronounced in Finland and France. Good growth is observed in Malta, whose level of economic development for 2023 exceeds the EU-27 average. The countries that are steadily moving away from the average European levels of GDP per capita are Greece, Spain, Cyprus and Italy. The group comprising the Baltic and other CEE countries show significant growth during the specified period, despite maintaining a level of GDP per capita below the EU-27 average. Romania and Poland have made the strongest leap in their economic development. Significant progress is also observed in Hungary and

Croatia. The lowest index, albeit growing, is the index for Bulgaria throughout the entire period.

The study of the relationship between nominal and real convergence shows that the concept of "nominal convergence" does not inherently include the condition for real convergence. The absence of such a connection is also proven in practice. Although the EU reports the so-called absolute beta-convergence, which indicates faster growth of low-income economies, this growth is insufficient for Bulgaria and the country continues to rank as the lowest-income member of the EU. According to our calculations, at the current pace of catch-up development, Bulgaria will need 39 years to reach the average income level in the EU, other things being equal.

The study of the convergence of four candidate countries from the so-called Western Balkans - Albania, the Republic of North Macedonia (RNM), Serbia and Montenegro - leads to the conclusion that there is an increase in both the nominal and the real convergence between them. In terms of nominal convergence compared to the EU average, the RNM shows the best positions, whereas Montenegro - the weakest. However, Montenegro has the highest indicators for real convergence, where the weakest positions are those of Albania (despite noticeable progress) and the RNM. This shows that *in certain periods, weaker nominal convergence is accompanied by higher real convergence*, which corresponds to the authors' research hypothesis that *nominal convergence does not guarantee real convergence*. Moreover, the different monetary regime in these countries has no effect on nominal and real convergence.

Summary:

(a) The existing differences in the pace of convergence between the Member States are not consistent with the EU's economic governance strategy, which is based on the concept of a balanced economy. One is left with the impression that the current general economic policy does not support convergence. It ignores the specifics of catch-up development and focuses much more on stimulating *club convergence for high-income Member States, especially within the Eurozone*. The observed processes of divergence in the Eurozone, as well as the significant differences in the economic development of the countries outside it, highlight the need to reconsider the macroeconomic foundations of the EU's economic growth strategy. And the sustainable increase in economic growth is an essential prerequisite for solving the important social and environmental issues, which the Union is currently prioritizing.

(b) The different monetary regime has no effect on nominal and real convergence, which raises the question about the relevance of monetary and exchange rate regimes in the context of convergence. In other words, it is not proven that the presence of a single currency actually favours convergence trends. This applies both to the Eurozone Member States and to the Western Balkan countries.

(c) Despite its good financial and fiscal stability, largely supported by the presence of a currency board in the country, Bulgaria has experienced unsatisfactory economic growth since joining the EU and has consistently retained the place of the country with the most unfavourable positions in terms of basic economic, social and demographic indicators.

Characteristics of the Eurozone and conclusions about it

The economic development of the Eurozone during the years of its functioning (from 2002 to the present) is indicative of its strength as a currency union under construction. During this period, the euro established itself as a world currency whose functioning and management enabled the Eurozone to accumulate practice and experience. However, there are also some alarming issues such as: unsatisfactory performance of the Eurozone economy, shortcomings in the institutional and legal frameworks, unclear signals about the current development of the Eurozone, a lack of vision for its future, etc.

The economic development of the Eurozone proved to be a serious challenge. The initial period (2002-2007) was successful, the average economic growth in the Eurozone gradually accelerated to 3.2% in 2006, which has been the highest recorded value since then. This was followed by the global financial and economic crisis of 2008-2009, which saw the GDP decline by more than 4% in 2009. After that, there was a period of relative economic stabilization but the so-called debt crisis emerged, leading to another recession in 2012 and 2013. This period has had a dominating influence throughout all the years discussed so far. Some experts refer to this development of the Eurozone as a transformation from a currency union of relatively stable economies to a currency union of countries developing at two speeds (Houbenova 2019, 3-32). In the subsequent years of the period under discussion (specifically up to 2019), recovery and signs of upward economic development were observed, with economic growth of about 2%. In the final phase of the period (2020-2022), the Eurozone economy faced unexpected challenges: pressure caused by the global coronavirus epidemic, high inflation and fears of a global recession, accompanied by geopolitical instability in Europe due to the war in Ukraine, and others.

The analysis of the economic development and implemented policy highlights the peculiarities of both the Eurozone as a whole and the development of the individual countries, categorized into groups according to their achieved results. There has been a generally unsatisfactory economic development during the period of actual existence from 2002 to the present, which is not very encouraging for the countries seeking membership. As noted, convergence is taking place mainly at a club level and not in favour of the less developed countries. And this is not surprising given that the EU's policy in practice does not rely on real convergence. On the one hand, the limited opportunities for stimulating real production and, on the other hand, the strong incentives received by the banking and financial sectors in the Eurozone countries, lead to efforts to catch up with the income levels of the core economy by taking out loans and investing in initiatives which, however, yield low returns. Recent history has shown that the inclusion of insufficiently competitive peripheral economies from Southern Europe into the Eurozone (referred to as the PIIGS[2] group) has exposed their vulnerability to macroeconomic shocks.

The debt crisis necessitated an increase in the consolidated government debt of the countries (Table 2). Its alarming dynamics in the Eurozone coun-

[2] Composed of Portugal, Italy, Ireland, Greece, Spain.

Table 2. Dynamics of consolidated government debt in Eurozone Member States and Bulgaria (% of GDP)

Member State	2001	2009	2012	2019	2023
EU-27 (from 2020)	65.7	75.9	85.2	77.8	87.1
Eurozone-19	68.3	80.5	91.3	84.2	88.7
Greece	107.1	126.7	159.6	180.6	161.9
Italy	108.9	116.6	126.5	134.2	137.3
France	59.0	84.0	91.7	97.9	110.6
Spain	54.0	53.3	90.0	98.2	107.7
Belgium	108.2	100.2	104.8	97.6	105.2
Portugal	57.4	87.8	129.0	116.6	99.1
Austria	66.7	79.9	81.9	70.6	77.8
Republic of Cyprus	57.3	54.3	80.1	93.0	77.3
Finland	43.4	44.1	57.7	64.9	75.8
Hungary	52.3	78.0	78.2	65.3	73.5
Slovenia	26.1	34.5	53.6	65.4	69.2
Germany	58.2	73.2	80.7	59.6	63.6
Croatia	36.6	48.1	69.0	70.4	63.0
Estonia	4.8	7.2	9.8	8.5	19.6
Bulgaria	64.5	13.7	16.6	20.0	23.1

Source: Eurostat, available at: https://www.nsi.bg/bg/content/11476/

tries contributed to exceeding the Maastricht criterion (1992), which stipulates that it should not surpass 60%. These dynamics vary across different countries, influenced by a number of country-specific factors. The countries with the lowest share of consolidated government debt in the EU are Estonia and Bulgaria, which is still not a member of the Eurozone. The low debt percentage is a significant achievement for Bulgaria but the remaining question for both Bulgaria and the other countries is how effective these debts are in promoting economic growth.

From the very beginning of the Eurozone's formation, there were shortcomings in its functioning. For example, even in the planning stages, its founders had not foreseen the need for rescue mechanisms. Conducting a common monetary policy in a community that lacks tools to counteract asymmetric shocks proved to be counterproductive. In the functioning of the Eurozone, changes are necessary but there is always the question of how well these changes are conceived and how successful the introduced changes are[3] (Yotzov 2023, 3-18).

Over time, the conditions for participation in the Eurozone have expanded and become more complex. The clear and unidirectional movement towards the Eurozone has been replaced by increasing differences in the positions of analysts and politicians. Assessments of effects have shifted from an emphasis on expected benefits to a more scientific and realistic analysis and measurement of risks. In the early stages of preparing for Eurozone membership, countries considered only their degree of preparedness for accession. At that time, the Eurozone was taken for granted and the effects of future membership were assessed depending on how prepared a given economy was and how close it was to the Eurozone average level. Later, especially after the 2008-2009 crisis, most of the countries also turned their attention to the very nature of the Eurozone.

Various studies, including the present one, show that the core Eurozone countries operate under more special conditions and it would not be so easy and beneficial for the newly admitted countries to enter their orbit. Some studies go even further, suggesting a collision of such Member States with the core of Europe. On the other hand, it is logical that the expansion process alters the Eurozone itself. The prospect for the accession of large economies like Poland or Romania, or strong ones like Sweden, would have an impact both on the Eurozone's economy and on its political functioning in the decision-making process due to the change in the structure of votes. The upheavals in the Eurozone during and after the financial and economic crisis prompted Poland to include the stabilization of the Eurozone as another one of its conditions for adopting the euro.

The founders of the Eurozone laid in its foundations the principles of economic stability and equal treatment of candidates. The clear and transparent criteria leave no room for interpretations and compromises with these principles. The Maastricht criteria have a guiding role in the nominal convergence of a country and in the assessment of its entry into the Eurozone. Our analysis shows that during the 2007-2022 period, there is a noticeable tendency towards replacing strict adherence to the written rules with exceptions and interpretations of the numbers, which is done in a non-transparent and subjective manner. Furthermore, there is the question regarding the appropriateness of using the so-called Macroeconomic Imbalance Procedure (MIP) Scoreboard as a tool for assessing the vulnerabilities and imbalances of countries seeking EU membership and whether it is suitable for these countries to use the MIP Scoreboard as an early warning tool and a tool for comparative analysis of economic policy design (Bobeva 2013, 69-88). We demonstrate that the rules are constantly changing towards greater discretion of the European Central Bank (ECB) and

[3] As V. Yotzov points out: "In a broader sense, the monetary union can be considered as a preparatory stage for the transition of the European Union to the next form - Political Union. In practice, however, this does not happen, and the Eurozone expansion process is currently slowing down" (Yotzov 2023, 3).

the European Commission (EC) in their assessments, as well as greater flexibility in the interpretation of the numerical criteria. *These changes facilitate access to the Eurozone for countries with high public debt* (Table 2), *higher budget deficit and inflation*. The analysis reveals the decreasing adequacy and reliability of the criteria and that they may discourage the countries from joining the Eurozone. Their concerns are related to the ECB's policy, which may be lenient for one country and too strict for another (Bobeva 2022, 195-202). The role and functions of the ECB need to be reviewed and made more transparent. It can be said that the lack of predictability and foreseeability carries the greatest risks associated with joining the Eurozone.

These and many other questions not addressed here require a critical approach both from theorists and experts, as well as politicians, regarding the need for a discussion on rethinking and reforming the EU's Eurozone strategy. The Eurozone should remain stable, as it was originally conceived, with the introduction of well-founded and clear changes, adopted as a result of a transparent policy towards individual countries considered as equals. It is expected that all Eurozone countries will participate in the discussion and adoption of the changes, rather than just formally planning their participation and/or downplaying it. Revision is obligatory, because shortcomings accumulate and deepen over time, increasing their negative effects to an unpredictable extent. Their timely (as early as possible) correction will certainly require lower costs than the inevitable correction later.

Bulgaria on the threshold of joining the Eurozone

In the context of a currency board operating in Bulgaria since 1997, the euro is the "reserve" currency of the Bulgarian economy and joining the Eurozone seems logical and inevitable. The presumption is that Bulgaria will become part of a large and developed zone with common policies, which is the core of the EU. Bulgaria's future membership in the Eurozone is expected to have a generally positive impact, benefiting both the economy and the country as a whole. It is also expected that Bulgaria's membership in the Exchange Rate Mechanism II (the country joined in July 2020) will drive and encourage economic reforms, as well as reforms in the most sensitive areas that have been subject to criticism from European institutions for a decade now - improving the judicial system; enhancing the effectiveness of state institutions and the fight against corruption; improving the management of state-owned enterprises; enabling the banking sector to finance more actively the economic growth, which the country so urgently needs to catch up with European economies, etc. (Rangelova et al. 2023b, 105-152). So far, the country has not been managing such reforms in a satisfactory manner.

The effect of introducing the euro in Bulgaria will largely depend on the country's macroeconomic maturity, as well as the operational efficiency of its financial mechanisms and banking system. A fundamental question is to what extent Bulgaria will be able to withstand the strong competition from the other Eurozone Member States, whether it will be able to meet the challenges and benefit from them, and under what conditions and at what cost it will participate in the "club of the rich".

The presumption that the country will capitalize on the advantages (conditions) of being in the "club of the rich" and will achieve significant progress is considered to be a strong argument in favour of Bulgaria's entry into the Eurozone. However, it could be argued that since the country has not made substantial progress in real convergence during its 17 years of EU membership, the likelihood of benefiting sufficiently from its Eurozone membership (which entails stricter requirements) is not high either.

Bulgaria is a country with a stable economy and good nominal convergence indicators in the EU[4]. At the same time, Bulgaria has the lowest level of economic development among the EU countries (Table 1) and low competitiveness, thus retaining the position of a vulnerable country. With preserved financial and fiscal stability, for which due credit should be given to the functioning currency board, the country has made unsatisfactory progress since joining the EU - insufficient economic growth, a high share of low-value-added production (which also applies to exports), significantly reduced investments after 2008, a labour shortage, massive and prolonged emigration. The country continues to have the lowest income levels and the greatest income gap between different income groups. According to Eurostat data, the ratio between the income shares of the poorest and richest 20% of the population is 8.1% (2020), compared to the EU average of 4.9%. In Romania, this ratio is 6.67%, in the Czech Republic - 3.34%, in Slovakia - 3.03%, etc.

Bulgaria is experiencing extremely unfavourable demographic changes of depopulation and population ageing - the highest mortality rate in the EU (21.7‰ in 2021 and 18.4‰ in 2022, compared to the EU average of 11.5‰); a negative natural population growth rate of 13.2‰ compared to 2.5‰ for the EU-27 (in 2020); the lowest life expectancy among the EU countries; poor health status; high emigration and so on. On a regional level, Bulgaria has significant demographic, economic and social imbalances between the capital and the rest of the country, as well as between Northern and Southern Bulgaria, which continue to deepen (Rangelova, Bilyanski 2019, 25-54). While certain successes have been reported with respect to the European and national policies through the European Structural and Cohesion Funds, the negatives surrounding them and the deficits have led to their insufficient effective impact. This poses considerable challenges to the country.

A positive fact for Bulgaria is its financial and economic stability during its period of EU membership, which positions the country favourably regarding future membership in the Eurozone. This stability is largely due to the functioning currency board. It is reflected through the indicators of the previously mentioned MIP, which are intended to identify potential macroeconomic risks at an early stage in order to prevent the emergence of harmful macroeconomic imbalances or to correct those that have already emerged.

[4] The country has been successful in fulfilling all nominal criteria for years but the inflation criterion has not been satisfied for two years now.

Nominal convergence criteria, however, are not sufficient without structural and institutional compatibility and real convergence. The accession process will not benefit a country in such a situation; moreover, the economy would become peripheral to the Eurozone, less flexible and incapable of reducing or eliminating its shocks independently.

It is logical and imperative for financial stability to exert a positive influence on *economic and social development* - growth, technological progress, living standards, social issues, infrastructure and so on. In the case of Bulgaria, this is evidently inadequate. Therefore, future financial and, in particular, fiscal measures in Bulgaria should be focused on economic development and the improvement of macro- and microeconomic indicators.

The situation is complicated by the current economic state of Bulgaria, the EU, the world, and the overlapping crises - high inflation, uncertainty in the energy sector, the military conflict in Ukraine and others. Bulgaria is also experiencing a political crisis, leading to frequent parliamentary elections and changes of government. Even if this is resolved soon (which seems unlikely), recovery cannot happen so quickly and without additional costs and negative economic consequences. Bulgaria's presence in the Eurozone obliges the country to demonstrate respectable performance and behaviour among its partners.

The processes of integration in the EU, and the path to the Eurozone in particular, require our country to examine the experience and especially the good practices of other countries with a similar level of economic development. The cited monograph refers to the experience of two groups of EU countries, which are interesting and useful in terms of their economic achievements and appropriate successful policies. These are the Baltic states (Estonia, Latvia and Lithuania) and Croatia, which are members of the Eurozone, and the countries with a derogation (Poland, the Czech Republic, Hungary and Romania), which have the potential but abstain from membership for one reason or another. It is important, however, to consider the specific characteristics of each economy, as well as the dynamically changing environment both within and outside the Eurozone.

The preparation for joining the Eurozone is crucial for a country's successful accession and effective functioning within the Eurozone. What has been accomplished in Bulgaria from an analytical, legal, institutional and political standpoint reflects the country's desire to join the Eurozone but *it is very little given the approximately 15 years that have passed*. What has not been accomplished becomes evident in the comparison with the practices of the cited four countries with a derogation. These countries demonstrate a well-considered and consistently applied professional approach, with systematic work by the official institutions over the years, starting with the adoption of strategic documents for adopting the euro (a Eurozone entry strategy and a law) and annual reports on the progress and challenges faced by the country as a candidate for Eurozone membership. Official documents based on comprehensive analyses and formulating specific recommendations and solutions are regularly prepared in Poland. Technical analyses aimed at substantiating and supporting each stage are conducted in Romania.

The replacement of the national currency with the euro has a significant impact on the entire society and for the accession process to go smoothly, broad *public support* is expected. One of the great challenges to the adoption of the euro in Bulgaria is the clearly expressed and persistent public skepticism. Eurobarometer data show that this attitude is also present in the countries with a derogation. *The rift in Bulgaria between the attitude of the public and that of the ruling authorities* (perhaps the deepest among the countries under consideration) requires serious attention. At the opposite end of the spectrum is the Czech Republic, where public sentiments coincide with those of the politicians. Another important aspect is the chronic reluctance of the Bulgarian authorities to hold a referendum as a form of democracy and nationally responsible behaviour, as was done in Denmark, Sweden, Poland and other countries regarding Eurozone entry.

The opinions of experts in Bulgaria are divided into two extreme positions: that the country should enter the Eurozone as quickly as possible or that the entry should be delayed, with some even supporting the idea of not entering at all. The advocates of Eurozone entry (experts and politicians) present the situation in such a way as if Bulgaria will automatically improve its standard of living by being among wealthier countries. They expect *the country to be admitted as it is* but they do not show greater commitment to implementing the necessary and delayed reforms in macroeconomics and individual sectors, without which Bulgaria would not be an equal participant. A more in-depth analytical position is taken by experts who are critical of immediate entry.

The practice in the EU is that *the choice of the date is a political act*, dependent on the country's ruling authorities but even more so on the European institutions. Countries that failed to completely fulfil necessary conditions were admitted. However, what is indispensable for Bulgaria is a thorough economic analysis that would provide a professional answer to the question of what the country might gain (and/or lose) from joining the Eurozone, how it can make sense of the financial and economic commitments arising from this act and, above all, assess whether the time has come when it is appropriate and responsible to take them on.

Conclusion

The work carried out at the Economic Research Institute at the Bulgarian Academy of Sciences is academic in nature, analysing economic issues related to the integration of our country in the EU. The results of this work substantiate the need for immediate and radical reforms in the economic policies of both the EU and Bulgaria, which would strengthen and support convergence, as well as the development of the Eurozone and the economic prospects for Bulgaria as part of it. The success of these reforms depends on their appropriateness and the speed of their implementation, which in turn rely on the mobilization of political and social forces to fulfil the criteria for nominal and real convergence, economic development and increased competitiveness. What is crucial for Bulgaria is the further overall development of the Eurozone, including the change in its legal and institutional framework.

The management measures for dealing with these catastrophic processes have so far clearly been inadequate given the depth, severity and urgency of the issues. The reality of the ongoing political crisis in the country and the external uncertainty offer little hope for significant results. Moreover, the authorities are faced with the necessity of pursuing a frugal, rational and prudent financial policy to ensure that the requirements for nominal convergence are not violated under the current highly complicated conditions. This involves working in a more responsible manner to reduce inflation and the budget deficit, and to make effective use of the European funds allocated to us. These efforts should lead to increasing labour productivity and improving economic and social infrastructure.

In the context of the country's EU membership, significant role is attributed to Bulgaria's National Recovery and Resilience Plan (NRRP)[5]. Its main goal is to aid the economic and social recovery from the crisis caused by the COVID-19 pandemic. To achieve this goal, a set of measures and reforms has been compiled to make a substantial contribution to the recovery and development of the economy's growth potential while ensuring resilience against negative external impacts. This would make it possible, in the long run, to reach the strategic goal of economic and income convergence with the EU average. However, as the data show and as acknowledged by politicians, in recent months there has been almost no progress on the reforms recommended by the EC, especially in the energy sector and in the field of judicial reform.

Difficulties also arise from the fact that these are fundamental and important economic problems that have accumulated over the years and are worsening, with new ones emerging. Some of these problems require long-term policies to address them. Even if trends start to change positively now, they will require effort and time to yield results. Therefore, in addition to taking urgent measures to make the most of what the country has at its disposal, concrete actions should simultaneously be taken to solve the long-term problems.

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