

# **BULGARIA: POVERTY WATCH 2023 – STATE, POLITICAL MEASURES AND GREEN TRANSITION**

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This publication discusses the state of poverty and inequalities in Bulgaria in 2023, some political measures undertaken and fiscal (in)justice. A special focus is on the link between poverty and the green transition, as well as the conditions the transition to be just.

This Poverty watch follows the agreed updated guidelines of the European Anti-Poverty Network (EAPN). Previous publications related to poverty monitoring in the country are also available on the website: <https://www.eapn.eu/poverty-watches>

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## INTRODUCTION

This Poverty watch presents an overview, analysis and recommendations for the situation in Bulgaria in 2023.

The first part briefly presents the picture of poverty and inequalities and the political measures undertaken.

The second part discusses fiscal (in)justice through the prism of policies in distribution and redistribution in the country. Both types of policies significantly affect and maintain high levels of poverty and inequality and result in the inability of the fragmented and residual social policy to have substantial welfare effects. Because of the rules of primary distribution /salaries and pensions/ the Gini index is the highest among EU member states, and the combination of tax and social security norms maintains this state and results in regressive taxation.

The third part focuses on the conditions for implementing a just green transition. In this regard, various issues that need to be addressed in order for a successful just transition to take place are presented and analysed. On the basis of a representative sociological survey (conducted within the framework of a project at the Bulgarian National Science Fund (BNSF) at the Ministry of Education and Science: KP-06 PN55/13), the attitudes of Bulgarian citizens regarding climate change, environmental pollution, necessary measures and expectations for green transition and justice are also presented. The existing socio-economic context - very high levels of poverty, extremely high inequalities and the resulting low assessments and expectations regarding the fairness of social processes, reforms and transitions - severely limits these opportunities. At the same time, conditions that could contribute Bulgarian citizens to recognize the transition as fair are outlined.

Stimulating and implementing a truly just green transition poses numerous challenges to national and European policies. In this regard, some recommendations are made in the last part.

## 1. POVERTY, INEQUALITIES AND POLICY MEASURES

The latest data on poverty in Bulgaria follow the trends and the situation from previous years. About a third of the population lives in poverty and social exclusion:

Population at risk of poverty or social exclusion by gender and age (National Statistical Institute, year of research - 2022, reference year of income - 2021)

		By gender	Total
<b>Total</b>			<b>32.2</b>
	Men	29.4	
	Women	34.8	
0-17 years old			33.9
18-64 years old			26.9
	Men	27.1	

	Women	26.8	
65+ years old			45.5
	Men	34.5	
	Women	52.8	

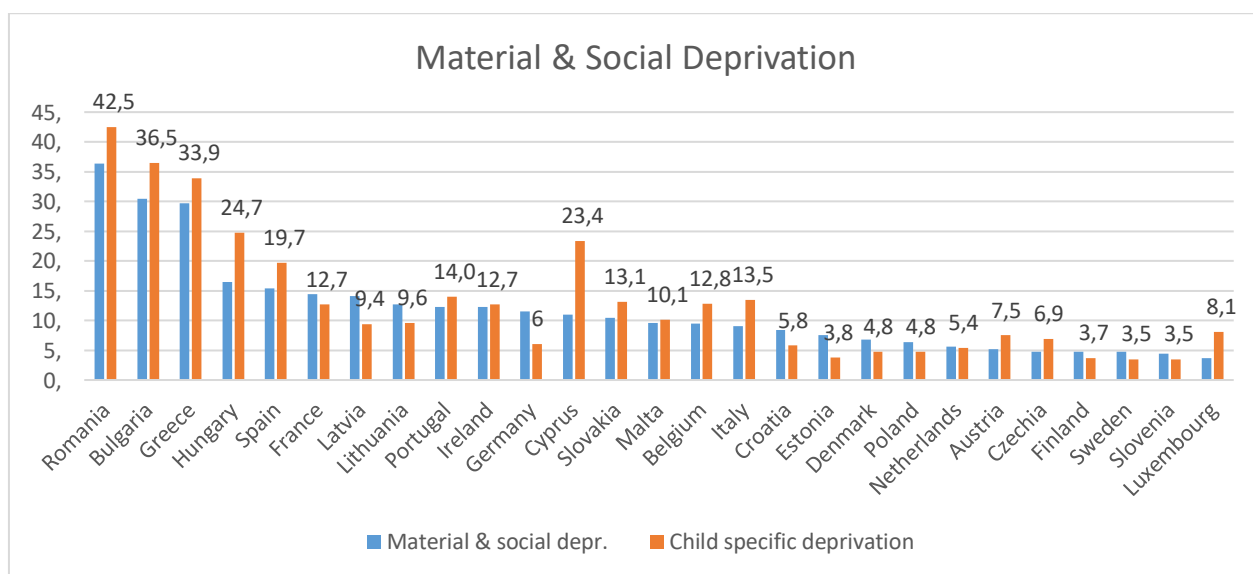
Source: National Statistical Institute, <https://www.nsi.bg/bg/content/8258> (the indicator includes: at risk of poverty rate, low work intensity, material & social deprivation).

The presented dynamics over time /2017 – 2022/ do not reveal significant changes:

year of research	2018	2019	2020	2021	2022
reference year of income	2017	2018	2019	2020	2021
% total	33,2	33,2	33,6	31,7	32,2
% 0-17 years old	34,4	36,1	36,2	33,0	33,9
% 18 -64 years old	28,8	27,6	27,2	26,3	26,9
% 65+ years old	45,1	47,0	49,5	45,7	45,5

Source: <https://www.nsi.bg/bg/content/8258>

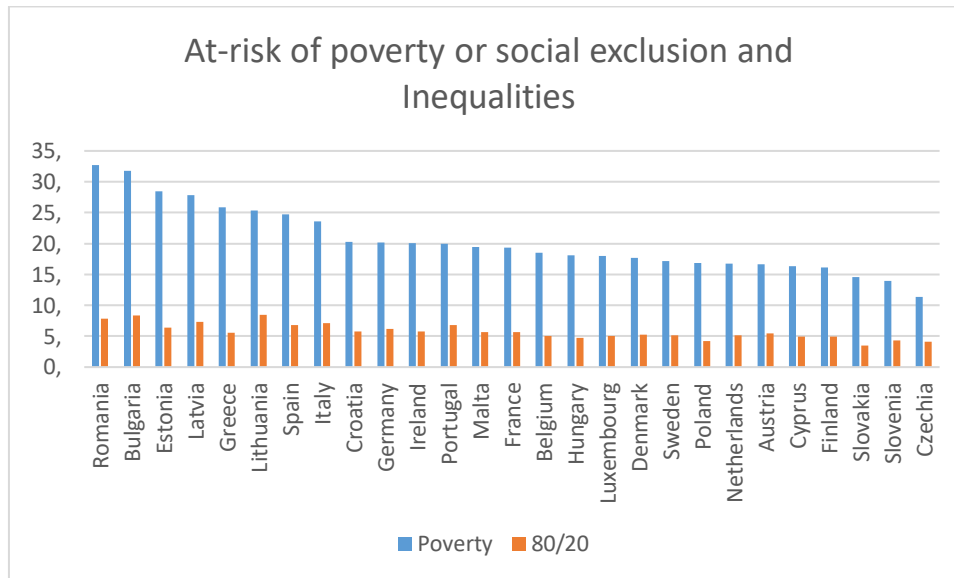
The levels of material and social deprivation in Bulgaria are among the highest in the EU, as well as deprivation among children (whose values are shown in the graph):



Source: Eurostat data, <https://ec.europa.eu/eurostat/web/main/data/database>

It is important to note that the Pearson correlation coefficient of the two indicators is 0.93. This high level of correlation means that efforts to reduce one of the value are highly dependent on efforts to reduce the other one.

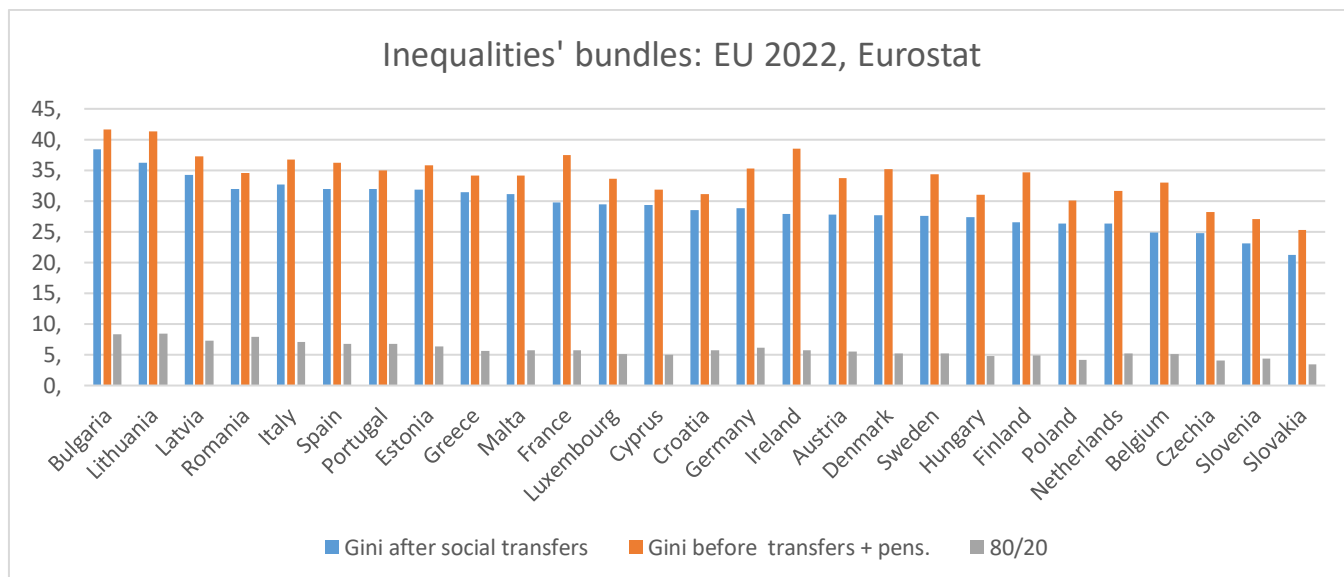
Another important characteristic is the link between the risk of poverty or social exclusion and inequalities. The graph below illustrates the state of two indicators in different EU member states: risk of poverty or social exclusion and 80/20 inequalities. Countries with higher 80/20 inequalities are also more likely to have a higher proportion of people at risk of poverty or social exclusion. Bulgaria's unfavourable values for both indicators presuppose the need for adequate measures.



Source: Eurostat data, <https://ec.europa.eu/eurostat/web/main/data/database>

Here also, the Pearson correlation coefficient is high with a value of 0.87. Thus, the efforts to reduce the proportion of people in poverty and social exclusion can hardly be successful without efforts to address inequalities.

Moreover, inequalities in their various dimensions (and their indicators, respectively) are internally linked and dependent and reinforce each other:



Source Composed by the authors on Eurostat data,  
<https://ec.europa.eu/eurostat/web/main/data/database>

The bundles of inequalities reveal strong interrelationships both between them and with levels of poverty and social exclusion. This means that high inequalities are among the main generators of poverty and that any meaningful strategy against poverty and social exclusion must adequately address them.

#### Policy measures:

It could be argued that in the last two years, some measures were undertaken in Bulgaria aimed at increasing basic incomes - salaries and pensions. These measures increased the minimum wage and minimum seniority and age pensions and also a range of related payments. Policy measures to support low incomes are important positive actions.

However, along with the positive effect, it should be noted that these measures do not provide an overall effect in terms of restructuring society - in essence, they preserve and stimulate high inequalities, although they provide slightly more adequate minimum incomes. Thus, the various measures undertaken are mainly aimed at mitigating the consequences of unfavourable developments, but do not have a mobilizing effect so as to change the situation.

Against this background, social policy continues to function as a last and residual resource mitigating the consequences while a series of other policies (economic, financial, tax, etc.) intensively generate poverty and social exclusion. Accordingly, opportunities to talk about social rights in a meaningful way are extremely limited.

Here we briefly review some of the policy measures undertaken:

#### *Social assistance and services.*

In a period of more than 15 years, from the country's entry into the EU until now, the basis of social assistance was the so-called "guaranteed minimum income". It was determined by the "possibility" of the public budget (as understood by the financial minister) to annually provide some support. This income, based on various disciplinary and punitive mechanisms, especially against people of working age, was

neither guaranteed nor based on subsistence. In most of the years since its introduction, around the country's entry into the EU, it was BGN 65 (around 33 Euro monthly), and in recent years - BGN 75 (around 38,35 Euro monthly). The long-overdue abolition of this so-called guaranteed minimum income was finally undertaken recently, by linking the welfare base to the official poverty line. Changes to the *Law on Social Assistance* and the Regulations to it illustrate this and are a step in an adequate direction.

At the same time, however, the basis of social assistance remains too low in terms of subsistence and can hardly be assessed as adequate. Following the reference to the poverty line in the Social Assistance Regulations, the base is linked to one third of it. I.e. the change means that the current 75 BGN (around 38,35 Euro monthly) has more than doubled - 168 BGN (85,9 Euro per month). However the official poverty line is BGN 504 (257,69 Euro monthly).

In fact, based on the combinations of tax and social security rules discussed below, the minimum wage is around the poverty line. The same applies to minimum pensions based on length of service and completed years. Accordingly, the basis for social assistance remains much lower.

At the same time, according to Confederation of Independent Trade unions in Bulgaria (CITUB) on living expenses "the necessary net monthly income for living expenses for one person living alone is already BGN 1,402.25 (716,96 Euro) monthly" as of July 2023<sup>1</sup>. Thus, regardless of the movement in the right direction, social assistance remains disciplining and punitive for people caught in poverty and, as indicated, low income support by social policy could hardly be discussed in terms of social rights.

A similar duality - a weak movement in a good direction, but preserving the old principles and not leading to a mobilizing effect – could also be traced in various policy measures and documents.

For example, *the Action Plan for the period 2023-2024 for the implementation of the National Strategy for Poverty Reduction and Promotion of Social Inclusion 2030*<sup>2</sup> describes and explains adverse developments in terms of poverty with Covid 19, the war in Ukraine, increased energy prices and inflation , but not as a need to review and restructure public policies. A key priority, as in previous years, remains the "sustainable labour market integration of inactive and unemployed persons", without attention to the quality of jobs, to the huge disparities in wages and Bulgaria's first place with the highest Gini index before social transfers.

The set target values for 2024 compared to 2022 reveal an absence of ambitious goals, expectations of a weak effect of social policy and a lack of understanding of what needs to change. More precisely: the Gini coefficient is expected to reach a value of 37.5 in 2024 being 38.4 in 2022 (i.e. if the other member states maintain their current level, Bulgaria will continue to have the highest level of inequalities in the EU); the population at risk of poverty or social exclusion is expected to decrease from 32.2% in 2022 to only 31% in 2024; and people at risk of poverty from 22.9% in 2022 to 21.5% in 2024.

In this Plan, as well as in previous such two-year plans, measures, budget, responsible institution are described in detail. For each measure, the sources of funding are also indicated, incl. European Social Fund, Operational Program "Human Resources Development", state budget, municipal budget, budget of the

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<sup>1</sup> CITUB, <https://knsb-bg.org/index.php/2023/07/18/1402-lv-netno-e-zaplatata-za-izdrazhka-za-edno-rabotestholicze-osnovnite-stoki-s-21-rast-za-godina/> (in Bulgarian)

<sup>2</sup> MLSP (Ministry of Labour and Social Policy), <https://www.mlsp.government.bg/sotsialno-vklyuchvane> (in Bulgarian)



responsible institution, etc. The lack of ambitious and clear targets on inequalities means that all these budgets maintain and stimulate their high values.

The situation of another Plan – *the Action Plan for the implementation of the recommendation (EU) 2021/1004 of the European Council for the creation of a European Child Guarantee (2030)*<sup>3</sup> is similar. This Plan states that: “Ensured access to free health care for children, maternity protection policies and paid parental leave, developed preschool education and child protection system are among the most significant achievements. From April 1, 2022, parents do not pay a fee for the use of kindergartens and nurseries, as well as a fee for meals in compulsory preschool education. In view of the complex nature of child poverty and social exclusion, a number of steps have been taken to implement an intersectoral and holistic approach in the field of child protection and welfare. In this context, in recent years, efforts have been prioritized towards interconnection of measures, provision of complex care and protection of children and improvement of intersectoral coordination at all levels”.

However, the leading idea that "Bulgaria has a well-developed legislative and strategic framework, policies and measures oriented to the needs of children and their families" is extremely doubtful - the fact that over 36% of children in Bulgaria live in deprivation cannot support such thesis. And this Plan is characterized by careful non-ambitious goals:

a/ Share of children at risk of poverty or social exclusion of 33% in 2021 to 26% in 2025;

b/ Share of children at risk of poverty from 24.2% in 2021 to 22.0% in 2025;

c/ Share of children living in severe material and social deprivation (7 out of 13 indicators) from 20.0% in 2021 to 17.0% in 2025.

The fact that the country is in a deep demographic crisis is widely recognized in various public discussions, but it does not seem to find enough space in the political measures taken.

As above, this Plan also indicates as two main sources of funding: the state budget and the European Structural and Investment Funds (Education Program 2021-2027, Human Resources Development Program 2021-2027, Program "Development of the regions" 2021-2027, Program for food and basic material support 2021-2027).

High levels of poverty and inequality and the lack of ambitious policy measures continue to dominate the Bulgarian socio-economic context.

## 2. FISCAL (IN)JUSTICE

Against the background of the picture of poverty - with high levels of poverty, social exclusion and inequalities, as well as the fragmented and unambitious measures of the social policy, the use of the concept of fiscal justice in Bulgaria is highly questionable in any meaningful understanding of it.

One definition of the concept can be found on the Oxfam webpage developed by Duncan Green<sup>4</sup> “Fiscal justice involves raising revenue through taxation, distribution and spending on public services. It's about

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<sup>3</sup> MLSP (Ministry of Labour and Social Policy), <https://www.mlsp.government.bg/sotsialno-vklyuchvane> (in Bulgarian)

<sup>4</sup> Green, D. (2017), What is Fiscal Justice? A rationale and some great examples, <https://frompoverty.oxfam.org.uk/what-is-fiscal-justice-a-rationale-and-some-great-examples/>

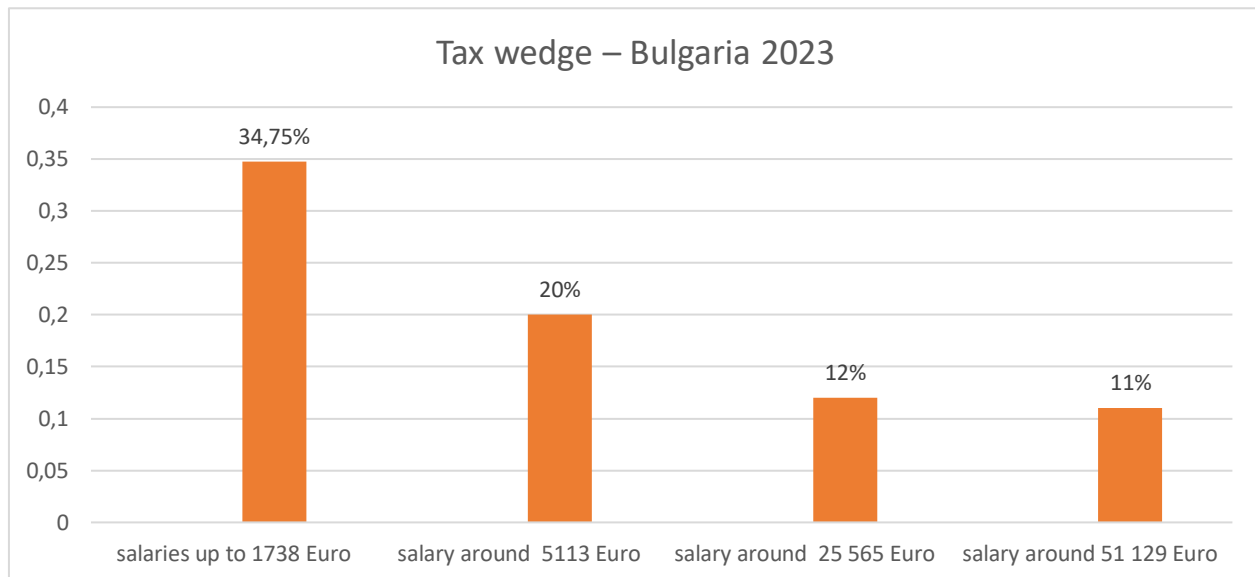
how tax administrations are built, how taxes are collected, how public money is spent and who benefits from it."

It was stated above that Bulgaria has a very high Gini index before social transfers, which is clearly not in harmony with European practices. The huge inequalities in the primary distribution are not argued, but are presented as a natural action of the market, even when it comes to purposefully formulated distributions in state institutions. Moreover, they are usually completely opaque, often protected by privacy rules, and so even trade unions, let alone individual employees, have difficulty, if at all, finding data even within an organization/institution. Thus, the idea of equal work - equal pay probably remains too far from existing practices, as well as what behaviour is rewarded and/or sanctioned. From time to time, information comes out about extremely high payments for the work of individual representatives of individual professions, which rather suggests attempts to sanction specific people than attempts to actually and adequately revise distribution policies. In any case, such a picture hardly generates feelings of justice.

Another dimension of the same problem, often publicly discussed, is the distribution of European funds and subsidies. Assumptions about deliberate distribution of European funds to "our" companies and people often find a place in the media. A recent protest by agricultural producers and farmers raised again the well-known problem in Bulgaria - the high subsidization with European funds to a small part of grain producers at the expense of low or no subsidies for other types of products and small farms, which leads to a lack of Bulgarian production of many other goods, which were traditionally produced here in large quantities /tomatoes, apples, meat, etc./. It is strange that such phenomena, together with recognized high levels of corruption, incl. for European funds, are a frequent subject of public discussions and declarations, but they arise periodically and then disappear, without clear and categorical information and consequences.

Perhaps even clearer is the picture of fiscal injustice in terms of redistributive policies. Bulgaria has a specific design of the tax system and its combination with the insurance system.

A low flat tax, no tax-free income and a maximum insurance income applicable to both pension and health insurance are the main parameters of the introduced rules and legislative norms. The result is regressive taxation and the exemption of high incomes from public obligations. Such rules, which were introduced with the cooperation of the World Bank and are not questioned even by the country-specific recommendations of the European Commission, outline the landscape of fiscal injustice. Currently, the tax wedge (the combination between 10% personal income tax and a ceiling of up to BGN 3,400 -around 1738Euro monthly - for social security payments) is as follows:



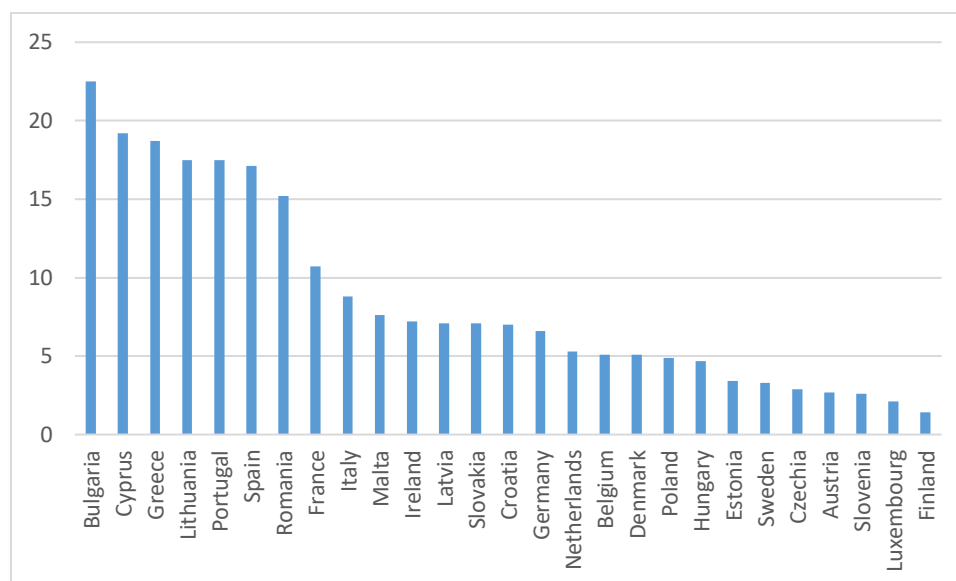
It is important to note that the first level, the 34.75% tax wedge, includes both the minimum wage and lower earned income. A similar situation - absence of tax-free minimum tax - apart from Bulgaria, as far as we know, exists only in Georgia. The usual statements - that taxes in Bulgaria are low /10%/ are not true. They are low for high and very high incomes, but for low incomes they are very high, as they do not exist anywhere in the modern world /except Georgia/.

The distorted design of the tax policy and its combination with the insurance policy are part of the main generators of poverty and social exclusion in the country. It is also interesting that political players who declare that inequalities in Bulgaria are extremely high, in the next sentence add that, if they are in power, they will not change the design of the tax and insurance system. In fact, to a large extent, the high levels of poverty and social exclusion in Bulgaria are produced by fiscal injustice and stem from policies of distribution and redistribution.

### 3. THE GREEN TRANSITION AND POVERTY IN BULGARIA

During the entire, already more than 30-years socio-economic transition period, large parts of the Bulgarian population are in a situation of energy poverty and experience serious difficulties in providing themselves with adequate living conditions. The latest data from Eurostat once again confirm the most unfavourable and high values for the country among the EU member states.

### Inability to keep home adequately warm - EU-SILC survey [ilc\_mdcs01\$defaultview]



Source: compiled by the authors from Eurostat data, [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_mdcs01/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_mdcs01/default/table?lang=en), checked 15.10.2023

It is important to note that different definitions and indicators paint a very different picture of energy poverty. A serious and detailed review of the picture of energy poverty in Bulgaria as a function of the indicator used is presented by Peneva, T., in her monography "Energy Poverty in Bulgaria: Dimensions and Factors", published in 2022. The developed estimates for the level of energy poverty in the country by various established indicators of the cost approach to measurement (e.g. 10% rule; poverty after energy expenditure; low income – high share of energy expenditure; low income – high expenditure; double median of energy expenditure; ½ median of share of energy expenditure) reveal the high dependence of energy poverty dimensions on the adopted indicator and lead to a reluctance to introduce an official definition.

In fact, the problems facing the definition of energy poverty, energy-poor and energy-vulnerable consumers are not a cognitive but a political problem - due to the high proximity between definition and necessary political measures. As it is assumed that adequate definitions would stimulate high demands on public measures that public finances are unable (or unwilling) to cover, no definitions are adopted and/or cautious implicit definitions are adopted.

The result of this is numerous testimonies of limited access and low amount of heating benefits provided. As a rule, the measures are designed to provide relative and temporary comfort without addressing the wider causes of energy poverty. The above-mentioned tendency to link energy poverty to the at-risk-of-poverty line, for example, is positive compared to the previous period, but at the same time problematic because it is lower than the basic necessary living expenses and, accordingly, adequate minimum standards. At the same time, the tendency to abandon a definition in the EU in which an important indicator is the share of energy costs to the total net income of households is financially 'safe' for public budgets, but risks leaving a high proportion of those in need without support and does not provide any way to address energy inequality.

Thus, regardless of the fact that Bulgaria is among the member states that have the highest levels of energy poverty, or precisely because of this, the country still lacks important policy instruments to adequately support the energy poor. Therefore, the task of creating and adopting such a definition is included in the Bulgarian Recovery and Resilience Plan. However, apart from the fact that any adequate definition would put pressure on the necessary political measures and the national budget, there is also a kind of transfer of responsibilities between the different ministries in this regard: social, regional and energy. The result is that a tenuous agreement on definition and responsibilities emerges from time to time, although it is still not clear how to proceed.

In fact, an essential problem for the Bulgarian green transition is the initial social situation, characterized by high inequalities combined with high levels of poverty. This state of affairs complicates the task of achieving a just transition. If policies to implement the green transition do not address changes in this state, it is hardly possible for the transition to be just.

Something more, it is very likely the level and trends of poverty in the EU in the next 10-15 years to be determined above all by the course of the green transition, respectively – the instruments for its implementation. The grounds for this statement are obvious – „green transition is a shift towards economically sustainable growth and an economy that is not based on fossil fuels and overconsumption of natural resources“<sup>5</sup>.

This change is a main factor of the state of energy resources, which in turn determine the rates of economic growth, the level and dynamics of employment, income and poverty. Therefore, the level and prospects of poverty depend to a very large extent on the state of the energy sector and changes in it. For example, inflation, which strongly influences poverty dynamics, is primarily a result of the energy market; the market deficit of energy sources significantly increases inflation.

Therefore, the EC points out that the main problem of the world economy and the economy of the EU are the prices of energy carriers. And these prices exert pressure to increase the prices of food and other basic goods and services, whereby the purchasing power of households decreases. Annual inflation in the European Union was 6.1% in July 2023, up from 6.4% in June. A year earlier, the rate was 9.8%.<sup>6</sup>

Other data confirm that energy prices are a major factor in inflation dynamics. France and Norway, for example, have a low level of inflation mainly due to cheap electricity - in France 80% of energy is relatively cheap energy from nuclear power plants, and in Norway 90% from hydroelectric plants. Norway is also a significant exporter of natural gas and inflation is also relatively low.<sup>7</sup> And inflation in Bulgaria is among the highest in the EU and has a significant adverse impact on the poverty level.<sup>8</sup>

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<sup>5</sup> Ministry of the Environment, Finland, What is the green transition? <https://ym.fi/en/what-is-the-green-transition#:~:text=The%20green%20transition%20means%20a,the%20circular%20economy%20and%20biodiversity>

<sup>6</sup> National Association of Municipalities in the Republic of Bulgaria (2022), Forecasts and recommendations of the EC within the framework of the European Semester, <https://www.old.namrb.org/proгнозите-и-препораките-на-ек-в-рамките-на-европейския-семестар> (in Bulgarian)

<sup>7</sup> Economic.bg, (2022), Which European countries are coping best with the energy crisis?, <https://www.economic.bg/bg/a/view/koi-evropejski-dyrjavi-se-spravjat-naj-dobre-s-energiinata-kriza> (in Bulgarian)

<sup>8</sup> Eurostat, Annual inflation more than tripled in the EU in 2022, European Commission. <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20230309-2>

Along with this, the realization of a just green transition faces Bulgaria with other particularly great difficulties. These difficulties arise from the relatively large share of hydrocarbon energy sources. Moreover, the country's energy intensity seems high compared to other European countries.<sup>9</sup>

According to some data, the energy intensity of the economy is about three times higher than the EU average energy intensity.<sup>10</sup> As the economy is significantly more energy intensive than the EU average, the indirect impact on producer and final consumer prices is more pronounced than in most other EU Member States - the impact of energy on the producer price index is much larger in Bulgaria due to the relatively high-energy intensity of Bulgarian industrial production.<sup>11</sup> The energy intensity of the Bulgarian economy exacerbates the consequences of rising energy prices.<sup>12</sup>

Another problem arises from the high-energy losses in the supply and transformation of energy. The energy network needs substantial renovation and investment. Therefore, experts believe that a sustainable and reliable transition to energy production from Renewable Energy Sources cannot be achieved without improving and expanding the capacity of the energy network. This problem makes stimulating the improvement of energy efficiency through the use of more European funds a top priority for Bulgaria. However, the development of renewable energy production in the country has outpaced the improvement of the energy grid, and this is hardly efficient from an economic and social point of view. In addition, the implementation of successful measures to improve energy efficiency can lead to increased employment and income in small and medium-sized enterprises.<sup>13</sup> And according to some data, it is small and medium-sized enterprises that provide the majority of employment, respectively - the income of the employed, in the country.

Meanwhile, over a certain period of time, the price of electricity on the free market quadrupled and became more volatile from mid-2021, while regulated prices remained fixed<sup>14</sup>. However, the implementation of the green transition relates to the requirement to abandon regulated prices and move to free market prices. At the level and dynamics of poverty, including energy poverty, the abandonment of fixed household energy prices is certain to lead to an increase in poverty.

Another problem related to the green transition is the relatively high level of corruption in the country. The experience so far shows that the corrupt practices characteristic of many countries in the energy

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<sup>9</sup> Mancheva, D., Karaboev, St., Stefanov, R. (2012) Green Growth and Sustainable Development: Priorities for Bulgaria, Friedrich Ebert Foundation Office in Bulgaria (in Bulgarian)

<sup>10</sup> Angelov, I. (2008), Catch-up economic growth and the competitiveness of the Bulgarian economy, Macroeconomic View, UNWE [https://www.unwe.bg › uploads › Yearbook](https://www.unwe.bg/uploads/Yearbook) (in Bulgarian)

<sup>11</sup> Newspaper Capital, 2022.04.19 <https://www.capital.bg/> (in Bulgarian)

<sup>12</sup> EC (2022), Commission Staff Working Document, Report on Bulgaria 2022 accompanying the Council Recommendation on Bulgaria's 2022 National Reform Program and containing the Council's opinion on Bulgaria's 2022 Convergence Programme, {COM(2022) 603 final} - {SWD(2022) 640 final}, page 3, (in Bulgarian)

<sup>13</sup> Mancheva, D., Karaboev, St., Stefanov, R. (2012) Green Growth and Sustainable Development: Priorities for Bulgaria, Friedrich Ebert Foundation Office in Bulgaria (in Bulgarian)

<sup>14</sup> EC (2022), Commission Staff Working Document, Report on Bulgaria 2022 accompanying the Council Recommendation on Bulgaria's 2022 National Reform Program and containing the Council's opinion on Bulgaria's 2022 Convergence Programme, {COM(2022) 603 final} - {SWD(2022) 640 final}, page 3, (in Bulgarian)

sector have also occurred in Bulgaria. Some analysts, for example, point out that instead of directly exporting electricity, the National Energy Company (NEC) has been selling electricity to private power trading companies at below-market prices. This allowed the companies to realize significant profits, but led to a loss for NEC of BGN 91 million for the period 2004-2007<sup>15</sup>.

In fact, a number of studies in different countries have documented cases of significant corruption related to solar and wind energy production, including in developed countries. In his article "Clean, low-carbon, but corrupt?..." B. Sovacool<sup>16</sup> points to various studies confirming such development: „In Denmark, wind energy firms are alleged to have falsified data on the noise and other environmental impacts of wind farms in order to obtain building permits and pay below-market compensation rates to stakeholders. Regulators agreed to these proposals despite knowing about the fraud... In Italy, wind energy managers and local politicians have been implicated in corrupt practices and bribery related with licensing, and in Spain dozens of individuals have been accused of corruption. In the United States, corruption has been documented in wind power contracts in New York and attempts to unfairly grab land from farmers and rural communities for wind farms. On this occasion, one lawyer stated that ‘renewable energy has really gone wrong’...World Bank Group-led study warns tradable wind energy certificates are vulnerable to corruption in global markets.“ Sovacool also points out that surveys of wind energy entrepreneurs or other stakeholders show that more than 50% of respondents believe that corruption is a problem in the approval, construction and connection of wind farms to the grid. He proposes a typology of corrupt practices, including diversion of public expenditure intended to reduce poverty; use of illegal means or unfair land grabbing or public procurement processes; tax evasion, etc.

A review of green transition policies covering a large number of countries in the world shows that over the past period policies have mainly focused on the transition to renewable energy sources. However, they have not contained a clear emphasis on the fair distribution of the social cost of the transition.<sup>17</sup> The review states that until 2017, the main content of green transition policies is generous state funding of business projects for the production of renewable energy through fixed long-term preferential prices and premiums. At the same time, little attention has been paid to the question of whether these policies, (combined with insufficiently effective institutions) create favorable environment for the emergence and expansion of practices that generate inequity in making the transition to green energy.

The above-mentioned review of green transition policies found a lack of effective monitoring of negative side effects of policies and of the effectiveness of compensating energy poverty if it increases during the transition. However, one of the main negative effects is the observed corrupt practices during the implementation of the green transition. Moreover, as is known, corruption is one of the main generators of poverty, inequalities and injustice.

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<sup>15</sup> Arndt, M. & Iwanov, I. (2013), Country Report Energy in Bulgaria, Konrad-Adenauer-Stiftung, [https://www.kas.de/c/document\\_library/get\\_file?uuid=1b542064-f61d-63a8-402c-42bca6ee116f&groupId=252038](https://www.kas.de/c/document_library/get_file?uuid=1b542064-f61d-63a8-402c-42bca6ee116f&groupId=252038) (in Bulgarian)

<sup>16</sup> Sovacool, B. (2021), Clean, low-carbon but corrupt? Examining corruption risks and solutions for the renewable energy sector in Mexico, Malaysia, Kenya and South Africa, in: Energy Strategy Reviews 38 (2021) 100723, page 6

<sup>17</sup> Daszkiewicz, K. (2020), Policy and Regulation of Energy Transition. In: Manfred Hafner, Simone Tagliapietra Editors, The Geopolitics of the Global Energy Transition.

The obvious conclusion is that due to the strong stimulation through significant financing of RES construction, the transition policies have been focused on the implementation of the transition itself at the expense of its fairness. It seems that corruption was considered acceptable if it ensured sufficient "speed" of RES construction. Because of this, some researchers raise the question "just transition or just a transition"?<sup>18</sup>

Thus, a look at the past period of the green transition suggests various risks for the justice of the transition and for its impact on poverty and inequalities. The same question applies to the upcoming stage of the transition. If we also take into account the lack of convincing emphasis on a central dimension of transition justice – the provision of affordable and sufficient energy for all, then the answer is rather "just a transition".

Of course, history does not repeat itself literally, but some signs show that the impending shutdown of hydrocarbon energy sources is also strongly stimulated by generous funding, similar to the construction of renewable energy sources. Due to the highly incentivized funding of closure proceedings, equity measures can become instrumental in ensuring a smooth transition, mitigating potential dissent and protest actions.

One such sign seems to have appeared in Bulgaria. Protesting workers from companies that are about to be closed have demanded that the Territorial Just Transition Plans be withdrawn (from Brussels where they have already been sent) in order to be corrected. However, the Minister of Finance announced that withdrawing the plans is impossible, since in such a case the 1.6 billion Euro that should be received under the Recovery and Resilience Plan will not be received.<sup>19</sup>

All this means that the policies to make the green transition largely determine poverty trends. Therefore, the EU has taken measures to achieve a just green transition and created a Just Transition Mechanism. „The Just Transition Mechanism (JTM) addresses the social and economic effects of the transition, focusing on the regions, industries and workers who will face the greatest challenges. The Mechanism is a key tool to ensure that the transition towards a climate-neutral economy happens in a fair way, leaving no one behind.“<sup>20</sup>

It is important to underline, that the goal of JTM to ensure that the transition towards a climate-neutral economy happens in a fair way, leaving no one behind deserves a high recognition. This is very important from the point of view of the level and dynamics of poverty in the EU and supports the expectation that the long and not particularly successful fight against poverty in the EU till now will get a new boost from the implementation of the JTM.

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<sup>18</sup> Reitzenstein, A., Tollmann, J., Popp, R., Bergamaschi, L., Dimsdale, T. (2018), A just transition for all or just transition? Discussion paper, ESG, [https://www.e3g.org/wp-content/uploads/DiscussionPaper\\_GlobalJustTransition\\_E3G\\_November2018.pdf](https://www.e3g.org/wp-content/uploads/DiscussionPaper_GlobalJustTransition_E3G_November2018.pdf)

<sup>19</sup> Asen Vassilev: We will not withdraw the Territorial plans, we are losing BGN 1.6 billion. LupaBG, <https://lupa.bg/news> (in Bulgarian)

<sup>20</sup> EC, The Just Transition Mechanism: Making sure no one is left behind. European Commission. [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en)



However, the question that makes us to hesitate is - to what extent the construction of JTM fully corresponds to the goal: a fair transition, leaving no one behind. The search for an answer to this question raises some concerns. For example, they are related to the fact that JTM provides targeted support to help mobilize around €55 billion over the period 2021-2027 in the most affected regions, to alleviate the socio-economic impact of the transition.<sup>21</sup>

At the same time, some analyzes of transitional justice point out that ensuring a just transition also requires a clear understanding that there are individuals and groups who are already marginalized or have a lower capacity to take on new burdens caused by the transition.<sup>22</sup>

These groups may not be located in the most affected regions, and this is often the case - the poorest regions do not coincide with those most affected by the green transition. Therefore, it is recommended that these groups be protected during the transition by introducing adequate social protection measures. The researchers also emphasize that a just transition requires policies to mitigate the effects of decarbonization on other economic actors, such as small businesses that are very sensitive to energy prices and depend directly (e.g. through supply chains) or indirectly (e.g. through local trade) on carbon-intensive industries.

In addition, some researchers link transitional justice to measures to address excessive inequalities and social vulnerability. Therefore, it is proposed to introduce measures aimed at reversing the trends in the dynamics of inequalities. This means identifying existing social inequalities and impacts on the distribution of incomes and the various support measures. "Support measures should target not only the direct workers of carbon-intensive industries, but also their families and other vulnerable groups."<sup>23</sup>

Other notions of the green transition justice contain similar ideas. "The just transition for all to an ecologically sustainable economy .... it must include poverty eradication...Decent work, poverty eradication and environmental sustainability are three of the defining challenges of the twenty-first century. Societies must be inclusive, provide opportunities for decent work for all, reduce inequalities and effectively eradicate poverty."<sup>24</sup>

Research also highlights the need for monitoring the green transition, and indicators for assessing progress should not be limited to net job creation, manufacturing diversity and regional economic growth. Indicators should cover the types and quality of jobs created, who has access to them and the levels of wider resilience of communities.

In the light of these views, the Just Transition Mechanism appears narrow – it aims to mitigate the social cost of transition for directly affected individuals and groups but does not cover the overall social cost of transition that other individuals and groups will have to bear, and this is unlikely to have a positive impact on the level of poverty and inequalities.

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<sup>21</sup> EC, The Just Transition Mechanism: Making sure no one is left behind. European Commission.  
[https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en)

<sup>22</sup> Aung, M. T. and Strambo, C. (2020). Distributional Impacts of Mining Transitions: Learning from the Past. Stockholm Environment Institute, Stockholm

<sup>23</sup> Aung, M. T. and Strambo, C. (2020). Distributional Impacts of Mining Transitions: Learning from the Past. Stockholm Environment Institute, Stockholm

<sup>24</sup> ILO, 2015, Guidelines for a just transition towards environmentally sustainable economies and societies for all.

By the way, the construction of JTM seems narrow even in comparison with the announced goal - that no one be left behind. Since the JTM is focused on vulnerable regions, the other tasks of ensuring a just transition will have to be handled by member states. However, it is by no means certain that all of them possess sufficient state capacity to solve the specified tasks.

These doubts are reinforced by the fact that the goal of achieving a just transition does not seem sufficiently operationalized through the JTM. Apart from the narrow view of transitional justice and ways to achieve justice, the Mechanism does not contain a system of indicators that can be used to assess progress; what system for constant monitoring of the progress of the transition and its fairness should be implemented (for example, through social impact assessments); what are the main risks generating unfair transitions and how it is possible to manage them.

At the same time, as already pointed out, the experience of the green transition so far shows that the notion of justice has often been reduced and neglected in previous periods. And this gives rise to fears that the same trend may be maintained in the implementation of the Mechanism at the national level. Researches depict, for example, that the green transition has so far lacked sufficient focus on such a central feature of transition justice as ensuring adequate access to affordable energy for all citizens and reducing, even eliminating, energy poverty. The neglect of the problem of adequate access to energy for all citizens is noticed in reports about the monitoring of energy transitions at national levels, and more specifically the access to energy. These studies do not contain an assessment of changes in access to energy. An extensive review of the publications regarding energy access and the monitoring of sustainable development around the world concludes that the data regarding the access to energy of the majority of countries (including developed ones) are lacking. The researches generally indicate that first poverty must be combated ....before accessing renewable energy<sup>25</sup>. The same report criticizes social impact assessments for ignoring access to energy and energy poverty in green transition and the achieved level of social justice and suggests that a fair assessment regarding the impact of transitioning to a green economy can be made only by considering important dimensions other than the environmental or economic ones. However, the problem is not so much in the quality of the monitoring of the green transition, but rather in the fact that the political instruments of the green transition did not ensure the achievement of the stated dimension of justice of the green transition. Perhaps Social impact assessments simply reflect this reality of transitions.

It can be assumed that there is some risk to poverty prospects: If the social effects of the green transition, addressed through the Just Transition Mechanism, do not cover a central social effect – the provision of adequate household access to energy, then the notion of justice of the transition is greatly reduced

The mentioned problems seriously test the state capacity in Bulgaria to use the opportunities provided by the Just Transition Mechanism. In addition, Bulgaria experiences a period of certain political instability; the government is made up of four parties that claim not to be in coalition and call their interactions "a

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<sup>25</sup> Costăngioară, A. (2020), Assessment of the social impact in the transition to green economy, International Multidisciplinary Scientific GeoConference : SGEM; Sofia, Vol. 20, Iss. 4.1, (2020), <https://www.sgem.org/index.php/component/jresearch/?view=publication&task=show&id=7210&Itemid=>

specific fit" or "non-coalition". By the way, our study of state capacity in developed countries shows that their state capacity is decreasing, and Bulgaria is hardly an exception to this trend.<sup>26</sup>

The JTM foresees also opportunities for citizen participation in the implementation of the green transition and, more specifically, in the development of territorial plans for a just transition. However, providing opportunities for participation does not mean adequate realization of participation and influence and impact of citizens.

In fact, another obstacle to the fair green transition in Bulgaria relates to the fact that the opportunities for citizens, local communities and NGOs to significantly influence the political decision-making process are quite limited, and this limits the chances of achieving a fair green transition. In 2022, a study by the NGO "Orion Grid" found out that "ordinary people are not invited as an equal partner in negotiations and discussions, the messages do not correspond to their experiences and needs, do not address their fears and difficulties on a purely everyday level. On the contrary, they are charged with guilt and responsibility, which confuses them and even pushes them away from the topic."<sup>27</sup>

The European Commission explicitly emphasizes: "the participation and engagement of the public and all stakeholders is essential for the success of the Just Green Transition". It adds that "Local stakeholders, including economic and social partners (such as trade unions, including those representing miners), and bodies representing civil society (including youth organizations, environmental NGOs, etc.) should be fully mobilized in the debate about the future of their territories."<sup>28</sup> These different stakeholders need to engage in different phases: the preparation, implementation as well as evaluation of the TPSP. In this regard, the Just Transition Platform plays an important role. The Commissioner for cohesion and reforms mentions that the Just Transition Platform „puts people and communities at the centre of the transformation, by listening to their aspirations and giving them the tools to realize their ideas“.

However, what are the realities in the affected regions and could they deliver the desired results? In a report entitled "Nothing but consultation..." dedicated to the participation of civil society organizations in consultations at the EU level, Sandra Kröger writes: "The inclusion of organized civil society contributes little to the democratic legitimacy of the EU and is instrumental to institutional power games of the European Commission and the European Parliament. Worse, the Commission, through its consultation practices, may be contributing to an aggravation of the democratic deficit. Furthermore, there is little empirical evidence that would confirm the normative expectations of deliberative democracy"<sup>29</sup>.

In fact, we cannot agree that the main purpose of consultative practices is to contribute to the "democratic legitimation" of the EC and the EP. Their main goal is quite different – the inclusion of additional knowledge

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<sup>26</sup> Minev, D., (2023), State capacity in developed countries - state and trends, in Sociological problems journal, vol. 1, 2023 (in Bulgarian)

<sup>27</sup> Stateva, M. (2022), The responsibility of political leaders and why the green transition is both a risk and an opportunity, <https://www.climateka.bg/otgovornost-politicheski-lideri/> (in Bulgarian)

<sup>28</sup> EC, Just Transition Platform. Accompanying Member States and regions to achieve a just transition. European Commission. [https://ec.europa.eu/regional\\_policy/funding/just-transition-fund/just-transition-platform\\_en](https://ec.europa.eu/regional_policy/funding/just-transition-fund/just-transition-platform_en)

<sup>29</sup> Kröger, S. (2008), Nothing but consultation: The place of organised civil society in EU policy-making across policies. European Governance Papers (EUROGOV) No. C-08-03, <http://www.connex-network.org/eurogov/pdf/egp-connex-C-08-03.pdf>.

and a moral dimension in the formation of policies. However, this could hardly be achieved in the situation described by Kröger.

Thus, the problem that arises at the national level is that the public capacity to use the tools provided by the Mechanism for active participation in the preparation of the Territorial Just Transition Plans (TJTJs) may prove insufficient. In Bulgaria, for instance, workers protests in the affected regions after the completion of the TJTJs show that something was wrong with the procedures that were supposed to ensure broad participation of people from the affected regions.

In more details, in Bulgaria the TJTJ preparation process took place with little participation of the directly affected workers and passivity of local NGOs and local communities. The discussion of the prepared Territorial Plans for a just transition also went "calmly", with little interest and participation of the directly affected individuals and communities. However, after the Plans were drawn up and sent to Brussels, a storm of protests broke out. Workers from regions particularly affected by the Green Transition blocked highways and said they would not end the blockades until the territorial plans were returned from Brussels and revised. The government agreed to some of the protesters' proposals but refused to withdraw the plans, vowing to table the amendments in Brussels. Still, as already stated, the Minister of Finance announced that withdrawing the plans is impossible, because in such a case the country will not receive 1.6 billion Euro under the Recovery and Sustainability Plan. Some of the protesters did not believe the promise to correct the territorial plans in Brussels and continued the protests.

The above picture shows that the probability that the green transition in Bulgaria will improve the prospects of poverty is not high. At best, the poverty rate – one of the highest in the EU – will be maintained in the future, but it is more likely that poverty will increase. This expectation is based on the state of three factors: the unfavourable starting position of the country when entering a critical phase of the transition; the low state capacity to implement a just transition; together with a low public potential that could compensate for the deficit of state capacity and the previously outlined features of the JTM.

It is worth highlighting again the fact that the Mechanism - more precisely, the provision of funding under the Recovery and Resilience Plan - is linked to a requirement to comply with certain deadlines, i.e. requires a certain "speed" of green transition activities. These requirements are valid for all member countries, but when the country starts from a very unfavourable starting position, the requirement to observe universally valid deadlines can prove to be an obstacle to the pursuit of just transition. Difficulties are further increased due to the connection of deadlines with significant funding and low state capacity.

In addition, support in the form of technical assistance has been provided for the development of TJTJ. The aid was often provided by consultants, as the European Commission itself states - "with mixed success". By 2021, seven regions have benefited from this support.<sup>30</sup>

Offering technical assistance for the preparation of the TJTJ is a very good idea, but a number of circumstances seem to have prevented the full use of this instrument for a just transition. These circumstances, in turn, relate to the capacity of national governments and the management of the affected regions to effectively take advantage of the opportunities provided. A delay in the development of the

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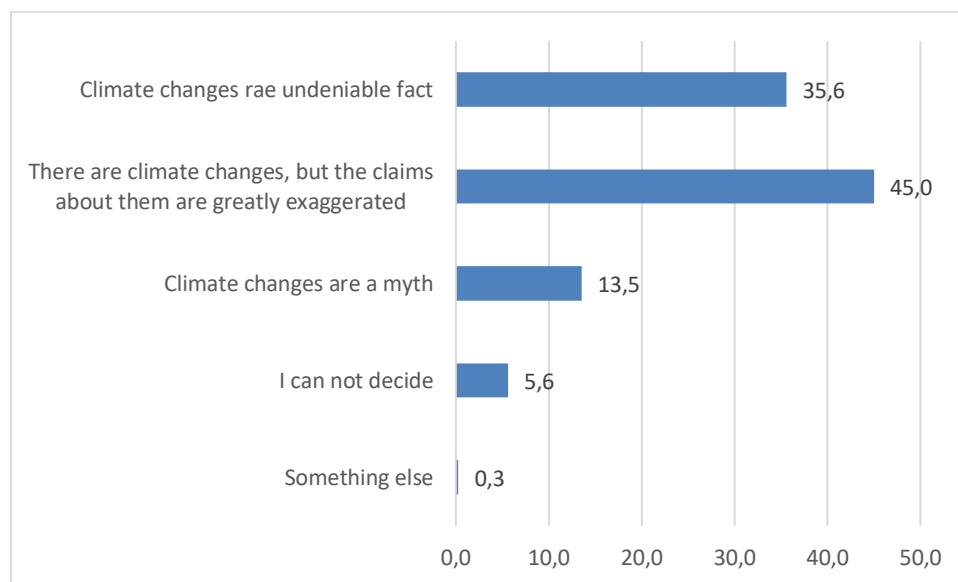
<sup>30</sup> Just Transition in EU Regions: A Policy Update for Mayors and Municipalities 2022, Panda.org  
<https://www.eu.awsassets.panda.org › downloads>

Territorial Plans, for example, can significantly limit the possibility of using consultants in the preparation of the TJTP.

We do not know exactly what the phrase "with mixed success" means. However, if this assessment also refers to the work of the consultants, the question can be raised, in how many cases of the preparation of the TJTP was used such a technology as action research/participatory action research. This type of research has been successfully applied in the implementation of major changes in various cases - to achieve development of backward rural communities in Third World countries, to initiate development in economically depressed regions in southern Italy, Latin America, Scandinavian countries, etc. Some authors characterize these studies as social technologies for the self-development of communities.<sup>31</sup> It should be noted, that participatory action research is completely relevant to the aim „to put people and communities at the centre of the transformation, by listening to their aspirations and giving them the tools to realize their ideas“. Moreover, participatory research is an effective tool for the prevention and resolution of social conflicts during the transition.

Within the framework of the "Public Capacity for a Just Green Transition" project<sup>32</sup>, we used various empirical tools - in-depth interviews, focus groups, citizen panels, etc. In this regard, in April 2023, a representative sociological survey was conducted, which tries to establish the attitudes of Bulgarian citizens towards the green transition. Here we will present some of the survey results that directly relate to the issues discussed above:

When asked what their opinion about climate changes is, the majority of respondents (over 80%) agree that there are climate changes, although many of them also consider that some of the claims about these changes are greatly exaggerated.



<sup>31</sup> Elden, M., & Chisholm, R. F. (1993). Emerging varieties of action research: Introduction to the special issue. *Human Relations*, 46(2), 121–142. <https://doi.org/10.1177/001872679304600201>.

<sup>32</sup> Project "Public capacity for a just green transition", financed by the National Research Fund (NRF) at the Ministry of Education and Science under contract KP-06 PN55/13, for the period 11. 2021-11.2024, <https://zelenprehod.blogspot.com/>

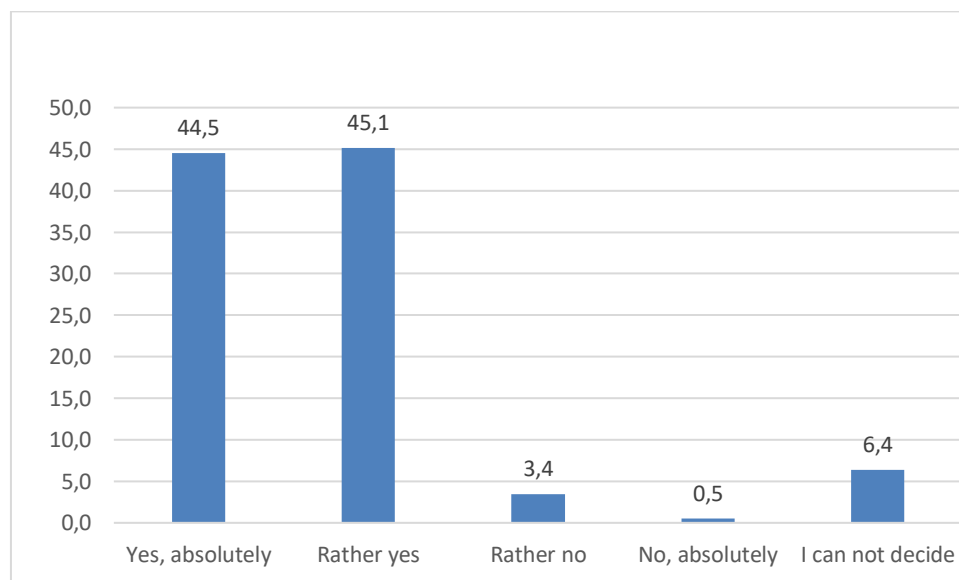
The responses regarding environmental pollution are similar. Over 90% believe there is environmental pollution. However, again, over half of them found some of the claims to be greatly exaggerated.

The share of citizens who believe that there is environmental pollution in Bulgaria is also high (89%). However, they are divided into three groups, according to the assessment of the degree of contamination. According to most (45.6%), environmental pollution in the country is moderate. According to others - 26.7%, environmental pollution in our country is weak. This is probably also related to the fact that many of the industrial productions were closed during the transition period. At meetings with people living in poverty, this issue was also discussed. A common statement is: "What is Bulgaria polluted by, haven't we closed everything?". In fact, only 1.5% of respondents consider environmental pollution does not affect Bulgaria, and according to 17.1%, the country is strongly affected by pollution.

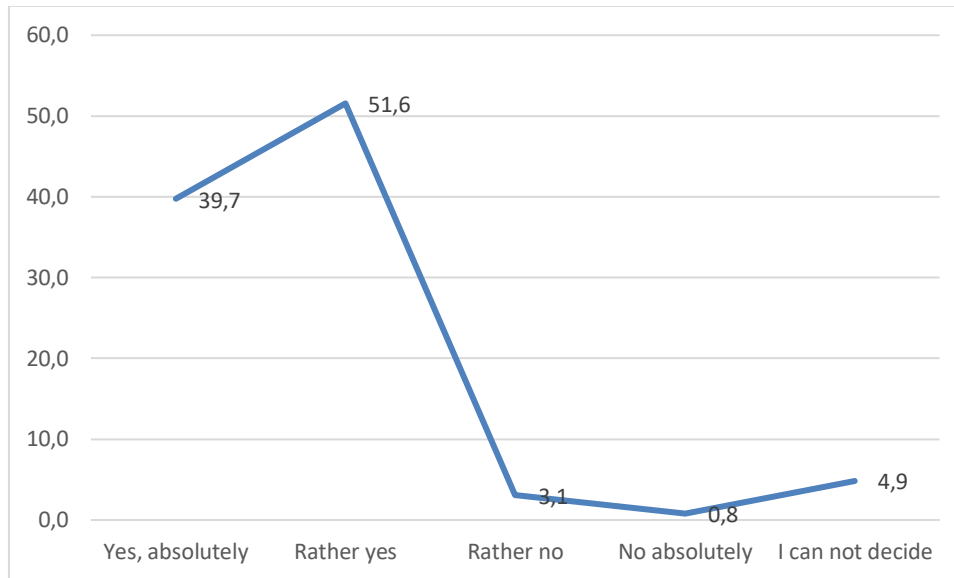
At the same time, over 95% of those surveyed share the idea that natural resources should be preserved for future generations; over 68% - that the world should reduce the use of fossil fuels; over 74% - that transport is among the main sources of pollution; 57% - that Bulgaria should make more efforts for changes related to environmental pollution.

Based on the data obtained, it can be concluded that the majority of the Bulgarian society is positive about the need to take actions aimed at the problems of climate change. A benevolent attitude towards the necessary measures is also evident in the attitude towards energy from renewable sources and towards the possibilities of creating and supporting energy cooperatives.

Do you agree that households in Bulgaria should be encouraged to produce energy from renewable sources for themselves?



In your opinion, should energy cooperatives be created and supported?



Assessing how these actions would occur under the current status quo, however, poses many problems, outlines risks, and reveals high degrees of distrust that the transition can be just.

Given the current situation in Bulgaria, what consequences can the green transition have in the country?

	Poverty	Inequalities	The price of electricity	The price of fuels
It will increase significantly	16,5	15,0	42,2	30,5
It will increase to some degree	46,5	45,6	36,8	34,3
There will be no impact	13,3	18,2	5,6	18,1
It will decrease to some degree	5,5	5,0	6,8	5,6
It will decrease significantly	1,5	1,6	1,2	3,4

I cannot decide	16,6	14,6	7,3	8,3
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Fears of deterioration of living conditions, of an increase in poverty, inequalities, the price of electricity and the price of fuel are also associated with fears of a decrease in the number of jobs (59.4%). Although over 80% agree that the green transition would be beneficial for ecology, nature and air, the ranking of the main problems of people in Bulgaria today pushes back the assessments of environmental degradation and climate changes - not because they are not important, but because there are many more acute problems related to living conditions and standards.

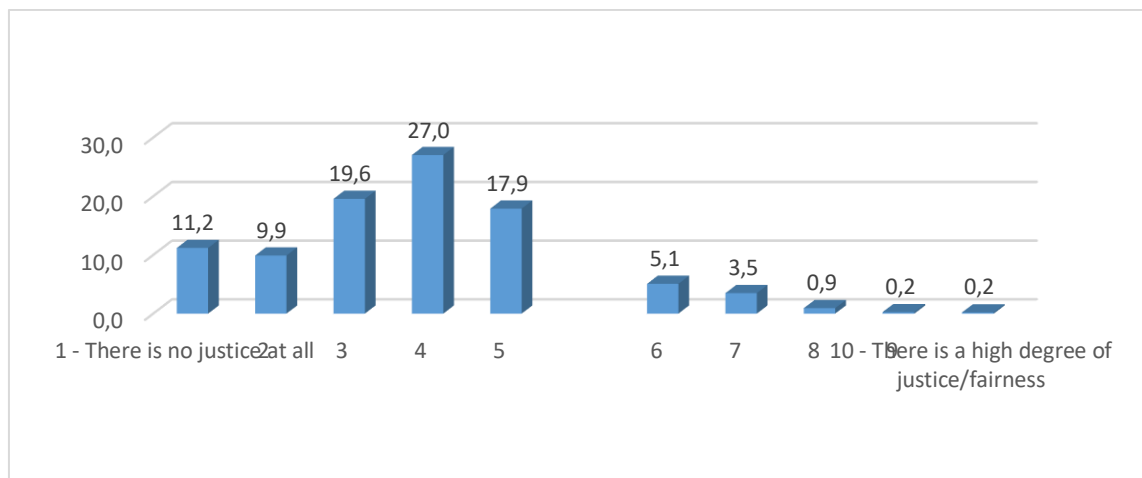
Ranking by importance of main problems of people in Bulgaria today (sum of answers: very important and important):

Low incomes	99,5%
Inflation	99,4%
State of healthcare	99,3%
Access to cheap energy	98,8%
State of education	95,3%
Unemployment	90,9%
Corruption	80,9%
Environmental degradation	73,8%
Political instability	72,6%
Emigration	63,4%
Climate changes	57,0%
Immigration	56,8%

At the same time, the Bulgarian citizens' assessment of the situation along the justice-injustice axis shows clearly expressed prevailing assessments of injustice.

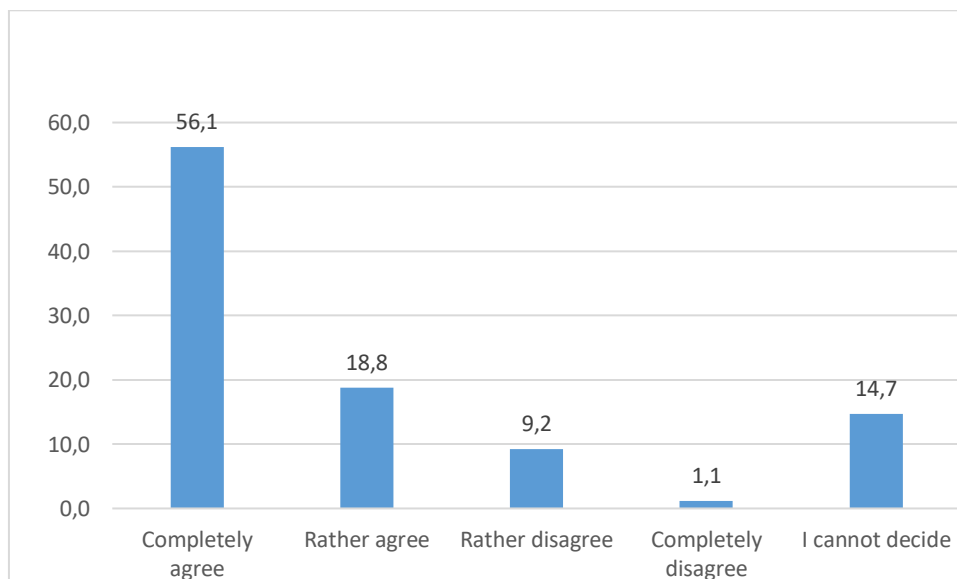
Could you give a general assessment of the situation in Bulgaria according to the justice-injustice axis? Please indicate how fair you think the development in our country is. (Please indicate only one answer using a 10-point scale where 1 is no fairness at all; 10 is a high degree of fairness)





85.5% in total indicate that there is a lack of justice/fairness to varying degrees; only 9.9% are those who, although to varying degrees, assess the development as fair.

Related to this is the attitude towards the statement: Lobbying interests determine decisions in the energy sector.



Moreover, here are the conditions for the green transition to be fair, according to the answers that gather a very high share of the surveyed citizens:

What are the conditions for the green transition to be fair? (sum of responses 'completely agree' and 'rather agree')

	%
Poverty should not be allowed to increase	98,8

The price of energy should not increase	98,4
New jobs should be created	96,8
Care should be taken to retrain workers from closing factories and provide them with well-paid jobs	95,6
All affected by negative changes must be assisted.	94,6
The energy poor must be supported	94,4
To have a just green transition, there must be more socio-economic justice and lower inequalities	91,3
The financing of the green transition should come from the business that makes profits from the green transition	90,3
The green transition must be gradual and cautious	88,6

These conditions, accepted by the vast majority of Bulgarian citizens as characteristics of the justice of the green transition, reflect as an echo and are in harmony with the problems, analyses and conclusions mentioned above. It could be argued that making a just green transition requires normalization aimed at a clear understanding of existing problems and a search for enlightened solutions.

## 4. RECOMMENDATIONS

- Policies are not directed against the main generators of poverty and social exclusion. The inequalities that produce them are not purposefully addressed. Welfare policies should be at the centre of public policies. Instead, they remain peripheral and residual and offer just mitigation measures.
- Social rights are used as a catchall term and are not clearly defined. They lack substance and identification.
- The goals recorded in various documents - national and EU should be more ambitious in order to have a mobilizing effect
- Clear messages are needed to overcome mass feelings of injustice, including in the implementation of the green transition. Instead, they are further fuelled by the lack of clarity and measures aimed at justice and social rights.
- Fairness, social rights and welfare should return in the centre of EU and national policies. In this regard, meaningful social impact assessments, including through participatory action research, are extremely useful and should be encouraged.
- The results of the various studies discussed above should be used to outline ways to overcome the problems instead of the existing preferences for policy-based deliberative research.

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