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Bulgaria's European integration: prospects and unresolved issues regarding the country's entry into the Eurozone

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Abstract

The relevance of the study is due to the fact that, despite Bulgaria's achievement of the inflation criterion for joining the euro area, chronic political instability and social polarization continue to impede its full integration into the European monetary union. The purpose of the study is to examine the current situation in the direction of Bulgaria's readiness to join the euro area by analysing trends and specifics of the main segments of the state's domestic policy. The main methods are statistical, with the help of which the key indicators of the dynamics of economic formation and development of the country are considered, and the method of analysing regulatory documents, using which the legal acts in the field of European integration and development are analysed. A key aspect of European community development is addressing critical issues and responding to historical challenges. The gradual deepening of integration by intensifying cooperation in all areas and sectors determines the logical continuation of the rapprochement of the European Union states – the beginning of a single monetary system. The euro, as a common unit of payment, has substantially improved the quality and efficiency of financial and economic relations in the Union, but to join the euro area, it is necessary to meet certain criteria defined by the Maastricht Treaty. The results and best practices of the presented study can be used to develop the basis for forming recommendations and proposals for joining European structures.

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Keywords: economic reforms, gross domestic product, Maastricht Treaty, exchange rate, convergence criteria

*La integración europea de Bulgaria: perspectivas y asignaturas
pendientes de la entrada del país en la eurozona*

Resumen

La relevancia del estudio se debe a que, a pesar de que Bulgaria ha cumplido el criterio de inflación para ingresar en la zona del euro, la inestabilidad política crónica y la polarización social siguen impidiendo su plena integración en la unión monetaria europea. El propósito del estudio es examinar la situación actual en la dirección de la preparación de Bulgaria para incorporarse a la zona del euro analizando las tendencias y particularidades de los principales segmentos de la política interior del Estado. Los métodos principales son el estadístico, con ayuda del cual se consideran los indicadores clave de la dinámica de la formación y el desarrollo económicos del país, y el método de análisis de documentos normativos, mediante el cual se analizan los actos jurídicos en el ámbito de la integración y el desarrollo europeos. Un aspecto clave del desarrollo de la comunidad europea es abordar las cuestiones críticas y responder a los retos históricos. La profundización gradual de la integración mediante la intensificación de la cooperación en todos los ámbitos y sectores determina la continuación lógica del acercamiento de los Estados de la Unión Europea: el inicio de un sistema monetario único. El euro, como unidad de pago común, ha mejorado sustancialmente la calidad y eficacia de las relaciones financieras y económicas en la Unión, pero para ingresar en la zona del euro es necesario cumplir ciertos criterios definidos por el Tratado de Maastricht. Los resultados y las mejores prácticas del estudio presentado pueden servir de base para formular recomendaciones y propuestas de adhesión a las estructuras europeas.

Palabras clave: reformas económicas, producto interior bruto, Tratado de Maastricht, tipo de cambio, criterios de convergencia

Introduction

Modern principles of integration processes of states on all continents and within the framework of various associations and organisations provide for maximum unification and harmonisation of all sectors and spheres of state and civil life in such countries. Bulgaria, which has been a member of the European Union since 2007, in the first years of its independence announced a course towards European integration and gradual entry into all systems and structures of the Union. Joining the monetary union is now the highest level of political, financial, economic, and social integration of European countries and is a desirable result for almost all members of the Union, including Bulgaria. However, a number of unresolved problems (in particular, the unstable level of inflation) directly affect the country's prospects for joining the euro area, and, most importantly, create a situation of instability within Bulgaria. Socio-economic growth remains one of the main factors of successful and sustainable development of any state (the appropriate standard of living of the population, high wages, harmonious birth rates, and an efficient labour market are crucial to supporting the systematic evolutionary transformation of Bulgaria in the 21st century).

An important condition for joining the euro area, according to Stojkov & Pucar (2022), is an acceptable level of the credit and investment system of the candidate country, which is not critically different from the states that are already participants – this condition will guarantee the minimisation of economic challenges during the integration of a new member and facilitate the period of the so-called “transition stage”, when the state simultaneously begins to introduce a new currency – the euro.

Global crises such as armed conflicts, wars, social protests, as well as natural pandemics and outbreaks of dangerous diseases directly affect the strength of national currencies in the countries of the world, which, using the example of the rapid spread of coronavirus infection COVID-19, as proved by Abrahám & Vošta, examines the weakening of the euro in the period from 2019 to the early 20s of the 21st century (Kubiczek & Tuskiewicz, 2022).

Liu called the euro area a shaky system based on a unified monetary policy, and the example of Greece, which experienced a financial and economic crisis in 2010 and from which the country has been extremely difficult to get out for almost a decade, considered a vivid example of the result of the weakening of structural policy towards new and existing members of the euro area. Analysing changes in such areas as political life, social situation, and economic stability of the Bulgarian Republic after its accession to the European Union, Vangjel et al. (2023) concluded that, despite high hopes for a rapid improvement in the internal situation in the state after gaining membership, the real state of affairs was such that Sofia needed to pursue an even tougher policy than before official accession – especially in the financial-economic sector.

The unstable situation regarding the determination of a specific date for joining the monetary union has created conditions in Bulgaria under which both civil society and government officials have gradually lost the need to introduce the euro in the state, which is predetermined, according to Hristozov (2023), first of all, by the non-corresponding level of inflation, which dynamically changes every quarter, and government decisions are not always able to stabilise these fluctuations and bring consumer price values into long-term equilibrium. According to Străchinaru (2023), quite effective will be to conduct a comparative

and analytical examination of the development paths of the European Union member states in the context of comparing their indicators in the economic, social, and financial areas, which is an extremely important condition for understanding the main criteria necessary for these countries to join the euro area.

According to Todorov (2023), inflation, the level of which still does not stabilise in accordance with the norms of convergence criteria, should be strictly adjusted using clear macro-financial instruments, and only in this case, in the opinion of o Dapontas (2022), it will be possible to fix this level in the relevant legislative documents of the state without the need to adjust them. The main principle should be to reform the credit and financial system to get positive results, which Surubaru (2021) saw as the only structural unit on which the development of all other constituent elements of the state depends.

An insufficiently evaluated aspect in the literature is the prospects for the political, financial, and economic development of Bulgaria after the country's accession to the foreign exchange market. Therefore, the aim of the work was to identify the key advantages and main disadvantages of Bulgarian policy through the prism of joining the euro area.

The objectives of the study were to identify the main periods of formation and development of the first European associations and organisations; establish pan-European trends in economic development; analyse major events and statistical indicators of the formation of Bulgarian political, economic, and other systems within the framework of European integration processes, and consider the dynamics of national development within the Union; summarise the positive and negative factors that take place in Bulgaria in preparation for joining the euro area.

1. Materials and methods

A systematic approach was used to study the prerequisites for the emergence of the first European associations: the events that accompanied the beginning of integration in 1951, and ending with the signing of the Maastricht Treaty “On European Union” (1992, February), with the definition of convergence indicators necessary for joining the euro area, were analysed. The assessment of the pan-European situation was conducted through the analysis of average indicators of the dynamics of gross domestic product (GDP) growth in countries for the period 1996-2024, and special emphasis was placed on the period 2015-2024, which was characterised by dynamic processes (economic crises, pandemic restrictions) – then the Union observed a stable growth of this indicator (Average annual growth..., 2024).

In the context of reviewing the history of Bulgaria's European path, the method of analysing regulatory documents was used, in particular, data from the Law “On the National Bank of Bulgaria” (2024), the National Euro Changeover Plan of the Republic of Bulgaria (2021), the Action plan for resolving final obligations based on the interaction of the parties in the European mechanism for regulating exchange rates European Exchange Rate Mechanism (ERM) II (2019). The value II indicates the second stage of the introduction of a single currency, the first stage (ERM I) was the creation of the European monetary system (Action plan with measures..., 2019), the Action plan of the Republic of Bulgaria to join the ERM II (2018), the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Bulgaria, of the other part (1993). The country's baseline readings were compared with other European countries – financial indicators (inflation rate,

interest rate fluctuations, foreign exchange reserves) of Romania (Romania – Financial account, 2025) and Croatia (Croatia – Financial account, 2025). These countries were chosen because they, together with Bulgaria, were supposed to become members of the euro area in early 2025.

A comparison was made with Germany by comparing the values of annual long-term interest rates in Bulgaria and Germany for the period 2018-2024 (List of European countries by GDP, 2024) Germany was selected for this review due to the fact that it is the country with the strongest financial and economic system among the euro area member states at the time of the assessment of Bulgaria in 2024 (Convergence report, 2024). Inflation, as a critical problem of Sofia on the way to the euro area, was analysed in the paper, based on information reflected in analytical reviews on global value chains (Bulgaria in global value chains: Leveraging integration with the EU, 2024) and fluctuations in inflation values in Bulgaria (Bulgaria inflation rate, 2025).

The following sources were used in the process of forming more up-to-date definitions of the current state of the state's economic sphere: "MoF: Bulgaria is preparing to adopt the Euro on January 1, 2025 at the latest" (2023), "Bulgaria likely won't join Eurozone in January 2025 despite government goal" (2024), "Bulgaria can't join the Eurozone due to high inflation, ECB says" (2024) to assess the forecasts of Bulgaria's accession to the Eurozone. Data from sources were also used: "The most realistic date for Bulgaria's entry into the Eurozone is January 1, 2026 – Not earlier" (2024), "The act for implementation of EUR in Bulgaria has been approved and promulgated" (2024), "BTA. Bulgaria must finalize its European integration by joining Eurozone 'The soonest possible', central bank governor says" (2024), to analyse official measures and declarations of the

government regarding accession. Additionally, the study analysed “Bulgaria gives up bid to join ERM II in 2010” (2010) and “Background information on ERM II and Euro membership criteria” (2005), to identify reasons for delays and requirements for economic convergence.

The listed documents contain information on the reform of certain sectors and spheres of the economy to accelerate Bulgaria's accession to the euro area, in addition, the arguments “for” and “against” the state's entry into the euro area are given according to economists, sociologists, bankers, and other experts. The presented materials became a substantial basis for organising and conducting a much more effective analysis of the processes that took place in Bulgaria in connection with its accession to the euro area and forming a wider range of practical recommendations.

3. Results

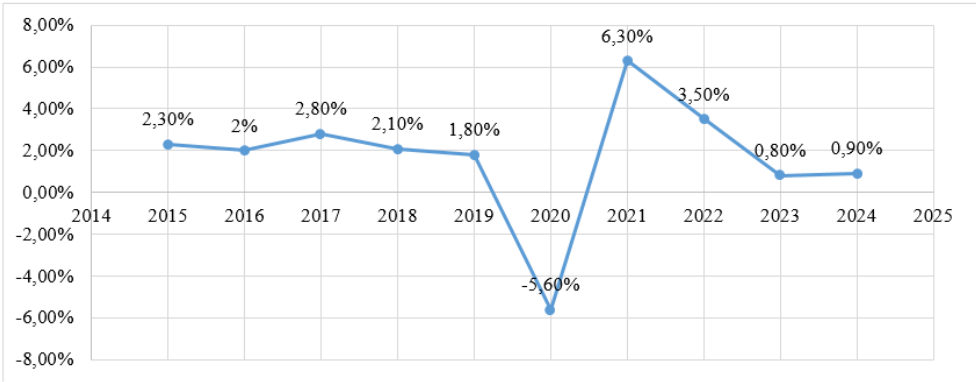
3.1. European Union: Prerequisites for creation and dynamics of expansion

The end of World War II led to the fact that the countries that won it agreed to review the existing world order and develop a fundamentally new system of international relations. The critical subjects of international activity were the United Nations (UN) and the European Union (EU), the foundations of which were laid in 1951 (during the launch of the European Coal and Steel Community, the formation continued in 1957 (with the emergence of the European Atomic Energy Community), which led to the emergence of the EU in 1992 (Edvertson, 2020; Holesch & Kyriazi, 2021; Hovhannisyan, 2024).

The treaty establishing the Union also specified criteria for the establishment of a common foreign exchange market – the euro area (convergence criteria that

all candidate countries must meet). The strategy of financial and economic expansion of integration in Europe by reforming and modernising the relevant industries has led to sustainable growth of GDP (Abrahám & Vošta, 2022; Ulrichs, 2018) (Figure 1).

Figure 1: Dynamics of gross domestic product growth in the European Union countries in the period 2015-2024, %



Source: compiled by the author based on Bolfek et al. (2021); Vukadinovic (2024).

Assessing the trends of transformation processes in the economy, in particular, in the context of fluctuations in GDP in the EU member states for the period 2015-2024, it is worth noting that the involvement of a number of financial instruments (for example, the reform of the banking sector, updating the relevant legislation, changes in the assessment of the solvency of enterprises in various industries) led to a stable annual growth of this indicator (considering minimal fluctuations). During certain periods (the outbreak of the coronavirus infection COVID-19 and the beginning of the Russian-Ukrainian war), the development of the financial and economic sector of the EU countries slowed down somewhat and

experienced a decline, but later returned to pre-crisis indicators (Ismayilov et al., 2024; Moshensky, 2024).

It is a priority to define the main concepts and definitions of this issue to analyse the current situation in the context of Bulgaria's readiness to join the euro area. Thus, the euro area is an association, a monetary union consisting of 20 EU member states that have defined the euro currency as their main means of payment, replacing national currencies (Stayt, 2023). The Maastricht criteria or convergence criteria, which were defined as “instructions” for joining a monetary union, are indicators of the development of a country's economic system and financial sector that must be achieved in order for it to join the euro area (Mishchenko, 2009; Mishchenko & Mishchenko, 2015).

The criteria will include five groups of indicators: the annual surplus of the state budget (indicators should not exceed 3% of GDP; the appropriate level of consumer prices (inflation should not exceed the inflation rate in the three largest EU economies by more than 1.5%); a stable exchange rate (in particular, the state should participate in the ERM II exchange rate mechanism) for at least 2 years); the interest rate at long-term rates (should not exceed by more than 2 percentage points the average level of this rate in the three largest EU economies); compliance of state legislation with certain norms and standards (Kolodko & Postula, 2018; Siljak & Nagy, 2021). For the first time, the criteria as a prerequisite for joining a monetary union were formed in the Maastricht Treaty of 1992, establishing the EU (1992).

3.2. History of the euro area and Bulgaria's path to it

After the successful launch of the mentioned European Communities and the growing development of all member states, the question arose of further integration and even closer unification to strengthen the whole of Europe, specifically, by expanding financial and trade operations, which, firstly, included the possibility of creating a single currency for EU members.

The concept of creating a common monetary unit was first voiced by the then Prime Minister of Luxembourg, P. Werner, by presenting in 1970 a roadmap for the development of a single monetary unit in all EEC member countries (Stojkov et al., 2022; Mattiolo, 2024). However, this initiative was initially rejected, instead, it was proposed to rehabilitate the existing currencies of European states that began to lose their positions – this situation was caused by the decline of the Bretton Woods system (Lippert, 2024). In particular, every effort was made to minimise the consequences due to the devaluation of the dollar, the key currency of this system. After a certain period of time, in 1979, the single European monetary system was founded, which, in the course of fulfilling its obligations and functions, issued a single “virtual” currency – the European currency unit, which became the prototype of the modern Euro (Pelle & Végh, 2019; Pérez-Moreno et al., 2020). Since the signing of the Maastricht Treaty in 1992 and the creation of the euro currency in 1999 – after a number of problematic situations (in particular, the financial crisis of 2008) – more than 20 EU member states have already joined the euro area. Bulgaria also seeks to join the European Union.

1988 marked the start of official diplomatic relations between the EU and Bulgaria. In May 1993, an agreement on comprehensive cooperation in the

economic sector was signed between the parties (according to the clauses of the agreement, it was planned to expand financial and Economic Cooperation, create conditions for further investment of Bulgarian enterprises by European businesses, and lay the foundations for further deepening state participation in European structures (Europe Agreement establishing..., 1993; Heller & Warzala, 2019). On December 14, 1995, the chairman of the Bulgarian government, Zh. Videnov applied for the country's membership in the EU (Hristozov, 2023).

On January 1, 2007, Bulgaria joined the EU (Romania joined the union with it) (Schipor & Duhnea, 2022; Vangjel et. al., 2023), but this was preceded by a long period of preparation, strict reform of almost all branches of public administration and bringing national legislation in line with EU standards (Table 1).

Table 1: Stages of Bulgaria’s European integration for the period 1988-2007

Stage	Years	Content
Preparatory period	1964	Diplomatic relations between Bulgaria and the EU have been established
	July 12, 1991	Adoption of the updated constitution of Bulgaria
	1994	Signing of the agreement on Bulgaria’s associate membership in the EU
	December 14, 1995	Submission of an official application for the accession of the Bulgarian Republic to the Union
Negotiation process	November 1998	First report of the European Commission on Bulgaria's progress
	1999	Second report of the European Commission on Bulgaria's progress. Providing a recommendation to start formal accession negotiations
	February 15, 2000	Start of official negotiations
	June 15, 2004	Completion of official negotiations

Stage	Years	Content
Final period	April 2005	Preliminary approval of the date of entry – 1 January 2007
	April 25, 2005	Agreement on Bulgaria's acquisition of EU membership signed
	May 11, 2005	Ratification of the Treaty on Bulgaria’s acquisition of EU membership by the country’s parliament
	October 2005	Additional comments of the European Commission on Bulgaria
	May 16, 2005	Report on Bulgaria's compliance with the Copenhagen criteria*
	January 1, 2007	Bulgaria's official accession to the EU

*Notes: * – a set of rules and regulations that establish the right of a particular country to become a member of the European Union. The rules include the following groups of requirements: political, economic, and membership. The criteria were adopted by the European Council in June 1993 at a regular meeting held in Copenhagen, Denmark.*

Source: compiled by the author on the basis of Străchinaru (2023), Dapontas (2022), Surubaru (2021).

Bulgaria, like all candidate countries wishing to join the euro area, must meet the five main criteria defined in the Maastricht Treaty of 1992: updated and harmonised in accordance with European norms and standards national legislation, uniform, and sustainable filling of the country's budget, maintaining an appropriate level of exchange rate and long – term interest rates and in addition – acceptable values of the level of consumer prices (inflationary fluctuations). In general, of all the EU member states that are not yet members of the monetary union, but strive to do so (the list of such countries does not include Denmark, Poland, Hungary, and Sweden, the governments of which have stated that the country does not intend to change its national currency), Bulgaria's indicators seem to be the closest to the necessary ones (Table 2).

Table 2: Indicators of European Union member states intending to join the euro area, in accordance with the Maastricht criteria

Country (national currency, date of EU accession)	Date of accession to ERM II	Date of planned accession to the euro area	Compliance with the Maastricht criteria (convergence criteria)
Bulgaria (Lev, 1 January 2007)	July 10, 2020	July 10, 2025	Compliance: almost complete (except for the inflation rate)**
Denmark (krona, 1 January 1973)	January 1, 1999	Not planned	Evaluation is not performed***
Poland (zloty, 1 May 2004)	Did not join	Not planned	Does not meet any of the criteria
Romania (Lei, 1 January 2007)	Did not join	It is planned to join ERM II in 2026 and the euro area in early 2029	Does not meet any of the criteria
Hungary (forint, 1 May 2004)	Did not join	Not planned	Does not meet any of the criteria
Czech Republic (Krona, 1 May 2004)	Did not join	The compliance report for ERM II accession is due to be released at the end of 2024	Meeting two criteria out of five
Sweden (krona, 1 January 1995)	Did not join	Not planned	Meeting two criteria out of five****

*Notes: ** – the Bulgarian government plans to reach the required level according to all criteria by the end of 2024; *** – in a 2000 referendum, a position was determined against the introduction of the euro as the main currency in Denmark; **** – in a 2003 referendum, a position was determined against the introduction of the euro as the main currency in Sweden*

Source: compiled by the author based on De Grauwe (2022), E. Stawasz-Grabowska (2020).

Thus, for an initial assessment of Bulgaria's readiness to join the euro area on formal grounds, it is necessary to analyse statistical indicators that relate to the five categories defined in the Maastricht Treaty. The first step for this was to join the country to ERM II. The history of preparations for this event has been marked by varying levels of intensity, and in 2010, the then-prime minister of the country, B. Borisov, announced the cancellation of plans to join ERM II. The reason he called the growth of the Bulgarian budget deficit according to the results of the fiscal year, namely, 2009, to 3.7% of GDP (Bulgaria gives up bid to join ERM II in 2010..., 2010). With ERM II, which replaced ERM I in 1999, the maximum acceptable deviation rates of national currencies fluctuate within 15% relative to the euro exchange rate. However, after the new EU enlargement in 2004, the conditions for ERM II became tougher: from now on, the maximum levels of the state budget deficit should never exceed 3% of GDP (Background information on ERM II..., 2005).

The essential institutions that are directly involved in preparing the financial and economic system of the State for joining the euro area are the National Bank of Bulgaria, the Ministry of Finance of Bulgaria, and the government of the country itself at the level of other individual ministries. The Ministry of Finance has developed a number of basic documents, namely: the Action plan of the Republic of Bulgaria to join the European mechanism for regulating exchange rates ERM II (Action plan of the Republic of Bulgaria..., 2018), the Action plan and measures to address the specified obligations in terms of interaction within the European mechanism for regulating exchange rates ERM II (2019), the national plan for the transition to the euro in the Republic of Bulgaria (2021), special instructions for financial institutions and for private entrepreneurs and

other subjects of financial and economic activity in the state regarding the new rules and regulations for doing business in the euro area (MoF: Bulgaria prepares to adopt the Euro..., 2023).

In early 2024, the National Bank of Bulgaria started minting euro coins – in the amount of 8 million (1 million for each denomination); all payment, logistics, statistical, and methodological systems for Bulgaria's entry into the European monetary system have already been completed (BTA. Bulgaria must finalize its European integration..., 2024). The government of the state adopted the Law "On the National Bank of Bulgaria" (2024), which accounted for all aspects necessary for the harmonisation and convergence of Bulgarian and European legislation in the field of Finance, and the Law on the country's transition to the euro, which considered all the technical aspects of the process (The act for implementation of EUR..., 2024). Thus, as of the end of 2024, Bulgaria almost fully meets the convergence criteria: the state's legislation has been brought into line with certain standards, the necessary indicators of public finances, the exchange rate, and long-term interest rates have been obtained. However, the criteria for price stability (inflation rate) have not yet been normalised (Convergence report 2024..., 2024).

It is necessary to analyse the convergence criteria that Bulgaria has achieved with varying success. Thus, in the light of the established norms defined in the text of the Maastricht Treaty, all mandatory conditions for economic development should be preserved in the regulatory field of a state seeking to join a monetary union: the minimum level of inflation, the volume of the state budget, indicators of long-term rates, and other financial elements (Panagopoulos, 2020; Kanapienyte & Činčikaitė, 2022). The country must also comply with the conditions for the independent functioning of the central bank, the charter of which

is brought into line with the norms and standards of the European system of central banks. This condition was met by Sofia and the country's legislation fully meets the right aspect of the convergence criteria.

As a result of the restrictions caused by the COVID-19 outbreak and subsequent events, the countries with the most efficient economic systems were in a state of crisis. Thus, Bulgaria experienced a substantial state budget deficit (Table 3).

Table 3: Average indicator of the state budget of Bulgaria, considering all values and directions, for the period 2018-2024

Direction	Year						
	2018	2019	2020	2021	2022	2023	2024
Balance of the general state budget:	1.7	2.1	-3.8	-3.9	-2.9	-1.9	-2.9
– total revenue	38.7	38.5	37.7	37.7	38.5	37.9	37.2
– total expenses, including:	37.0	36.3	41.5	41.6	41.4	39.8	39.9
– interest expenses	0.7	0.6	0.5	0.4	0.4	0.5	0.5
Tax burden	29.7	30.4	30.5	30.8	31.1	30.1	30.2
Primary balance sheet	2.4	2.7	-3.3	-3.5	-2.5	-1.4	-2.3
Fiscal position	–*	–	–	–	-1.0	0.0	0.3
Recommended increase in net primary expenditures financed from national sources (%)	–	–	–	–	–	–	4.6
Growth in net primary expenditures financed from national sources (%)	–	–	–	–	–	–	6.2
Government gross debt	22.1	20.0	24.6	23.9	22.6	23.1	24.8
Real gross domestic product growth (%)	2.7	4.0	-4.0	7.7	3.9	1.8	1.9

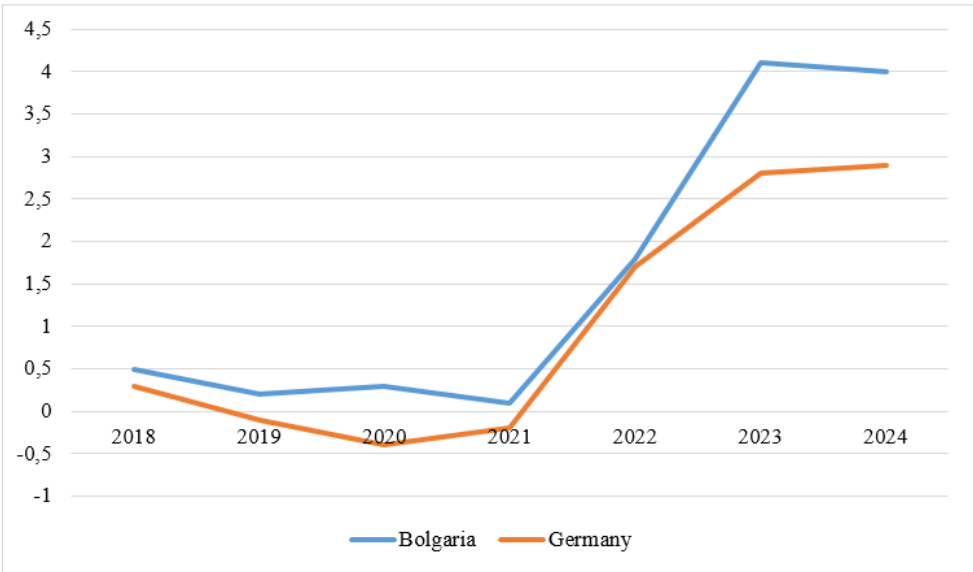
Notes: * – here and further – data is not presented.

Source: compiled by the author based on Todorov (2023), Convergence report 2024 (2024).

As a result of a substantial number of major changes in the relevant legislation, the government has set a deficit of 2.9% of GDP for 2024 (in the fourth quarter, the deficit is 2.8%). Bulgaria's state budget deficit does not exceed 3% at the end of the fiscal year (2024). Accordingly, the conditions are that the maximum indicators of the state budget deficit should not exceed 3% of GDP – therefore, the state meets the specified convergence criterion.

Bulgaria's foreign exchange reserves amount to USD 38 billion (at the end of 2022) and USD 42 billion (at the end of 2023) (Todorov, 2023). In general, the largest share of these indicators includes securities, transfers of total funds within the EU turnover. The equalisation of the exchange rate indicators was one of the first achievements of Bulgaria in the process of fulfilling its obligations under the criteria. The state conducts a balanced monetary policy, ensuring the preservation of foreign exchange reserves at a stable level. In addition, Bulgaria joined ERM II on 10 July 2020, which is more than the minimum two-year period from the date of accession (according to the criteria). Thus, Bulgaria meets this convergence criterion. Before the start of the process of preparing for joining the euro area, long-term interest rates were below the required minimum. At the end of 2022, this figure was already 1.5%, at the end of 2023 – 3.75%. At the beginning of 2024, the interest rate was 4% (Figure 2).

Figure 2: Comparison of annual long-term interest rates in Bulgaria and Germany for the period 2018-2024, %



Source: compiled by the author based on List of European countries by GDP (2024), Convergence report 2024 (2024).

According to the conditions of this criterion, the annual rate should not be higher than 2% points of the average values for this indicator at the end of the financial year in the most economically developed members of the Eurozone (countries with the strongest economic systems at the time of evaluating the indicators of the candidate state). According to statistics, Bulgaria meets this convergence criterion.

According to the results presented in the Convergence Report for 2024, developed by the European Commission, the average inflation rates in Bulgaria were higher than required by the criteria and amounted to: in March 2023 – 14.1%, in May 2024 – 4.1% (acceptable indicators – less than 3%, Figure 3). For example,

similar indicators for Italy, the Netherlands, and Latvia were about 1.5%. According to the conclusions of the European Central Bank, the cost of basic products in the country is steadily growing by 5.1% annually (this figure is 1.8 percentage points higher than the required norm for joining the euro area), but experts note that there are positive phenomena regarding the gradual decline in these indicators (Bulgaria can't join the Eurozone due to high inflation..., 2024). It is predicted that the level of price stability in Bulgaria will be much closer to the corresponding indicator in late 2024 – early 2025. However, some observers give more pessimistic forecasts on this issue – the most likely date of joining the euro area for Bulgaria is the beginning of 2026 – such dates are indicated mainly by the acting minister of finance, L. Pietkova due to the unpredictability of the geopolitical situation in the world, primarily on the European continent, which directly affects the economic and financial prospects and investment potential of the EU countries in general and Bulgaria in particular (The most realistic date for Bulgaria's entry..., 2024).

In Bulgaria, the volume of inflation is somewhat inflated, the dynamics of their changes remains ambiguous and does not coincide with these norms, so this convergence criterion is not achieved (as of the end of 2024). Internal factors of inflation are the delay in the implementation of social packages and financial incentives for consumers of products and their producers immediately after the end of pandemic restrictions. In addition, the unstable political situation in the country contributed to the untimely response to the crisis phenomena, when seven elections were held at different levels of leadership in the period 2021-2024 (Kandilarov, 2023). In addition, such phenomena as an ageing population, an

increase in the death rate, and a low birth rate are a negative factor, which reduces the volume of labour and creates an unstable situation in the employment market.

External factors are, in particular, the situation when, due to financial instability caused by the outbreak of the coronavirus infection COVID-19, Bulgaria, among other things, suffered substantial losses in the energy and food sectors. Price spikes in global and European markets disrupted Bulgaria's established external relations with other countries, and its own supplies were not properly prepared. In addition, due to the violation of global supply routes, Sofia received serious economic losses because it is a major importer of many types of goods in Europe. Fluctuations in rates in this area, uneven distribution of production, and transport capacities led to higher prices and spikes in inflation (Chorna, 2009; Varnaliy et al., 2016).

However, despite a number of rather serious problems that create certain obstacles on Bulgaria's way to establishing financial and economic stability, among the candidate countries for joining the euro area, the state has the most favourable positions and meets all the criteria of compliance (Table 4).

Table 4: Comparison of the level of compliance with the convergence criteria of candidate states (Bulgaria, Romania, Croatia) for joining the euro area as of the end of 2024

Country	Inflation rate (maximum – 3.3%)	Budget		Exchange rate		Longterm interest rate (maximum – 4.8%)	Compliance with legislation
		Deficit (maximum – 3.0%)	Debt (maximum – 60%)	As an ERM II Member (minimum – 2 years)	Bid change (maximum – ±15%)		
Bulgaria	2.1%	1.9%	23.1%	More than 2 years	0.0%	4.0%	Yes

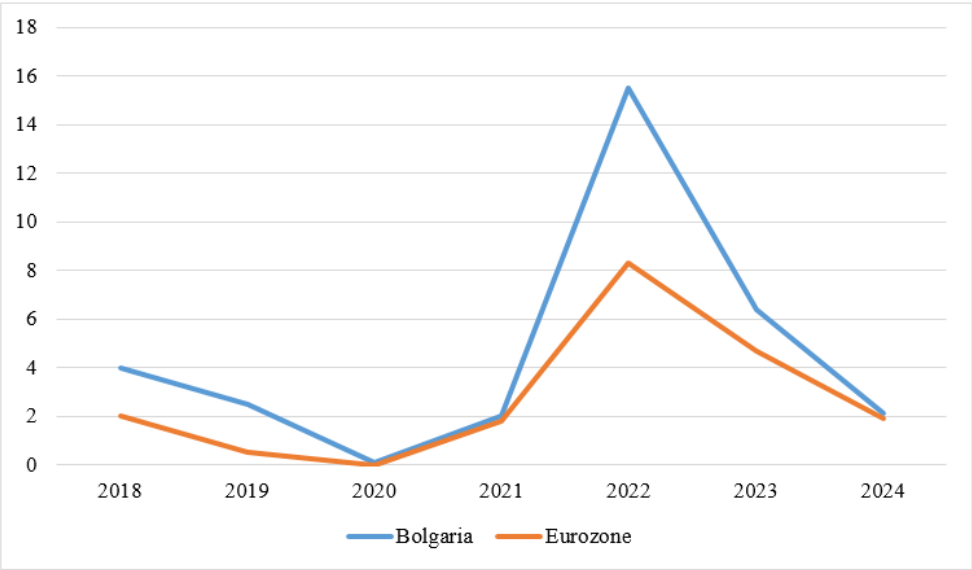
Romania **	5.4%	6.6%	48.8%	Did not join (scheduled for 2026)	0.3%	6.4%	No
Croatia ***	3.4%	2.6%	55.2%	More than 2 years	0.3%	3.2%	Yes

Source: compiled by the author based on Surubaru, & Nitoiu, (2021), Convergence report 2024 (2024), Bulgaria inflation rate (2025).

Thus, comparing the overall readiness and compliance with the convergence criteria of the candidate countries (Bulgaria, Romania, and Croatia) for membership in the euro area as of the end of 2024, it was determined that Bulgaria is the closest to the required indicators for the five criteria. The country has fulfilled all the conditions defined in the Maastricht Treaty regarding the creation and expansion of the euro area, so it has the highest level, which forms the prospect of rapid entry into the currency space. Romania and Croatia, in turn, have some delays in implementing the relevant indicators (for example, at the end of 2024, Croatia did not meet such a convergence criterion as the level of inflation; Romania did not reach certain values for the level of inflation, budget deficit, long-term interest rate, and compliance with legislation).

Having considered the key trends of Bulgaria's economic and political growth on the path of European development, particularly its path to joining the euro area, through the prism of analysis of various statistical indicators and statements of representatives of government circles, some conclusions can be drawn. Thus, the path to joining the EU was quite long, where the state faced some difficulties (economic downturns, financial crises, social challenges), but the importance and positive effect of the adopted reforms and the change in the existing approach to solving political and social issues at that time allowed for the country to join the Union (Figure 3).

Figure 3: Comparison of the average annual inflation rate* in Bulgaria and in the Eurozone in general in the period 2018-2024, %



Notes: * – the harmonised consumer price index was used for the measurement, which was calculated by determining the arithmetic mean in the euro area member countries.
Source: compiled by the author based on Convergence report 2024 (2024), Bulgaria in global value chains... (2024).

The idea of joining the euro area was also relevant for a substantial period of time, but it was identified to be quite problematic to immediately fulfil all the necessary conditions. In particular, the most serious obstacle (as well as for many member countries joining the euro area) was the problem of consumer price instability, a volatile inflation rate (Ivanov et al., 2015; Mishchenko et al., 2016). However, as of now, four of the five conditions (convergence criteria) have been met by the state. These include harmonisation of legislation, stabilisation of long-term interest rates, the corresponding exchange rate, and a normalised amount of

expenditures and revenues to the state budget. The only problematic issue remains unstable inflation, but the dynamics of the economic sector indicate that in early 2025, this condition will also be met, and the level of consumer prices will reach the required value.

The socio-economic consequences of joining the euro area are assessed by factors such as, in particular, the level of prices and the overall well-being of the country's population (Trusova et al., 2021). Bulgaria, which has achieved success on all convergence criteria, still has a rather unpleasant problem with the unstable level of inflation. And although as of November 2024, this indicator has returned to normal (2.1%) (Bulgaria inflation rate, 2025), still – further fluctuations are not excluded. Therefore, the state leadership, together with the relevant ministries (social sphere, economic development), is preparing packages of measures to support citizens at the first stages and to achieve balance, in accordance with the European average.

For the labour market, the situation is quite variable. It all depends on how quickly Sofia can stabilise the situation at the beginning of the euro introduction period. In case of final stabilisation of economic indicators, the return of citizens from abroad, a revival in the field of employment of the population, and a uniform increase in wages should be expected. In the event of untimely and delayed actions, society will continue to feel the burden of financial obligations.

Therefore, the prospect of Sofia joining the euro area is quite real, and this event should take place as planned – in 2025 (Bulgaria likely won't join Eurozone..., 2024) (however, not in January 2025, which was announced by the government earlier). Thereby, there is a possibility that Bulgaria will not be able

to solve the problem with high inflation rates until the beginning of 2026 – it is until this period that the country's entry into the euro area may be postponed.

4. Discussion

Having analysed the main trends and specifics of the functioning of the political and social system in Bulgaria during the European integration processes, as well as during its preparation for joining the euro area, it should be noted that the level of research on this issue is quite deep, especially among experts from Eastern Europe who examined the aspects of the state's entry into the monetary union within the EU.

For example, a study by Siljak & Nagy (2021) regarding the relevance of mandatory compliance with convergence conditions by candidate countries for joining the euro area partially coincides with this study since it also focuses on meeting the criteria of the Maastricht Treaty, which is a key condition for joining the euro area. Vukadinovic (2024), concentrating on increasing the number of acute financial and economic problems within the Union during its next expansions, is not entirely consistent with the presented paper, which focuses more on the positive aspects of Bulgaria's preparation for the euro area. The analysis of Heller & Warzala (2019) on relations between Eastern European member states and non-members of the euro area only partially correlates with the presented conclusions, considering the different focus: their work covers integration issues more broadly.

Research by specialists Panagopoulos (2020), Mattiolo (2024), and De Grauwe (2022), who analysed the history of the transition of their states to a new currency and determined pan-European trends in economic development, have

certain coincidences with the results of this study. Summarising the positive and negative aspects of the introduction of the euro and predicting possible risks for Bulgaria are consistent with the general conclusions of the paper presented. However, their focus on retrospective analysis differs from the approach oriented towards the current state and prospects of Bulgaria.

The paper emphasised the fact that in order not to disrupt the financial stability of the euro area member states and the euro currency remains strong and strong, it is necessary to achieve and clearly follow the requirements for the availability of appropriate economic indicators for the states applying for joining the monetary union. This position echoes the conclusions of Stojkov et al. (2022) regarding the critical approach of strict assessment of such indicators in each state, which seeks to integrate even more deeply within the Union. However, in this paper, in addition to economic convergence criteria, some political and legislative factors were also considered.

The paper expressed the opinion that states joining the euro area deliberately abandon a number of national elements – first of all, the national currency – which can carry certain threats and challenges, primarily in the social sector. A similar position was presented by Stawasz-Grabowska (2020), which considered the right decision to introduce a single currency gradually, but simultaneously opposed that each country that achieved specific indicators, in accordance with the Maastricht criteria – should join the monetary union. In this study, the idea of voluntary introduction of the euro, on the contrary, was highlighted as the next step in the process of deepening integration between European countries for more conscious and lasting joint globalisation progress.

Circumstances such as armed conflicts, military confrontations, environmental disasters, social protests, and outbreaks of deadly diseases directly and indirectly affect the world economy, which, in turn, shapes the situation in other sectors of world politics (Faichuk et al., 2022; Krawczyńska et al., 2024; Kubiczek et al., 2023). This thesis, voiced in the paper, is very similar to the conclusions of B. Bolfek et al. (2021) regarding the direct consequences caused by the outbreak of coronavirus infection COVID-19 in Europe and its negative and harmful effects on the development of countries preparing to join the euro area – Croatia, Bulgaria, Romania; the authors state that this event substantially rejected the listed countries in terms of their independent financial development. However, the presented study updates the provisions that the consolidation of efforts and joint mutual assistance of EU member states contributed to a relatively rapid recovery of the European economy.

After joining the Union, Bulgaria's financial and economic development began to show positive dynamics, and with the exception of temporary economic troubles and certain social problems, the decision to join by Sofia was correct and timely. The same opinion was held by Surubaru & Nitoiu (2021), reflecting on the consequences of more than a decade of membership in Bulgaria and Romania and summarising the various effects caused by such a decision, in particular, on the sphere of the foreign exchange market, namely, on the prospect of switching to the euro currency. However, unlike the authors' conclusions, this paper did not focus on the negative aspects of Bulgaria's membership in the Union because, according to statistics, the benefits of joining the EU substantially exceed all certain difficulties.

When evaluating the Maastricht criteria (convergence criteria) defined in the 1992 Maastricht Treaty, which launched the European Union, the paper noted that they include five groups of criteria of a political, economic, and formal nature. This approach is a sign of a decision based on a systematic assessment of the countries applying for membership in the euro area, not only on purely financial indicators, but also on the overall state of the country in general (Kudrenko & Hall, 2024). Schipor & Duhnea (2022) had a similar opinion, reviewing the Maastricht criteria together with the Copenhagen criteria as examples of a balanced and moderate policy of Brussels towards further EU enlargement. However, this paper still underlined that it is the convergence criteria that are more precise and highly specialised, which was demonstrated by the example of Bulgaria, which received some additional comments from the European Commission when the issue of its accession to the euro area was actually resolved.

The paper describes the path from the idea to the emergence of the euro – through the prism of the systematic and carefully planned introduction of a new currency into circulation, first as a virtual means of payment, and then as physical banknotes. Pelle & Végh (2019) believed that such a long preparation allowed the European currency to take root, become stronger, before reaching the general public and becoming the only monetary element in many economically developed European countries and creating a need for them to use the currency of a united Europe. However, this paper mentioned that some member states of the Union do not plan to replace their national currencies with the euro, without seeing any practical importance in this. Recently, amid the delay in the process of joining the euro area and uncertainty about the level of consumer prices – such ideas often appear in the public space in Bulgaria.

Due to the crisis phenomena in the world, which cause temporary economic and financial difficulties for the generally successful countries of the Union, at the highest levels of the leadership of a number of states (mainly Eastern Europe), there are proposals for an uncritical departure from the mandatory standards of financial and economic indicators outlined in the five groups of convergence criteria, to attract more states to the euro area to increase the dynamics and intensification of various internal processes in these countries, which will form an overall positive dynamics for the euro area in general (Krasivskyy, 2024; Rexhepi, 2023). A similar position was voiced by Pérez-Moreno et al. (2020) however, stressed that this approach cannot be applied on a permanent basis, but only as a departure from the rules, for example, for countries such as Bulgaria or Croatia. However, the presented study cited theses about the negative impact on the monetary union from such a decision – firstly, much weaker members in the economic sense will interfere with the free development of stronger economic systems.

Having considered the general situation in the Bulgarian financial, economic, and political spheres in connection with the final stage of preparation for joining the euro area, some aspects can be highlighted. This subject is relevant and is quite discussed in political circles, both at the national leadership of the state and at the level of the EU leadership. This is primarily due to the mixed results of Bulgaria's accession there. However, based on the results of this study, together with the conclusions of experts on the issue, it is possible to emphasise the fact that this issue will continue to be at a high level of discussion in the future, primarily through the search, including scientific justification for the necessary reforms in the state.

5. Conclusions

The European Union, like other international organisations of the mid-20th century, was founded as a tool capable of adequately responding to the threats of a dynamic geopolitical space, creating appropriate acts of counteraction in time, diplomatically resolving critical situations, and creating a united Europe on the terms of adequate, equivalent, and sustainable evolutionary development. While the main objective of the United Nations was to preserve peace and minimise the risks of new military conflicts, the goals of the Union were the consistent enrichment, social development, and stability in all the constituent structures of its members.

Meeting the convergence criteria defined in the Maastricht Treaty Establishing the Union is a prerequisite for those countries that have decided to introduce the euro on their territory. This aspect was caused by the need to maintain guarantees to minimise financial and economic risks for the Union in the event of a new member joining the euro area. However, the successful achievement of the required minimum values for each of the criteria (which, in turn, include certain groups and categories of financial and economic indicators of the state) is a rather complex and lengthy process, containing several stages and consisting of a carefully planned strategy for the gradual transformation of all systems and infrastructures of the candidate country for joining the euro area.

Sofia is pursuing a successful policy of preparing the state for joining the euro area. As of the end of 2024, the requirements of such convergence criteria as harmonisation of the regulatory framework, equilibrium of the state budget deficit, normalised indicators of the exchange rate and the volume of foreign exchange

reserves in the country, and corresponding long-term interest rates were met. However, the inflation rate is still not stable and does not meet all the requirements of the price stability criteria. However, according to forecasts, next year, 2025, the state will reach inflation rates that do not exceed the same indicators of the three largest European economies by more than 1.5%. Under this condition, by mid-2025, Bulgaria has every chance to join the euro area and continue its European development.

For the purpose of a broader consideration of this topic, namely, determining the trends of changes in Bulgarian domestic policy in connection with the accession to the euro area and the introduction of the euro currency into circulation in the country, it seems useful and practical for further scientific research to examine the experience of neighbouring countries with Bulgaria that have already introduced the euro, through the prism of comparing the initial conditions, main methods, tools, and results of such a transition.

The limitations of the study were such factors as the lack of access to some reporting materials on the results of Bulgaria's economic policy for 2024; the need to present a large array of data on the results of the Bulgarian government's financial activities for previous years, which was problematic to implement within the limit on the volume of this paper. The prospects for further research in this area depend on the effectiveness and effectiveness of the implementation by the Bulgarian leadership of new mechanisms and approaches in the financial and economic sector by the Bulgarian leadership during 2025.

After analysing the historical aspects of the European integration processes in Bulgaria and performing an initial assessment of the current state of the country's transition to the euro area, including both positive results and negative

aspects, we can summarise a number of features and specifics, partial, or full compliance with which will increase the probability of a particular result. Thus, in order to quickly enter the country into the preparatory process, at the end of which a specific system should be built at the state level, which should comprehensively demonstrate the actual readiness of this state to join the monetary union, it is necessary to reform the regulatory framework (more radically or less depending on the initial situation) in certain areas of financial and economic development. To this end, a separate governing body should be established that will perform oversight and management functions due to the difficulties of the transition period.

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