

# Coronavirus response in 2021: building back better

## Update on Bulgaria (16/06/21)



### Covid-19: policy response

- **The policy response to the pandemic devised by the authorities in 2020** amounted to around €1.43 billion (2.3% of GDP). Among the key policy measures was the wage subsidy scheme, with the state covering 60% of wage costs, including social contributions, for affected employees.
- **Most Covid-related fiscal measures will continue in 2021.** The fiscal deficit is projected at 5.2% of GDP in 2021, with one-off measures amounting to 2.6% of GDP. Most notably, the 60/40 scheme will be extended until the end of July, together with four other employment schemes, grant support to the services sector, and a credit guarantee scheme for SMEs worth €1.28 billion.
- **Substantial EU funds are available for recovery.** Bulgaria made extensive use of EU funds in 2020, as they covered almost 30% of support spending. The authorities estimate that the National Recovery and Resilience Plan (NRRP) will boost GDP by 3.8% by the end of 2026.

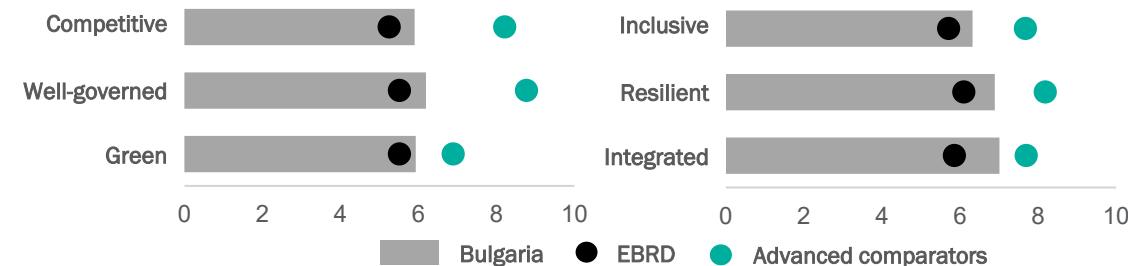
### Macroeconomic indicators (%)

	2018	2019	2020	
<b>GDP growth</b>	3.1	3.7	-4.2	<b>Short-term indicators</b> <b>EBRD GDP growth forecast (June 2021)</b> <b>2021: 4.5%; 2022: 4.0%</b> Quarterly GDP growth: +2.5% q/q (sa), -1.8% y/y (Q1 2021) Economic sentiment: 98.2 (May 2021) Industrial production (ex. construction): 6.5% y/y (March 2021) Retail sales: 25.9% y/y, (April 2021) Annual inflation: 2.0% (April 2021) Unemployment rate: 4.7% (April 2021)
<b>Annual inflation (end-year)</b>	2.3	3.1	0.0	
<b>Government balance/GDP</b>	2.0	2.1	-3.4	
<b>Current account balance/GDP</b>	0.9	1.8	-0.7	
<b>Net FDI/GDP</b>	-1.3	-1.9	-3.2	
<b>Public debt/GDP (end-year)</b>	22.3	20.2	25.0	
<b>Unemployment rate (end-year)</b>	4.7	4.2	5.4	

### Key short-term priorities

- Explore options to accelerate the vaccination campaign.
- Continue addressing EU recommendations to advance judicial reform and strengthen the anti-corruption framework.
- Enhance institutional capacity and a project pipeline to absorb and effectively deploy incoming EU funds.

### EBRD assessment of transition qualities (ATQs), 2020<sup>1</sup>



### Building back better: key ongoing initiatives

<b>Competitive</b>	<ul style="list-style-type: none"> <li>• The NRRP includes the development of industrial parks and enhancing STEM skills.</li> </ul>
<b>Well-governed</b>	<ul style="list-style-type: none"> <li>• The Bulgarian lev entered the ERM II mechanism, paving the way for euro adoption. The authorities have implemented reforms in financial sector supervision, the insolvency and anti-money laundering frameworks, and SOE corporate governance, improving overall governance and resilience.</li> </ul>
<b>Green</b>	<ul style="list-style-type: none"> <li>• The “Green Bulgaria” component includes an energy efficiency programme and installing renewables in buildings. However, circular economy support is limited to large enterprises, while natural gas is prominent through infrastructure projects.</li> </ul>
<b>Inclusive</b>	<ul style="list-style-type: none"> <li>• The NRRP has a “Fair Bulgaria” pillar that includes interventions in social services for people with disabilities and boosting adult learning.</li> </ul>
<b>Resilient</b>	<ul style="list-style-type: none"> <li>• Some progress in energy sector reforms has taken place, mainly in renewables auctions and liberalisation of electricity prices for households.</li> </ul>
<b>Integrated</b>	<ul style="list-style-type: none"> <li>• The “Connected Bulgaria” pillar of NRRP focuses on railway modernisation, complementing existing projects.</li> </ul>
<b>Digital</b>	<ul style="list-style-type: none"> <li>• The NRRP includes the digitalisation of the electricity system operator, creating digital innovation hubs, supporting digitalisation of the agricultural sector, justice, and e-governance, and improving broadband connectivity.</li> </ul>

To learn more about the EBRD's support to Bulgaria visit: <https://www.ebrd.com/bulgaria.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2020), [Transition Report 2020/21: The State Strikes Back](#), London.