

Coronavirus response in 2021: building back better

Update on Bulgaria (06 December 21)



Covid-19: Policy response

- **The policy response in 2021 concentrated largely on long-lasting policy changes.** The policy response in 2020 amounted to around 2.3 per cent of GDP, primarily a wage subsidy scheme, with the state covering 60 per cent of wages into 2021. A pension bonus of about €25 per month was introduced in autumn 2020, with parliament voting for an increase to €60 from October 2021 to the end of the year. Resources in 2021 were also shifted towards more permanent increases in spending, such as a 10 per cent rise in public wages and a hike of 12.5 per cent in pensions from December 2021, on top of an indexation of 5 per cent approved in July 2021.
- **Substantial EU funds are available to aid the recovery.** Bulgaria made extensive use of EU funds in 2020; they covered almost 30 per cent of support spending. The National Recovery and Resilience Plan (NRRP) has yet to be approved (at the time of writing in early December), after a fourth version of the plan was published.

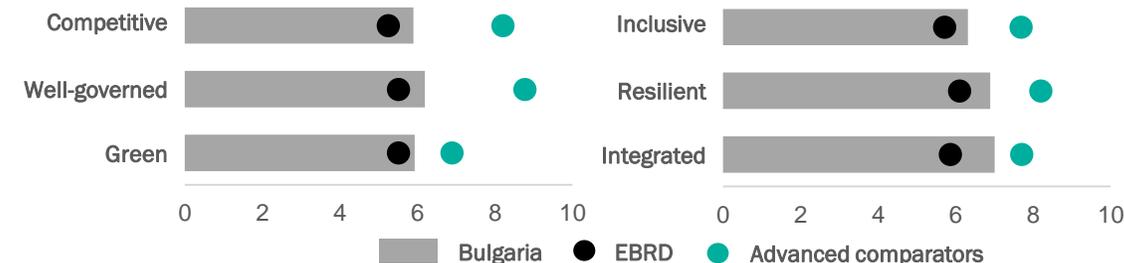
Macroeconomic indicators (%)

	2018	2019	2020	
GDP growth	2.7	4.0	-4.4	Short-term indicators EBRD GDP growth forecast (Nov. 2021) 2021: 4.2%; 2022: 4.4% Quarterly GDP growth: +0.6% q/q (sa), +0.4% y/y (Q3 2021) Economic sentiment: 95.7 (Nov. 2021) Industrial production (ex. construction): 10.6% y/y, ca (September 2021) Retail sales: 16.2% y/y, ca (Oct. 2021) Annual inflation: 5.2% (October 2021) Unemployment rate: 5.3% (Oct. 2021)
Annual inflation (average)	2.6	2.5	1.2	
Government balance/GDP	1.7	2.1	-4.0	
Current account balance/GDP	0.9	1.9	-0.3	
Net FDI/GDP	-1.3	-2.0	-3.5	
Public debt/GDP	22.1	20.0	24.7	
Unemployment rate (year end)	4.8	4.3	5.6	

Key short-term priorities

- Efficiently implementing incoming European Union (EU) funds.
- Further efforts are needed to improve governance and the rule of law.
- Actions should be stepped up to accelerate decarbonisation.

EBRD Assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

Competitive

- Competition law was amended towards full alignment with EU regulations.
- As part of the NRRP, a common policy for RDI is envisaged.

Well-governed

- The authorities implemented reforms of financial-sector supervision, the insolvency and anti-money laundering frameworks, and state-owned enterprise (SOE) corporate governance as part of the Exchange Rate Mechanism (ERM) II accession process.
- Anti-corruption, public administration and procurement reforms are part of the NRRP.

Green

- The Waste Management Act was updated to include more ambitious recycling targets.
- The NRRP includes support for coal regions' transition, easing the administrative burden and establishing a one-stop shop and decarbonisation fund, among other things.

Inclusive

- Deinstitutionalisation of care for elderly and people with disabilities is part of the NRRP.

Resilient

- Some progress has been made on energy sector reform, mainly with regard to renewable auctions and the liberalisation of electricity prices for households. Liberalisation of the electricity sector is included in the NRRP.

Integrated

- The NRRP includes investments in the railway sector and the reform of urban transport.

Digital

- Digitalisation of the judiciary has progressed and is a priority in the NRRP.
- E-governance, cybersecurity and digital infrastructure are also part of the NRRP.

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

¹For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.