



Recovery and Resilience Facility- perspectives for Bulgaria

Bulgarian Economic Forum 2020

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Economic and Financial Affairs

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The current economic context in the EU and policy response

EUROPEAN ECONOMIC FORECAST

AUTUMN 2020



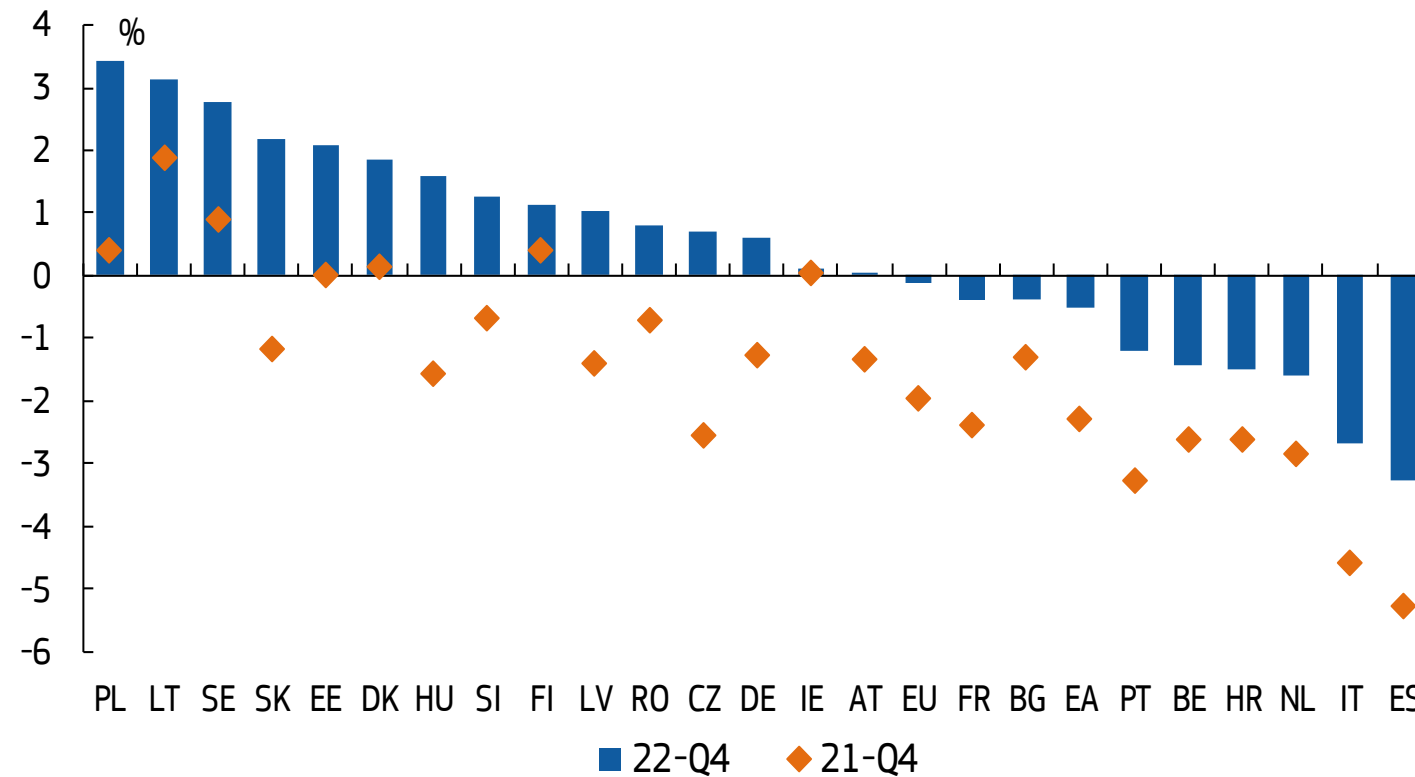
GROWTH

		2019	2020	2021	2022
GROSS DOMESTIC PRODUCT	EURO AREA	1.3%	-7.8%	4.2%	3.0%
	EU	1.5%	-7.4%	4.1%	3.0%
UNEMPLOYMENT RATE	EURO AREA	7.5%	8.3%	9.4%	8.9%
	EU	6.7%	7.7%	8.6%	8.0%

#ECForecast

Uneven contraction and speed of recovery across countries

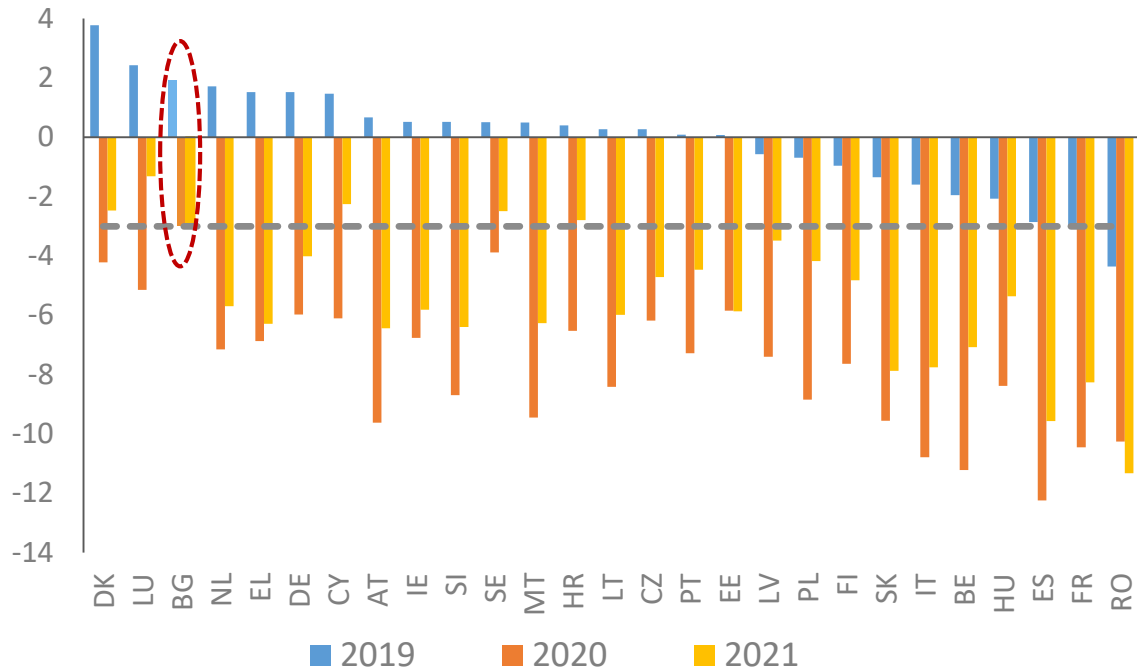
GDP levels compared to 2019-Q4, Member States



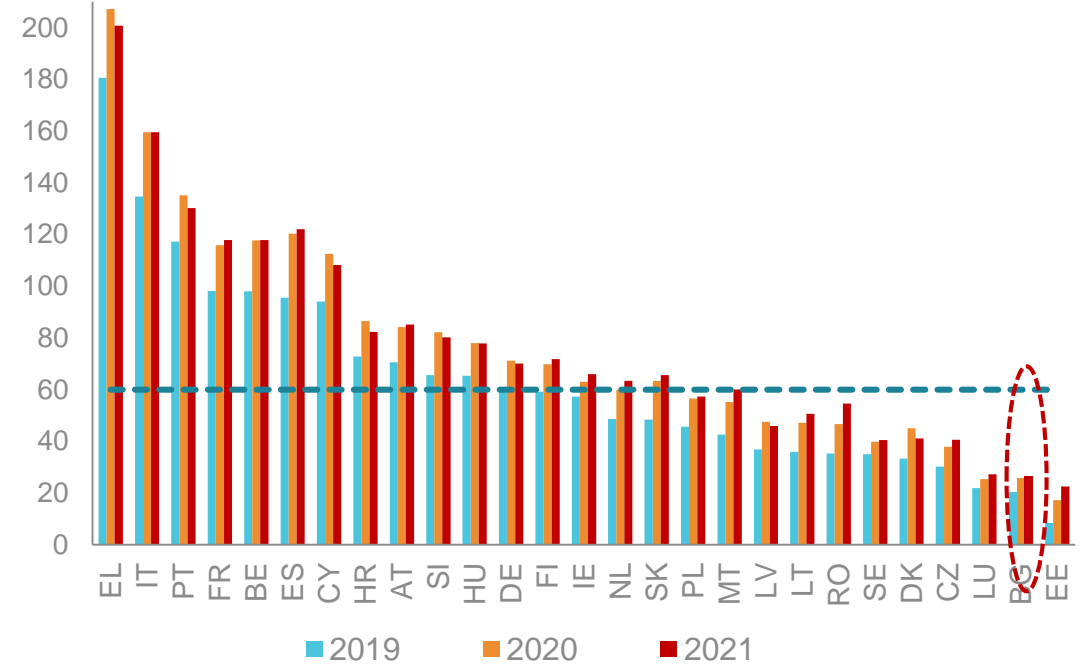
Note: No GDP quarterly forecasts are reported for CY, EL, MT and LU.

Budgetary outlook for 2020 and 2021

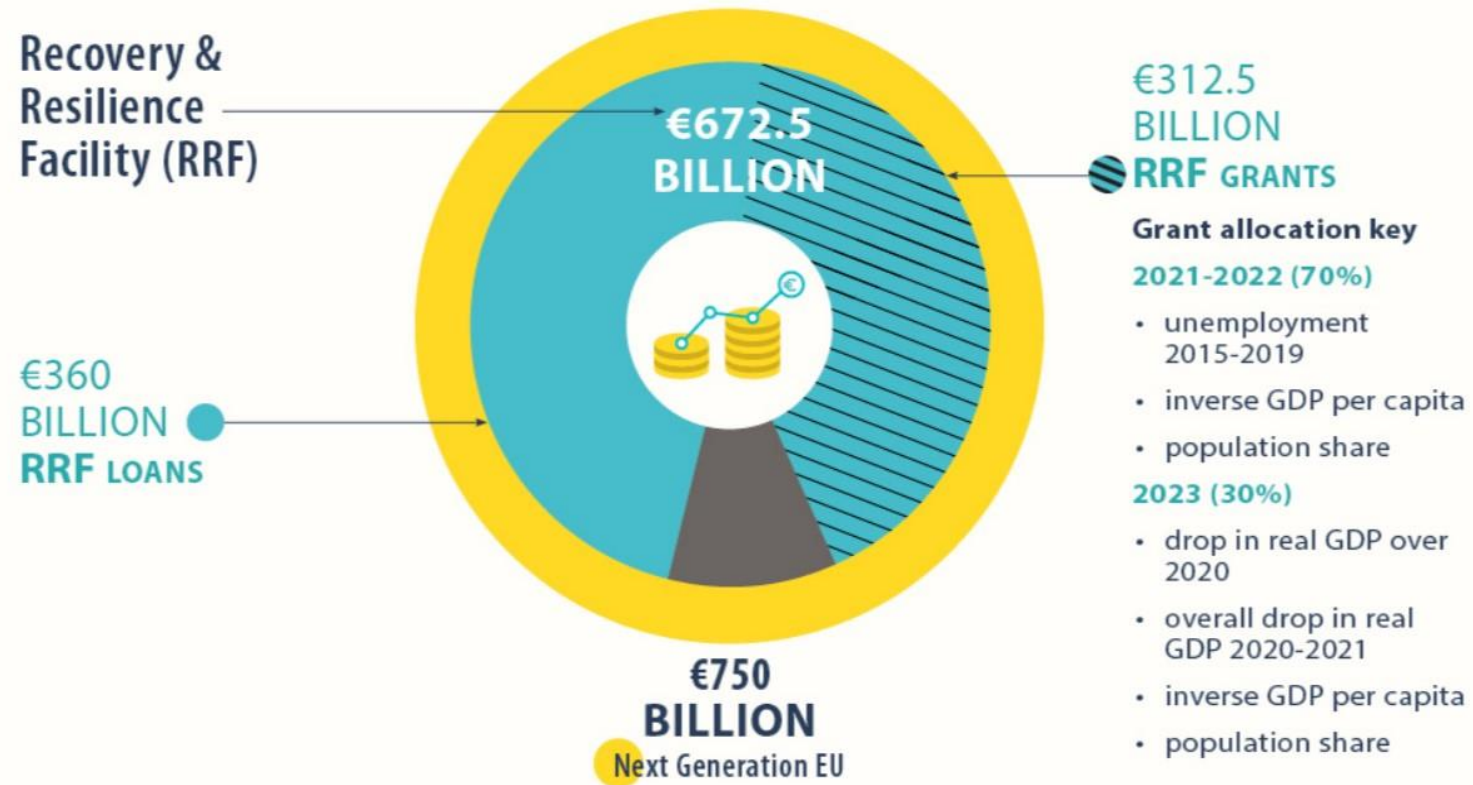
General government balance, 2019-2021, % of GDP



Gross general government debt, 2019-2021, % of GDP



Next Generation EU – Recovery and Resilience Facility



*Figures expressed in 2018 prices. In current prices, the Next Generation EU envelope amounts to €807.1 bn, including €724 bn for the Recovery and Resilience Facility (€338 bn grants, €386 bn loans).

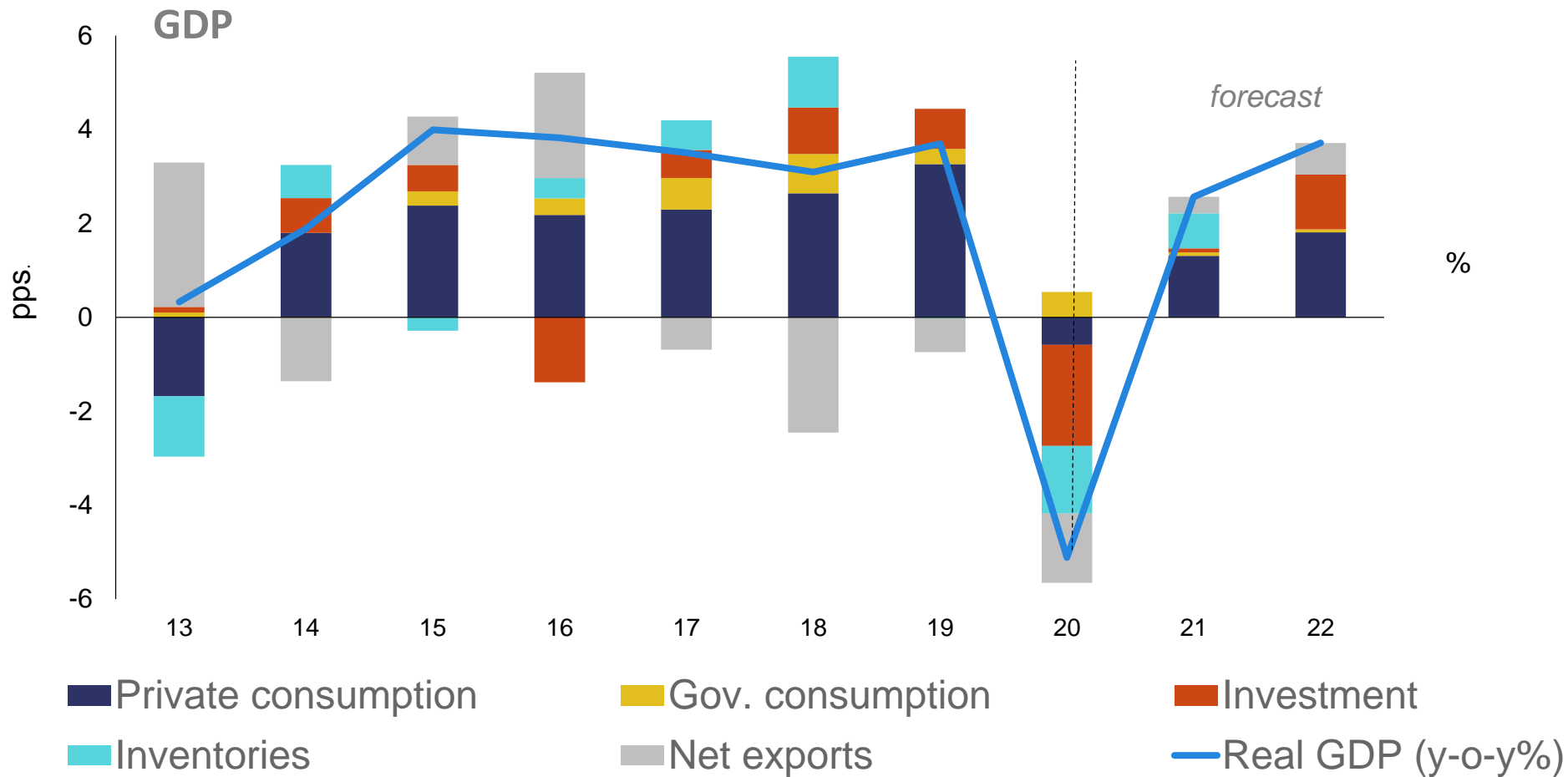
National Recovery and Resilience Plans

- **Investments and reforms** included in the RRP should:
 - ✓ address challenges identified in the **relevant country-specific recommendations**;
 - ✓ contribute to the **green and to the digital transitions**;
 - ✓ strengthen the **growth potential, job creation, economic & social resilience**
- A minimum of **37% of funds** dedicated to **climate** (July European Council on the climate mainstreaming target of 30%);
- A minimum of **20% of funds** dedicated to the **digital transition** (agreement at the European Council of October)
- All measures must respect the “**do no significant harm**” principle.

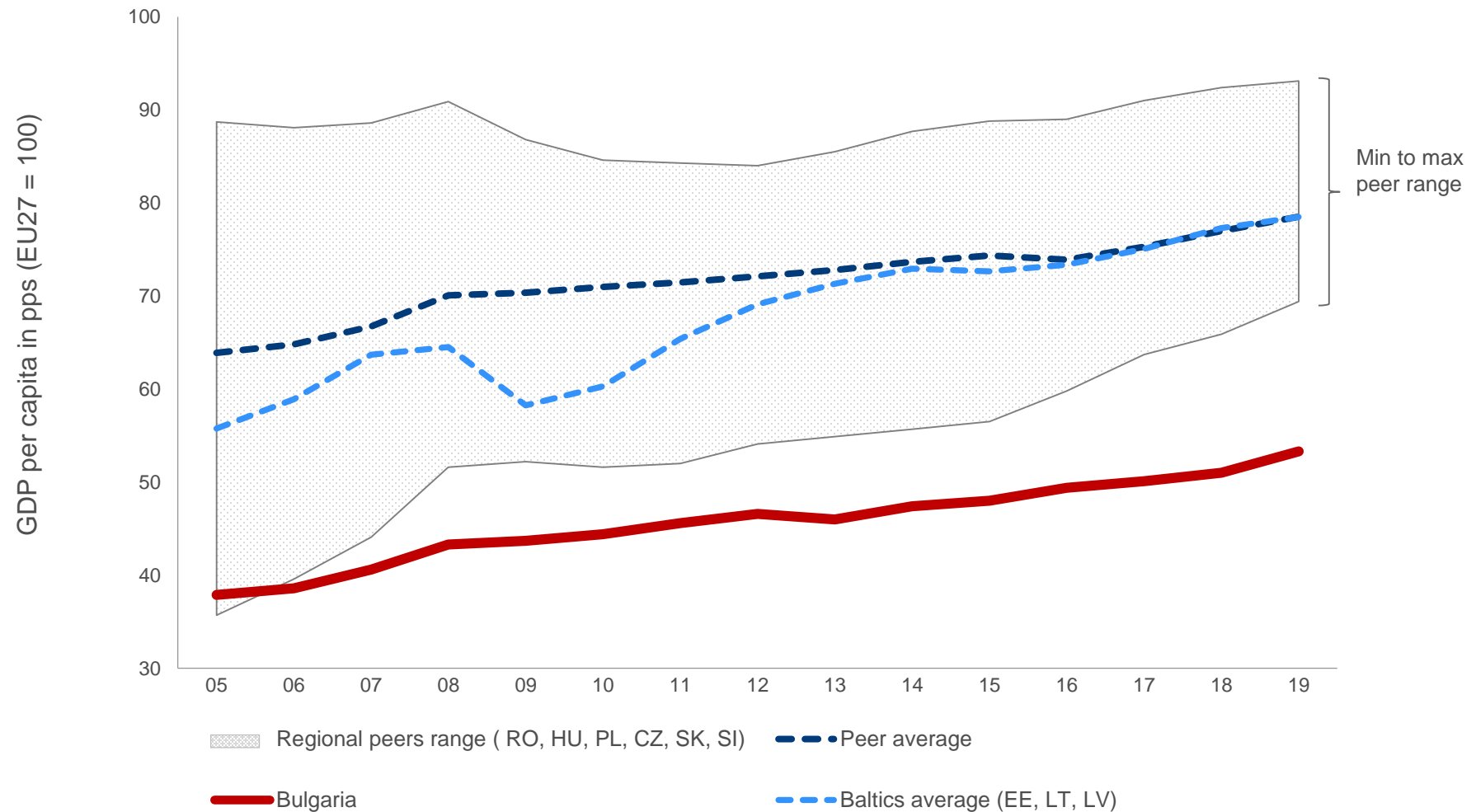


Policy challenges in Bulgaria and the Recovery and Resilience Facility

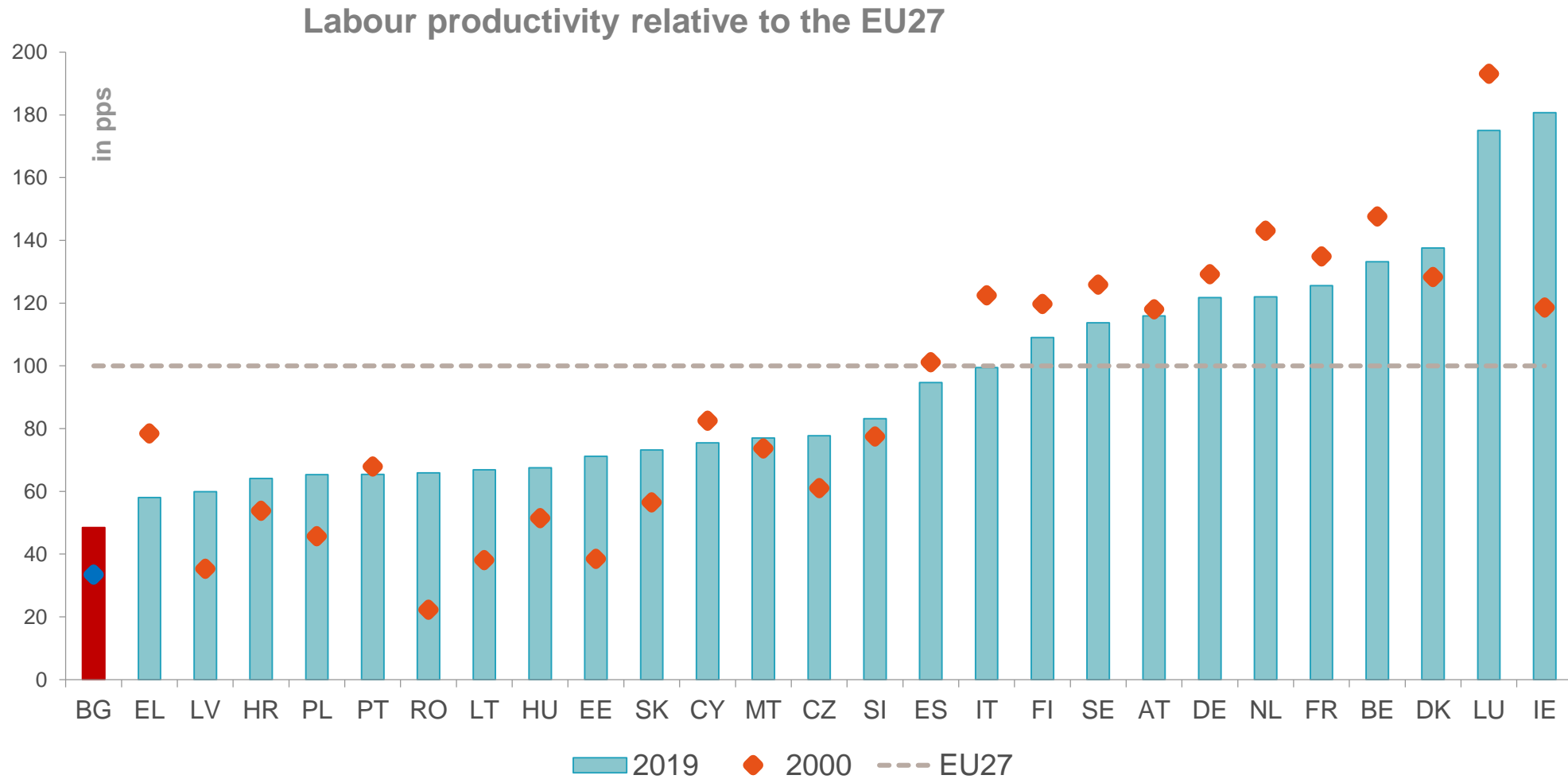
Sharp recession in the wake of the pandemic and a gradual recovery...



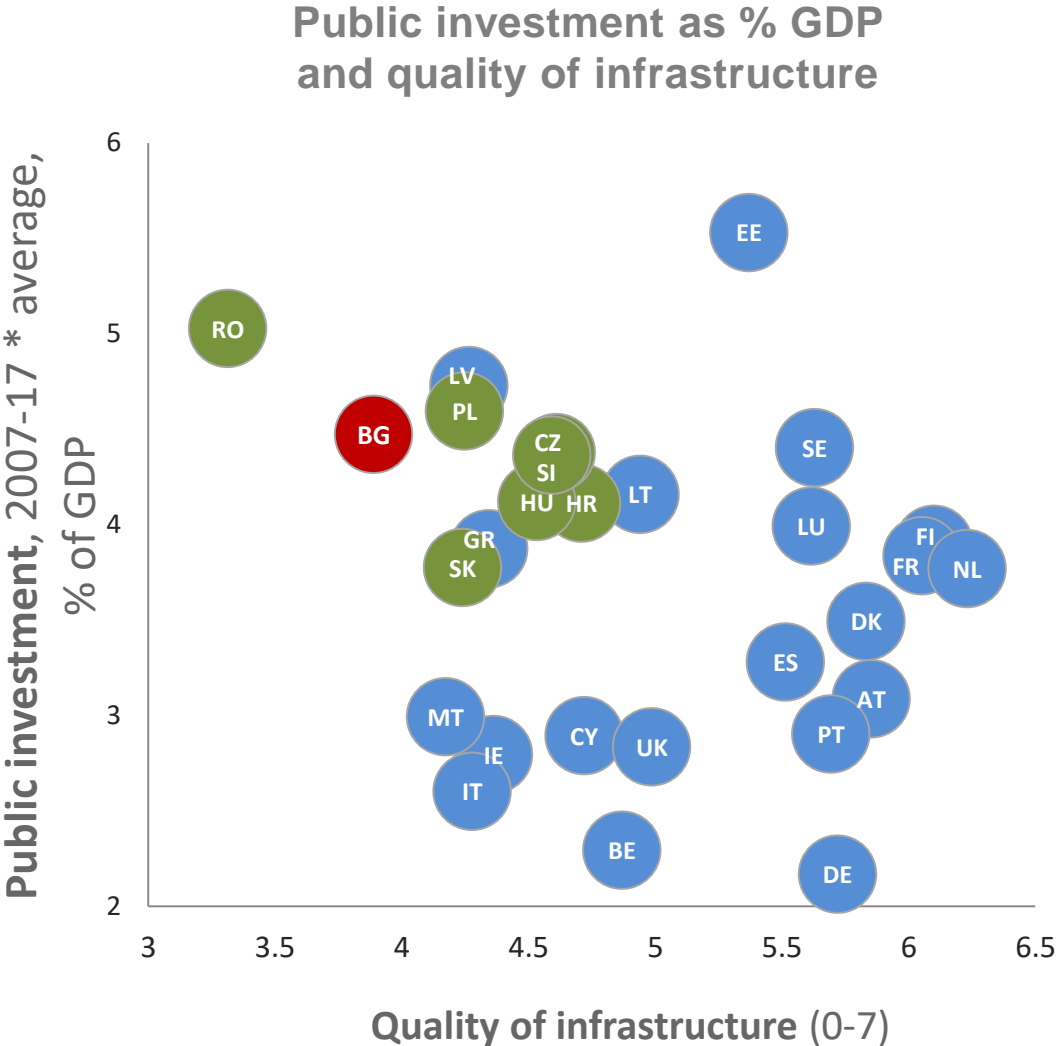
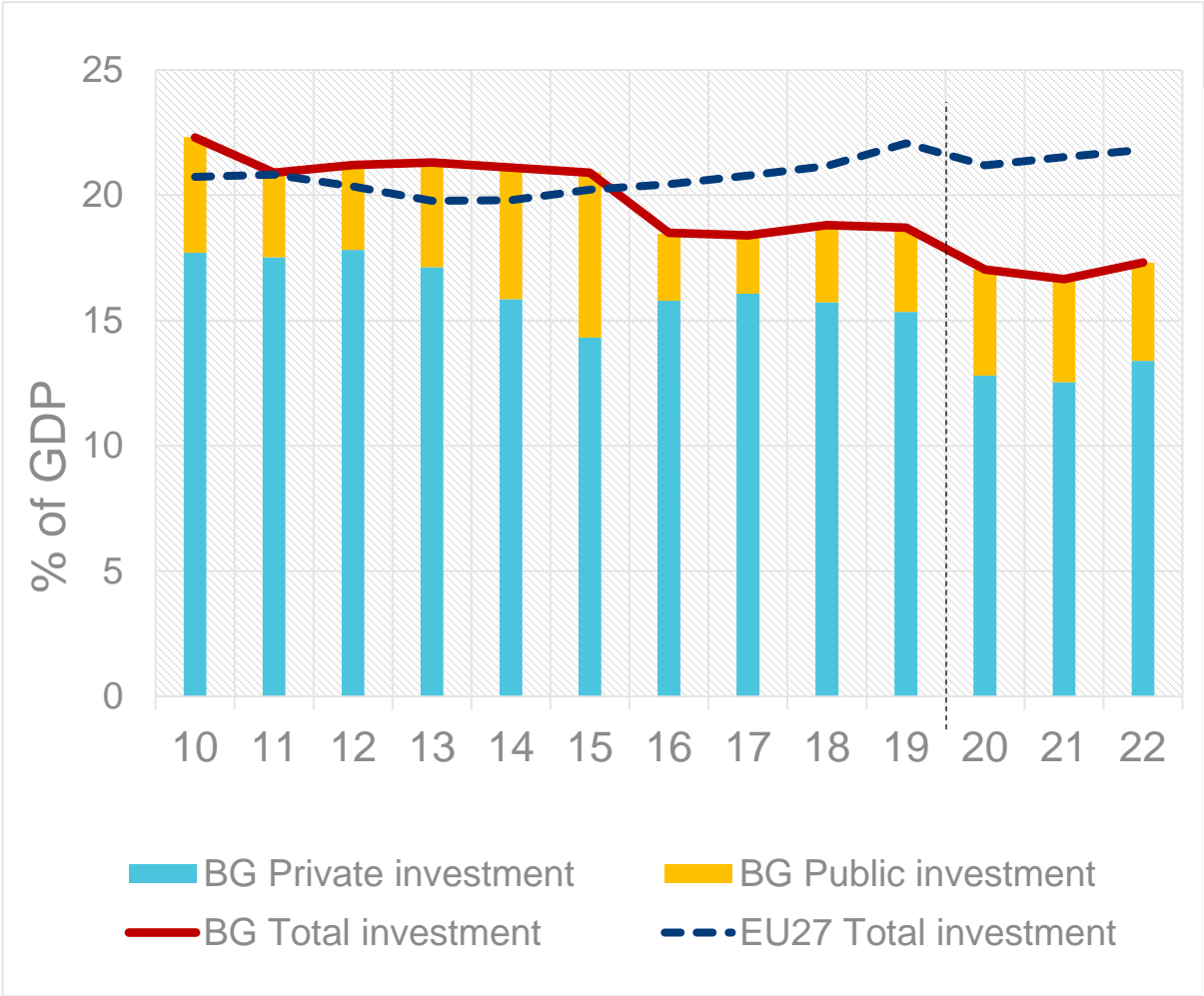
Convergence to the EU average income has not been fast



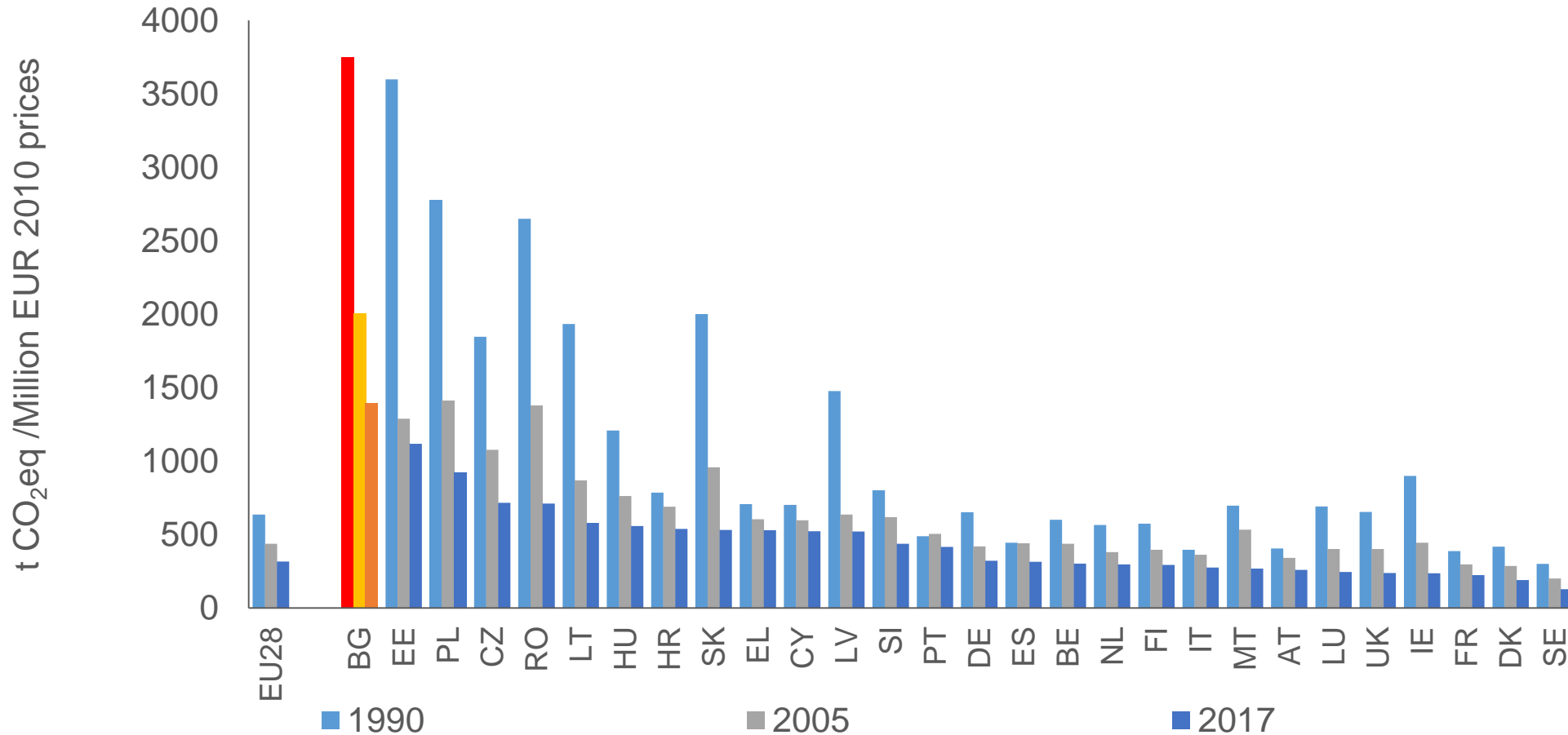
Labour productivity remains well below the EU average



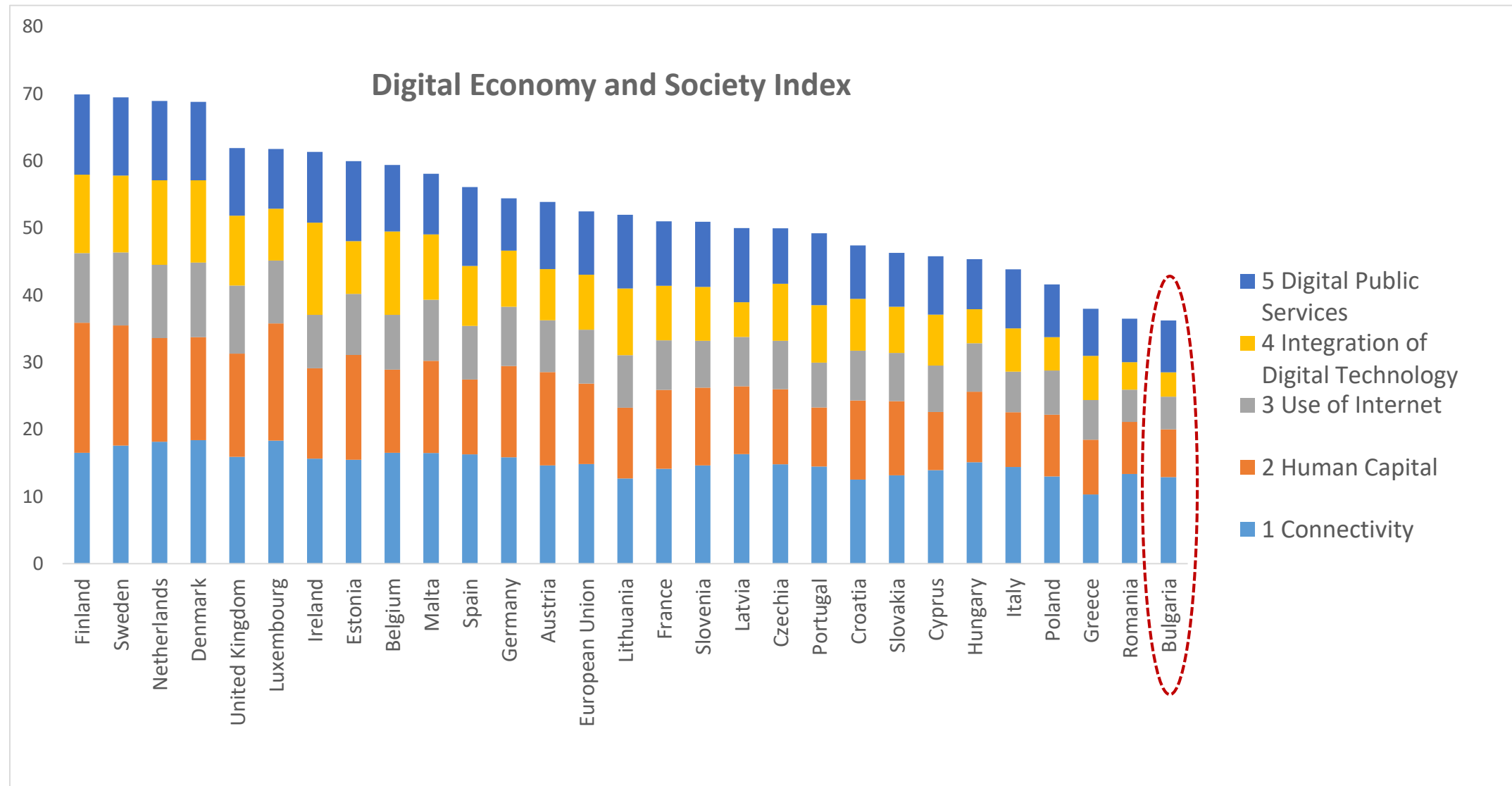
Investment levels fall short of needs to modernize the economy



Bulgaria has one of the most energy and carbon-intensive economies in the EU



Boosting digital performance would propel future growth



Summing up...

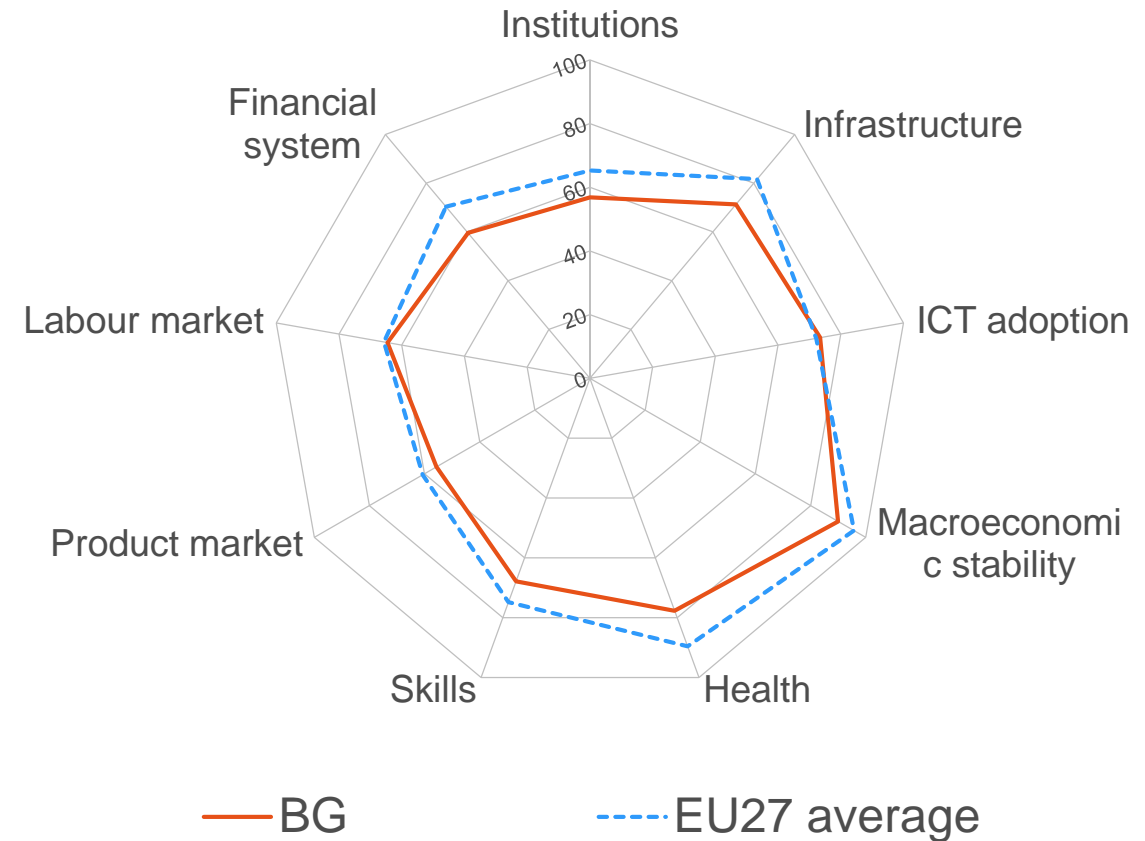
Areas of strength

- ✓ Fiscal prudence
- ✓ Stable currency board; ERM II
- ✓ Low public, household and external debt
- ✓ Integrated open economy
- ✓ Gradually increasing sophistication of production (FDI)

Weaknesses

- ✓ Adverse demographics
- ✓ Low investment and significant skills gap
- ✓ High levels of poverty and social exclusion
- ✓ Weak institutional capacity and business environment
- ✓ High energy and carbon intensity
- ✓ Lags in the digital take-up

The Global Competitiveness Index (2019 edition)



How can the RRF help Bulgaria's development?

European Semester



Fiscal

Management of public budget and investments, SOEs governance framework implementation.



Social dimension and skills

Social protection, minimum income scheme, digital skills, quality and inclusiveness of education.



Investments

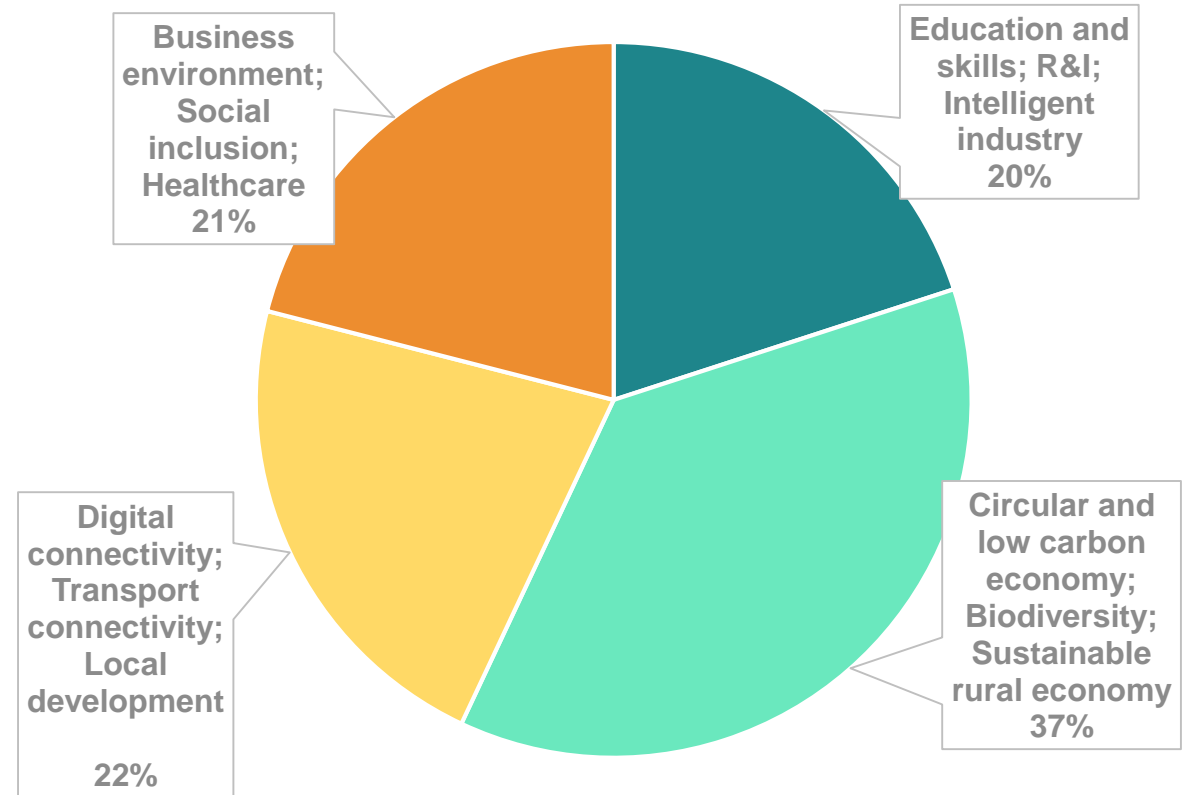
Green and digital transition, decarbonisation of economy, improvements to energy, water and transport infrastructure, R&I system.



Business environment

Minimise administrative burden, public administration reform, e-government, insolvency framework, AML.

Draft RRP under public consultation



Next steps for the Recovery and Resilience Plan

- Bulgaria will have significant funds at its disposal in the context of the RRF- amounting to about 6.0 bn EUR in grants (10% of its GDP) and about 4,5 bn EUR in loans (provisional, as per Council agreement). These come on top of large inflows for cohesion policy (ca. 10 bn EUR) in 2021-27.
- Reinforcing the planning and absorption capacity and robust financial management and control systems will be important to put these resources to the best use.
- National ownership of the plan is key. We welcome the public consultations on the draft RRP.
- The Commission is currently engaging with Member States to support the preparation of the national plans and ensure a speedy implementation.
- This is a unique opportunity for Bulgaria to enhance its growth potential, job creation and economic and social resilience and to meet the green and digital transition goals.



European
Commission

Thank you!