

Bulgarian State Budget 2021: a costly way back to “normal”

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On 26 November, the Bulgarian Parliament gave its final approval to the 2021 Budget Act. As with other countries in the EU, Bulgaria will incur unusual deficits in both 2020 and 2021. Most of the additional expenditure addresses the huge pressure on healthcare and education and the economic downturn caused by the COVID-19 pandemic. The crucial points are how the national budget will address social risks and inequities which were exacerbated by the COVID-19 crisis, and whether the pandemic will have lasting policy effects.

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Description

The 2021 Bulgarian State Budget was drafted and approved in a challenging context. In March 2021, Bulgaria is to hold regular parliamentary elections in a situation of political instability and multiple threats to jobs and livelihoods. COVID-19 cases surged after the end of the summer season, forcing the government to impose additional restrictions starting from 28 November 2020. Almost 4 billion BGN (€2.05 billion), which is about 8.3% of the 2021 budget, will come from EU funding. The government will thus heavily rely on the latter for tackling the consequences of COVID-19.

According to the Ministry of Finance, the 2021 budget “does not conceptually differ in any way from the budgetary decisions of the other EU Member States”. However, the budget was criticised by various experts and institutions, as well as by the main political party in opposition (the Bulgarian Socialist Party) for putting at risk hard-earned financial stability whereas, in comparison to other EU countries, Bulgaria has remained relatively stable in macroeconomic terms.

The budget for 2021 will provide extra funding for health, education and social policy.

There will be an additional budget of more than 600 million BGN (€307 million) for medical activities in the health sector, which include: additional payments to cover the health insurance of persons insured by the state such as children and the elderly (326.6 million

BGN; €167 million); 48.9 million BGN (€25 million) more on funding medical activities which fall outside the scope of the main package covered by the health insurance; and an extra 94.4 million BGN (€48.3 million) allocated to the purchase of vaccines and medication treating COVID-19.

223.1 million BGN (€114.02 million) of additional funding will support persons with disabilities. This money will fund both various social services (such as personal assistants) and in-kind benefits (such as free road-tax vignettes).

Extra funding will be allocated to education. This will be spent on pre-school enrolment (74 million BGN/ €37.9 million), building or expanding kindergartens (70 million BGN/ €36.7 million), salaries of professionals in the education system (417.8 million BGN/ €213.5 million), and the continuation of the university reform (65.9 million BGN/ €33.7 million).

The minimum amount of unemployment benefit has been increased from 9 to 12 BGN (i.e. from €4.6 to €6.13) per day, which is expected to cost 297.3 million BGN (€151.9 million). Active labour market policies, including measures and training in digital competencies and prolongation of the so-called “measure 60/40” (a scheme which seeks to maintain employment in businesses hit hard by the pandemic through State support to employers, covering 60% of the wages of their workers), are expected to cost 310 million BGN (€158.4 million).

Additional funding of 57 million BGN (€29.1 million) is earmarked for heating allowances and food support, which are essential for some of the poorest and

most vulnerable households, and 463 million BGN (€236.7 million) extra funding will be devoted to social inclusion (including social services and cash support for children and their families). More than 300 million BGN (€153.4 million) of additional funding will go to active labour market policies and a similar amount will be used to raise benefits, including an increase in the minimum daily rate of the unemployment benefit.

Outlook and commentary

In terms of public finance, there are three distinct ways of responding to the COVID-19 pandemic:

- 1) emergency measures which are aligned to the timing of the pandemic and have an expected end-date;
- 2) measures that are scheduled to last beyond the expected end of the health emergency, to support economic recovery; and
- 3) (supposedly) permanent policy changes triggered by the pandemic.

The government designed a response which already had strong budgetary implications in 2020 and will continue over 2021.

The budget has been supported by the Bulgarian Confederation of Independent Trade Unions, which

has described it as the most socially oriented budget to date, while also stating that it would be difficult for the State to implement it. According to the opposition Bulgarian Socialist Party, however, the budget for 2021 will permanently damage the financial stability of Bulgaria. The party claims that billions are being distributed that are not backed by the corresponding revenues. According to the 2021 budget estimates by the Ministry of Finance, the difference between revenues and expenditures for 2021 will be BGN 4.88 billion (€2.49 billion), i.e. 3.9% of GDP; in total for 2020 and 2021, this difference will exceed BGN 10 billion (€5.1 billion).

A key question is whether the pandemic will have a lasting effect on social protection, healthcare and education. Some of the measures taking up a large proportion of the additional funding are strictly time-limited. Infectious diseases, such as the one caused by COVID-19, provide compelling proof that lack of access to healthcare for anyone is a societal issue. The same is true for non-communicable diseases, though in subtler and less obvious ways. It is not yet clear if this will lead, beyond the emergency response, to substantial changes in policies and a more equitable allocation of resources.

Further reading

Bulgarian Ministry of Finance (2020), [Budgetary procedure 2021](#) (in Bulgarian).

Council of Ministers (2020), [Ordinance 778 approving the draft Budget 2021](#) (in Bulgarian).

European Commission (2020), DG Economic and financial affairs, [Policy measures taken against the spread and impact of the coronavirus](#) (16.11.2020).

Official website of Investor BG (2020), [Bulgarian Socialist Party: Budget 2021 will permanently damage the financial stability of Bulgaria](#) (in Bulgarian).

Official website of Bulgaria on air, [Expert: The budget for 2021 will be one of the hardest so far](#) (in Bulgarian) (22.10.2020).

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