

Reducing regional gaps in Bulgaria would support a more inclusive recovery

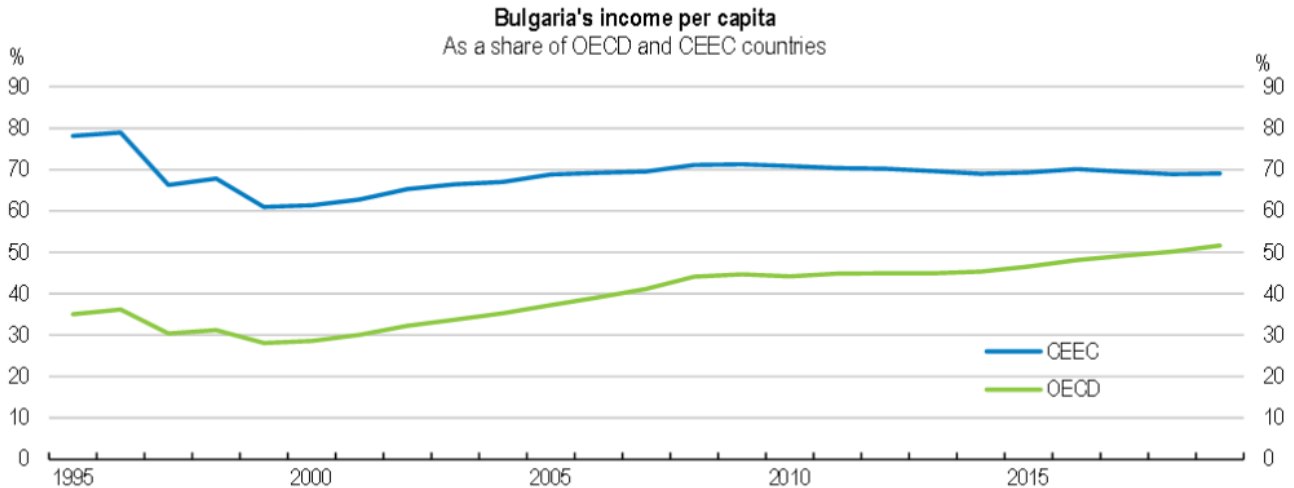


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Bulgaria had several years of robust economic growth prior to the COVID-19 pandemic. Income per capita reached half of the OECD average (Figure 1), but did not catch up on faster-growing Central and Eastern European peers. The structural reform agenda has been substantial in recent years. Even so, the *2021 Economic Assessment of Bulgaria* (OECD, 2021) calls for continued efforts to modernise the economy and enhance inclusion. This is all the more important as vaccinations accelerate and a recovery looms ahead.

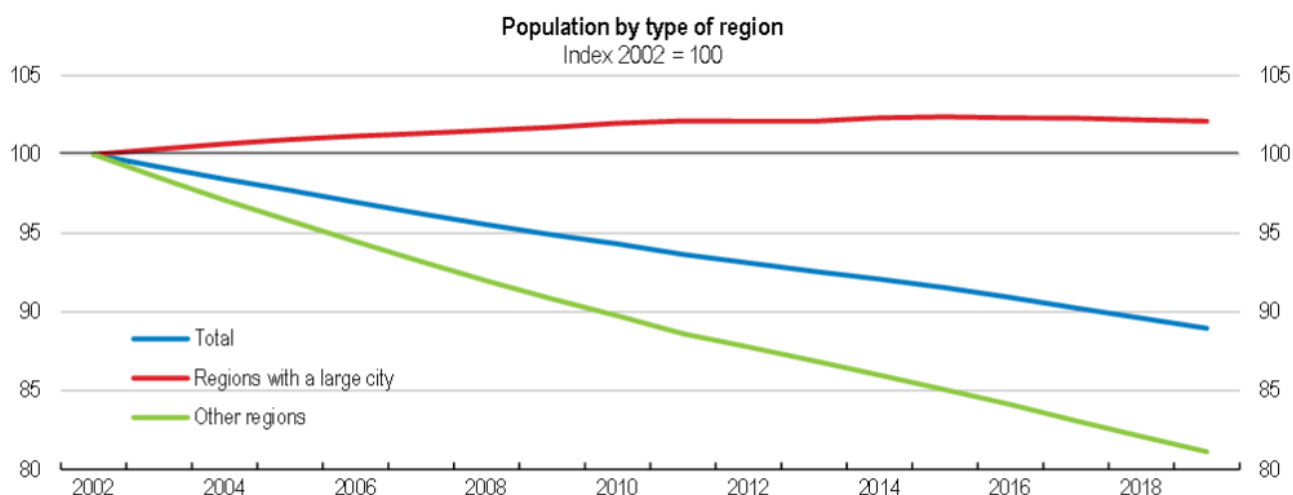
Figure 1. Growth was robust prior to the COVID-19 pandemic



Note: CEEC is the average of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia.
Source: World Bank, World Development Indicators database.

A key challenge for Bulgaria is a fast-shrinking and ageing population (Figure 2). This has increased regional income differences that are now larger than in most OECD countries. Regions without larger cities are lagging behind and are facing multiple challenges from depopulation, high unemployment and widespread poverty. Increasing investments in infrastructure and housing reform would help to boost mobility and strengthen regional linkages to national and international supply chains. Many rural regions are strongly dependent on agriculture, while tourism plays a big role in coastal regions by the Black Sea. Bulgaria has taken several measures to cushion workers, notably in tourism, from the pandemic shock. This is welcome and should be followed by policies to facilitate sustainable local economic development in the longer term. For instance, from upgrading tourism and agricultural activities and products.

Figure 2. The population is shrinking fast and moving to cities



Note: A large city has at least 250 000 inhabitants.

Source: Bulgarian National Statistical Institute.

Improving living standards across all regions will require better coverage and access to public services. Health and long-term care needs to be strengthened in particular. Hospital capacity is high and helped to mitigate the ongoing pandemic crisis. Nonetheless, access to health care is restricted in many regions due to low numbers of general practitioners, and gaps in health insurance coverage remain significant. To address the pandemic, the government made treatment of COVID-19 available to all. Going forward, priorities should be given to increase effectiveness of public healthcare spending by gradually consolidating the hospital sector and reducing out-of-pocket payments for low-income groups.

References

OECD (2021), *OECD Economic Surveys: Bulgaria 2021: Economic Assessment*, OECD Publishing, Paris, <https://doi.org/10.1787/1fe2940d-en>.