

# DECISIONS

## COUNCIL DECISION

of 13 July 2010

on the existence of an excessive deficit in Bulgaria

(2010/422/EU)

THE COUNCIL OF THE EUROPEAN UNION,

budgetary positions taking account of the economic situation.

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(6) in conjunction with Article 126(13) thereof,

(5) Article 126(5) of the Treaty requires the Commission to address an opinion to the Council if the Commission considers that an excessive deficit in a Member State exists or may occur. Having taken into account its report in accordance with Article 126(3) and having regard to the opinion of the Economic and Financial Committee in accordance with Article 126(4), the Commission concluded that an excessive deficit exists in Bulgaria. The Commission therefore addressed such an opinion to the Council in respect of Bulgaria on 6 July 2010 <sup>(3)</sup>.

Having regard to the proposal from the European Commission,

Having regard to the observations made by Bulgaria,

Whereas:

(1) According to Article 126(1) of the Treaty, Member States shall avoid excessive government deficits.

(6) Article 126(6) of the Treaty states that the Council should consider any observations which the Member State concerned may wish to make before deciding, after an overall assessment, whether an excessive deficit exists. In the case of Bulgaria, this overall assessment leads to the following conclusions.

(2) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth conducive to employment creation.

(7) According to the data notified by the Bulgarian authorities in April 2010, the general government deficit in Bulgaria reached 3,9 % of GDP in 2009, thus exceeding the 3 % of GDP reference value. The deficit was not close to the 3 % of GDP reference value but the excess over the reference value can be qualified as exceptional within the meaning of the Treaty and the Stability and Growth Pact. In particular, it results from a severe economic downturn in the sense of the Treaty and the Stability and Growth Pact, as the global economic and financial crisis hit hard the economy of Bulgaria and the negative annual GDP volume growth reached 5 % in 2009. According to the Commission services' spring 2010 forecast, the general government deficit would fall below the reference value already in 2010 with the stabilisation of the economy and as a result of the fiscal consolidation measures undertaken by the government. However, on the basis of the revised deficit target for 2010 (3,8 % of GDP according to the notification of 22 June 2010 by the Bulgarian authorities), significantly above the Commission services' spring forecast of 2,8 % of GDP, the breach of the reference value may not remain temporary. The deficit criterion in the Treaty is not fulfilled.

(3) The excessive deficit procedure (EDP) under Article 126 of the Treaty, as clarified by Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure <sup>(1)</sup> (which is part of the Stability and Growth Pact), provides for a decision on the existence of an excessive deficit. The Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the EDP. Council Regulation (EC) No 479/2009 <sup>(2)</sup> lays down detailed rules and definitions for the application of the provision of the said Protocol.

(4) The 2005 reform of the Stability and Growth Pact sought to strengthen its effectiveness and economic underpinnings as well as to safeguard the sustainability of the public finances in the long run. It aimed at ensuring that, in particular, the economic and budgetary background was taken into account fully in all steps in the EDP. In this way, the Stability and Growth Pact provides the framework supporting government policies for a prompt return to sound

<sup>(1)</sup> OJ L 209, 2.8.1997, p. 6.

<sup>(2)</sup> OJ L 145, 10.6.2009, p. 1.

<sup>(3)</sup> All EDP-related documents for Bulgaria can be found at the following website: [http://ec.europa.eu/economy\\_finance/sgp/deficit/countries/index\\_en.htm](http://ec.europa.eu/economy_finance/sgp/deficit/countries/index_en.htm)

- (8) According to the data notified by the Bulgarian authorities in April 2010, the general government gross debt remains well below the 60 % of GDP reference value and stood at 14,8 % of GDP in 2009. The Commission services' spring 2010 forecast projects the debt ratio to increase over the 2010-2011 period, but to remain below 19 % of GDP. In a notification submitted on 22 June 2010, the Bulgarian authorities further revised the planned debt for 2010 to 15,3 % of GDP. The debt criterion in the Treaty is fulfilled.
- (9) According to Article 2(4) of Regulation (EC) No 1467/97, 'relevant factors' can only be taken into account in the steps leading to the Council decision on the existence of an excessive deficit in accordance with Article 126(6) if the double condition — that the deficit remains close to the reference value and that its excess over the reference value is temporary — is fully met. In the case of Bulgaria, this double condition is not met. Therefore, relevant factors are not taken into account in the steps leading to this Decision,

HAS ADOPTED THIS DECISION:

*Article 1*

From an overall assessment it follows that an excessive deficit exists in Bulgaria.

*Article 2*

This Decision is addressed to the Republic of Bulgaria.

Done at Brussels, 13 July 2010.

*For the Council*  
*The President*  
D. REYNDEERS