



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 4 June 2012

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COVER NOTE

from: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 1 June 2012

to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

No Cion doc.: COM(2012) 273 final

Subject: Recommendation for a Council Decision abrogating Decision 2010/422/EU on
the existence of an excessive deficit in Bulgaria

Delegations will find attached Commission document COM(2012) 273 final.

Encl.: COM(2012) 273 final



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Recommendation for a

COUNCIL DECISION

abrogating Decision 2010/422/EU on the existence of an excessive deficit in Bulgaria

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(12) thereof,

Having regard to the recommendation from the Commission,

Whereas:

- (1) By Council Decision 2010/422/EU of 13 July 2010¹, following a proposal from the Commission in accordance with Article 126(6) of the Treaty, it was decided that an excessive deficit existed in Bulgaria. The Council noted that the general government deficit reached 3.9% of GDP in 2009, above the 3% of GDP Treaty reference value, while the general government gross debt was 14.8% of GDP, well below the 60% of GDP Treaty reference value².
- (2) On 13 July 2010, in accordance with Article 126(7) of the Treaty and Article 3(4) of Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure³, the Council, based on a recommendation from the Commission, addressed a recommendation to Bulgaria with a view to bringing the excessive deficit situation to an end by 2011 at the latest. The recommendation was made public.
- (3) In accordance with Article 4 of the Protocol on the excessive deficit procedure annexed to the Treaties, the Commission provides the data for the implementation of the procedure. As part of the application of this Protocol, Member States are to notify data on government deficits and debt and other associated variables twice a year, namely before 1 April and before 1 October, in accordance with Article 3 of Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community⁴.

¹ OJ L 199, 31.7.2010, p. 26.

² The general government deficit and debt for 2009 were subsequently revised to currently 4.3% of GDP and 14.6% of GDP respectively.

³ OJ L 209, 2.8.1997, p. 6.

⁴ OJ L 145, 10.6.2009, p. 1.

- (4) When considering whether a decision on the existence of an excessive deficit should be abrogated, the Council should take a decision on the basis of notified data. Moreover, a decision on the existence of an excessive deficit should be abrogated only if the Commission forecasts indicate that the deficit will not exceed the 3% of GDP threshold over the forecast horizon⁵.
- (5) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009 following the notification by Bulgaria before 1 April 2012 and on the Commission services' 2012 spring forecast, the following conclusions are warranted:
- The budgetary targets have been consistently overachieved in the period following the year of the excessive deficit. The general government deficit was reduced to 3.1% of GDP in 2010 and decreased further to 2.1% of GDP in 2011, against initially set targets of 3.8% and 2.5% respectively. The correction of the deficit has been driven mainly by strict control of expenditure growth, including through freezing the government sector wage bill and pensions, whereby the expenditure-to-GDP ratio fell by 5.5 percentage points between 2009 and 2011. The 2012 convergence programme projects the deficit to continue falling to 1.6% of GDP in 2012 and 1.3% of GDP in 2013. In the Commission services' 2012 spring forecast the general government deficit is projected to improve to 1.9% of GDP in 2012 and to 1.7% of GDP in 2013, supported by a continued freeze in the government sector wage bill, as well as a cyclical improvement in revenues.
 - The Commission services' 2012 spring forecast projects a cyclically adjusted balance net of one-off and temporary measures of 0.7% in 2012 and of 0.8% of GDP in 2013, under a no-policy-change assumption. Meanwhile, in 2012 and 2013, the growth rate of government expenditure net of discretionary revenue measures is forecast to remain below the benchmark reference medium-term rate of potential GDP growth, as specified in Article 5(1) of Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.
 - The Commission services' 2012 spring forecast projects the general government gross debt to increase moderately from 16.3% of GDP in 2011 to 18.5% of GDP in 2013. This debt forecast does not include possible external debt issuance in 2012 to pre-fund the repayment of euro-denominated bonds of around 2% of GDP in January 2013. Similarly, the latest convergence programme projects the debt ratio to increase to 18.4% by 2013.
- (6) In accordance with Article 126(12) of the Treaty, a Council Decision on the existence of an excessive deficit is to be abrogated when the excessive deficit in the Member State concerned has, in the view of the Council, been corrected.

⁵ In line with the “Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes”, as agreed by the Council on 24 January 2012. See:
http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/code_of_conduct_en.pdf

- (7) In the view of the Council, the excessive deficit in Bulgaria has been corrected and Decision 2010/422/EU should therefore be abrogated.

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Bulgaria has been corrected.

Article 2

Decision 2010/422/EU is hereby abrogated.

Article 3

This Decision is addressed to the Republic of Bulgaria.

Done at Brussels,

*For the Council
The President*