EU encourages Bulgaria to continue pursuing strict fiscal policies

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Today the European Commission examined the updated stability and convergence programmes of Belgium, Bulgaria, Germany, Estonia, Ireland, Spain, France, Italy, the Netherlands, Austria, Slovakia, Sweden, Finland and the United Kingdom. These assessments have to be seen against the background of the sharp economic and financial crisis which has had a major impact on public finances, comments Rapid.

Reflecting the working of automatic stabilisers and discretionary stimulus measures implemented in line with the European Economic Recovery Plan to cope with the exceptional economic circumstances, a large majority of Member States is currently subject to the excessive deficit procedure following corresponding Council decisions in 2009. Of the countries assessed today, only Bulgaria, Estonia, plan to keep their general government deficits below the 3% of GDP reference value set in the Stability and Growth Pact over the programmes' period.

Overall, for the majority of the fourteen programmes, the growth assumptions underlying the budgetary projections are assessed as rather optimistic, implying that budgetary outcomes might be worse than targeted. Furthermore, in several cases, the budgetary consolidation strategy is not sufficiently backed up by concrete measures from 2011 onwards.

The update of Bulgaria's convergence programme aims at maintaining a sound budgetary position reflected in balanced planned general government budgets, which is considered adequate at the current economic juncture and in view of the need to sustain the on-going adjustment of external imbalances. After reaching a deficit of 1.9% of GDP in 2009, the general government budget is projected to be balanced in 2010 and to stabilize at a surplus of 0.1% of GDP in 2011-2012.

The overall fiscal stance appears restrictive in 2010, broadly neutral in 2011, and provides for some fiscal relaxation in 2012. The undertaken consolidation measures and the strong political commitment to fiscal discipline are expected to partially compensate the risks stemming from the slightly favourable assumptions on growth and revenue collection.

The programme foresees ambitious structural reforms that aim to strengthen the sustainability of public finances and at the same time to underpin the economic recovery. Given the need to ensure sustainable convergence, Bulgaria is invited to continue pursuing strict fiscal policies as well as to implement the planned structural reforms.