

BUDGET

In brief

2019

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„If our budget allows it“ – with this condition we all spend our money in our everyday life or in the realization of our wishes to acquire more goods.

This is also the most common answer of the Ministry of Finance when the state authority, embodied by the line ministries, and the local authority, embodied by the municipalities, declare their wishes for expenditures on their socio-economic priorities and programs during the year.

The information in this bulletin was prepared by the Ministry of Finance to briefly and clearly outline what revenue the state will collect in 2019, for what it will spend the collected money and where the allocated funds will increase.



Economic Prospects

The economy will continue to grow

The MoF forecast for 2019, shows that we, as a society, will produce BGN 116 billion Gross Domestic Product.

This gives grounds for calm that the functions of the state can be financially secured.

For 2019 the economic growth is expected to be 3,7 %.

Unemployment rate will continue to decline

Unemployment rate has been declining since 2015, when it was 9,1%. This trend will continue in the coming years - the forecast is for a 4,8% in 2019.

Inflation rate will stay in moderate limits

Inflation rate was moderate in 2017 and 2018. For 2019 it is expected to be 3 % and then to start decreasing.

The present bulletin is an alternative form for distribution of the so-called "Budget for Citizens" and aims to improve budgetary transparency and public awareness.

WHERE THE REVENUES COME FROM



BUDGET

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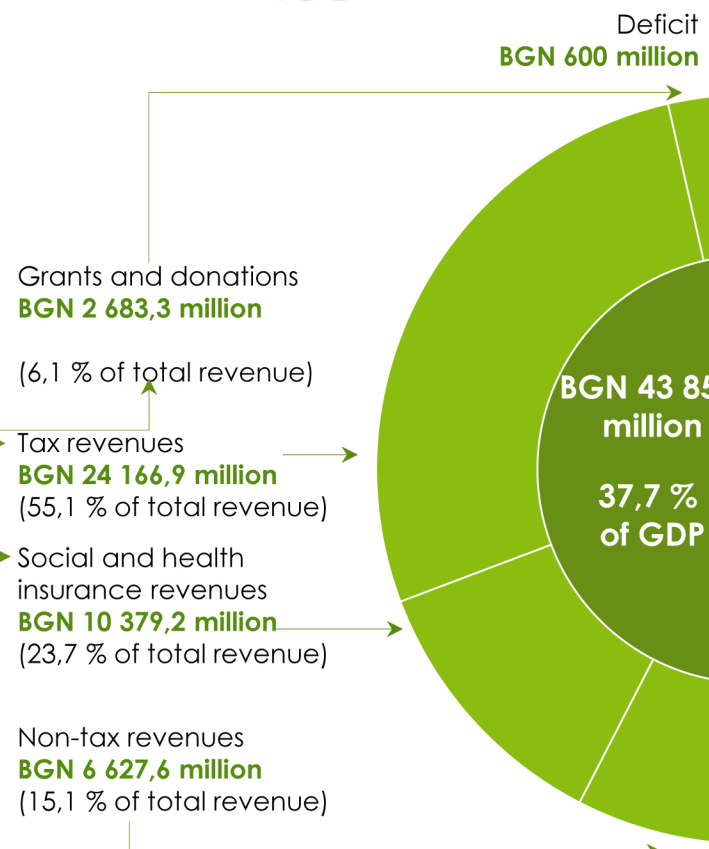
EXPENDITURE

WHAT WILL THE TAXPAYERS' MONEY BE SPENT ON

WHAT ARE THE PRIORITIES

The growth of the economy, the results of the fight against tax fraud and the increased collection rate led to the increase of the budget revenues - BGN 5,6 billion more than in 2018.

Almost the whole amount of grants and donations is formed by EU funds and programs



Taxes and Excise duties (rates)

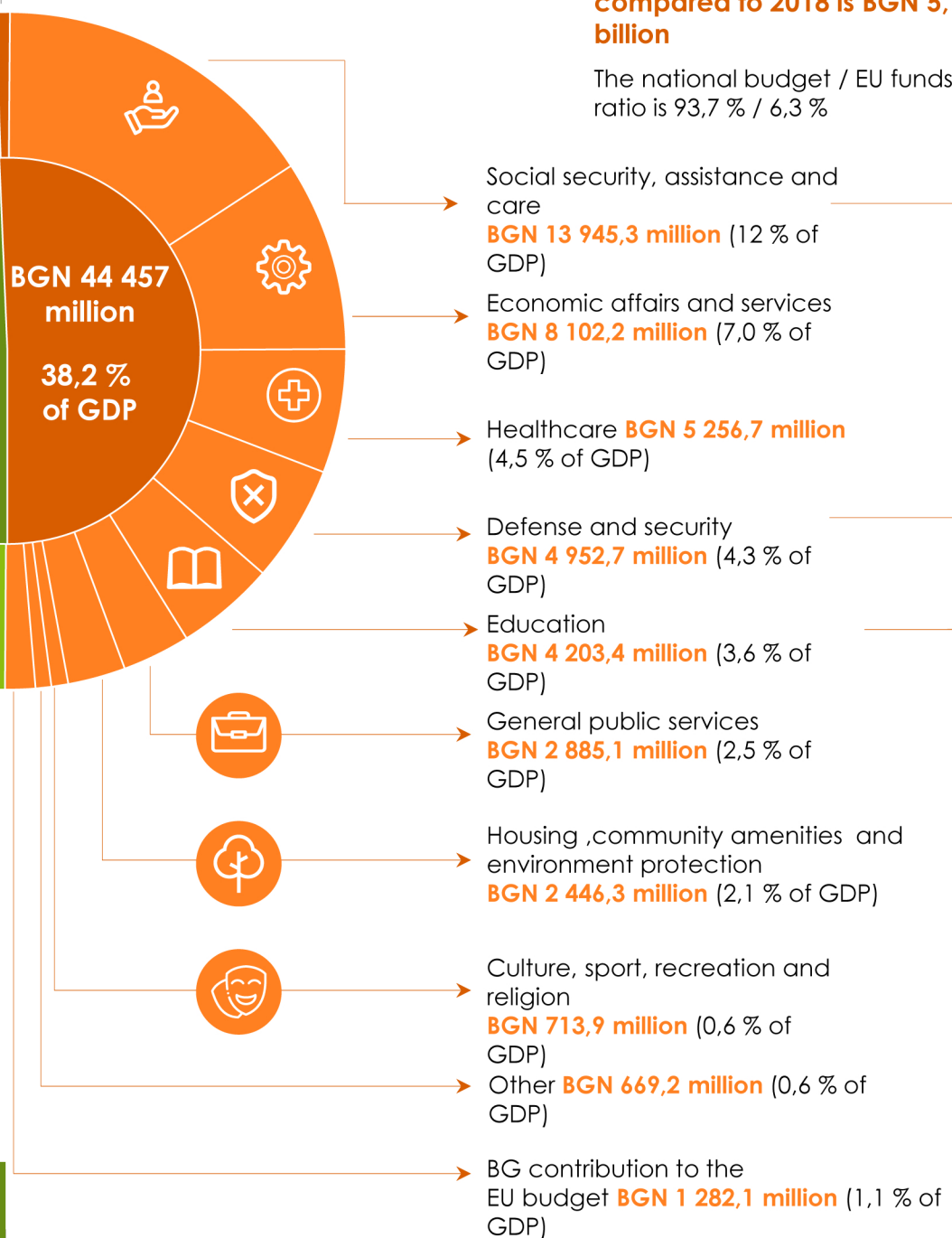
Income tax.....	10 %
Profit tax.....	10 %
Value added tax	20 %
Excise duty on heated tobacco products	233 BGN/kg ▲81 BGN/kg

Social Security

Health insurance contribution	8 %
Social security contribution.....	25 %
Minimum insurance income for self-employed persons = Minimum wage.....	BGN 560 ▲BGN 50
Maximum insurance income.....	BGN 3 000 ▲BGN 400

The nominal growth of total expenditures for 2019 compared to 2018 is BGN 5,1 billion

The national budget / EU funds ratio is 93,7 % / 6,3 %



Social Policy – the largest share of public spending in 2019 – 31,4 %

Additional funds for:

Disabled people ... BGN 150,0 million

Heating aids..... BGN 40,4 million

Assistance for orphan children without the right of survivor's pension..... BGN 7,0 million

Defense

BGN 1 839,3 million – 1,58 % of GDP or 4,1 % of all public expenditures

▲ until reaching 2 % of GDP in 2024.

Education

Additional funds for:

pre-school and school education

▲ 20 % growth of pedagogical staff salaries BGN 330 million

▲ 10 % growth of non-pedagogical staff salaries BGN 39 million

Activities related to specific interests of students BGN 25,1 million

Work with children from vulnerable groups..... BGN 8 million

Food and transportation of students..... BGN 12,3 million



Pension expenditures are 22,6 % of total expenditures with an increasing tendency

For pensions – over BGN 10 billion

From 1 July 2019:

▲ 5,7 % increase all pensions granted until the end of 2018.

▲ BGN 1200 is the maximum amount of one or more pensions received



Higher education

Training of students and PhD students..... BGN 39 million

Scholarships BGN 2 million

For specialties with expected labour market shortages..... BGN 2 million

EUROPEAN UNION FUNDS AND PROGRAMS ABSORPTION

The budgetary impact of financial relations with the EU in the expenditure side (including national co-financing) for 2019 amounts to BGN 4 116,8 million, which is 3,5 % of GDP.

Support from the state budget for municipalities for 2019 is BGN 3 745,8 million and the growth of BGN 481,7 million compared to 2018 will be provided for:

The government will support municipalities through a fairer model for allocating of the funds

<ul style="list-style-type: none"> activities delegated by the state ▲ BGN 453,7 million 	<p>Funding from the state budget for the activities delegated by the state is determined on basis of the standards adopted by the Council of Ministers with natural and value indicators</p>
<ul style="list-style-type: none"> equalizing subsidy ▲ BGN 10 million 	<p>The allocation mechanism for the general equalizing subsidy will support municipalities with more limited opportunities in order to reduce local imbalances</p>
<ul style="list-style-type: none"> winter maintenance and snow removal ▲ BGN 3 million 	
<ul style="list-style-type: none"> target subsidy for capital expenditures ▲ BGN 15 million 	<p>The mechanism for allocating the targeted subsidy for capital expenditures will provide additional funds to support municipalities to improve the condition of social and technical infrastructure</p>

What part of the CFP are the municipal budgets

as a % of the relevant indicator under the CFP

Total expenditures	14,2 %
Revenues, grants and donations	5,5 %
Tax-insurance revenues	3,0 %
Non-tax revenues	20,5 %

A fairer taxation model for some local taxes is introduced, such as:

1. a tax relief can be used for only one main dwelling regardless of in which municipality it is located;
2. the tax for cars and trucks up to 3,5 tons will be determined on the basis of two components - a property and an ecological part

The financial position of municipalities is measured by indicators for financial autonomy, financial sustainability and investment activity. As for the third quarter of 2018:

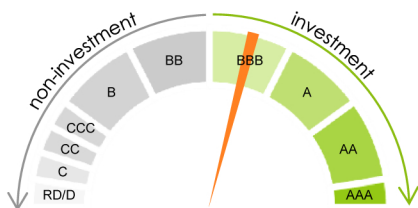
- the highest ranking by these indicators are Sofia Municipality, Plovdiv, Ruse, Burgas, Nessebar, Panagyurishte, Chelopech, Zlatitsa, Bozhurishte, Ivanovo;
- the largest decrease in the amount of the appropriations for payments compared to the end of 2017 is reported in Sofia Municipality, Plovdiv, Sliven, Pomorie and Pernik;
- with the greatest decrease in the undertaken appropriations for commitments compared to the end of 2017 are Varna, Pernik, Stara Zagora, Ruse, Haskovo and Smolyan;
- with the largest decrease in the budget arrears compared to the end of 2017 are the municipalities of Sliven, Pomorie, Pernik, Lom, Vidin, Stambolovo and Dospat.
- The municipalities with financial difficulties for 2018 are 13. The municipalities with an agreed recovery plan as of 30.09.2018 are 11, with 10 plans being agreed in 2017.



How do we compare to the European Union average indicators, according to the latest European Commission forecast for 2019

Indicators	EC forecast for Bulgaria	EU average (EU-28)
Real economic growth	3,7 %	1,9 %
Inflation rate	2,0 %	2,0 %
Unemployment rate	5,8 %	6,6 %
General Government balance	0,6 % of GDP	-0,8 % of GDP
General Government debt	21,3 % of GDP	79,5 % of GDP

How rating agencies evaluate us •



On November 16, 2018, Fitch confirmed Bulgaria's long-term credit rating in foreign and local currency BBB with a stable outlook

- On 30.11.2018, S&P Global Ratings confirmed Bulgaria's long-term and short-term credit rating in foreign and local currency 'BBB- / A-3'. The outlook for the rating is also confirmed and remains positive.
- Financial stability, low debt and joining the exchange rate mechanism II (ERM II) will further strengthen the confidence in Bulgaria's sovereign bonds and are factors for future rating increases.

How the International Budget Partnership (IBP) initiative evaluates us in terms of budget transparency

According to the latest Open Budget Index 2017, our country ranks among countries with a significant level of transparency.

