

1 Introduction

In accordance with the Stability and Growth Pact set out in Council Regulation (EC) 1466/97, the Czech Republic hereby submits the Convergence Programme for the period of 2006 to 2008. This document has been compiled as a part of the multilateral surveillance procedure set out in Article 99 of the Treaty establishing the European Community and in line with the recommendations of the Integrated Guidelines for Growth and Jobs endorsed by the ECOFIN Council at the meeting of the European Council in Brussels in October 2005. Its strategy respects the decision of the ECOFIN Council of 5 July 2004 on the existence of an excessive deficit in the Czech Republic and the subsequent recommendation¹ with a view to bringing an end to the situation of an excessive government deficit.

From a formal point of view, the Convergence Programme follows the principles defined by the Economic and Financial Committee of the Council in its “*2001 Code of Conduct*” as amended in 2005. In respect to content, the programme is founded on the strategy of fiscal consolidation adopted by the Czech government for eliminating the excessive deficit. The multi-annual programme for the consolidation of public budgets specified in the first Convergence Programme in May 2004 – endorsed by the ECOFIN Council following its decision on the existence of an excessive deficit in the Czech Republic based on the acknowledgement of special circumstances – sets out the medium-term timeframe for eliminating the excessive deficit by 2008. The Czech government continues to follow this strategy of fiscal consolidation so that in 2008 the Maastricht Convergence Criteria can be met in a sustainable manner. The Convergence Programme is in line with the relevant strategic and budgetary documents of the government, such as the Strategy for Economic Growth for the period of 2006 to 2013 and the National Reform Programme, which was drafted in support of the re-launched Lisbon process.

The Convergence Programme is based on the draft of the 2006 state budget as submitted by the government to the Chamber of Deputies of the Parliament of the Czech Republic. It also takes into account the fiscal notification of 1 September 2005, which was submitted to Eurostat and the Directorate General for Economic and Financial Affairs of the European Commission, and the official statistical data of the Czech Statistical Office available in September 2005.

The Convergence Programme was discussed with the representatives of social partners and submitted to the Parliament of the Czech Republic. In February this year, the Czech Parliament was also informed about the Council’s opinion on the Convergence Programme from November 2004 and about the Council’s recommendation with a view to bringing an end to the situation of an excessive government deficit.

¹ In accordance with Article 104(7) of the Treaty establishing the European Community