

COUNCIL DECISION

of 5 June 2007

abrogating Decision 2004/917/EC on the existence of an excessive deficit in Greece

(2007/465/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104(12) thereof,

Having regard to the recommendation from the Commission,

Whereas:

- (1) By Council Decision 2004/917/EC ⁽¹⁾, following a recommendation from the Commission in accordance with Article 104(6) of the Treaty, it was decided that an excessive deficit existed in Greece. The Council noted that the general government deficit was 3,2 % of GDP in 2003, above the 3 % of GDP Treaty reference value, while general government gross debt stood at 103 % of GDP, well above the 60 % of GDP Treaty reference value. Figures on general government deficit and general government gross debt for 2003 were revised on several occasions subsequent to Decision 2004/917/EC. According to the most recent data, the deficit and debt represented 6,2 % of GDP and 107,8 % of GDP respectively.
- (2) On 6 July 2004, in accordance with Article 104(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 procedure ⁽²⁾, the Council addressed a recommendation to Greece with a view to bringing the excessive deficit situation to an end by 2005 at the latest. The recommendation was made public.
- (3) On 19 January 2005, by Council Decision 2005/334/EC ⁽³⁾, in accordance with Article 104(8), the Council decided, based on a recommendation from the Commission, that Greece had not taken effective action in response to the Council recommendation under Article 104(7). On 17 February 2005, by Council Decision 2005/441/EC ⁽⁴⁾, the Council decided, based on a recommendation from the Commission, to give notice to Greece in accordance with Article 104(9) to take measures for the deficit reduction judged necessary in order to remedy the situation of excessive deficit and extended the deadline for the correction by one year, to 2006.

(4) In accordance with Article 104(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 accordance with the Protocol on the excessive deficit procedure annexed to the Treaty, the Commission provides the data for the implementation of the procedure. As part of the application of the 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 4 of Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community ⁽⁵⁾.

(6) Based on data provided by the Commission (Eurostat) in accordance with Article 8g(1) of Regulation (EC) No 3605/93 following the notification by Greece on 1 April 2007 and on the Commission services' spring 2007 forecast, the following conclusions are warranted:

- the general government deficit was reduced from 7,9 % of GDP in 2004 to 2,6 % of GDP in 2006, which is below the 3 % of GDP deficit reference value. This is identical to the target set in the December 2005 update of the stability programme,
- revenues and expenditure contributed to the nominal adjustment of almost 3 percentage points of GDP compared to the 2005 deficit of 5,5 % in almost equal shares. Expressed in terms of the GDP, total revenues increased by 1½ percentage points of GDP, with indirect taxes accounting for one-half of a percentage point of GDP. The remaining percentage point is accounted for by increases in social contributions and other revenues, including capital transfers (EU transfers). Total expenditure was reduced by 1¼ percentage points of GDP, mainly driven by reductions in primary expenditure (by 0,5 % of GDP) and in interest expenditure (0,25 % of GDP). Capital expenditures were also reduced by around one-half of a percentage point of GDP. One-off revenues amounted to 0,6 % of GDP. The improvement in the structural balance (i.e. the cyclically-adjusted balance net of one-off and other temporary measures) is estimated at 2,25 % of GDP in 2006. The deficit debt adjustment at 2,3 % of GDP is largely explained,

⁽¹⁾ OJ L 389, 30.12.2004, p. 25.

⁽²⁾ OJ L 209, 2.8.1997, p. 6. Regulation as amended by Regulation (EC) No 1056/2005 (OJ L 174, 7.7.2005, p. 5).

⁽³⁾ OJ L 107, 28.4.2005, p. 24.

⁽⁴⁾ OJ L 153, 16.6.2005, p. 29.

⁽⁵⁾ OJ L 332, 31.12.1993, p. 7. Regulation as last amended by Regulation (EC) No 2103/2005 (OJ L 337, 22.12.2005, p. 1).

- for 2007, the Commission services' spring 2007 forecast projects that the deficit will be reduced further, to 2,4 % of GDP. This is in line with the official deficit target of 2,4 % of GDP set in the December 2006 update of the stability programme. However, the Commission services' forecast includes additional one-off revenues amounting to 0,25 % of GDP, as well as permanent expenditure-saving measures amounting to about 0,25 % of GDP, both as announced by the cut-off date of the Commission services' spring 2007 forecast and thus not reflected in the December 2006 official target. In spite of this, the spring forecast deficit projection for 2007 is not better than the target as the impact of these new measures is offset both by more cautious growth assumptions and the fact that the permanent measures planned for 2007 would not, in the view of the Commission, fully replace the decline in one-off revenues. Without one-offs, the deficit would still be below the reference value, at 2,9 % of GDP. For 2008, the spring forecast projects, on a no-policy-change basis, a deficit of 2,7 % of GDP without inclusion of one-offs for 2008. This indicates that the deficit has been brought below the 3 % of GDP ceiling in a credible and sustainable manner. The structural balance is projected to improve in 2007 by around one quarter of a percentage point of GDP and, on a no-policy change basis, by a marginal amount in 2008. This has to be seen against the need to make progress towards the medium-term objective for the budgetary position, which for Greece is a balanced position in structural terms,
- government debt declined from 108,5 % of GDP in 2004 to 104,5 % in 2006. According to the spring 2007 forecast, the debt ratio is projected to fall further to around 97,5 % by the end of 2008, still

well above the 60 % of GDP reference value. The debt ratio can be considered as sufficiently diminishing towards the 60 % of GDP reference value.

- (7) The Greek statistical authorities improved their procedures, which led to a significant reduction in the statistical discrepancies and an overall higher quality of the general government data. The Greek authorities are committed to implementing fully the action plan to improve public finance statistics. As a result, Eurostat withdrew its reservations on the quality of the reported data.
- (8) In the view of the Council, the excessive deficit in Greece has been corrected and Decision 2004/917/EC should therefore be abrogated,

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

Decision 2004/917/EC is hereby abrogated.

Article 3

This Decision is addressed to the Hellenic Republic.

Done at Luxembourg, 5 June 2007.

For the Council
The President
P. STEINBRÜCK