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EUROPEAN COMMISSION

Brussels, 19.8.2010
COM(2010) 440 final

Recommendation for a

COUNCIL DECISION

amending Council Decision 2010/320/EU of 10 May 2010 addressed to Greece with a view to reinforcing and deepening the fiscal surveillance and giving notice to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the functioning of the European Union (TFEU), and in particular Article 126 (9) and Article 136 thereof,

Having regard to the recommendation from the Commission,

Whereas:

(1) Article 136(1) (a) TFEU foresees the possibility of adopting measures specific to the Member States whose currency is the euro with a view to strengthening the coordination and surveillance of their budgetary discipline.

(2) Article 126 establishes that Member States are to avoid excessive government deficits and sets out the excessive deficit procedure to that effect. The Stability and Growth Pact, which in its corrective arm implements the excessive deficit procedure, provides the framework supporting government policies for a prompt return to sound budgetary positions taking account of the economic situation.

(3) On 27 April 2009, the Council decided, in accordance with Article 104(6) of the Treaty establishing the European Community that an excessive deficit existed in Greece.

(4) On 10 May 2010, the Council adopted a Decision addressed to Greece under Article 126 (9) and Article 136 with a view to reinforcing and deepening the fiscal surveillance and giving notice to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit at the latest by the deadline of 2014.¹ The Council established the following path for the deficit correction: government deficits not exceeding 8% of GDP in 2010, 7.6% of GDP in 2011, 6.5% of GDP in 2012, 4.9% of GDP in 2013, and 2.6% of GDP in 2014.

(5) According to the forecast available at the time the Council adopted the aforesaid Decision, real GDP was expected to contract by 4% in 2010 and 2.6 % in 2011, and recover afterwards, with growth rates of 1.1% in 2012, and 2.1% in 2013 and 2014. GDP deflator was expected to be 1.2%, -0.5%, 1.0%, 0.7% and 1.0% from 2010 to 2014, respectively. Given

¹ Council Decision 2010/320/EU (OJ L 145, 11.6.2010, p. 6).

economic developments in the meantime, the aforementioned real GDP growth rates remain a central scenario with balanced upside and downside risks, while the deflator is now forecast to be substantially higher for the initial years: 3½ %, 1¼% and ½% from 2010 to 2012.

(6) Greece has made good progress in the implementation of the measures required by the Council Decision. In several areas, measures have been taken in advance of the requirements. This has been the case, in particular, in the field of pension reform, reform of local administration and publication of monthly data on state revenue and expenditure. However, a number of adjustments are still necessary in each of these areas.

(7) On 6 August 2010, Greece submitted to the Council and the Commission a report outlining the policy measures taken to comply with Decision 2010/320/EU. The Commission assessed the report and concluded that Greece is satisfactorily complying with the Council Decision of 10 May 2010.²

(8) In the light of the above considerations, it appears appropriate to revise the Council Decision in a number of respects, while keeping unchanged the deadline for the correction of the excessive deficit and the respective adjustment path for the deficit-to-GDP ratios and government debt.

HAS ADOPTED THIS DECISION:

Article 1

Council Decision 2010/320/EU is amended as follows:

(1) Article 2 (2) (a) is replaced by the following:

"(a) fiscal consolidation measures amounting to at least 3.2% of GDP (4.3% of GDP if carryovers from measures implemented in 2010 are considered) to be included in the draft budget for 2011: a reduction in intermediate consumption of the general government by at least EUR 300 million compared to the 2010 level (on top of savings stemming from the reform of public administration and of local government referred to in this paragraph), a freeze in the indexation of pensions (with the aim of saving EUR 100 million), a temporary crisis levy on highly profitable firms (yielding at least EUR 600 million in additional revenue per year in 2011, 2012 and 2013), a presumptive taxation of professionals (with a yield of at least EUR 400 million in 2011 and increasing returns by at least EUR 100 million per year in 2012 and 2013), a broadening of the VAT base by including certain services currently exempted and by moving 30% of goods and services from the reduced rate to the main rate (with a yield of EUR 1 billion), a phased-in green tax on CO₂ emissions (with a yield of at least EUR 300 million in 2011), the implementation by the Government of the legislation reforming the public administration and a reorganisation of local government (with the aim of reducing costs by at least EUR 500 million in 2011, and

² Commission Communication 'Follow-up to the Council Decision of 10 May 2010 addressed to Greece, with a view to reinforcing and deepening fiscal surveillance and giving notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit,' COM (2010) final XXX of [19] August 2010.

additional EUR 500 million in each year 2012 and 2013); a reduction in domestically-financed investments (by at least EUR 500 million) by giving priority to investment projects financed by EU structural funds, incentives to regularise land-use violations (yielding at least EUR 1500 million from 2011 to 2013, of which at least EUR 500 million in 2011), a collection of revenue from the licensing of gaming (at least EUR 500 million in sales of licences and EUR 200 million in annual royalties), an expansion of the base of the real estate tax by updating asset values (to yield at least EUR 400 million additional revenue), an increased taxation of wages in kind, including by taxing car lease payments (by at least EUR 150 million); an increased taxation of luxury goods (by at least EUR 100 million), a special tax on unauthorised establishments (to yield at least EUR 800 million per year), a replacement of only 20% of retiring employees in the public sector (central government, local governments, social security funds, public companies, state agencies and other public institutions). Measures yielding comparable budgetary savings may be considered after consultation with the Commission;”

(2) Article 2 (2) (b) is deleted.

(3) Article 2 (2) (f) is replaced by the following:

"(f) the launch of independent reviews of central administration and of existing social programmes."

(4) In Article 2 (2), following subparagraphs (j) and (k) are added:

"(j) the establishment of a comprehensive central registry for public enterprises;

(k) an action plan with a timetable for concrete actions leading to the creation of a central procurement authority."

(5) In Article 2 (3) following subparagraphs (m) to (r) are added:

- "(m) an act disallowing local governments to run deficits at least until 2014;
- (n) publication of interim long-term projections of pension expenditure up to 2060 as set out in the July 2010 legislation covering the main pension schemes (IKA, including the pension scheme for civil servants, OGA and OAEE).
- (o) an act establishing an upper limit of EUR 50 million for the annual public service obligation (PSO) contribution from the general government to railway operators for the period 2011-2013 and establishing the principle that the State provides no additional explicit or implicit support to railway operators;
- (p) a business plan for the Greek railways. The business plan specifies how operational activities will be made profitable, including covering depreciation costs, as from 2011, including by closing loss-making lines, by increasing tariffs and by reducing wages and staffing; provides a detailed sensitivity analysis on the implication for wage costs of various scenarios for the outcome of collective agreement and provides information on several options concerning staff, and provides for the restructuring of the holding company, including the sale of land and other assets;
- (q) seeks technical assistance from international experts on the several aspects of the efficiency and effectiveness of the health system and management of hospitals, aiming at enhancing efficiency and reducing waste;
- (r) enforces the payment of EUR 3 for regular outpatient services in public hospitals."
- (6) In Article 2 (4) the following subparagraph (b) is added:
 - "(b) publication of comprehensive long-term projections of pension expenditure up to 2060 as set out in the July 2010 legislation reform. The projections shall encompass the supplementary (auxiliary) schemes, based on comprehensive set of data collected and elaborated by the National Actuarial Authority. The projections shall be peer-reviewed and validated by the EU Economic Policy Committee."
- (7) Article 2 (5) (b) is replaced by the following:
 - "(b) measures implementing the conclusions of first phase of the independent functional reviews of central administration and social programmes;"
- (8) In Article 2(5) following subparagraphs (d), (e) and (f) are added:

- "(d) an act revising the main parameters of the pension system, if the long-term projections provided by paragraphs (3)(n) and (4)(b) show that the projected increase in public pension expenditure would exceed the limit of 2.5 percentage points of GDP over 2009-2060;
- (e) a revision of the functioning of supplementary/auxiliary public pension schemes with the aim of stabilising expenditure and guarantee the budgetary neutrality of those schemes;
- (f) a revision of the list of heavy and arduous professions to reduce its coverage to no more than 10% of labour force; the new list of difficult and hazardous occupations shall apply with effect from 1 July 2011 to all current and future employees."
- (9) In Article 2 (7) following subparagraph (c) is added:
- "(c) measures implementing the conclusions of second phase of the independent functional reviews of central administration and social programmes;"
- (10) Article 4 (2) (g) is replaced by the following:
- "(g) government expenditure pending payment, specifying those past due date."

Article 2

This Decision shall take effect on the day of its notification.

Article 3

This Decision is addressed to the Hellenic Republic.

Done at Brussels, [...]

For the Council
The President
[...]