COUNCIL DECISION
of 27 April 2009
on the existence of an excessive deficit in Greece

(2009/415/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104(6) thereof,

Having regard to the recommendation from the Commission,

Having regard to the observations made by Greece,

Whereas:

(1) According to Article 104 of the Treaty Member States are to avoid excessive government deficits.

(2) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth conducive to employment creation.

(3) The excessive deficit procedure (EDP) under Article 104, as clarified by Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure [1] (which is part of the Stability and Growth Pact), provides for a decision on the existence of an excessive deficit. The Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the EDP. Council Regulation (EC) No 3605/93 [2] lays down detailed rules and definitions for the application of the provisions of the said Protocol.

(4) The 2005 reform of the Stability and Growth Pact sought to strengthen its effectiveness and economic underpinnings as well as to safeguard the sustainability of the public finances in the long run. It aimed at ensuring that in particular the economic and budgetary background was taken fully into account in all steps in the EDP. In this way, the Stability and Growth Pact provides the framework supporting government policies for a prompt return to sound budgetary positions taking account of the economic situation.

(5) Article 104(5) of the Treaty requires the Commission to address an opinion to the Council if the Commission considers that an excessive deficit in a Member State exists or may occur. Having taken into account its report in accordance with Article 104(3) and having regard to the opinion of the Economic and Financial Committee in accordance with Article 104(4), the Commission concluded that an excessive deficit exists in Greece. The Commission therefore addressed such an opinion to the Council in respect of Greece on 24 March 2009 [3].

(6) Article 104(6) of the Treaty states that the Council should consider any observations which the Member State concerned may wish to make before deciding, after an overall assessment, whether an excessive deficit exists. In the case of Greece, this overall assessment leads to the following conclusions.

(7) The general government deficit in Greece reached 3,5 % of GDP in 2007, thus exceeding the 3 % of GDP reference value. According to the Commission services' January 2009 interim forecast, the general government deficit net of one-offs is estimated at 3,6 % of GDP in 2008 (or 3,4 % of GDP including one-offs). This estimation is based on a real GDP growth rate of 2,9 % in 2008 and takes account of the latest information on the execution of the 2008 Budget Law. For 2009, the Commission services' January 2009 interim forecast projects the general government deficit net of one-offs at 4,4 % of GDP (3,7 % including one-off revenues) based on a real GDP growth projection of 0,2 % and on the basis of a prudent assessment of the 2009 Budget Law approved by Parliament on 21 December. Based on the customary unchanged policy assumption and assuming the discontinuation of one-off measures, the 2010 deficit is projected at 4,2 % of GDP. Therefore, the deficit criterion in the Treaty is not fulfilled.

(8) General government gross debt stood at 94,8 % of GDP in 2007 and 94,6 % of GDP in 2008, well above the 60 % of GDP Treaty reference value. According to the Commission services' January 2009 interim forecast, the general government debt ratio is projected to increase further to 96,25 % in 2009 and 98,5 % of GDP by 2010. The current deficit levels and estimates of medium-term growth are not compatible with a debt ratio converging to a level below 60 % of GDP. The debt ratio cannot be considered as diminishing sufficiently and approaching the reference value at a satisfactory pace within the meaning of the Treaty and the Stability and Growth Pact.

(1) OJ L 209, 2.8.1997, p. 6.
(2) OJ L 332, 31.12.1993, p. 7.
(3) All EDP-related documents for Country can be found at the following website: http://ec.europa.eu/economy_finance/netstartsearch/pdfsearch/pdf.cfm?mode=_m2

(9) According to Article 2(4) of Regulation (EC) No 1467/97, 'relevant factors' can only be taken into account in the steps leading to the Council decision on the existence of an excessive deficit in accordance with Article 104(6) if the double condition – that the deficit remains close to the reference value and that its excess over the reference value is temporary – is fully met. In the case of Greece, this double condition is not met. Therefore, relevant factors are not taken into account in the steps leading to this Decision,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that an excessive deficit exists in Greece.

Article 2

This Decision is addressed to Hellenic Republic.

Done at Luxembourg, 27 April 2009.

For the Council
The President
A. VONDRA