COUNCIL DECISION

of 27 April 2009

on the existence of an excessive deficit in Ireland

(2009/416/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 Ireland,

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 on the existence of an excessive deficit. The Protocol on the excessive deficit procedure ed 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 Ireland. The Commission therefore addressed such an opinion to the Council in respect of Ireland 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 Ireland, this overall assessment leads to the following conclusions.

(7) According to the updated stability programme, the general government deficit in Ireland reached 6,3 % of GDP in 2008, thus exceeding the 3 % of GDP reference value. The deficit was not close to the 3 % of GDP reference value but the excess over the reference value can be qualified as exceptional. In particular, it resulted from a severe economic downturn in the sense of the Treaty and the Stability and Growth Pact. According to the Commission services' January 2009 interim forecast, real GDP growth in Ireland is projected to have been strongly negative in the year 2008 (– 2,0 %, somewhat worse than the Irish authorities' forecast (at – 1,4 %) in the January 2009 addendum to the update of the stability programme).

(8) Furthermore, the excess over the reference value cannot be considered temporary. According to the Commission services' January 2009 interim forecast, taking into account the measures for the current year in the budget for 2009 (but not the 1 % of GDP additional consolidation package announced in February 2009), the deficit would widen to 11 % of GDP in 2009 and, on a no-policy change basis, worsen further to 13 % of GDP in 2010. The deficit criterion in the Treaty is not fulfilled.

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

(9) General government gross debt stood at 40,6 % of GDP in 2008, remaining below the 60 % of GDP reference value. However, according to the Commission services' January 2009 interim forecast the debt level should continue to rise quickly, resulting in a breach of the 60 % of GDP reference value by 2010.

(10) 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 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 Ireland, 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 Ireland.

Article 2

This Decision is addressed to Ireland.

Done at Luxembourg, 27 April 2009.

For the Council

The President

A. VONDRA