EUROPEAN
COMMISSION

Brussels, 12.7.2017
COM(2017) 380 final

Recommendation for a

COUNCIL DECISION

abrogating Decision 2009/415/EC on the existence of an excessive deficit in Greece

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(12) thereof,

Having regard to the recommendation from the Commission,

Whereas:

(1) On 27 April 2009, following a recommendation from the Commission, the Council decided, by Council Decision 2009/415/EC[1] in accordance with Article 104(6) of the Treaty establishing the European Community (TEC), that an excessive deficit existed in Greece. The Council noted that the general government deficit reached 3,5% of GDP in 2007, thus above the 3% of GDP Treaty reference value and was estimated at 3,6% of GDP in 2008 (net of one-offs or 3,4% of GDP including one-offs). For 2009, the general government deficit was projected to reach 4,4% of GDP (or 3,7% including one-off revenues). 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 January 2009 interim forecast, the general government debt-to-GDP ratio was projected to increase further to 96,3% in 2009 and 98,5% of GDP in 2010.

(2) On the same date, in accordance with Article 104(7) TEC and Article 3(4) of Council Regulation (EC) No 1467/97[2], the Council, based on a recommendation from the Commission, issued a recommendation to Greece to correct the excessive deficit by 2010 at the latest, by bringing the general government deficit below 3% of GDP in a credible and sustainable manner. To that end, the Council established a deadline of 27 October 2009 for the Greek government to take effective action.

(3) On 30 November 2009, the Council established in accordance with Article 126(8) of the Treaty on the Functioning of the European Union (TFEU) that Greece had not taken effective action; consequently, on 16 February 2010, the Council following a recommendation from the Commission, gave notice to Greece in accordance with Article 126(9) TFEU to take measures to correct the excessive deficit by 2012 at the latest. The Council also set a deadline of 15 May 2010 for effective action to be taken.

(4) The very severe deterioration of the financial situation of the Greek government led the Member States whose currency is the euro to decide in 2010, acting on a request of Greece, to provide stability support to Greece, with a view to safeguarding the

[1] Council Decision 2009/415/EC of 27 April 2009 on the existence of an excessive deficit in Greece (OJ L 135, 30.5.2009, p. 21).

[2] Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

financial stability of the euro area as a whole, in conjunction with multilateral assistance provided by the International Monetary Fund. Since March 2012, support provided by the Member States whose currency is the euro has taken the form of a loan from the European Financial Stability Facility.

(5) On 10 May 2010, the Council adopted Decision 2010/320/EU[3] addressed to Greece under Articles 126(9) and 136 TFEU with a view to reinforcing and deepening the fiscal surveillance and gave notice to Greece to take measures for the deficit reduction judged necessary to correct the excessive deficit at the latest by 2014.

(6) Decision 2010/320/EU was substantially amended several times. It was recast on 12 July 2011, by Council Decision 2011/734/EU of 12 July 2011 addressed to Greece with a view to reinforcing and deepening fiscal surveillance and giving notice to Greece to take measures to correct its excessive deficit[4]. Subsequently, that Decision was significantly amended several times between 8 November 2011 and December 2012[5].

(7) On 8 July 2015, Greece requested financial assistance from the European Stability Mechanism ('ESM') in the form of a three-year loan, and on 12 July 2015 an agreement in principle was reached on the provision of a loan of the amount of up to EUR 86 000 million to Greece.

(8) In accordance with Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability[6], and in particular Article 7 thereof, a Member State requesting financial assistance from the ESM must prepare a macroeconomic adjustment programme ('the Programme') for approval by the Council. Such a programme should ensure the adoption of a set of reforms needed to improve the sustainability of public finances and the regulatory environment.

(9) The Programme prepared by Greece was approved by Council Implementing Decision (EU) 2015/1411[7]. The Memorandum of Understanding on Specific Economic Policy Conditionality between the Commission acting on behalf of the ESM and the Greek authorities was signed on 19 August 2015.

(10) On 19 August 2015, the Council on a recommendation by the Commission adopted Decision 2015/1410/EU[8] under Article 126(9) TFEU and gave notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit at the latest by 2017.

(11) In line with Article 10(2)(a) of Regulation (EU) No 472/2013, Greece was exempted from separate reporting under the excessive deficit procedure and reported in the framework of its macroeconomic adjustment programme.

(12) In June 2016, Greece successfully completed the first review of the Programme. On 15 June 2017, the Eurogroup welcomed the implementation of the prior actions for the

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3 OJ L 145, 11.6.2010, p. 6.
4 OJ L 296, 15.11.2011, p. 38.
5 Council Decision 2011/791/EU of 8 November 2011 (OJ L 320, 3.12.2011, p. 28), Council Decision 2012/211/EU of 13 March 2012 (OJ L 113, 25.4.2012, p. 8), Council Decision 2013/6/EU of 4 December 2012 (OJ L 4, 9.1.2013, p. 40).
6 OJ L 140, 27.5.2013, p. 1.
7 OJ L 219, 20.8.2015, p. 12.
8 OJ L 219, 20.8.2015, p. 8.

second review by Greece, paving the way for the closure of that review. The Eurogroup meetings of 24 May 2016 and 15 June 2017 provided clarification on measures that would be taken to ensure the sustainability of Greek debt if needed, upon the sucessful completion of the Programme.

(13) In accordance with Article 4 of Protocol (No. 12) on the excessive deficit procedure annexed to the Treaty on European Union and the TFEU, the Commission provides the data for the implementation of the procedure. As part of the application of that 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 3 of Council Regulation (EC) No 479/2009[9].

(14) The Council should take a decision to abrogate a decision on the existence of an excessive deficit on the basis of notified data. Moreover, a decision on the existence of the situation of an excessive deficit should be abrogated only if the Commission forecasts indicate that the deficit will not exceed the Treaty reference value of 3% of GDP over the forecast horizon[10].

(15) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009, following the notification by Greece in April 2017, the first review of the Programme and the Commission 2017 spring forecast, the following conclusions are warranted:

– Since 2009, when the deficit peaked at 15,1% of GDP, the general government balance has steadily improved, with the deficit declining to 5,9% in 2015 (3,2% of GDP excluding the net impact of government interventions related to financial sector support as reported by Eurostat) and eventually turning to a surplus of 0,7% of GDP in 2016[11]. The deficit reduction was driven broadly equally by expenditure restraint and consolidation of government revenue.

– Taking into account the fiscal package adopted in the context of the first review, which is projected to yield 3% of GDP through 2018, and the measures agreed under the second review aimed to partly offset the budgetary implications of the national roll-out of the Social Solidarity Income scheme, the Commission 2017 spring forecast projects a deficit of 1,2% of GDP in 2017 and, based on a no-policy change assumption, a surplus of 0,6% of GDP in 2018. The measures outlined in the Medium Term Fiscal Strategy for 2018-2021, adopted by the Greek authorities in May 2017, after the cut-off date of the Commission 2017 spring forecast, are expected to improve the fiscal outturn projected for 2018 and the medium term. Thus, the deficit is set to

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9 Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (OJ L 145, 10.6.2009, p. 1).

10 In line with the "Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes" as agreed by the Economic and Financial Committee (EFC) on 15 May 2017. See: http://data.consilium.europa.eu/doc/document/ST-9344-2017-INIT/en/pdf.

11 Based on the data provided by Eurostat, the general government primary balance reached 3,9% of GDP in 2016. In terms of the definition set out in the Programme, the primary balance stood at 4,2% of GDP. The definition set out in the Programme excludes the one-off cost of bank recapitalisations, migration-related expenditure net of Union transfers, transfers related to decisions of the Member States whose currency is the euro regarding income of euro area national central banks (SMP and ANFA equivalent profits) and part of the privatisation proceeds, but includes the change of the stock of outstanding unprocessed tax refunds.

remain below the Treaty reference value of 3% of GDP over the forecast horizon.

– On the back of large budget deficits, falling nominal GDP and financial support to the banking sector, and despite significant debt restructuring in 2012, Greece's general government debt-to-GDP ratio increased from 109,4% in 2008[12] to 179,0% in 2016. In particular, Greece's debt-to-GDP ratio increased from 177,4% in 2015 to 179,0% in 2016 as the fiscal surplus in 2016 was partly used to build up the necessary cash reserves. The increase was also related to further positive stock-flow adjustment due to the clearing of arrears that were, in line with statistical rules, not recorded in the general government debt. The debt-to-GDP ratio is projected to remain broadly stable in 2017, as the arrears clearance programme continues; but in 2018 it is expected to decrease to 174,6% of GDP on account of a fiscal surplus and favourable cyclical conditions.

(16) Following publication, in April 2017, by the Commission (Eurostat) of Greece's fiscal outturn for 2016, and based on the Commission 2017 spring forecast, Greece fulfils the conditions for the Council to abrogate its decision on the existence of an excessive deficit in Greece. At the same time, various elements, including the medium-term fiscal trajectory, which are relevant for a Commission recommendation to the Council to abrogate its decision on the existence of an excessive deficit in Greece, were also the subject of discussions at the Eurogroup meeting of 15 June 2017.

(17) As from 2017, which is the year following the correction of the excessive deficit, Greece is subject to the preventive arm of the Stability and Growth Pact and will continue to be monitored under the Programme covering the period until mid-2018. Thereafter, Greece should progress towards its medium-term budgetary objective at an appropriate pace, including respecting the expenditure benchmark, and comply with the debt criterion in accordance with Article 2(1a) of Regulation (EC) No 1467/97.

(18) In accordance with Article 126(12) TFEU, 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.

(19) In the view of the Council, the excessive deficit in Greece has been corrected and Decision 2009/415/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 2009/415/EC is hereby abrogated.

Article 3

This Decision is addressed to the Hellenic Republic.

[12] The debt-to-GDP ratio in 2008 has been revised up from the initially published value of 94,6% of GDP due to statistical revisions affecting both general government debt and GDP.

Done at Brussels,

For the Council
The President