COUNCIL OF
THE EUROPEAN UNION

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Brussels, 16 February 2010
6501/10 (Presse 30)

Council gives notice to Greece to correct its government deficit by 2012, setting out a timetable for corrective measures

The Council today[1]:

– gave its opinion on the latest update by Greece of its stability programme, which sets out plans for reducing its government deficit below 3% of gross domestic product (GDP) by 2012;

– adopted a decision giving notice to Greece to remedy its excessive deficit by 2012, setting budgetary consolidation measures according to a specific timetable, including deadlines for reporting on measures taken;

– issued a recommendation to Greece to bring its economic policies into line with the Union's broad economic policy guidelines and remove the risk of jeopardising the proper functioning of economic and monetary union, and adopted a decision to make this recommendation public.

Greece has been the subject of an excessive deficit procedure since April 2009, when the Council also issued a recommendation on corrective action to be taken. In December 2009, the Council stated in a decision that Greece had failed to comply with its recommendation.

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1 The decision was taken at a meeting of the Economic and Financial Affairs Council

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Greece's government deficit for 2009 is put at 12.7% of GDP – well above the 3% reference value set by the EU treaty – in the Commission's autumn 2009 economic forecast and in Greece's updated stability programme. Its government debt at the end of 2009 is estimated to have been in excess of 113% of GDP, well above the 60% reference value for debt.

Moreover, shortcomings in Greece's public finance statistics have been a recurrent issue, prompting repeated calls by the Council on the Greek authorities, including in its April 2009 recommendation, to improve the collection and processing of its statistical data. In October 2009, Greece announced further substantial revisions of government deficit and debt data for previous years, and that data has not been validated by Eurostat.

Greece's updated stability programme sets 2012 as the date for reducing the deficit below the 3% reference value. It sets a target of 8.7% of GDP for its 2010 budgetary deficit, which represents a 4 percentage points reduction from the estimated 12.7% deficit for 2009.

In its decision, adopted today under article 126(9) of the EU treaty, the Council accepts this schedule. It calls on Greece to ensure a budgetary adjustment of at least 4% GDP in 2010 and to bring its deficit back under 3% in 2012 at the latest.

The Council sets numerical limits to Greece's government deficits and to annual changes in its consolidated gross debt in 2010, 2011 and 2012. It calls on Greece to implement specific budgetary consolidation measures, including those presented in its stability programme, namely:

– urgent measures to be taken by 15 May 2010;

– supporting measures to safeguard budgetary targets for 2010;

– other measures to be adopted by the end of 2010; and

– other measures to be adopted by 2012.

The Council also asks Greece to present a report by 16 March 2010 setting out the timetable for implementing budgetary target measures for 2010, and another by 15 May outlining the policy measures needed to comply with the Council's decision. Quarterly reports should be submitted thereafter.

To the extent that a number of risks associated with the specified deficit and debt ceilings materialise, Greece shall announce, in the report to be presented by 16 March 2010, additional measures to ensure that the 2010 budgetary target is met.

In its recommendation, adopted in accordance with article 121(4) of the treaty, the Council finds that Greece's policies are not in line with the country-specific recommendation it issued under the broad economic policy guidelines (recommendation 2009/531/EC). In that recommendation, it had noted that it was "imperative to intensify efforts to address the macro-economic imbalances and structural weaknesses of the Greek economy".

The Council therefore calls on Greece to design and implement as soon as possible, starting in 2010, a bold and comprehensive structural reform package. It sets out specific measures, covering wages, pension reform, healthcare reforms, public administrations, the product market, the business environment, productivity and employment growth.