II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 18 January 2005

establishing, in accordance with Article 104(8) of the Treaty establishing the European Community, whether effective action has been taken by the Hellenic Republic in response to recommendations of the Council in accordance with Article 104(7) of that Treaty

(2005/334/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104(8) thereof,

Having regard to the recommendation from the Commission,

Whereas:

(1) In accordance with 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. The Stability and Growth Pact includes Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure [1], set out in Article 104 of the Treaty, in order to further the prompt correction of excessive general government deficits.

(3) The Amsterdam Resolution of the European Council on the Stability and Growth Pact of 17 June 1997 [2] solemnly invites all parties, namely the Member States, the Council and the Commission, to implement the Treaty and the Stability and Growth Pact in a strict and timely manner.

(4) By Decision 2004/917/EC [3] of 5 July 2004, the Council decided, in accordance with Article 104(6) of the Treaty, that an excessive deficit exists in Greece.

(5) The Council, in accordance with Article 104(7) of the Treaty and Article 3(4) of Regulation (EC) No 1467/97, adopted a recommendation establishing the deadline of 5 November 2004 for the Greek Government to take measures to bring the existence of an excessive deficit to an end in 2005 at the latest. In that recommendation the Council recommended the Hellenic Republic to put an end to the present excessive deficit situation as rapidly as possible and by 2005 at the latest and to take corrective measures mainly of a structural nature amounting to at least 1 % of GDP, cumulated over 2004 and 2005, and preferably equally distributed between the two years. In addition, the Council recommended the Hellenic Republic to ensure that the government gross debt ratio diminishes sufficiently and approaches the reference value at a satisfactory pace, while paying particular attention to factors other than net borrowing which contribute to the change in debt levels. Finally, as a matter of urgency, the Council also recommended the Hellenic Republic to correct the serious deficiencies revealed on budgetary statistics, through the improvement of the collection and processing of general government data.

[1] OJ L 209, 2.8.1997, p. 6.
[2] OJ C 236, 2.8.1997, p. 1.
[3] OJ L 389, 30.12.2004, p. 25.

(6) In accordance with Article 4(2) of Regulation (EC) No 1467/97, the Council, when considering whether effective action has been taken in response to its recommendations made in accordance with Article 104(7) of the Treaty, is to base its decision on publicly announced decisions by the Government of the Member State concerned.

(7) An assessment of the publicly announced decisions taken by the Hellenic Republic since the Recommendation in accordance with Article 104(7) of the Treaty was issued by the Council and up to the deadline set in that Recommendation leads to the following conclusions:

— in spite of restraining measures announced for 2004, fiscal policy has been clearly expansionary, in contrast to what was requested by the Council. This is partly due to the statistical revisions, carried out in cooperation with Eurostat to apply correctly the ESA 95 statistical system, and to expenditure overruns associated with the organisation of the Olympic Games, as well as to overruns in some other spending items and shortfalls in certain revenue items, which had not been correctly estimated in the 2004 budget,

— the budgetary measures announced for 2005, while more than offsetting the slippage in 2004, may not ensure that the general government deficit is brought below 3 % of GDP in 2005,

— not only is the general gross debt-to-GDP ratio not falling at a satisfactory pace, but the large stock-flow adjustment projected in 2004 also indicates that the Greek Government has taken no effective action on below-the-line operations contributing to further rises in the debt;

— the Hellenic Republic has improved the collection and processing of budgetary data, notably in relation to expenditure on military equipment, interest payments, and social security accounts. Further steps, undertaken in close cooperation with Eurostat, will ensure the prompt and correct supply of the general government data required by the existing legal framework.

(8) Article 104(8) of the Treaty states that when the Council establishes that there has been no effective action in response to its recommendation in accordance with Article 104(7) of that Treaty, it may decide to make this recommendation public. However, in line with the Stability and Growth Pact Resolution of the European Council, the Hellenic Republic made this recommendation public in July 2004,

HAS DECIDED AS FOLLOWS:

Article 1

The Hellenic Republic has not taken effective action in response to the Council recommendation of 5 July 2004 within the period laid down in that recommendation.

Article 2

This Decision is addressed to the Hellenic Republic.

Done at Brussels, 18 January 2005.

For the Council
The President
J.-C. JUNCKER