DECISIONS

COUNCIL DECISION (EU) 2016/1000

of 17 June 2016

abrogating Decision 2009/416/EC on the existence of an excessive deficit in Ireland

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 European Commission,

Whereas:

(1) On 27 April 2009, by Council Decision 2009/416/EC ([1]) on the basis of a recommendation from the Commission, the Council decided, in accordance with Article 104(6) of the Treaty establishing the European Community (TEC), that an excessive deficit existed in Ireland. The Council noted that the general government deficit reached 6,3 % of GDP in 2008, thus above the Treaty reference value of 3 % of GDP and it was estimated to widen to 11 % of GDP in 2009. The general government gross debt was projected to reach the Treaty reference value of 60 % of GDP in 2009.

(2) On 27 April 2009, in accordance with Article 104(7) TEC and Article 3(4) of Council Regulation (EC) No 1467/97 ([2]), the Council, on the basis of a recommendation from the Commission, addressed a recommendation to Ireland to correct the excessive deficit by 2013. That Council recommendation was made public.

(3) On 2 December 2009, the Council concluded that the Irish authorities had taken effective action in compliance with the Council Recommendation of 27 April 2009 but that unexpected adverse economic events with major unfavourable consequences for public finances could be considered to have occurred in Ireland after the adoption of that Recommendation. Therefore, the Council, on the basis of a recommendation from the Commission, considered that the conditions provided for in Article 3(5) of Regulation (EC) No 1467/97 had been fulfilled and adopted a new recommendation addressed to Ireland under Article 126(7) of the Treaty on the Functioning of the European Union (TFEU) with a view to bringing the excessive deficit situation to an end by 2014 ([3]).

(4) On 7 December 2010, the Council concluded that unexpected adverse economic events with major unfavourable consequences for public finances, in particular with reference to the substantial banking sector support measures that had to be implemented, had occurred in Ireland. Therefore, the Council, following a recommendation from the Commission, adopted a new recommendation addressed to Ireland under Article 126(7) TFEU, setting a 2015 deadline for the correction of the excessive deficit ([4]). At the same time, following the request by the Irish authorities for financial assistance from the Union, the Member States whose currency is the euro and the International Monetary Fund (IMF), the Council adopted Implementing Decision 2011/77/EU ([5]) on granting financial assistance to Ireland and on specific measures to restore financial stability and sustainable growth. The Memorandum of Understanding on Specific Economic Policy Conditionality between the Commission and the Irish authorities was signed on 16 December 2010.

(5) On 24 August 2011, the Commission concluded that Ireland had taken effective action towards correcting the excessive deficit by 2015 as recommended by the Council on 7 December 2010.

([1]) Council Decision 2009/416/EC of 27 April 2009 on the existence of an excessive deficit in Ireland (OJ L 135, 30.5.2009, p. 23).
([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).
([3]) Council Recommendation of 2 December 2009 with a view to bringing to an end the situation of an excessive deficit in Ireland.
([4]) Council Recommendation of 7 December 2010 with a view to bringing to an end the situation of an excessive deficit in Ireland.
([5]) Council Implementing Decision 2011/77/EU of 7 December 2010 on granting Union financial assistance to Ireland (OJ L 30, 4.2.2011, p. 34).

(6) In accordance with Article 10(2)(a) of Regulation (EU) No 472/2013 of the European Parliament and of the Council ([1]), Ireland was exempted from a separate reporting requirement under the excessive deficit procedure and reported in the framework of its financial assistance programme.

(7) In December 2013, Ireland successfully completed the EU-IMF financial assistance programme, with the vast majority of policy conditions under the programme having been met and investor confidence in the sovereign and the banking sector restored.

(8) In accordance with Article 4 of Protocol (No 12) on the excessive deficit procedure annexed to the Treaty on European Union and to 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 ([2]).

(9) The Council is to 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 an excessive deficit is to be abrogated only if the Commission's forecasts indicate that the deficit will not exceed the Treaty reference value of 3 % of GDP over the forecast horizon ([3]).

(10) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009, following the notification by Ireland in April 2016, the 2016 Stability Programme and the Commission's 2016 spring forecast, the following conclusions are justified:

— Since 2009, when the deficit peaked at around 11,5 % of GDP, excluding deficit-increasing one-off measures related to financial sector support, the general government balance has steadily improved, with the deficit declining to 3,8 % of GDP in 2014 and to 2,3 % of GDP in 2015 (1,3 % of GDP if a one-off transaction is excluded ([4])). Overall, the deficit reduction was mainly driven by expenditure restraint, with the weight of current primary expenditure as a share of GDP declining by 8,5 % between 2010 and 2015, while the revenue-to-GDP ratio declined by 0,5 % during the same period.

— The 2016 stability programme, submitted by Ireland on 29 April 2016, plans a decline in the general government deficit to 1,1 % of GDP in 2016 and, based on a no-policy-change assumption, to 0,4 % of GDP in 2017 ([5]). The Commission's 2016 spring forecast projects a deficit of 1,1 % of GDP in 2016 and, based on a no-policy-change assumption, of 0,6 % of GDP in 2017. Thus, the deficit is set to remain below the Treaty reference value of 3 % of GDP over the forecast horizon.

— The Commission estimates the structural balance, which is the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, to have improved by 6,7 % of GDP over the period 2011-2015.

— Ireland's general government gross debt-to-GDP ratio has steadily fallen, having peaked at 120 % in 2012, and is projected to be on a downward path over the forecast horizon. In particular, gross government debt fell to 93,8 % of GDP in 2015 from 107,5 % of GDP in 2014, due to the surge in nominal GDP and the sale of state assets, and is projected to decline further to 89,1 % of GDP in 2016. The gross government debt ratio is forecast to continue decreasing to 86,6 % of GDP in 2017, also due to favourable cyclical conditions, historically low interest rates and primary budget surpluses.

([1]) 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 (OJ L 140, 27.5.2013, p. 1).

([2]) 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).

([3]) 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' of 3 September 2012. See: http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/code_of_conduct_en.pdf

([4]) In 2015, under the planned restructuring of the Allied Irish Bank (AIB)'s capital base, part of the government's preference shares were converted into ordinary shares. This conversion was done in preparation for the envisaged sale of those shares, as part of the plans of the Irish government to return the bank to private ownership. Under applicable accounting rules, this conversion increased Ireland's general government expenditure (and, consequently, its general government deficit) in 2015.

([5]) As government formation talks following the February general election were ongoing at end-April, the 2016 stability programme submitted by Ireland was prepared on a no-policy-change basis.

(11) As from 2016, which is the year following the correction of the excessive deficit, Ireland is subject to the preventive arm of the Stability and Growth Pact and 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. In that context, there appears to be a risk of some deviation from the required adjustment path towards the medium-term budgetary objective in 2016, while Ireland is projected to be compliant in 2017. Ireland is projected to be compliant with the transitional debt rule in both years. Overall, further measures will be needed in 2016.

(12) 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.

(13) In the view of the Council, the excessive deficit in Ireland has been corrected and Decision 2009/416/EC should therefore be abrogated,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Ireland has been corrected.

Article 2

Decision 2009/416/EC is abrogated.

Article 3

This Decision is addressed to Ireland.

Done at Luxembourg, 17 June 2016.

For the Council
The President
J.R.V.A. DIJSSELBLOEM