# ROZHODNUTIA

## COUNCIL DECISION (EU) 2015/1410

**of 19 August 2015**

**giving notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(9) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

(1) Article 126 of the Treaty on the Functioning of the European Union ('TFEU') establishes that Member States are to avoid excessive government deficits and sets out the excessive deficit procedure to that effect. The Stability and Growth Pact, which in its corrective arm implements the excessive deficit procedure, provides the framework supporting government policies for a prompt return to sound budgetary positions taking account of the economic situation.

(2) On 27 April 2009, the Council decided, in accordance with Article 104(6) of the Treaty establishing the European Community that an excessive deficit existed in Greece.

(3) On 10 May 2010, the Council adopted Decision 2010/320/EU ([1]) addressed to Greece under Article 126(9) and Article 136 TFEU with a view to reinforcing and deepening the fiscal surveillance and giving notice to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit at the latest by the deadline of 2014. The Council established 2014 as the deadline for correcting the situation of excessive deficit, and annual targets for the government deficit.

(4) Council Decision No 2010/320/EU was substantially amended several times. Since further amendments were to be made, 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 for the deficit reduction judged necessary to remedy the situation of excessive deficit ([2]) in the interest of clarity. Subsequently, that Decision was significantly amended several times between 8 July 2011 and December 2012 ([3]).

(5) The very severe deterioration of the financial situation of Greece has led euro area Member States to decide to provide it stability support, with a view to safeguarding the financial stability of the euro area as a whole, in conjunction with multilateral assistance provided by the International Monetary Fund. From May 2010 to June 2015, support provided by the euro area Member States took the form of both a bilateral Greek Loan Facility and a loan from the European Financial Stability Facility ('EFSF'). The lenders' support was accompanied by extensive policy conditionality, including the respect by Greece of Council Decision 2011/734/EU and subsequent amendments thereto.

(6) 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. On 17 July, the ESM Board of Governors entrusted the

([1]) OJ L 145, 11.6.2010, p. 6.
([2]) OJ L 296, 15.11.2011, p. 38.
([3]) 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).

European Commission, in liaison with the European Central Bank, and with the International Monetary Fund, with the task of negotiating a Memorandum of Understanding ('MoU') detailing the policy conditionality for a financial assistance facility covering the period 2015-2018 in accordance with Article 13(3) of the ESM Treaty.

(7) 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 ([1]), 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.

(8) The Programme prepared by Greece was approved by Council Implementing Decision (EU) 2015/1411 ([2]).

(9) Article 10(2)(b) of Regulation (EU) No 472/2013 also establishes that, in case a Member State subject to a macroeconomic adjustment programme under Article 7 of that Regulation is also subject to a decision under 126(9) TFEU for the correction of its excessive deficit, the annual budgetary targets in its macroeconomic adjustment programme shall be integrated into the decision to give notice under Article 5(1) of Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure ([3]); in addition, the measures conducive to those targets in the macroeconomic adjustment programme shall also be integrated into the decision to give notice in accordance with Article 5(1) of Regulation (EC) No 1467/97. Article 10(2)(a) of Regulation (EU) No 472/2013 further establishes that the Member State shall be exempt from submitting reports under Article 5(1) of Regulation (EC) No 1467/97. Finally, Article 10(2)(c) of Regulation (EU) No 472/2013 establishes that the monitoring shall be undertaken as provided for by Article 7(4) of that Regulation and the Member State shall be exempt from monitoring under Article 10(1) and Article 10a of Regulation (EC) No 1467/97 and from monitoring underlying any decision under Article 6(2) of that Regulation.

(10) Economic activity in Greece is currently projected to be much weaker than was expected when the latest amendment to Council Decision 2011/734/EU was adopted in December 2012. Both real and nominal GDP are expected to be at much lower levels in 2015 and 2016 than was expected in the 2015 Spring Forecast of the Commission, due to policy uncertainty, lack of implementation of reforms, a shortfall in government revenues, bank holidays, and the imposition of capital controls. The Commission updated its forecast for GDP growth in August 2015, as needed to underpin the negotiations for the MoU required for an ESM programme. According to this forecast, real GDP in 2015-2016 is projected to contract by 2,3 % and 1,3 % respectively, (against a positive growth of 0,5 % and 2,9 % in the 2015 Spring Forecast for the corresponding years), before growing by 2,7 % in 2017 and 3,1 % in 2018. This marked worsening of the economic scenario in 2015-2016 implies a corresponding deterioration of the outlook for public finances given unchanged policies.

(11) Greece is estimated to have improved its structural deficit by 16 percentage points of GDP from a 15,2 % deficit in 2009 to an estimated 1 % surplus in 2014, thus ensuring an improvement in the structural balance in 2009-2014, which is significantly larger than the requirement of at least 10 percentage points of GDP over the period recommended by the Council. In 2014, the general government deficit reached 3,5 % of GDP, clearly within the 4,5 % of GDP government deficit (ESA2010 basis) ceiling for 2014 established by the Council Decision. However, the primary balance outturn of 0,4 % of GDP was substantially weaker than expected and undershot the target set at 1,5 % of GDP due to a combination of factors including the reversal in the economic cycle and the related negative impact on budget revenues, the relaxation of fiscal policy and increased economic uncertainty. The weakening macroeconomic environment accompanied with expiring temporary fiscal measures in 2015 have, however, made it impossible to achieve the primary balance target of 3 % of GDP in 2015 envisaged in the latest amendment to Decision 2011/734/EU adopted in December 2012. The fiscal targets have, therefore, been revised down substantially, taking into account the macroeconomic circumstances and the current fiscal situation, to avoid overtightening fiscal policy in the short term.

(12) Greece will accordingly pursue a new fiscal path, premised on primary surplus targets of – 0,25, 0,5, 1,75, and 3,5 % of GDP in 2015, 2016, 2017 and 2018 and beyond, respectively. The trajectory of the fiscal targets is consistent with the expected growth rates of the Greek economy as it recovers from its deepest recorded recession. The revised path means that the general government budget deficit will fall below 3 % of GDP in 2017.

([1]) OJ L 140, 27.5.2013, p. 1.
([2]) See page 12 of this Official Journal.
([3]) OJ L 209, 2.8.1997, p. 6.

(13) Under the Commission services' update of the forecast for nominal GDP growth, the primary general government balance is projected to attain a deficit of EUR 7 631 million (4,4 % of GDP) in 2015, a deficit of EUR 6 166 million (3,6 % of GDP) in 2016, a deficit of EUR 4 089 million (2,3 % of GDP) in 2017 and a deficit of EUR 753 million (0,4 % of GDP) in 2018.

(14) The budget for 2016 to be adopted by the Greek parliament forms part of the Medium-Term Fiscal Strategy (MTFS) 2016-2019, with the aim to deliver a sizeable and front-loaded fiscal consolidation bringing savings of more than EUR 6 900 million, close to 4 % of GDP.

(15) The failure to complete the final EFSF programme review, the missed debt service payments, the expiration of the EFSF programme and the introduction of capital controls have created new circumstances that have led to a further strong deterioration in debt sustainability. This is due to lower growth estimates, a downward revision of the primary surplus targets, a downward revision of privatisation receipts, a strong deterioration in the financing needs of the banking sector following the imposition of capital controls, the need for a higher clearance of arrears following the liquidity shortage experienced by the sovereign and valuation effects due to the depreciation of the euro with respect to the SDR. As a result of these developments debt-to-GDP is expected to reach 198,3 % in 2016, before decreasing to 169,3 % in 2020, 154,5 % in 2022 and 115,9 % in 2030 in the baseline scenario.

(16) Taking into account those developments, the adjustment path towards the correction of the excessive deficit needs to be updated. The commitment undertaken by Greece concerns not only the fiscal consolidation measures, but also those measures needed to enhance the growth-friendly nature and to minimise any negative social impact.

(17) Each measure required by Council Implementing Decision (EU) 2015/1411 is instrumental in achieving the required budgetary adjustment. Some measures have a direct impact on the budgetary situation of Greece while the others are structural measures that will result in improved fiscal governance and a sounder budgetary situation in the medium term.

(18) In light of the above considerations, it appears necessary to revise the previous annual budgetary targets and the measures conducive to those targets. The new annual budgetary targets and measures conducive to those targets are those contained in Council Implementing Decision (EU) 2015/1411,

HAS ADOPTED THIS DECISION:

*Article 1*

1. Greece shall put an end to the present excessive deficit situation as rapidly as possible, and at the latest, by 2017.

2. The adjustment path towards the correction of the excessive deficit shall aim to meet the annual general-government-deficit targets, as laid down in Council Implementing Decision (EU) 2015/1411 and will be based on primary surplus targets of – 0,25, 0,5, 1,75, and 3,5 % of GDP in 2015, 2016, 2017 and 2018 and beyond, respectively. The trajectory of the fiscal targets is consistent with expected growth rates of the Greek economy as it recovers from its deepest recorded recession. The revised path means that the general government budget deficit will fall below 3 % of GDP in 2017.

3. Greece shall adopt and fully implement all fiscal, economic and structural adjustment measures incorporated in the economic and financial adjustment programme as approved by Council Implementing Decision (EU) 2015/1411.

4. Greece shall stand ready to adopt further measures if risks to the budgetary plans materialise. Budgetary consolidation measures shall secure a lasting improvement in the general government structural balance in a growth-friendly manner.

*Article 2*

This Decision shall take effect on the day of its notification.

*Article 3*

This Decision is addressed to the Hellenic Republic.

Done at Brussels, 19 August 2015.

*For the Council*
*The President*
J. ASSELBORN