COUNCIL DECISION

of 19 January 2010

on the existence of an excessive deficit in the Netherlands

(2010/287/EU)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union and, in particular, Article 126(6) in conjunction with Article 126(13) and Article 136 thereof,

Having regard to the proposal from the Commission,

Having regard to the observations made by the Netherlands,

Whereas:

(1) According to Article 126(1) of the Treaty on the Functioning of the European Union, Member States shall 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.

(3) The excessive deficit procedure (EDP) under Article 126 of the Treaty on the Functioning of the European Union, as clarified by Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure [1] (which is part of the Stability and Growth Pact), provides for a decision on the existence of an excessive deficit. Regulation (EC) No 1467/97 also establishes provisions for the implementation of Article 104 of the Treaty establishing the European Community, which has become Article 126 of the Treaty on the Functioning of the European Union. The Protocol on the excessive deficit procedure annexed to the Treaty on the Functioning of the European Union sets out further provisions relating to the implementation of the EDP. Council Regulation (EC) No 479/2009 [2] lays down detailed rules and definitions for the application of the provisions of that Protocol.

(4) The 2005 reform of the Stability and Growth Pact sought to strengthen its effectiveness and economic underpinnings as well as to safeguard the sustainability of the public finances in the long run. It aimed at ensuring that, in particular, the economic and budgetary background was taken into account fully in all steps in the EDP. In this way, the Stability and Growth Pact provides the framework supporting government policies for a prompt return to sound budgetary positions taking account of the economic situation.

(5) Article 104(5) of the Treaty establishing the European Community, which has become Article 126(5) of the Treaty on the Functioning of the European Union, required the Commission to address an opinion to the Council if the Commission considered that an excessive deficit in a Member State existed or might occur. Having taken into account its report in accordance with Article 104(3) of the Treaty establishing the European Community, which has become Article 126(3) of the Treaty on the Functioning of the European Union, and having regard to the opinion of the Economic and Financial Committee in accordance with Article 104(4) thereof, which has become Article 126(4) of the Treaty on the Functioning of the European Union, the Commission concluded that an excessive deficit existed in the Netherlands. The Commission therefore addressed such an opinion to the Council in respect of the Netherlands on 11 November 2009 [3].

(6) Article 126(6) of the Treaty on the Functioning of the European Union states that the Council should consider any observations which the Member State concerned may wish to make before deciding, after an overall assessment, whether an excessive deficit exists. In the case of the Netherlands, this overall assessment leads to the conclusions set out in this Decision.

(7) According to data notified by the Dutch authorities in October 2009, the general government deficit in the Netherlands is planned to reach 4,8 % of GDP in 2009, thus above and not close to the 3 % of GDP reference value. The planned excess over the reference value can be qualified as exceptional within the meaning of the Treaty and the Stability and Growth Pact. It results mainly from a severe economic downturn in the sense of the Treaty and the Stability and Growth Pact. In the Commission services' 2009 autumn forecast GDP is expected to contract by 4,5 % in 2009 and to grow by only ¼ % in 2010. Furthermore, also on the basis of the Commission services' autumn 2009 forecast, the planned excess over the reference value cannot be considered temporary, since the general government deficit is projected to increase from 4,7 % of GDP in 2009 to 6,1 % of GDP in 2010 before it declines slightly to 5,6 % of GDP in 2011 based on the usual no-policy change assumption. The deficit criterion in the Treaty is not fulfilled.

[1] OJ L 209, 2.8.1997, p. 6.
[2] OJ L 145, 10.6.2009, p. 1.
[3] All EDP-related documents for the Netherlands can be found at the following website: http://ec.europa.eu/economy_finance/netstart search/pdfsearch/pdf.cfm?mode = _m2

(8) According to data notified by the Dutch authorities in October 2009, the general government gross debt is below the 60 % of GDP reference value, at 59,7 % [1] of GDP in 2009. The Commission services' autumn 2009 forecast expects the general government gross debt to come out at 59,8 % of GDP in 2009 and to increase to around 66 % of GDP in 2010 and 70 % of GDP in 2011, thus exceeding the 60 % of GDP reference value. This increase stems in large part from an important expected deterioration of the primary balance.

(9) According to Article 2(4) of Regulation (EC) No 1467/97, 'relevant factors' can only be taken into account in the steps leading to the Council decision on the existence of an excessive deficit in accordance with Article 126(6) of the Treaty on the Functioning of the European Union if the double condition — that the deficit remains close to the reference value and that its excess over the reference value is temporary — is fully met. In the case of the Netherlands, this double condition is not met. Therefore, relevant factors are not taken into account in the steps leading to this Decision,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that an excessive deficit exists in the Netherlands.

Article 2

This Decision is addressed to the Netherlands.

Done at Brussels, 19 January 2010.

For the Council

The President

E. SALGADO

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[1] This figure does not include the government's illiquid asset back-up facility for ING, which amounts to around 3½ % of GDP (EUR 21 billion).