



**COUNCIL OF  
THE EUROPEAN UNION**

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**LEGISLATIVE ACTS AND OTHER INSTRUMENTS**

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Subject : Council Recommendation with a view to bringing an end to the situation of an excessive government deficit in Germany - Application of Article 104(7) of the Treaty establishing the European Community

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**COUNCIL RECOMMENDATION**  
**of 21 January 2003**

with a view to bringing an end to the situation of an excessive  
government deficit in Germany - Application of Article 104(7)  
of the Treaty establishing the European Community

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104(7) thereof,

Having regard to the Recommendation from the Commission under Article 104(7) and Article 104(13),

Whereas:

- (1) In stage three of Economic and Monetary Union (EMU), Member States according to Article 104 of the Treaty should 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 Amsterdam Resolution of the European Council on the Stability and Growth Pact of 17 June 1997 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) The Council has decided, in accordance with Article 104 (6), that an excessive deficit exists in Germany.

- (5) Having decided on the existence of an excessive deficit in Germany, the Council, in accordance with Article 104(7) of the Treaty and Article 3(4) of Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure <sup>1</sup>, shall adopt a Recommendation establishing a deadline of four months at the most for effective action to be taken by Germany to correct the excessive deficit position. The Council takes note of the budgetary measures announced in November 2002, which aim at reducing the deficit level to 2¾% of GDP in 2003, as well as those planned for 2004. The Council welcomes the measures announced by the German authorities but shall establish a deadline of 21 May 2003 at the latest for the German government to take measures to bring the existence of an excessive deficit to an end within the deadline established by this Recommendation.
- (6) Article 3(4) of Regulation EC 1467/97 requires that the Recommendation adopted by the Council in accordance with Article 104(7) also establishes a deadline for the correction of the excessive deficit, which should be completed in the year following its identification.
- (7) The German government adopted a federal budget aiming at a general government deficit of 2¾% for 2003. On 18 December, the German government adopted an updated Stability Programme aiming at a balanced budget in 2006 in a central scenario.

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<sup>1</sup> OJ L 209, 2.8.1997, p. 6.

- (8) In accordance with Article 104(12) of the Treaty, a Council Decision under Article 104(6) on the existence of an excessive deficit will only be abrogated if the excessive deficit, in the view of the Council, has been corrected. The Council will take into account compliance with the recommendation made under Article 104(7) when taking decisions in accordance with Article 104(12),

HEREBY RECOMMENDS:

- the German government to put an end to the present excessive deficit situation as rapidly as possible in accordance with Article 3(4) of Council Regulation (EC) No 1467/97;
- the German authorities to implement with resolve their budgetary plans for 2003 which, on the basis of GDP growth projections of 1½% in 2003, aim at reducing the general government deficit in 2003 to 2¾% of GDP. In particular, the German authorities should ensure a rigorous budgetary execution and a thorough implementation of the measures announced for 2003 amounting to 1% of GDP. The Council establishes a deadline of 21 May 2003 at the latest for the German government to take such measures. If some of these measures are not implemented, the German government should adopt and implement compensatory measures to ensure a reduction of the government deficit in 2003 as planned. In addition, the Council recommends the German authorities to ensure that the rise in the debt ratio is brought to a halt in 2003 and reversed thereafter.

In addition, the Council notes the commitments of the German authorities:

- to implement structural reforms which should vigorously address the need to raise the growth potential of the German economy and, in this way, also be conducive to the achievement of a medium-term budgetary position of close to balance or in surplus, and to a debt ratio brought back to a declining path;
- to ensure that the momentum of budgetary consolidation is maintained throughout the period covered by the December 2002 update of the Stability Programme, namely through a reduction in the underlying budgetary deficit by more than 0,5% of GDP per year, with the exception of 2005 due to the introduction of tax reforms, which in turn requires the introduction of structural reforms;
- to reinforce the coordination mechanisms of budgetary policy in Germany and to secure the process of budgetary consolidation. In this regard, the Council notes with satisfaction the approval and implementation of the new §51a Haushaltsgrundsätzegesetz ("law on budgetary procedures") aimed at strengthening budgetary coordination and fiscal discipline among the constituent sectors of general government, thereby assisting in the management of fiscal policy; the Council welcomes the efforts that are being made by the German government to reduce the government deficit on a permanent basis and encourages the German government to implement these policies with determination.

This Recommendation is addressed to the Federal Republic of Germany.

Done at Brussels,

For the Council  
The President

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