



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 15 November 2004  
(OR. en)**

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**ECOFIN 334  
UEM 161**

**LEGISLATIVE ACTS AND OTHER INSTRUMENTS**

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Subject : Council Recommendation of 2 June 2004 with a view to bringing an end to the situation of an excessive government deficit in the Netherlands

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**COUNCIL RECOMMENDATION**

**of 2 June 2004**

with a view to bringing an end to the situation  
of an excessive government deficit in the Netherlands

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,

Whereas:

- (1) According to 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.
- (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 on 2 June 2004, in accordance with Article 104(6) of the Treaty, that an excessive deficit exists in the Netherlands.
- (5) Having decided on the existence of an excessive deficit in the Netherlands, the Council, in accordance with Article 104(7) of the Treaty and Article 3 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>, is required to make at the same time recommendations to the Member State concerned with a view to bringing that situation to an end within a given period. The Council recommendation has to establish a deadline of four months at the most for effective action to be taken by the Netherlands to correct the excessive deficit as well as a deadline for the correction of the excessive deficit, which should be completed in the year following its identification unless there are special circumstances.

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

- (6) In the view of the Council, budgetary consolidation measures should secure a lasting improvement in the general government balance, while being geared towards enhancing the quality of the public finances and reinforcing the growth potential of the economy. The overall fiscal strategy of the Dutch authorities appears to conform with this orientation.
- (7) When defining the recommendations to correct the excessive deficit, the following factors should be taken into account: (i) the worsening in cyclical developments which contributed to the deterioration of the budgetary situation in 2003 was abrupt and unexpected and it made the effort to bring the deficit below 3% of GDP larger than expected in the 2003 budget and 2002 stability programme update; (ii) according to the Commission, in 2003 the cumulated shortfall of real GDP below estimated potential amounted to 1,7% of GDP; (iii) the Commission, in its Spring 2004 forecast of 7 April 2004, projects that the general government deficit will be 3,5% of GDP in 2004 and 3,3% of GDP in 2005, assuming there to be no policy changes while real GDP growth would reach 1,0% in 2004 and 1,6% in 2005; (iv) the additional savings measures for 2004 that the government promptly adopted on 16 April 2004 are equivalent to around 0,6 percentage point of GDP and were not taken into account in the Commission Spring 2004 forecast and (v) the Dutch government has decided on a package for 2005 of around equal size as for 2004 with the aim of ensuring a general government deficit below 3% of GDP; these measures will be specified in the budget memorandum for 2005.

- (8) If the macro-economic outturn is in line with the Commission Spring 2004 forecast and the measures decided upon on 16 April 2004 yield the planned amount, corrective measures of a mainly structural nature in 2005 amounting to half a percentage of GDP would lead to a deficit below the 3% of GDP Treaty reference value from that year onwards,

HEREBY RECOMMENDS:

The Dutch authorities should put an end by 2005 at the latest to the present excessive deficit situation in accordance with Article 3(4) of Regulation (EC) No 1467/97. The Council establishes the deadline of 2 October 2004 for the Dutch government to take action regarding corrective measures in 2005, mainly of a structural nature, amounting to at least half a percentage point of GDP.

In addition, the Council urges the Dutch authorities to ensure that budgetary consolidation towards a position close to balance or in surplus is sustained, in particular through a reduction in the cyclically-adjusted deficit by at least 0,5 percentage point of GDP per year, even after the excessive deficit has been corrected.

This Recommendation is addressed to the Kingdom of the Netherlands.

Done at Luxembourg, 2 June 2004

For the Council  
The President