



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 10 January 2005  
(OR. en)**

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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 Malta

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**COUNCIL RECOMMENDATION**  
**of 5 July 2004**

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

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 Council decided on 5 July 2004, in accordance with Article 104(6), that an excessive deficit exists in Malta.
- (4) Having decided on the existence of an excessive deficit in Malta, 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.

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

- (5) According to Article 3(4) of Regulation (EC) No 1467/97, this Recommendation should specify that effective action is to be taken by the Member State concerned within four months at most and that the correction of the excessive deficit should be completed in the year following its identification unless there are special circumstances. Such special circumstances are present in the case of Malta namely because the general government deficit upon EU accession was significantly above the reference value.
- (6) The existence of special circumstances authorises the Council to allow the correction of the excessive deficit in a medium-term framework. It is appropriate to consider the convergence programme submitted by Malta in May 2004, and its subsequent updates, and the Council Opinions thereon as providing the adjustment path for the correction of the excessive deficit. The convergence programme of May 2004 plans to reduce the excessive deficit below the 3% reference value by 2006, with the following annual targets for the general government deficit: 5,2% of GDP in 2004, 3,7% in 2005, 2,3% in 2006 and 1,4% in 2007. In addition, the programme envisages the debt ratio, which reached 72,0% in 2003 to rise further above the 60% of GDP Treaty reference value until 2005 (to 72,4%) but to decline thereafter to 70,4% in 2007. The adjustment path is based on a macro-economic scenario which, according to the Council Opinion of 5 July 2004 on the convergence programme, is plausible.
- (7) 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,

HEREBY RECOMMENDS:

- the Maltese authorities to put an end to the present excessive deficit situation as rapidly as possible;
- the Maltese authorities to take action in a medium-term framework in order to achieve their objective of bringing the deficit below 3% of GDP in 2006 in a credible and sustainable manner, in accordance with the path for deficit reduction specified in the Council Opinion of 5 July 2004 on the convergence programme submitted in May 2004;
- the Maltese authorities to implement with vigour the measures envisaged in the May 2004 convergence programme, in particular those of a structural nature aimed at rationalising and reducing expenditures;
- the Maltese authorities to take effective action by 5 November 2004 regarding the measures envisaged to achieve the 2005 deficit target;
- the Maltese authorities to ensure that the rise in the debt ratio is brought to a halt in 2005 and reversed thereafter as specified in the Council Opinion on the convergence programme submitted in May 2004.

In addition, the Council invites the Maltese authorities to ensure that budgetary consolidation towards the medium term budgetary position of close to balance or in surplus is sustained after the excessive deficit has been corrected.

This Recommendation is addressed to the Republic of Malta.

Done at Brussels, 5 July 2004.

For the Council  
The President

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