

COUNCIL DECISION

of 8 July 2008

abrogating Decision 2005/183/EC on the existence of an excessive deficit in Poland

(2008/622/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Article 104(7), on a recommendation from the Commission, confirming the 2007 deadline for the correction. The recommendation was made public.

Having regard to the Treaty establishing the European Community, and in particular Article 104(12) thereof,

Having regard to the recommendation from the Commission,

(4) In accordance with Article 104(12) of the Treaty, a Council Decision on the existence of an excessive deficit is to be abrogated when the excessive deficit in the Member State concerned has, in the view of the Council, been corrected.

Whereas:

(1) By Council Decision 2005/183/EC⁽¹⁾, following a recommendation from the Commission in accordance with Article 104(6) of the Treaty, it was decided that an excessive deficit existed in Poland. The Council noted that the general government deficit was 4,1 % of GDP in 2003, above the 3 % of GDP Treaty reference value, while general government gross debt stood at 45,4 % of GDP, below the 60 % of GDP Treaty reference value. The Council decision stated that the deficit and the debt figures would have to be adjusted upward if the funded pension schemes were excluded from the general government sector following the Eurostat decision on the classification of the funded pension schemes⁽²⁾.

(5) In accordance with the Protocol on the excessive deficit procedure annexed to the Treaty, the Commission provides the data for the implementation of the procedure. As part of the application of this Protocol, Member States are to notify data on government deficits and debt and other associated variables twice a year, namely before 1 April and before 1 October, in accordance with Article 4 of Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community⁽⁵⁾.

(2) On 5 July 2004, 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⁽³⁾, the Council made, based on a recommendation from the Commission, a recommendation addressed to Poland with a view to bringing the excessive deficit situation to an end by 2007 at the latest. The recommendation was made public.

(6) Based on data provided by the Commission (Eurostat) in accordance with Article 8g(1) of Regulation (EC) No 3605/93 following the notification by Poland before 1 April 2008 and on the Commission services' spring 2008 forecast, the following conclusions are warranted:

(3) On 28 November 2006, the Council decided in accordance with Article 104(8), on a recommendation from the Commission, that action taken until then by the Polish authorities was inadequate⁽⁴⁾. On 27 February 2007, the Council issued a new recommendation under

— the general government deficit was reduced from 3,8 % of GDP in 2006 to 2,0 % of GDP in 2007, which is below the 3 % of GDP deficit reference value. This compares with a target of 3,4 % of GDP set in the November 2006 update of the convergence programme,

⁽¹⁾ OJ L 62, 9.3.2005, p. 18.

⁽²⁾ Eurostat News Releases No 30/2004 of 2 March 2004 and No 117/2004 of 23 September 2004.

⁽³⁾ OJ L 209, 2.8.1997, p. 6. Regulation as amended by Regulation (EC) No 1056/2005 (OJ L 174, 7.7.2005, p. 5).

⁽⁴⁾ OJ L 414, 30.12.2006, p. 81.

⁽⁵⁾ OJ L 332, 31.12.1993, p. 7. Regulation as last amended by Regulation (EC) No 2103/2005 (OJ L 337, 22.12.2005, p. 1).

— the much better 2007 deficit out-turn compared to the target was supported by much higher real GDP growth than assumed in the November 2006 convergence programme. In addition, relative to GDP, the government spent less on social transfers (due to lack of indexation in 2007), subsidies, investment and compensation of employees. Overall, total expenditure was lower by 1,5 percentage points than planned in the November 2006 convergence programme. The improvement in the structural balance (i.e. the cyclically-adjusted balance net of one-off and other temporary measures) is estimated at 1½ percentage points of GDP in 2007,

— with lower GDP growth than in 2007, the spring 2008 forecast projects the deficit to increase in 2008 to 2,5 % of GDP, but remain below the reference value, driven mainly by cuts in social contributions, personal income tax relief and an increase of social transfers together with higher investment. This is the same as the official deficit target set in the March 2008 update of the convergence programme. For 2009, the spring forecast projects the deficit to broadly stabilise on a no-policy-change basis. This indicates that the deficit has been brought below the 3 % of GDP reference value in a credible and sustainable manner,

— nonetheless, the structural balance is projected to deteriorate slightly by ¼ percentage point of GDP in 2008 and, on a no-policy-change basis, improve by about ⅓ percentage point in 2009. This has to be seen against the need to make progress towards the medium-term objective (MTO) for the budgetary position, which for Poland is a structural deficit of 1 % of GDP,

— government debt declined from 47,6 % of GDP in 2006 to 45,2 % in 2007. According to the spring 2008 forecast, the debt ratio is projected to remain well below the 60 % of GDP threshold and fall further to around 44 % by the end of 2009.

- (7) In the view of the Council, the excessive deficit in Poland has been corrected and Decision 2005/183/EC should therefore be abrogated,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Poland has been corrected.

Article 2

Decision 2005/183/EC is hereby abrogated.

Article 3

This Decision is addressed to the Republic of Poland.

Done at Brussels, 8 July 2008.

For the Council
The President
C. LAGARDE