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# COMMUNICATION FROM THE COMMISSION

## Assessment of action taken by SPAIN, FRANCE, MALTA, THE NETHERLANDS and SLOVENIA

**in response to the Council Recommendations of 21 June 2013 with a view to bringing an end to the situation of excessive government deficit, and**

**by BELGIUM**

**in response to the Council Decision to give notice of 21 June 2013**

## 1. INTRODUCTION

On 21 June 2013, following the publication of the Commission 2013 Spring Forecast and assessments by the Commission of Member States' Stability and Convergence Programmes, the Council decided that a number of steps under the excessive deficit procedure (Article 126 of the Treaty) were required for Belgium, Spain, France, Malta, the Netherlands, Portugal and Slovenia[1].

In particular, the Council reviewed the existing excessive deficit situation of Spain, France, the Netherlands, Portugal and Slovenia. It considered that these Member States had taken effective action in compliance with Council recommendations under Article 126(7) of the Treaty, and that unexpected adverse economic events with major unfavourable consequences for government finances had occurred after the adoption of the original recommendations. Therefore, the Council (following recommendations from the Commission) considered that for these Member States, the conditions foreseen in Article 3(5) of Regulation (EC) No 1467/97 were fulfilled, to issue new recommendations under Article 126(7) of the Treaty. The Council extended the existing deadlines for correcting the excessive deficit to 2014 for the Netherlands, to 2015 for France, Portugal and Slovenia and to 2016 for Spain. The Council established a deadline of 1 October for these countries to take effective action and, (with the exception of Portugal[2]) to report in detail the consolidation strategy that is envisaged to achieve the targets in accordance with Article 3(4a) of Council Regulation (EC) No 1467/97[3].

Moreover, on the basis of a Commission recommendation the Council decided under Article 126(8) of the Treaty that Belgium had not taken effective action in compliance with the Council Recommendation of 2 December 2009 to correct its excessive deficit by 2012, and under Article 126(9) of the Treaty to give notice to put an end to the excessive deficit situation by 2013. Belgium was given a deadline of 15 September to report on the measures taken to comply with this decision in accordance with Article 5(1a) of Council Regulation (EC) No 1467/97.

Finally, the Council decided (on proposals from the Commission) to open a new excessive deficit procedure for Malta under Article 126(6) of the Treaty and issued a recommendation under Article 126(7) to the country, with a view to end the excessive deficit situation by 2014. The Council established a deadline of 1 October for Malta to take effective action and, in accordance with Article 3(4a) of Council Regulation (EC) No 1467/97, to report in detail the consolidation strategy that is envisaged to achieve the targets.

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[1] All documents related to the excessive deficit procedure of any of the Member States can be found at: http://ec.europa.eu/economy_finance/economic_governance/sgp/corrective_arm/index_en.htm
Note that on 21 June, the Council also issued new recommendations under Article 126(7) to Poland. The Polish authorities submitted a report to the Commission on action taken in compliance with the recommendation. The assessment of this report is subject of a Commission recommendation for a Council decision under Article 126(8), also adopted on 15 November 2013.

[2] Portugal will report in the context of its macroeconomic adjustment programme. In line with Article 10(2a) of Regulation (EU) No 472/2013, it is exempt from a separate reporting under the excessive deficit procedure.

[3] OJ L 209, 2.8.1997, p. 6.

## 2. ASSESSMENT OF ACTION TAKEN

According to Regulation (EC) No 1467/97 and the revised Code of Conduct[4] a Member State should be considered to have taken effective action if it has acted in compliance with the Article 126(7) TFEU recommendation. The Code of Conduct states that the assessment of effective action should in particular take into account whether the Member State concerned has achieved the annual budgetary targets and the underlying improvement of its cyclically adjusted balance, net of one-off and other temporary measures, initially recommended by the Council. In case the observed budget balance proves to be lower than recommended or the improvement of the cyclically adjusted balance, net of one-off and other temporary measures, falls short of the adjustment underlying the target, a careful analysis of the reasons for the shortfall should be made. In case of a multi-annual adjustment, the Code of Conduct specifies that the assessment should mainly focus on the measures already announced or taken in order to ensure adequate progress toward the correction of the excessive deficit within the deadline set by the Council.

Belgium, Spain, France, Malta, the Netherlands and Slovenia submitted to the Commission reports on action taken in compliance with the 21 June Council recommendations and Council decision. In the case of Portugal, which is subject to a macroeconomic adjustment programme, the reporting of its budgetary strategy takes place in the context of the programme, in line with Article 10(2) of Regulation (EU) No 472/2013 that entered into force on 30 May 2013. Belgium, Spain, France, Malta, the Netherlands, and Slovenia also submitted their Draft Budgetary Plans for the forthcoming year to the Commission and the Eurogroup, in line with Regulation (EU) No 473/2013[5].

The Commission reviewed the reports on effective action submitted by the Member States and made an assessment of effective action against the background of the Commission 2013 Autumn Forecast, published on 5 November 2013. In the case of euro area Member States Belgium, Spain, France, Malta, the Netherlands and Slovenia this assessment is also reflected in the Commission Opinion of 15 November 2013 on the draft budgetary plans of these Member States[6]. The main conclusions of this assessment are reflected in the Annex to this Communication.

## 3. EURO AREA MEMBER STATES SUBJECT TO A MACROECONOMIC ADJUSTMENT PROGRAMME

Since the entry into force of Regulation (EU) No 472/2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability on 30 May 2013, the monitoring of euro area Member States subject to a macroeconomic adjustment programme's compliance with their recommendations under the excessive deficit procedure – which shall integrate the annual budgetary targets of the macroeconomic adjustment programme in accordance with Article 10(2b) of the same Regulation – takes place within the regular monitoring of the programme provided for by Article 7(4) of the same Regulation.

4 “Specifications on the implementation of the Stability and Growth Pact and guidelines on the format and content of stability and convergence programmes”, available at: http://ec.europa.eu/economy_finance/economic_governance/sgp/index_en.htm .

5 Poland (which is not a euro area Member State) and Portugal (which is subject to a macroeconomic adjustment programme), are not required to submit a Draft Budgetary Plan.

6 The analysis by the Commission services to underpin this assessment is published in Staff Working Documents accompanying the Commission Opinions.

This Article establishes that the Commission shall monitor the progress made by a Member State in the implementation of its macroeconomic adjustment programme and inform the EFC of such progress every three months. In accordance with the constant practice followed by the Commission, the monitoring of progress made by the concerned Member State in the budgetary area focuses on whether the corrective measures negotiated with the Member State have been adequately implemented. Evidence of having effectively taken the measures detailed in the programme for the achievement of the budgetary targets is therefore considered sufficient to conclude that the Member State concerned has taken effective action to correct the excessive deficit in the sense of Articles 3 and 5 of Regulation (EC) No 1467/97.

This methodology – which replaces the method described in the Code of Conduct – takes into account the specific nature of the economic and budgetary discipline applying to Member States subject to a macro-economic adjustment programme. In particular, it takes into account the fact that the economic scenario and the measures to be taken are agreed and detailed.

## 4. CONCLUSIONS

The Commission has assessed the budgetary situation and in particular action taken in compliance with the Council's recommendations (or in the case of Belgium, the decision to give notice). The Commission considers that Belgium, Spain, France, Malta, the Netherlands and Slovenia have taken effective action and that for these Member States, no further steps in the excessive deficit procedure are needed at present. Details of the Commission's assessment are reported in the Commission Opinions on the Draft Budgetary Plans of these Member States. Finally, the Commission recalls that in the case of Portugal, the last programme compliance review ended on 3 October 2013, and was concluded positively.

The Commission will continue to closely monitor budgetary developments in accordance with the Treaty and the SGP.