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COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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Recommendation for a

COUNCIL DECISION

abrogating Decision 2010/289/EU on the existence of an excessive deficit in Slovenia

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(12) thereof,

Having regard to the recommendation from the Commission,

Whereas:

(1) On 2 December 2009, following a recommendation from the Commission, the Council decided, by Decision 2010/289/EU[1], in accordance with Article 126(6) of the Treaty, that an excessive deficit existed in Slovenia. The Council noted that the general government deficit planned for 2009 was 5.9% thus above the 3% of GDP Treaty reference value. The general government gross debt was planned to reach 34.2% of GDP in 2009, thus below the 60%-of-GDP Treaty reference value.

(2) On the same date, in accordance with Article 126(7) of the Treaty and Article 3(4) of Council Regulation (EC) No 1467/97, the Council, based on a recommendation from the Commission, addressed a recommendation to Slovenia with a view to bringing the excessive deficit situation to an end by 2013 at the latest. That Council recommendation was made public.

(3) On 21 June 2013, the Council considered that Slovenia had taken effective action in compliance with Council Recommendation of 2 December 2009 under Article 126(7) of the Treaty, but that unexpected adverse economic events with major unfavourable consequences for government finances had occurred after the adoption of the original recommendation. Therefore, the Council, following a recommendation from the Commission, considered that the conditions envisaged in Article 3(5) of Regulation (EC) No 1467/97 were fulfilled and issued a new recommendation to Slovenia under Article 126(7) of the Treaty, with a view to bringing the excessive deficit situation to an end by 2015. That new Council recommendation was made public.

(4) On 5 March 2014, in accordance with Article 11(2) of Regulation (EU) No 473/2013, in view of the risks to the achievement of a durable correction of the excessive deficit by 2015, the Commission addressed a recommendation to Slovenia, with a view to taking the necessary action to ensure full compliance with the Council

[1] Council Decision 2010/289/EU of 2 December 2009 on the existence of an excessive deficit in Slovenia (OJ L 125, 21.5.2010, p. 46).

recommendation of 21 June 2013, notably by meeting the fiscal effort recommended by the Council.

(5) In accordance with Article 4 of the Protocol on the excessive deficit procedure annexed to the Treaties, 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 3 of Council Regulation (EC) No 479/2009[2].

(6) The Council should take a decision to abrogate a decision on the existence of an excessive deficit on the basis of notified data. Moreover, a decision on the existence of an excessive deficit should be abrogated only if the Commission forecasts indicate that the deficit will not exceed the 3% of GDP threshold over the forecast horizon[3].

(7) Based on data provided by the Commission (Eurostat) in accordance with Article 14 of Regulation (EC) No 479/2009, following the April 2016 notification by Slovenia, the 2016 Stability Programme and the Commission 2016 spring forecast, the following conclusions are warranted:

– After peaking at 15.0% of GDP in 2013, the general government deficit was reduced to 5.0% of GDP in 2014 and reached 2.9% of GDP in 2015. The deficit reduction in 2015 was mainly driven by the non-recurrence of one-offs that affected the deficit in 2014 (1.1% of GDP) and a significant increase in current revenues (by 1.4% of GDP) which more than offset the increase in current expenditure (by 0.2% of GDP) and gross fixed capital expenditure (by 0.2% of GDP) that is explained by a higher absorption rate of EU funds.

– The stability programme for 2016-19, submitted by the Slovenian government on 28 April 2016, plans the general government deficit to decline to 2.2% of GDP in 2016 and to 1.6% of GDP in 2016. The Commission 2016 spring forecast projects a deficit of 2.4% of GDP in 2016 and 2.1% of GDP in 2017. Thus, the deficit is set to remain below the Treaty reference value of 3% of GDP over the forecast horizon.

– The structural balance, which is the general government balance adjusted for the economic cycle and net of one-off and other temporary measures, deteriorated by 0.7% of GDP over the period 2013-2015.

– The debt-to-GDP ratio increased to 83.2% of GDP in 2015, from 71% of GDP in 2013, on account of debt-increasing stock-flow adjustments and one off expenditures. The Commission 2016 spring forecast projects the gross government debt to have peaked in 2015 and to decrease to 78% of GDP in 2017 due to a reduction in cash buffers.

(8) As from 2016, the year following the correction of the excessive deficit, Slovenia is subject to the preventive arm of the Stability and Growth Pact and should progress towards its medium-term objective at an appropriate pace, including respecting the

[2] Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (OJ L 145, 10.6.2009, p. 1).

[3] In line with the Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes.

expenditure benchmark, and comply with the debt criterion in accordance with Article 2(1a) of Regulation (EC) No 1467/97. In this context, there appears to be a risk of some deviation from the required adjustment of 0.6% of GDP towards the medium-term objective in 2016. In 2017, under unchanged policies, there appears to be a risk of a significant deviation from the recommended adjustment of 0.6% of GDP towards the medium-term objective. Slovenia is projected to be compliant with the transitional debt rule in 2016 and broadly compliant in 2017. Overall, further measures will be needed in 2016 and 2017.

(9) In accordance with Article 126(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.

(10) In the view of the Council, the excessive deficit in Slovenia has been corrected and Decision 2010/289/EU should therefore be abrogated,

HAS ADOPTED THIS DECISION:

Article 1

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

Article 2

Decision 2010/289/EU is hereby abrogated.

Article 3

This Decision is addressed to the Republic of Slovenia.

Done at Brussels,

For the Council
The President