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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

The action taken by the Czech Republic, Cyprus, Malta, Poland and Slovakia in response to the Council recommendations under the excessive deficit procedure

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After the publication of the Commission services' spring 2004 economic forecasts, which took into account data reported by the five countries under consideration in March 2004, the Commission initiated the excessive deficit procedure for each of them in view of the fact that their deficits had exceeded 3% of GDP in 2003. Upon recommendation by the Commission, the Council decided on 5 July 2004 that each country had an excessive deficit and at the same time issued an Article 104(7) recommendation to each of them for its correction¹. Below follows the assessment of the Commission concerning compliance by each of these countries with the Council recommendations.

Concerning the **Czech Republic**, the Council recommendation under Article 104(7) recommended to the Czech authorities to correct the excessive deficit by 2008 and to "take effective action by 5 November 2004 regarding the measures envisaged to achieve the 2005 deficit target" (set at 4.7% of GDP in the May 2004 convergence programme). On current information and on the basis of the measures detailed in the 2005 budget it appears that the Czech government has taken effective action regarding the measures envisaged to achieve the 2005 deficit target, by the deadline of 5 November, in response to the Council recommendation. Accordingly, the Commission concludes that no further steps are necessary at this point under the excessive deficit procedure.

Concerning **Cyprus**, the Council recommendation under Article 104(7) recommended to the Cypriot authorities to "take effective action by 5 November 2004 in order to achieve their objective of bringing the deficit below 3% of GDP in 2005 in a credible and sustainable manner, as specified in the Council Opinion of 5 July 2004 on the convergence programme submitted in May 2004". On current information and on the basis of the measures detailed in the 2005 budget it appears that the Cyprus government has taken effective action regarding the measures envisaged to achieve the 2005 deficit target, by the deadline of 5 November, in response to the Council recommendation. Accordingly, the Commission concludes that no further steps are necessary at this point under the excessive deficit procedure.

Concerning **Malta**, the Council recommendation under Article 104(7) recommended to the Maltese authorities to correct the excessive deficit by 2006 and to "take effective action by 5 November 2004 regarding the measures envisaged to achieve the 2005 deficit target" (set at 3.7% of GDP in the May 2004 convergence programme). On current information and on the basis of the measures detailed in the 2005 budget it appears that the Maltese government has taken effective action regarding the measures envisaged to achieve the 2005 deficit target in response to the Council recommendation. While the budget for 2005 was presented after the 5 November deadline, this does not change the assessment of effective action because the no-policy change projection for the 2005 deficit in the Commission services autumn 2004 forecast was broadly in line with the target set in the May 2004 convergence programme.

¹ See http://europa.eu.int/comm/economy_finance/about/activities/sgp/procedures_en.htm

Accordingly, the Commission concludes that no further steps are necessary at this point under the excessive deficit procedure.

Concerning **Poland**, the Council recommendation under Article 104(7) recommended to the Polish authorities to correct the excessive deficit by 2007 and to “take effective action by 5 November 2004 regarding the measures envisaged to achieve the 2005 deficit target” (set at 4.2% of GDP in the May 2004 convergence programme). On current information and on the basis of the measures detailed in the 2005 budget it appears that the Polish government has taken effective action regarding the measures envisaged to achieve the 2005 deficit target, by the deadline of 5 November, in response to the Council recommendation. Accordingly, the Commission concludes that no further steps are necessary at this point under the excessive deficit procedure.

Concerning **Slovakia**, the Council recommendation under Article 104(7) recommended to the Slovak authorities to correct the excessive deficit by 2007 and to “take effective action by 5 November 2004 regarding the measures envisaged to achieve the 2005 deficit target” (set at 3.9% of GDP in the May 2004 convergence programme). On current information and on the basis of the measures detailed in the 2005 budget it appears that the Slovak government has taken effective action regarding the measures envisaged to achieve the 2005 deficit target, by the deadline of 5 November, in response to the Council recommendation. Accordingly, the Commission concludes that no further steps are necessary at this point under the excessive deficit procedure.