

Excessive deficit procedure: speeding up and clarifying the implementation

2023/0137(CNS) - 03/01/2024

PURPOSE: to speed up and clarify the implementation of the excessive deficit procedure.

PROPOSED ACT: Council Regulation (Agreement in principle with a view to consulting the European Parliament).

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

Parliament is being consulted again on the proposal to amend Regulation (EC) No 1467/97 laying down provisions on speeding up and clarifying the implementation of the excessive deficit procedure. The aim of the excessive deficit procedure is to prevent the occurrence of excessive government deficits and, if they do occur, to speed up their correction, with compliance with budgetary discipline being examined on the basis of the government deficit and debt criteria.

The proposed Regulation is part of a package together with the [Regulation](#) on the preventive arm of the stability and growth pact and the [Directive](#) amending 2011/85/EU on requirements for budgetary frameworks of the Member States. Together, they establish a reformed Union economic governance framework that incorporates into Union law the substance of Title III 'Fiscal Compact' of the Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union.

The main elements of the Council draft are as follows:

Excessive deficit procedure

It is foreseen that to trigger the process, the Commission would prepare a **report**, when the ratio of the government debt to GDP exceeds the reference value, the headline deficit is not close to balance or in surplus and when the deviations recorded in the control account of the Member State either **exceed 0.3 percentage points of GDP annually, or 0.6 percentage points of GDP cumulatively**.

The Council and the Commission would make a **balanced overall assessment** of all the relevant factors that affect the assessment of compliance with the deficit and/or the debt criteria of the member state concerned. These include among other things, the degree of public debt challenges, the size of the deviation, the progress in the implementation of reforms and investments and, where applicable the increase of government spending on defence.

Rules relating to the excessive deficit procedure

When it decides that an excessive deficit exists, the Council should at the same time make recommendations to the Member State concerned. The Council recommendation should establish a maximum deadline of six months for effective action to be taken by the Member State concerned. When warranted by the seriousness of the situation, the deadline for effective action may be three months. The Council recommendation should also establish a deadline for the correction of the excessive deficit. It should also request that the Member State implements a corrective net expenditure path, which ensures that the general government deficit remains or is brought and maintained below the reference value within the deadline set in the recommendation.

The Council proposes to maintain the rules of the excessive deficit procedure in so far as when the excessive deficit procedure is opened on the basis of the deficit criterion, the corrective net expenditure path should be consistent with a minimum annual structural adjustment of at least **0.5% of the GDP**.

However, the Council also decided that the Commission may, for a **transitory period in 2025, 2026 and 2027**, take into account the increase in interest payments in calculating the adjustment effort within the excessive deficit procedure.

The Council agreed that the fine in case of non-compliance would amount to up to 0.05% of GDP and accumulate every six months until effective action is taken.