

Excessive deficit procedure: speeding up and clarifying the implementation

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The European Parliament adopted by 368 votes to 166, with 64 abstentions, following a special legislative procedure (consultation), a legislative resolution on the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

This Regulation lays down the provisions for speeding up and clarifying the implementation of the excessive deficit procedure. The objective of the excessive deficit procedure is to deter excessive government deficits and, if they occur, to further prompt their correction, where compliance with the budgetary discipline is examined on the basis of the government deficit and government debt criteria.

The European Parliament approved the Commission's proposal subject to amendments.

Assessment of excessive debt

The Commission should prepare a **report** in accordance with Article 126(3) TFEU where the ratio of the government debt to GDP exceeds the reference value, the budgetary position is not close to balance or in surplus and where the deviations recorded in the control account of the Member State exceed: (a) either 0.3 percentage points of GDP annually, (b) or 0.6 percentage points of GDP cumulatively.

The report should reflect, as appropriate:

- the degree of public debt challenges based on the methodology referred to in the stability pact, the evolution of the government debt position and its financing, and the related risk factors;
- the developments in the medium-term budgetary positions;
- the developments in the medium-term economic position;
- the progress in the implementation of reforms and investments;
- **the increase of government investment in defence**, where applicable, considering also the time of recording of military equipment expenditure.

Single operational indicator

In order to simplify the Union fiscal framework and increase transparency, a single operational indicator anchored in debt sustainability should serve as a basis for setting the fiscal path and carrying out annual fiscal surveillance for each Member State. This indicator should be based on nationally financed net primary expenditure, i.e: government expenditure net of interest expenditure, discretionary revenue measures, expenditure on Union programmes fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, as well as cyclical elements of unemployment benefit expenditure.

In line with the guiding principles that are used by the Commission for classifying transactions as one-offs and other temporary measures, those one-offs and other temporary measures should also be excluded from

the net expenditure indicator. That indicator, which is not affected by the operation of automatic stabilisers and other expenditure fluctuations outside the direct control of the government, provides leeway for counter-cyclical macro-economic stabilisation.