

Surveillance of budgetary positions and surveillance and coordination of economic policies

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OBJECTIVE: within the context of the Stability and Growth Pact, the regulation aims to ensure budgetary discipline during the third stage of Economic and Monetary Union (EMU). **COMMUNITY MEASURE:** Council Regulation 1466/97/EC on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies. **CONTENT:** to avoid any risk of excessive deficit, the regulation aims to establish a preventive early-warning system for identifying and correcting budgetary slippages before they bring the deficit above the ceiling of 3% of GDP. This early-warning system will encourage Member States to immediately take the corrective budgetary action they deem necessary whenever they have information indicating significant divergence from the medium-term budgetary objective or the adjustment path towards it. The regulation defines, in particular, the content, timetable and publishing requirements for: - stability programmes, which must be submitted by the Member States adopting the single currency; - convergence programmes, which must be submitted by the Member States not adopting the single currency. The stability and convergence programmes are an essential basis for price stability and strong sustainable growth conducive to employment creation. In particular, they must provide details of: - the medium-term budgetary objective and adjustment path towards it, including the expected path for the government debt ratio; - the main assumptions about expected economic developments and the important economic variables likely to effect the stability programmes, such as public investment expenditure, real GDP growth, employment and inflation; - the budgetary measures and other measures on economic policy implemented or envisaged to achieve the objective; - an assessment of the effect that any change in the main assumption about the economy would have on the budget situation and deficit. Furthermore, the convergence programmes should provide information on the medium-term objectives for monetary policy and the relationship between those objectives and price stability and exchange rates. The stability and convergence programmes are to be submitted before 1 March 1999. After that date, updated programmes should be presented every year.