Basic information

2005/0061(CNS) CNS - Consultation procedure Regulation	Procedure completed
Excessive deficit procedure: speeding up and clarifying the implementation Amending Regulation (EC) No 1467/97 1996/0248(CNS) **Subject** 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	KARAS Othmar (PPE-DE)	11/04/2005

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
General Affairs	2667	2005-06-13
Transport, Telecommunications and Energy	2671	2005-06-27

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	

Key events

Date	Event	Reference	Summary
20/04/2005	Legislative proposal published	COM(2005)0155	Summary
10/05/2005	Committee referral announced in Parliament		
24/05/2005	Vote in committee		Summary
26/05/2005	Committee report tabled for plenary, 1st reading/single reading	A6-0158/2005	

08/06/2005	Debate in Parliament		
09/06/2005	Decision by Parliament	T6-0233/2005	Summary
09/06/2005	Results of vote in Parliament		
27/06/2005	Act adopted by Council after consultation of Parliament		
27/06/2005	End of procedure in Parliament		
07/07/2005	Final act published in Official Journal		

Technical information

Procedure reference	2005/0061(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation (EC) No 1467/97 1996/0248(CNS)
Legal basis	EC Treaty (after Amsterdam) EC 104-p14-a2
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/23575

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Amendments tabled in committee		PE357.892	18/05/2005	
Committee report tabled for plenary, 1st reading/single reading		A6-0158/2005	26/05/2005	
Text adopted by Parliament, 1st reading/single reading		T6-0233/2005 OJ C 124 25.05.2006, p. 0420-0524 E	09/06/2005	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2005)0155	20/04/2005	Summary
Commission response to text adopted in plenary	SP(2005)2882	13/07/2005	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2005/0017 OJ C 144 14.06.2005, p. 0016-0016	03/06/2005	Summary

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Regulation 2005/1056 OJ L 174 07.07.2005, p. 0005-0009	Summary

Excessive deficit procedure: speeding up and clarifying the implementation

2005/0061(CNS) - 09/06/2005 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Othmar KARAS (EPP-ED, AT) on the excessive deficit procedure. Parliament felt that there needs to be a definition of the concept of an "exceptional and temporary excess" of budget deficit over the permitted 3 per cent of GDP, and that this should be done in the context of the Commission's budgetary forecasts and common external assumptions. It also wants a clear, agreed list of which factors might be judged relevant in assessing deficits.

The new text went on to state that the maximum deadline for correction of an excessive deficit should not exceed three years after its occurrence.

The Commission and the Council, when assessing and deciding upon the existence of an excessive deficit, must compare the figures submitted to the Commission by the Member States with the reports submitted by the national central banks to the ECB.

Finally, Parliament said that it should be informed regularly about the existence of an excessive deficit and the monitoring process.

Excessive deficit procedure: speeding up and clarifying the implementation

2005/0061(CNS) - 27/06/2005 - Final act

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

LEGISLATIVE ACT: Council Regulation 1056/2005/EC on amending Regulation 1467/97/EC. CONTENT: At the Spring 2005 European Council, the Member States, the Council and the Commission reaffirmed their commitment to implement the Treaty and the Stability and Growth Pact in an effective and timely manner, through peer support and peer pressure, and to act in close and constructive cooperation in the process of economic and fiscal surveillance, in order to guarantee certainty and effectiveness in the rules of the Pact.

Regulation 1467/97/EC needs to be amended in order to allow the full application of the agreed improvement of the implementation of the Stability and Growth Pact.

The guiding principle for the application of the excessive deficit procedure is the prompt correction of an excessive deficit. The procedure should remain simple, transparent and equitable.

The concept of exceptional excess over the reference value resulting from a severe economic downturn is revised. In doing so, due account was taken of the economic heterogeneity in the European Union.

The Commission should always prepare a report on the basis of Article 104(3) of the Treaty. In its report, it should examine whether the exceptions provided for in Article 104(2) apply. The Commission report under Article 104(3) should appropriately reflect developments in the medium-term economic position and in the medium-term budgetary position. Furthermore, due consideration should be given to any other factors which, in the opinion of the Member State concerned, are relevant in order to comprehensively assess in qualitative terms the excess over the reference value.

Careful consideration should be given in all budgetary assessments in the framework of the excessive deficit procedure to an excess close to the reference value which reflects the implementation of pension reforms introducing a multi-pillar system that includes a mandatory, fully funded pillar, because the implementation of those reforms leads to a short-term deterioration of the budgetary position, while the long-term sustainability of public finances clearly improves. In particular, when assessing under Article 104(12) of the Treaty whether the excessive deficit has been corrected, the Commission and the Council should assess developments in EDP deficit figures while also considering the net cost of the reform to the publicly managed pillar.

The procedural deadlines for Council decisions in the excessive deficit procedure are extended in order to allow the Member State concerned to better frame its action within the national budgetary procedure and to develop a more coherent package of measures. In particular, the deadline for the Council to decide on the existence of an excessive deficit in accordance with Article 104(6) of the Treaty is set, as a rule, to four months after the reporting dates established in Article 4(2) and (3) of Council Regulation 3605/93/EC on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community. This would address the cases in which the budgetary statistical data has not been validated by the Commission (Eurostat) shortly after the reporting dates established in Regulation 3605/93/EC.

In order to ensure a prompt correction of excessive deficits, it is necessary for Member States that are in a situation of excessive deficit to take effective action and to achieve an annual minimum fiscal improvement in their cyclically adjusted balance, net of one-off and temporary measures. As a benchmark, countries in excessive deficit will be required to achieve an annual minimum fiscal effort in cyclically adjusted terms, net of one-off and temporary measures.

Maximum time periods within which Member States are to take effective action and measures are extended to allow better framing of the action in the national budgetary procedures and the development of more articulated packages of measures.

If the Member State concerned has taken effective action in response to a recommendation under Article 104(7) of the Treaty or a notice issued under Article 104(9) and unexpected adverse economic events with major negative consequences for government finances prevent the correction of the excessive deficit within the time limit set by the Council, it should be possible for the Council to issue a revised recommendation under Article 104(7) or a revised notice under Article 104(9).

The current overall maximum period of 10 months from the reporting dates established in Article 4(2) and (3) of Regulation 3605/93/EC until the decision to impose sanctions would be inconsistent with the amended deadlines in each step of the procedure and the possibility to issue revised recommendations under Article 104(7) of the Treaty or revised notices under Article 104(9). The overall maximum period has therefore been adjusted in accordance with these amendments.

The provisions applicable to the implementation of the excessive deficit procedure in the case of the United Kingdom, which are set out in the Annex to Regulation 1467/97/EC have also been modified to reflect these changes.

ENTRY INTO FORCE: 27/07/2005.

Excessive deficit procedure: speeding up and clarifying the implementation

2005/0061(CNS) - 20/04/2005 - Legislative proposal

PURPOSE: to strengthen of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

PROPOSED ACT: Council Regulation.

CONTENT: the Commission proposed to amend two Regulations underpinning the Stability and Growth Pact following the agreement at the European Council in March 2005. The reform strengthens the preventive arm of the Pact and improves the implementation of the excessive deficit procedure by better reflecting the economic realities of a Union of 25 Member States. The 3% and 60% reference values for the deficit and the debt ratios remain the anchor of the system.

The amended regulations reflect the changes requested by the Council, in particular concerning:

- The role of structural reforms in the context of budgetary surveillance. Major structural reforms having a verifiable positive impact on the long-term sustainability of public finances will, under strict conditions, be taken into account in the context of budgetary surveillance.

- The definition of a severe economic downturn in the excessive deficit procedure. An excess of the deficit over the reference value which results from a negative growth rate or from the accumulated loss of output during a protracted period of very low growth relative to potential growth may be considered as exceptional.

- The definition and role of ‘other relevant factors’ foreseen in Article 104, paragraph 3 of the Treaty. The Commission will take into account relevant factors when deciding whether a deficit higher than 3% is excessive or not. The list of factors is not, however, limited to those that could concur to finding the deficit not excessive. Any deficit that is not close to the reference value or temporary in its excess will be considered excessive.

- The deadlines for correcting a deficit are extended, e.g. from four to six months to give more time for a country to take effective and more permanent action after an Article 104, paragraph 7 recommendation rather than resort to one-off measures. Provisions are also introduced to allow repetition of steps in case of unexpected adverse economic events with a considerable negative impact on the budget, provided the country concerned has carried out a minimum budgetary adjustment effort in compliance with the Council recommendation.

Excessive deficit procedure: speeding up and clarifying the implementation

2005/0061(CNS) - 03/06/2005 - European Central Bank: opinion, guideline, report

On 3 May 2005, the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on a proposal for a Council regulation amending Regulation 1467/97/EC on speeding up and clarifying the implementation of the excessive deficit procedure.

Sound fiscal policies are fundamental to the success of economic and monetary union (EMU). They are prerequisites for macroeconomic stability, growth and cohesion in the euro area. The fiscal framework enshrined in the Treaty and in the Stability and Growth Pact is a cornerstone of EMU and thus key to anchoring expectations of fiscal discipline. This rules-based framework, which aims to secure sustainable public finances while allowing the smoothing of output fluctuations through the operation of automatic stabilisers, needs to remain clear, simple and enforceable. Compliance with these principles will also facilitate transparency and equal treatment in the implementation of the framework.

To recall, the objective of the proposed regulation is to reflect changes in the implementation of the Stability and Growth Pact that were agreed by the Council on 20 March 2005. The proposed regulation concerns the implementation of the excessive deficit procedure (EDP). The proposed regulation aims to ensure sound fiscal policies by providing incentives for fiscal discipline.

While the ECB does not see a need to express an opinion on the specific provisions of the proposed regulation, it reiterates that the EDP needs to be both credible and effective as a safeguard against unsustainable public finances, maintaining a strict time frame. Against this background, the ECB favours an amendment that is as limited as possible of Council Regulation 1467/97/EC on speeding up and clarifying the implementation of the excessive deficit procedure. A rigorous and consistent implementation of the EDP would be conducive to prudent fiscal policies.

Excessive deficit procedure: speeding up and clarifying the implementation

2005/0061(CNS) - 13/06/2005

The Council endorsed two draft Regulations implementing reform of the Stability and Growth Pact approved by the European Council at its meeting on 22 and 23 March 2005. The two Regulations are intended to amend Regulation 1466/97 on the surveillance of budgetary positions and coordination of the EU's economic policies and Regulation 1467/97 on the implementation of the excessive deficit procedure.

To recall, the reform of the Pact, laid down in a report adopted by the Council on 20 March 2005, is aimed at enhancing the governance and national ownership of the fiscal framework, strengthening the economic underpinnings and the effectiveness of the Pact, both in its preventive and corrective arms, safeguarding the sustainability of public finances in the long run and promoting growth and avoiding the imposition of excessive burdens on future generations.