

Excessive deficit procedure: implementation

1996/0248(CNS) - 16/10/1996 - Legislative proposal

OBJECTIVE : the proposal for a Council Regulation forms part of the stability pact for ensuring budgetary discipline in stage III of EMU. Its aim is to speed up and clarify the implementation of the excessive deficit procedure, so that it acts as a genuine deterrent. **SUBSTANCE** : the main principles proposed are as follows: - setting time limits for the key steps of the procedure so that sanctions would be imposed, where appropriate, within the calendar year following the year in which the excessive deficit occurs; - defining the 'exceptional and temporary' circumstances when the reference value can be breached; - pre-determining the scale of the pecuniary sanctions. With regard to the implementation of sanctions, it is proposed that a non-interest bearing deposit should be required whenever sanctions are triggered. The Commission proposes that annual deposits would include a fixed component, equal to 0.2% of GDP, and a variable component equal to one-tenth of the excess of the deficit over the 3% reference value, and would be subject to a ceiling of 0.5% of GDP.