

Procedure file

Basic information		
CNS - Consultation procedure Regulation	1996/0248(CNS)	Procedure completed
Excessive deficit procedure: implementation		
Amended by 2005/0061(CNS)		
Amended by 2010/0276(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, Industrial Policy		24/09/1996
		PPE CHRISTODOULOU Eftymios	
	Former committee responsible		24/09/1996
	ECON Economic and Monetary Affairs, Industrial Policy		24/09/1996
		PPE CHRISTODOULOU Eftymios	
	Former committee for opinion		29/10/1996
	BUDG Budgets		29/10/1996
		PSE WILLOCKX Frederik A.A.	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2023	07/07/1997
	Economic and Financial Affairs ECOFIN	2014	09/06/1997

Key events			
15/10/1996	Legislative proposal published	COM(1996)0496	Summary
11/11/1996	Committee referral announced in Parliament		
12/11/1996	Vote in committee		Summary
11/11/1996	Committee report tabled for plenary, 1st reading/single reading	A4-0371/1996	
28/11/1996	Decision by Parliament	T4-0641/1996	Summary
18/03/1997	Modified legislative proposal published	COM(1997)0117	Summary
06/04/1997	Amended legislative proposal for reconsultation published	06931/2/1997	
23/04/1997	Formal reconsultation of Parliament		
20/05/1997	Committee report tabled for plenary, reconsultation	A4-0181/1997	
21/05/1997	Vote in committee, 2nd reading		Summary

29/05/1997	Decision by Parliament	T4-0268/1997	Summary
09/06/1997	Debate in Council	2014	
23/06/1997	Modified legislative proposal published	COM(1997)0306	
07/07/1997	Act adopted by Council after consultation of Parliament		Summary
07/07/1997	End of procedure in Parliament		
02/08/1997	Final act published in Official Journal		

Technical information

Procedure reference	1996/0248(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amended by 2005/0061(CNS) Amended by 2010/0276(CNS)
Legal basis	EC before Amsterdam E 104C-p14-a2
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/08365

Documentation gateway

Legislative proposal		COM(1996)0496	16/10/1996	EC	Summary
Committee draft report		PE219.841	05/11/1996	EP	
Committee report tabled for plenary, 1st reading/single reading		A4-0371/1996 OJ C 380 16.12.1996, p. 0004	12/11/1996	EP	
Amendments tabled in committee		PE219.841/AM	14/11/1996	EP	
Committee opinion	BUDG	PE219.089/DEF	21/11/1996	EP	
Text adopted by Parliament, 1st reading/single reading		T4-0641/1996 OJ C 380 16.12.1996, p. 0013-0029	28/11/1996	EP	Summary
Modified legislative proposal		COM(1997)0117 OJ C 130 26.04.1997, p. 0012	19/03/1997	EC	Summary
Amended legislative proposal for reconsultation		06931/2/1997	07/04/1997	CSL	
Committee draft report		PE222.194	29/04/1997	EP	
Committee draft report		PE222.194/B	20/05/1997	EP	
Amendments tabled in committee		PE222.194/AM	20/05/1997	EP	
Committee final report tabled for plenary, reconsultation		A4-0181/1997 OJ C 182 16.06.1997, p. 0003	21/05/1997	EP	
Text adopted by Parliament after reconsultation		T4-0268/1997 OJ C 182 16.06.1997, p. 0013-0021	29/05/1997	EP	Summary

Additional information

European Commission

[EUR-Lex](#)

Final act

[Regulation 1997/1467](#)[OJ L 209 02.08.1997, p. 0006](#) Summary

Excessive deficit procedure: implementation

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. ?

Excessive deficit procedure: implementation

The idea behind the Stability and Growth Pact is to ensure that budgetary discipline does not end once EMU has entered into force. It was up to the committee to give this regulation a Community dimension, which was precisely what it had done by adopting two proposals for a regulation, one on the introduction of an early warning system to prevent excessive deficits and one on time limits and sanctions. The Committee on Economic and Monetary Affairs adopted the report by Mr Efthymios CHRISTODOULOU (PPE, EL) on these two proposals. Regarding the early warning system (cooperation procedure), the report insisted that national budgetary policies needed to allow adequate government investment to help sustain growth and employment. A purely mathematical evaluation was inadequate and public deficit should be evaluated on the basis of various economic factors, especially employment. The report also stressed the need to review these stability programmes during the course of national budgetary procedures in parliament and the need for the European Parliament to be provided with the relevant information. Moreover, similar procedures should cover the other Member States not belonging to EMU. With regard to time limits and sanctions (consultation procedure), the report reiterated the above principles. It proposed some changes to the time limits and emphasized that, in the event of an excessive deficit, the deposit prior to a possible sanction should not be considered as part of the government expenditure of the Member State concerned. ?

Excessive deficit procedure: implementation

In adopting the report by Mr Efthymios CHRISTODOULOU (PPE, G), Parliament approved, with amendments, two draft Regulations: one concerning the introduction of an early-warning system to avoid excessive deficits, the other concerning time limits and sanctions. Regarding the early-warning system (cooperation procedure), Parliament insisted that national budgetary policies need to be set so as to allow adequate government investment to help sustain growth and employment. It considered that stability programmes should be incorporated in the national budgetary procedures and submitted to the national parliaments in accordance with an appropriate timetable, whilst emphasizing that Parliament be properly informed. Moreover, similar procedures should also exist for countries that are not members of EMU. Finally, Parliament called for the establishment of an Employment Committee analogous to the Monetary Committee and for the maintenance in operation of the Cohesion Fund during stage III, for as long as the parameters for development differentials which justified its creation (per capita GDP lower than 90% of the Community average) remain in force. With regard to time limits and sanctions (consultation procedure), Parliament reaffirmed the above principles. It proposed some changes to the time limits and adopted an amendment to authorize the breaching of the reference value fixed for the public deficit where unusual events induced the Member State concerned to engage in excessively high levels of expenditure in order to safeguard its territorial sovereignty. In addition, it underlined that in the event of an excessive deficit, the amount of the deposit prior to payment of any fine should not be considered as part of the government expenditure of the Member State concerned. ?

Excessive deficit procedure: implementation

The Commission's amended proposal includes the amendments proposed by the European Parliament which were accepted by the Commission and the decisions taken at the European Council in Dublin in December 1996. The wording has also been amended in the light of the discussions of the Council Working Group on EMU. ?

Excessive deficit procedure: implementation

The Economic adopted one report and one recommendation for second reading by Mr Efthymios CHRISTODOULOU (EPP, GR) approving, subject to several amendments, the two proposals for regulations making up the so-called Pact for Stability and Growth, which is a key element for ensuring budgetary stability during the third phase of the EMU. The first part of the pact is a regulation on the monitoring of budgetary and economic policies (Cooperation procedure, second reading) while the second spells out the procedure for member states having excessive budget deficits (reconsultation). At first reading, the Parliament adopted a large number of amendments to the two proposals but these were largely overlooked by the Council. To try to reconcile these differences, the Committee recently called for, and was granted, a dialogue with the Council and the Commission. Following a very constructive meeting two weeks ago, the President in Office of the ECOFIN Council, Mr Gerrit ZALM, has undertaken to take on board several of the Committee's amendments. In particular, the Council agreed to the Committee's call for the level of government investment expenditure to be taken into account when assessing a member state's budgetary stance. In an amendment to the excessive deficit regulation, the Committee called for interest on deposits, as well as any fines levied on member states having excessive deficits to be added to the general budget of the EU, and not, as has been proposed by the Council, be divided up amongst the other member states.. ?

Excessive deficit procedure: implementation

The European Parliament adopted a report and recommendation by Mr Efthymios CHRISTODOULOU (PPE, GR) approving, subject to several amendments, the two proposals that constitute the Stability and Growth Pact, a key element in ensuring budgetary stability during the third phase of EMU. Parliament, consulted again on the proposal for a regulation defining the procedure applicable to Member States with an excessive budget deficit, calls for the interest on deposits and the fines imposed on Member States with an excessive budget deficit to be entered in the Union's general budget and not distributed among participating Member States without an excessive deficit, as the Council has proposed. Parliament also calls for the Council periodically to examine (on the basis of a report from the Commission and opinions delivered by the European Central Bank and after Parliament has been consulted) and revise the regulation in the light of experience gained. It hopes further that an additional regulation on the methodology and notification of data concerning real changes in GDP will be drawn up for 1 January 1999. ?

Excessive deficit procedure: implementation

Following the conclusions of the European Council in Amsterdam on 16 and 17 June, the Council formally adopted without debate the Regulation forming part of the Stability and Growth Pact. ?

Excessive deficit procedure: implementation

OBJECTIVE: within the framework of the stability pact for ensuring budgetary discipline in stage III of EMU, to speed up and clarify the implementation of the excessive deficit procedure, so that it acts as a genuine deterrent. COMMUNITY MEASURE: Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure. CONTENT: the regulation, which sets out provisions to speed up and clarify the excessive deficit procedure in order to prevent excessive deficit in public administrations: - sets time limits for the key steps of the procedure so that any sanctions are imposed within the calendar year following the year in which the excessive deficit occurs; - defines the "exceptional and temporary" circumstances when the reference value can be breached. The Commission considers, in principle, that a breach of the reference value following serious economic recession is only exceptional if GDP in real terms falls by at least 2% per annum; - determines the scale of pecuniary sanctions. With regard to the implementation of sanctions, the regulation provides for a non-interest bearing deposit to be required whenever sanctions are triggered. The annual deposits 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, capped at 0.5% of GDP. Interest on the deposits and the fines imposed on the Member States with an excessive deficit are divided between the Member States with no excessive deficit in proportion to their contribution to the overall GDP of the eligible Member States. ENTRY INTO FORCE: 1 January 1999.?