



Budgetary surveillance in the EU

The EU member states have to comply with budgetary norms. In the medium run, they should balance government revenue and spending. To this end, every member state is put on an adjustment path with a yearly target for the budget balance. The medium-term objective and the adjustment path are part of the preventive arm of the EU’s budgetary surveillance. To promote compliance with these obligations, there is also a corrective arm which caps annual government deficit and government debt. The Commission and Ecofin Council are responsible for ensuring member states’ compliance with the rules.

Procedure	Horizon	Norm	
Preventive arm	medium term	structural gov deficit	≤ 0.5 % GDP
	short term (annually)	adjustment path towards	≤ 0.5 % GDP
Corrective arm	short term (annually)	gov deficit	≤ 3% BBP
		gov debt	≤ 60% GDP or decreasing

Preventive arm: balanced budget in the medium run

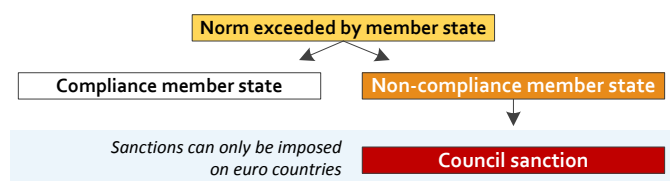
Nearly all EU member states are bound to reduce their structural (cyclically adjusted) budget balance to 0.5% of GDP in the medium run. This obligation stems from the Treaty on Stability, Coordination and Governance, which was signed by 25 member states. The United Kingdom, the Czech Republic and Croatia did not sign the treaty. These three countries have individual medium-term objectives.

Corrective arm: excessive deficits

All member states have to comply with the rules on government deficit and debt in the short run. The government deficit should not exceed 3% of GDP. Government deficit should not be higher than 60% of GDP. If it is, it should decrease at a satisfactory pace. If a member state does not comply with the norms for government deficit or debt, the Ecofin Council can determine that there is an excessive deficit.

Procedural steps

Both procedures are organised in a similar way. If a member state exceeds one of the budgetary norms, it has to correct this. To this end, the Ecofin Council issues recommendations. If the member state follows these recommendations and brings its budgetary situation to within the allowable limits again, the procedure is closed. In the case of non-compliance, the Ecofin Council can impose a sanction on a member state. Sanctions can only be imposed on euro countries, non euro members cannot be sanctioned.



Decision making

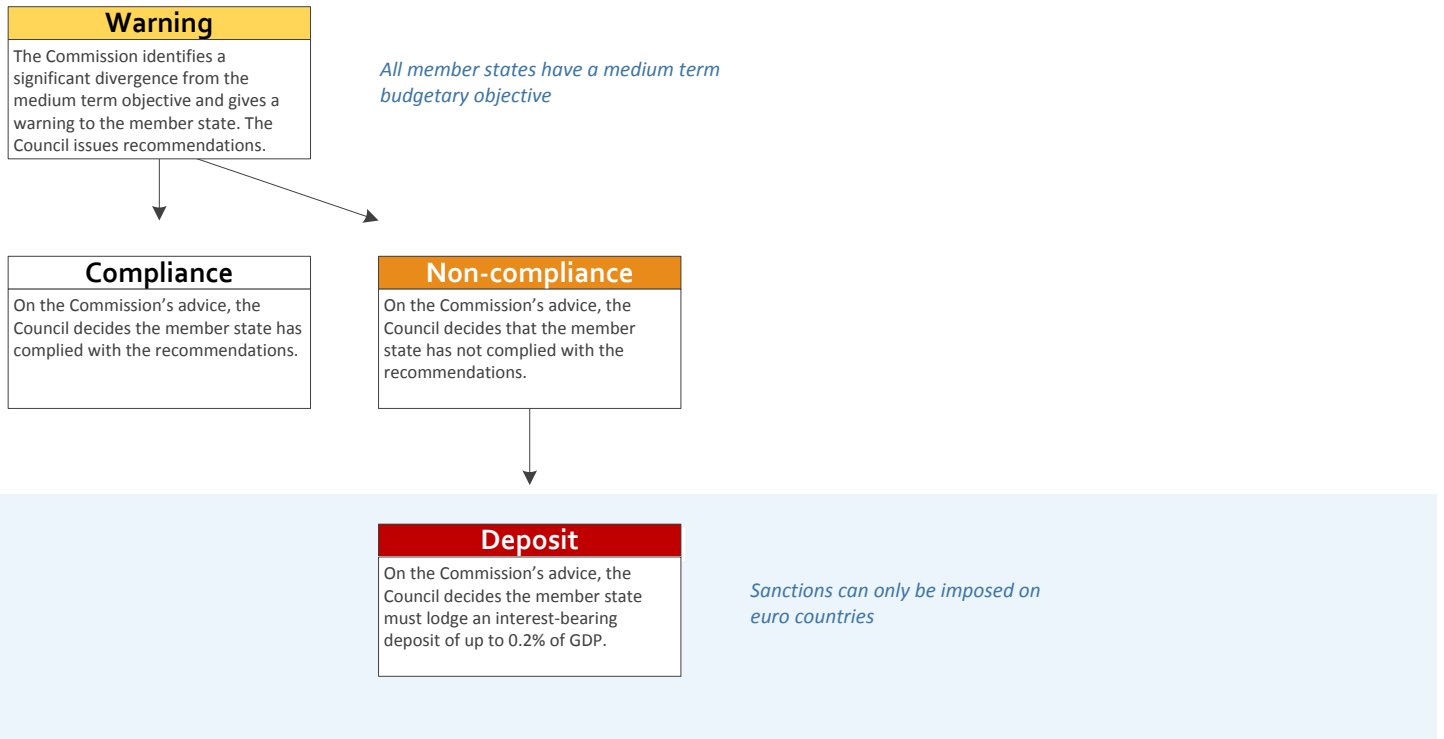
The Ecofin Council decides whether member states are placed in one of the two procedures in which subsequent steps are taken. It decides on the basis of a proposal by the European Commission. Decisions in the Council are made with qualified majority voting (QMV) or reverse qualified majority voting. In the latter case, a proposal by the European Commission is automatically adopted by the Council, unless it explicitly votes against it. The member state concerned cannot cast its vote. In matters concerning euro countries, only euro countries can vote.

Procedure	Decision about	Who can cast a vote?	Voting procedure
preventive arm	euro country	euro countries	QMV
	non-euro country	EU member states	QMV
corrective arm	euro country	euro countries	reversed QMV
	non-euro country	EU member states	QMV



Preventive arm > medium term objective

government deficit > 0,5% GDP



Corrective arm > excessive deficit procedure

government deficit > 3% / government debt > 60% and rising

