

## Implementation of the [Stability and Growth Pact \(SGP\)](#)

### The corrective arm of the SGP

The **corrective arm** governs the Excessive Deficit Procedure (EDP). The EDP is triggered by the deficit breaching the 3% of GDP threshold of the Treaty. If it is decided that the deficit is excessive, the Council issues recommendations to the Member States concerned to correct the excessive deficit and gives a time frame for doing so. Non compliance with the recommendations may trigger further steps in the procedures, including for euro area Member States the possibility of sanctions. Following the revised SGP which entered into force on 13 December 2011, Member States with debt ratios above 60% of GDP should reduce their debt in line with a numerical benchmark<sup>1</sup>.

**Table: On-going Excessive Deficit Procedures (EDP)**

Member State	Reference year which triggered ongoing EDP <sup>2</sup>	Current deadline for deficit correction (date of adoption of corresponding EDP recommendation)	Year	EC forecast - Autumn 2012 <sup>3</sup> (under no policy change scenario <sup>4</sup> )		
				Deficit (% of GDP)	Debt (% of GDP)	Growth (change in %)
<b>EURO AREA COUNTRIES</b>						
Belgium	2009	2012 ( <a href="#">Dec 2009</a> )	2012	-3.0	99.9	-0.2
			2013	-3.4	100.5	0.7
			2014	-3.5	101.0	1.6
Ireland	2008	2015 ( <a href="#">Dec 2010</a> )	2012	-8.4	117.6	0.4
			2013	-7.5	122.5	1.1
			2014	-5.0	119.2	2.2
Greece	2007	2016 ( <a href="#">Dec. 2012</a> )	2012	-6.8	176.7	-6.0
			2013	-5.5	188.4	-4.2
			2014	-4.6	188.9	0.6
Spain	2008	2014 ( <a href="#">Jul 2012</a> )	2012	-8.0	86.1	-1.4
			2013	-6.0	92.7	-1.4
			2014	-6.4	97.1	0.8
France	2008	2013 ( <a href="#">Dec 2009</a> )	2012	-4.5	90.0	0.2
			2013	-3.5	92.7	0.4
			2014	-3.5	93.8	1.2
Italy	2009	2012 ( <a href="#">Dec 2009</a> )	2012	-2.9	126.5	-2.3
			2013	-2.1	127.6	-0.5
			2014	-2.1	126.5	0.8
Cyprus	2009	2012 ( <a href="#">Jul 2010</a> )	2012	-5.3	89.7	-2.3
			2013	-5.7	96.7	-1.7
			2014	-6.0	102.7	-0.7
Netherlands	2009	2013 ( <a href="#">Dec 2009</a> )	2012	-3.7	68.8	-0.3
			2013	-2.9	69.3	0.3
			2014	-3.2	70.3	1.4
Austria	2009	2013 ( <a href="#">Dec 2009</a> )	2012	-3.2	74.6	0.8
			2013	-2.7	75.9	0.9
			2014	-1.9	75.1	2.1

<sup>1</sup> For Member States that were subject to an EDP on 8 November 2011, the debt reduction benchmark is applied after a transition period.

<sup>2</sup> Year for which a deficit in excess of 3% of GDP was notified by the national authorities, or the year for which the national authorities notified a planned budget deficit in excess of 3%.

<sup>3</sup> See [European Commission Autumn 2012 forecast publication](#), tables 1 (growth), 36 (deficit) and 42 (debt).

<sup>4</sup> See [European Commission Autumn 2012 forecast publication](#), Box 1.6 (page 45) "Some technical elements behind the forecast".

Portugal	2009	2014 ( <a href="#">Dec 2009</a> )	2012	-5.0	119.1	-3.0
			2013	-4.5	123.5	-1.0
			2014	-2.5	123.5	0.8
Slovenia	2009	2013 ( <a href="#">Dec 2009</a> )	2012	-4.4	54.0	-2.3
			2013	-3.9	59.0	-1.6
			2014	-4.1	62.3	0.9
Slovakia	2009 (Dec 2009)	2013 ( <a href="#">Dec 2009</a> )	2012	-4.9	51.7	2.6
			2013	-3.2	54.3	2.0
			2014	-3.1	55.9	3.0

NON - EURO COUNTRIES						
Czech Republic	2009	2013 ( <a href="#">Dec 2009</a> )	2012	-3.5	45.1	-1.3
			2013	-3.4	46.9	0.8
			2014	-3.2	48.1	2.0
Denmark	2009	2013 ( <a href="#">Jul 2010</a> )	2012	-3.9	45.4	0.6
			2013	-2.0	44.7	1.6
			2014	-1.7	45.3	1.3
Latvia	2008	2012 ( <a href="#">Jul 2009</a> )	2012	-1.7	41.9	4.3
			2013	-1.5	44.3	3.6
			2014	-1.4	44.9	3.9
Lithuania	2008	2012 ( <a href="#">July 2009</a> )	2012	-3.2	41.6	2.9
			2013	-2.8	40.8	3.1
			2014	-2.3	40.5	3.6
Hungary	2003	2012 ( <a href="#">Mar 2012</a> )	2012	-2.5	78.4	-1.2
			2013	-2.9	77.1	0.3
			2014	-3.5	76.8	1.3
Poland	2008	2012 ( <a href="#">Jul 2009</a> )	2012	-3.4	55.5	2.4
			2013	-3.1	55.8	1.8
			2014	-3.0	56.1	2.6
Romania	2012	2012 ( <a href="#">Feb 2010</a> )	2012	-2.8	34.6	0.8
			2013	-2.4	34.8	2.2
			2014	-2.0	34.8	2.7
UK	2008/09	2014/15 ( <a href="#">Dec 2009</a> )	2012	-6.2	88.7	-0.3
			2013	-7.2	93.2	0.9
			2014	-5.9	95.1	2.0

## The preventive arm of the SGP

EU Member States that are currently not subject to the EDP have to fulfil, like all other Member States, the provisions of the **preventive arm** of the SGP: the stability or convergence programmes submitted to the Commission and the Council include a country-specific Medium-Term Objective (MTO) representing a budgetary position (in structural terms) that safeguards against the risk of breaching the 3% of GDP threshold over the economic cycle. The current rules of the SGP include an "expenditure benchmark" for judging progress towards the MTO, to complement the assessment based on the structural balance.<sup>5</sup> The Country Specific Recommendations (CSR) as adopted by the Council for each Member State includes a recommendation for reaching the MTO, except for Member States under financial assistance programmes (given that these countries focus on implementing the respective Memorandum of Understanding).

**Table: MTOs for Member States not subject to an EDP**

Member State	MTOs in 2012 Stability and Convergence Programmes <sup>6</sup>		2012 CSR relating to the preventive arm of the SGP	EC forecast - Autumn 2012 <sup>2</sup> (under no policy change scenario <sup>3</sup> )			
	Level of MTO (% of GDP)	Projected year of MTO achievement		Structural budget balance <sup>7</sup> (% of GDP)	Debt (% of GDP)	Growth (% of GDP)	
<b>EURO AREA COUNTRIES</b>							
Germany	-0.5	2012	<a href="#">CSR 1</a>	2012	0.2	81.7	0.8
				2013	0.3	80.8	0.8
				2014	0.3	78.4	2.0
Estonia	0	2013	<a href="#">CSR 1</a>	2012	-0.4	10.5	2.5
				2013	-0.4	11.9	3.1
				2014	0.2	11.2	4.0
Luxembourg	0.5	beyond 2015	<a href="#">CSR 1</a>	2012	-1.1	21.3	0.4
				2013	-0.9	23.6	0.7
				2014	-1.1	26.9	1.5
Malta	0	2016	<a href="#">CSR 1</a>	2012	-3.5	72.3	1.0
				2013	-3.2	73	1.6
				2014	-2.8	72.7	2.1
Finland	0.5	beyond 2015	<a href="#">CSR 1</a>	2012	-0.6	53.1	0.1
				2013	-0.1	54.7	0.8
				2014	-0.3	55.0	1.3
<b>NON-EURO AREA COUNTRIES</b>							
Bulgaria	-0.5	2012	<a href="#">CSR 1</a>	2012	-0.8	19.5	0.8
				2013	-0.9	18.1	1.4
				2014	-0.6	18.3	2.0
Sweden	-1	was at its MTO	<a href="#">CSR 1</a>	2012	0.6	37.4	1.1
				2013	0.3	36.2	1.9
				2014	0.7	34.1	2.5

<sup>5</sup> The concepts of expenditure benchmarks and structural balances are explained here:

[http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/pdf/coc/code\\_of\\_conduct\\_en.pdf](http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/coc/code_of_conduct_en.pdf)

<sup>6</sup> See [SCPs submitted to the European Commission](#).

<sup>7</sup> See [European Commission Autumn 2012 forecast publication](#), table 41 (structural budget balance).