

Vade mecum on the Stability and Growth Pact

This vade mecum presents the procedures and methodologies for implementing the Stability and Growth Pact (SGP), the rule-based framework for fiscal policy in the European Union. It is primarily aimed at individuals and organisations working on public finance issues in the European Union (EU) countries, but should be of interest for anyone wanting an in-depth understanding of the SGP's functioning or searching for details on its implementation. A more general, non-technical presentation of the SGP can be found in the publication titled "Building a Strengthened Fiscal Framework in the European Union: A Guide to the Stability and Growth Pact".

This manual describes the step-by-step the implementation of the SGP at the time of publication. It is divided into two sections, covering the two arms of the SGP: the preventive arm, which aims to ensure sound budgetary policies over the medium term by setting parameters for Member States' fiscal planning and policies during normal economic times, and the corrective arm, which implements the step by step Excessive Deficit Procedure (EDP), which starts when a country is judged to have exceeded the 3% of GDP Treaty reference value for its general government deficit, or if its debt level exceeds 60% of GDP and is insufficiently diminishing towards that level .

Part 1, on the preventive arm of the Pact, provides background on the rationale, legal basis and monitoring provisions, followed by a description of the role and assessment of the medium-term budgetary objectives (MTOs). The subsequent sections focus on how the assessment of the Stability and Convergence Programmes are undertaken and the conditions and procedures linked to the introduction of sanctions for euro area Member States. Part 2, on the corrective arm of the Pact, follows a structure based on the steps under the Excessive Deficit Procedure (EDP). Starting with a description of the corrective arm's legal basis, rationale and monitoring provisions, it then explains how an EDP is launched and provides an explanation of the actions that are considered and taken after a recommendation under Article 126(7) is issued. This is followed by an explanation of the procedures that follow a non-effective action decision under Article 126(8). The final section explains how an EDP is abrogated.