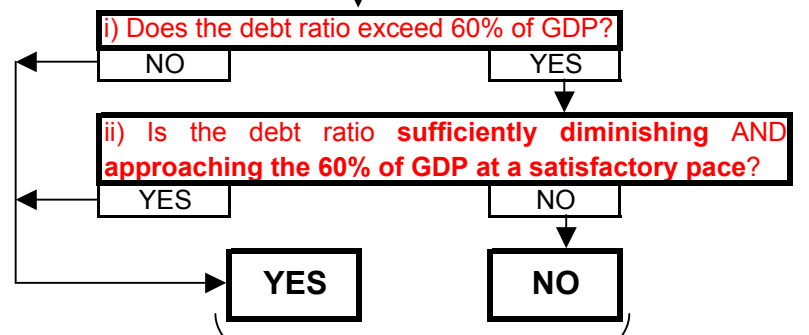
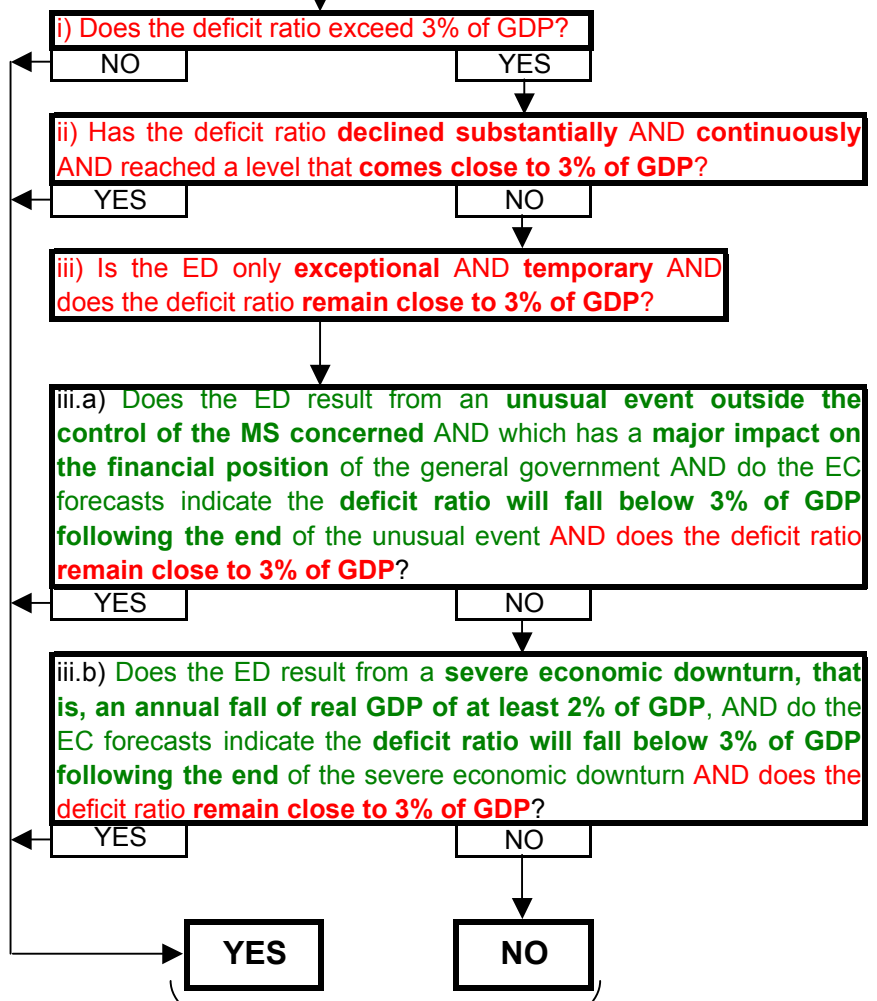


Insert: **Commission examination of MSs' compliance with budgetary discipline under Step 2a):**

a) Does a MS fulfil requirements under both criteria?

1) Does a MS comply with the budgetary discipline for **deficit**? 2) Does a MS comply with the budgetary discipline for **debt**?



a) Does a MS fulfil requirements under both criteria?

Deficit YES AND Debt NO } **NO**
 Deficit NO AND Debt YES }
 Deficit NO AND Debt NO } **YES**

Deficit YES AND Debt YES → **YES**

Step	Actor	Action	Date / Deadline	Outcomes
3	EC	<i>prepares a report</i> Report should take into account: (1) whether the deficit exceeds government investment expenditure (2) medium-term economic and budgetary position of the MS concerned (3) all other relevant factors	without delay	Step 4
4	EFC	<i>formulates an opinion on the EC Report</i>	2 weeks after adoption of the EC report (Step 3)	Step 5
5	EC	takes the EFC opinion into account and <i>considers</i> : Does an ED exist or may it occur in the MS concerned?	no deadline	If YES Then Step 6 If NO Then no EDP
6	EC	<i>addresses an Opinion on the existence of an ED in the MS concerned, a Recommendation for a Council Decision on the existence of an ED in the MS concerned and a Recommendation for a Council Recommendation to the MS concerned with a view to bringing an end to the situation of an ED</i>	without delay	Step 7
7	ECOFIN	<i>on the basis of an overall assessment and - in case of an annual fall in real GDP of the MS concerned of at least 0,75% - taking into account:</i> (1) the abruptness of economic downturn and (2) the accumulated loss of output relative to past trends, <i>acting on the EC Recommendation for Council Decision,</i> decides on the existence of an ED in the MS concerned: vote - adoption by qualified majority (= 232/321)	3 months after submission of the fiscal notification (Step 1) by a MS	If adopted Then Step 8 If not adopted Then no EDP
8	ECOFIN	<i>acting on the EC Recommendation for a Council Recommendation, makes recommendation to the MS concerned with a view to bringing an end to the situation of an ED:</i> vote - adoption by 2/3 majority excluding the votes of the MS concerned Recommendation should include: (1) a deadline of max. four months for effective action to be taken; (2) a deadline for correction of the ED (normally end of the year 200X + 1 unless there are special circumstances) whereas if the ED in the MS concerned is, in the view of the ECOFIN, not corrected within the deadline (2), no new projects or new stages of a project will be financed from the Cohesion Fund to the MS concerned as long as ECOFIN does not abrogate its Decision on the existence of an ED	adopted in parallel with the council decision on the existence of an ED (Step 7)	If adopted Then Step 9 (If not adopted Then Step 6 - EC addresses new Recommendation for Council Recommendation)
9	EC	<i>examines</i> compliance with the Council Recommendation: Has an effective action been taken by the MS concerned in response to the Council Recommendation?	no deadline	If YES The EDP is held in abeyance If NO Then Step 10

Step	Actor	Action	Date / Deadline	Outcomes
10	EC	addresses a Recommendation for a Council Decision establishing that no effective/adequate action has been taken by the MS concerned in response to the Council Recommendation to ECOFIN	without delay	Step 11
11	ECOFIN	on the basis of publicly announced decisions by the Government of the MS concerned, <i>examines</i> whether effective action has been taken by the MS concerned in response to its Recommendation and, acting on the EC Recommendation for Council Decision, decides on the noncompliance of the MS concerned with the Council Recommendation: vote - adoption by 2/3 majority excluding the votes of the MS concerned Decision may include: a decision to make the recommendations contained in the Council Recommendation public whereas once the ED in the MS concerned is, in the view of the ECOFIN, corrected, ECOFIN shall make a public statement that an ED in the MS concerned no longer exists	immediately after expiry of the deadline set for the effective action to be taken by (Step 8)	If adopted Then the recommendations may be made public AND Step 12 (If not adopted Then Step 10)
12	EC	<i>examines</i> compliance with the Council Recommendation: Does the MS persist in failing to put into practice the recommendations contained in the Council Recommendation?	no deadline	If YES Then Step 13* If NO Then EDP is held in abeyance

*** Following steps of EDP do NOT apply to MSs with a derogation, UK and DK**

13	EC	addresses a Recommendation for a Council Decision giving notice to the MS concerned to take measures for the deficit reduction judged necessary in order to remedy the situation of ED to ECOFIN	without delay	Step 14
14	ECOFIN	on the basis of publicly announced decisions by the Government of the MS concerned, <i>examines</i> whether effective action has been taken by the MS concerned in response to its Recommendation and, acting on the EC Recommendation for Council Decision, decides on giving notice to the MS concerned to take necessary measures for deficit reduction: vote - adoption by 2/3 majority excluding the votes of the MS concerned and the MSs with a derogation Notice should include: (1) a deadline for taking measures for the deficit reduction which are judged necessary in order to remedy the situation Notice may include: (2) a request for the government to submit reports in accordance with a specific timetable	1 month after the adoption of the Council Decision stating that no effective action has been taken (Step 11)	If adopted Then Step 15 (If not adopted Then Step 13)

Step	Actor	Action	Date / Deadline	Outcomes
15	EC	<i>examines</i> compliance with the Council Notice: Does the MS concerned comply with the Council Notice?	no deadline	If YES Then EDP is held in abeyance If NO Then Step 15
16	EC	<i>addresses</i> a Recommendation for a Council Decision to impose sanctions on the MS concerned to ECOFIN	without delay	Step 17
17	ECOFIN	<i>examines</i> compliance with the Council Notice and, acting on the EC Recommendation for a Council Decision, decides on the imposition of sanctions on the MS concerned: vote - adoption by 2/3 majority excluding the votes of the MS concerned and the MSs with a derogation Sanctions against the MS concerned should always include: (1) a request to make with the Commission a non-interest-bearing deposit equal to 0,2% of GDP plus one tenth of the difference between the deficit as a percentage of the GDP in the previous year and the 3% value, whereas: <ul style="list-style-type: none"> the total amount should not exceed 0,5% of GDP; the deposit will be reimbursed if, within a two-year period starting the adoption of this decision, the decision on the existence of the ED is abrogated; once this period has ended without the ED having been corrected, the deposit will be converted into a nonrefundable fine by ECOFIN Sanctions against the MS concerned may also include: (2) a requirement to publish , before issuing bonds and securities, additional information specified by ECOFIN ; (3) an invitation for the European Investment Bank to reconsider its lending policy towards the MS concerned, whereas: <ul style="list-style-type: none"> these sanctions will be abrogated if ECOFIN finds the progress made by the MS concerned in correcting the ED significant 	2 months after the adoption of the Council Decision to give notice to the MS concerned (Step 14) AND 10 months after submission of the fiscal notification (Step 1)	If adopted Then Step 18 (If not adopted Then Step 16)
18	MS	<i>makes a deposit</i> of appropriate value with the Commission and <i>submits</i> to any other sanctions imposed by ECOFIN	no deadline	