EXCESSIVE DEFICIT PROCEDURE (EDP)
The EU's Stability and Growth Pact (SGP) is a body of rules governing the coordination of EU countries' fiscal policies. It aims to safeguard sound public finances and has 2 arms. The preventive arm ensures EU countries' fiscal policy is conducted in a sustainable manner. The corrective arm lays down how countries should take action in the event that their public debt or budget deficit is considered excessive.
The excessive deficit procedure (EDP) is governed by Article 126 of the Treaty on the Functioning of the European Union. It underpins the corrective arm of the EU's SGP.

EU countries must demonstrate sound public finances and meet 2 criteria:
- their budget deficit must not exceed 3% of gross domestic product (GDP);
- public debt (government debt & that of public agencies) must not exceed 60% of GDP.

Every April, euro area countries submit stability programmes to the Commission and Council, while non-euro area countries submit convergence programmes to the same institutions.
A stability or convergence programme must include the country's medium-term budgetary objective (MTO), and information as to how this will be achieved. It also contains an analysis of the effects of changes in the main underlying economic assumptions on the country's fiscal position.
The programmes are examined by the Commission. If the criteria are not met, an EDP is launched by the Council based on recommendations by the Commission.
The EDP requires the country in question to provide a plan of the corrective action and policies it will follow, as well as deadlines for their achievement.
Euro area countries that do not follow up on the recommendations may be fined.

SEE ALSO
- Economic and monetary union
- European semester
- Stability and Growth Pact
- The corrective arm page on the European Commission's website
The excessive deficit procedure page on the European Central Bank's website