Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

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The Committee on Economic and Monetary Affairs adopted the report drafted by Sylvie GOULARD (ALDE, FR) on the proposal for a regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area.

It recommended that the European Parliament’s position adopted at first reading, under the ordinary legislative procedure, should be to amend the Commission proposal as follows:

Subject matter and scope: Members specify that this Regulation sets out a system of incentives and sanctions for enhancing the enforcement of the preventive and corrective parts of the Stability and Growth Pact and strengthening the coordination and surveillance of the budgetary discipline as well as preserving the financial stability in the euro area.

This Regulation shall also apply to a Member State whose currency is not the euro and which has notified the Commission of its willingness to apply this Regulation. Such a notification shall be published in the Official Journal of the European Union.

Stability Pact: the Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a Union strategy for **growth and jobs**. The budgetary surveillance framework should, in any case, support the Union's growth and jobs objectives. It needs to be, especially during economic downturns, combined with effective efforts to stimulate sustainable growth, the protection of social cohesion and the creation of jobs, whilst respecting Member-State-specific priorities and needs.

Stronger role for Commission in surveillance: the Commission should play a stronger coordination role in the enhanced surveillance procedures, mainly as regards Member-State-specific assessments, monitoring, missions in situ, recommendations and early warnings. It should have a **stronger and more independent role** in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, missions, recommendations and warnings. In particular, the role of the Council should be limited in the steps leading to potential sanctions and the **reversed qualified majority voting** in the Council should be used wherever possible under the TFEU.

Transparency and democratic legitimacy: the committee is of the opinion that strengthening economic governance should go hand in hand with reinforcing the democratic legitimacy of economic governance in the Union, which should be achieved through a closer and timelier involvement of the European Parliament and the national parliaments throughout the economic policy coordination procedures.

The annual policy recommendations by the Commission should be discussed in the European Parliament before the beginning of discussions in the Council.

In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and the national parliaments, governments and other relevant bodies of the Member States, and to ensure greater transparency and accountability, the **competent committee of the European Parliament** may organise, at its own initiative or at the request of a Member state, **public debates and hearings** on macro-economic and budgetary surveillance undertaken by the Council and the Commission. The Commission and the Council will take due consideration of the outcome of such hearings.

Members call on the Council and the Commission shall **make public and set out the reasons for all their decisions and recommendations** unless provided for otherwise in the TFEU.An economic dialogue with the European Parliament may be established, enabling the Commission to make its analyses public and for the economic and finance minister of one or several Member States concerned to respond.

Fines: the committee proposes that in the event that a Member State **manipulates financial data, falsifies statistics or deliberately provides misleading information**, in particular resulting in a violation of the European statistical rules, the Council, acting on a proposal from the Commission, may adopt a decision requiring the Member State to pay a fine. Such a fine shall be a **one-off payment of 0.5% of the GDP** of the Member State concerned in the preceding year. The decision shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the proposal within ten days of adoption by the Commission. The Council may amend the Commission's proposal in accordance with Article 293(1) TFEU.

The total yearly amount of the cumulative fines imposed on a Member State, excluding the fine referred to in paragraph 1b, shall not exceed 0.5% of its GDP.

The non-interest-bearing deposit should be released upon correction of the excessive deficit while the interest on such deposits and the fines collected should be allocated to the permanent stability mechanism.

Until the establishment of this mechanism the interest and the fines should be allocated as provisioning for risk-sharing financial instruments for EU relevant projects financed by the European Investment Bank in conformity with provisions of the Protocol (nº 5) on the Statute of the European Investment Bank annexed to the Treaties.

Emergency intervention: in the event that the appropriate procedures have been launched without result and the excessive deficit or the debt level or any other imbalance of a Member State still puts the stability of the euro at risk, Members call on the Commission, after consultation with the ECB, to take all necessary measures to safeguard the euro.

Review: before the end of 2011 the Commission shall present a report, including an impact assessment and a feasibility study, to the European Parliament and the Council, accompanied, where appropriate, by legislative proposals and, if necessary a Treaty change, to:

- establish, under Community rules, a **European Monetary Fund** with the aim of improving economic governance and coordination at EU level, preserving the financial stability of the euro area as a whole and reinforcing budgetary discipline among Member States;
- set up a system of **common issuance of European sovereign bonds** (eurosecurities) under joint and several liability. This system shall aim at strengthening the fiscal discipline and bring stability to the euro area through markets but also, taking advantage of the increase in liquidity, to ensure that the best rated Member States would not suffer from higher interest rates resulting from the introduction of eurosecurities.

These legislative proposals shall be submitted in due time in order to enter into force from 1 January 2013.