

Economic governance: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

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The Committee on Economic and Monetary Affairs adopted the report drafted by Corien WORTMANN-KOOL (EPP, NL) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

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:

Stability Pact: Members consider that the Stability and Growth Pact should support the achievement of the Union's objectives for **sustainable growth and employment**. The budgetary targets in the stability and convergence programmes should explicitly take into account of the measures adopted in line with the Broad Economic Policy Guidelines, the Guidelines for the Employment Policies of the Member States and the Union and, in general, the national reform programmes.

The Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a Union strategy for growth and jobs. However, these inter linkages should not provide for exemptions to the provisions of the Stability and Growth Pact.

Strengthening the Commission's role: the Commission 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.

Improving economic governance: Members stress the need to improve economic governance in the Union, which should be built on a stronger national ownership of commonly agreed rules and policies.

In order to enhance national ownership of the Stability and Growth Pact, national budgetary frameworks should be fully aligned with the objectives of multilateral surveillance in the Union, and, in particular, with the **Semester**, in the context of which the national parliaments and all other relevant stakeholders, in particular the social partners, should be informed in a timely manner and should be duly involved.

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 more timely involvement of the European Parliament and the national parliaments** throughout the economic policy coordination procedures.

European semester for economic policy coordination: the Semester should play a vital role in implementing the requirement provided by the TFEU that Member States regard their economic policies as a matter of common concern and coordinate them accordingly. The relevant stakeholders, in particular the **social partners** and the European platform against poverty and for social inclusion, should be

consulted, within the framework of the Semester, on the main policy measures to be discussed by the Union institutions.

Transparency: transparency, accountability and independent oversight are an integral part of enhanced economic governance. The Council and the Commission should make public and **set out the reasons for their positions and decisions** at the appropriate stages of the economic policy coordination procedures, in order to ensure effective peer pressure.

The Commission should present and **explain the preventive and corrective actions recommended to a Member State to the European Parliament and its competent committee**. The European Parliament may invite the Member State concerned to explain its decisions and policies before its competent committee. The President of the Euro Group may, at the request of the European Parliament or on his own initiative, be heard by the competent committees of the European Parliament.

National budgetary procedures: the Protocol on the excessive deficit procedure annexed to the Treaties provides that Member States ensure that national procedures in the budgetary area enable them to meet their obligations in this area deriving from the Treaties. Member States whose currency is the euro should therefore **anchor the objectives of the Union fiscal framework in national law**, and should ensure that adequate budgetary procedures are in place for meeting those objectives.

Member States should, in the framework of national budgetary law, set targets for deficits and surpluses for **three years ahead**, aiming for medium-term balance in public finances.

Debt criteria: an assessment of the sustainability of public finances, including the debt level, debt profile (including maturity), ageing costs and debt dynamics should be more strongly taken into account in the required pace of adjustment towards Member-State-specific medium-term budgetary objectives to be included in the Stability and Convergence Programmes.

Medium-term budgetary objective: according to Members, sufficient progress towards the medium-term budgetary objective should be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures.

In this regard, and as long as the medium-term budgetary objective is not achieved, the growth rate of government expenditure should normally not exceed a reference medium-term rate of potential GDP growth, with increases in excess of that norm being matched by discretionary increases in government revenues and discretionary revenue reductions being compensated by reductions in expenditure. The reference medium-term rate of potential GDP growth should be calculated according to a commonly agreed methodology validated by the Member States.

Temporary departure from the adjustment path: Members consider that a temporary departure from the adjustment path towards the medium-term objective may exceptionally be allowed: (i) when resulting from an unusual event outside the control of the Member State concerned and which has a major impact on the structural balance of the general government of at least 0.5% of GDP in one single year or; (ii) in case of severe economic downturn for the euro-area or the Union as a whole, on condition that this does not endanger fiscal sustainability in the medium-term, in order to facilitate economic recovery.

In the event of a significant deviation from the adjustment path towards the medium-term objective:

- § a warning should be addressed by the Commission to the Member State concerned to be followed within one month by a **Council recommendation**, setting a deadline of no more than five months to take the necessary corrective measures;

§ if the Member State concerned fails to take appropriate action in the deadline set by the Council, the **Commission should recommend to the Council to establish that has been no effective action**. The decision should be deemed adopted by the Council, unless it decides by qualified majority to reject it within ten days from the Commission adoption. At the same time the Council, on a proposal by the Commission, should report to the European Council.

The Commission, in liaison with the ECB for euro area Member States and for ERM2 Member States, may carry out a monitoring mission. The Commission should report to the Council on the outcome of the mission and should make its findings public within one month.

The Commission should when making proposals for measures to implement this Regulation take into account the economic and budgetary situation of the concerned Member State that are subject to an EU /IMF adjustment programme.