

Economic governance: implementation of the excessive deficit procedure. 'Six pack'

2010/0276(CNS) - 23/06/2011 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament amended by 339 votes to 304, with 26 abstentions, under a special legislative procedure (consultation), the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

The vote on the legislative resolution was postponed until a later plenary session.

The main amendments requested by the Parliament are as follows:

Stability Pact: the Stability and Growth Pact and the complete economic governance framework should **complement and support the Union strategy for growth and jobs**. Inter-linkages between different strands should not provide for exemptions from the provisions of the Stability and Growth Pact.

Improved governance: Members underline the need for improved economic governance in the Union, which should be built on a **stronger national ownership** of commonly agreed rules and policies and on a more robust surveillance framework at the Union level of national economic policies. Strengthening economic governance should include a **closer and more timely involvement of the European Parliament and the national parliaments**.

Strengthened role of the Commission: the Commission should have a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, missions, recommendations and warnings.

Economic dialogue: in order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and, to ensure greater transparency and accountability, **the competent committee of the European Parliament** may invite the President of the Council, the Commission and, where appropriate, the President of the European Council or the President of the Eurogroup to appear before the committee to discuss Council recommendations and decisions based on the TFEU.

The competent committee of the European Parliament may offer the opportunity to the Member State concerned by such recommendation, notice and decisions to participate in an **exchange of views**.

Excessive deficit procedure: the Commission and the Council should when applying this Regulation appropriately take into account all relevant factors and the economic and budgetary situation of the concerned Member States.

The text stipulates that implementing the existing excessive deficit procedure on the basis of both the deficit criterion and the debt criterion requires a **numerical benchmark** that takes into account the business cycle against which to assess whether the ratio of government debt to gross domestic product is sufficiently diminishing and approaching the reference value at a satisfactory pace.

Parliament calls for a **transition period** to be introduced in order to allow Member States subject to an excessive deficit procedure at the date of adoption of this regulation to adapt their policies to the numerical benchmark for debt reduction. This should equally apply to Member States which are subject to a European Union/International Monetary Fund adjustment programme.

Members consider that non-compliance with the numerical benchmark for debt reduction should not be sufficient for the establishment of an excessive deficit, which should take into account the whole range of relevant factors covered by the Commission. In particular, the assessment of the effect of the cycle and the composition of the stock-flow adjustment on debt developments may be sufficient to exclude the establishment of an excessive deficit on the basis of the debt criterion.

In taking into account **systemic pensions reforms** among the relevant factors, the central consideration should be whether they enhance the long-term sustainability of the overall pension system, while not increasing risks for the medium-term budgetary position.

Correction of situations of excessive deficit: in order to support the monitoring of compliance with Council recommendations and notices for the correction of situations of excessive deficit, there is a need that these specify annual budgetary targets consistent with the required fiscal improvement in cyclically adjusted terms, net of one-off and temporary measures. In this context, the **0.5% of GDP annual benchmark should be understood as annual average basis**. In assessing the case for an extension of the deadline for correcting the excessive deficit, special consideration should be given to severe economic downturns for the euro area or the EU as a whole on condition that this does not endanger fiscal sustainability in the medium term.

Surveillance missions: the Commission shall maintain a permanent dialogue with authorities of the Member States in accordance with the objectives of this Regulation. To that end, the Commission shall, in particular, carry out missions for the purpose of the assessment of the actual economic situation in the Member State and the identification of any risks or difficulties in complying with the objectives of this Regulation.

When the Member State concerned is a Member State whose currency is the euro or participating in ERM II, the Commission may invite representatives of the European Central Bank, if appropriate, to participate in surveillance missions.

Fines: fines collected should be assigned to stability mechanisms to provide financial assistance, created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole.