

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

2010/0280(COD) - 23/06/2011 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted, at first reading of the ordinary legislative procedure (by 333 votes to 303, with 26 abstentions), 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.

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

The main amendments by the Parliament are as follows:

Scope: Parliament clarifies that this Regulation sets out the rules covering the content, the submission, the examination and the monitoring of stability programmes and convergence programmes as part of multilateral surveillance by the Council and the Commission so as to prevent, at an early stage, the occurrence of excessive general government deficits and to promote the surveillance and coordination of economic policies thereby supporting the achievement of the Union's objectives for growth and employment.

Stability Pact: the preventive part of the Stability and Growth Pact would benefit from **more stringent forms of surveillance** in order to ensure Member States' consistency and compliance with the Union's budgetary coordination framework.

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

Stability programmes: 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 or Convergence Programmes and the National Reform Programmes should be **prepared in a coherent manner** and the timing of their submissions should be aligned. These programmes should be submitted to the Council and the Commission. These programmes should be made public.

The submission and assessment of Stability and Convergence programmes should be made **before key decisions** on the national budgets for the following years are taken. A particular deadline for submission of the Stability and Convergence programmes should therefore be established. Taking into account the specificities of the budgetary year of the United Kingdom, special provisions for the date for submission of its convergence programmes should be established

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.

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**.

In order to enhance national ownership of the Stability and Growth Pact, national budgetary frameworks should be aligned with the objectives of multilateral surveillance in the Union, and, in particular, with the Semester for economic policy coordination.

European Semester: the amended text provides that under the European Semester the policy surveillance and coordination cycle: (i) starts early in the year with a horizontal review under which the European Council, based on input from the Commission and the Council; (ii) identifies the main challenges facing the Union and the euro area and; (iii) gives strategic guidance on policies.

Discussion will also take place in the European Parliament at the beginning of the annual cycle of surveillance in due time before the discussion takes place in the European Council. Member States are expected to take into account the horizontal guidance by the European Council when preparing their Stability or Convergence Programmes and National Reform Programmes.

Transparency: national parliaments should be duly involved in the Semester and in the preparation of Stability Programmes, Convergence Programmes and National Reform Programmes in order to increase the transparency, ownership and accountability of the decisions taken.

The Economic and Financial Committee, the Economic Policy Committee, the Employment Committee and the Social Protection Committee will be consulted within the framework of the Semester where appropriate. Relevant stakeholders, in particular the social partners, will be involved within the framework of the Semester, on the main policy issues.

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: (i) information provided to it by the Council on the broad guidelines of economic policy; (ii) general guidance to Member States issued by the Commission at the beginning of the annual cycle of surveillance; (iii) any conclusions drawn by the European Council on orientations for economic policies in the context of the European Semester; (iv) the results of multilateral surveillance carried out under this Regulation; (v) any conclusions drawn by the European Council on the orientations for and results of multilateral surveillance; (vi) any review of the conduct of multilateral surveillance at the end of the European Semester; (vii) Council recommendations addressed to Member States.

The competent committee of the European Parliament may offer the opportunity to the Member State concerned by the Council to participate in an exchange of views.

Medium-term budgetary objective: this 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 medium-term budgetary objectives shall ensure the sustainability of public finances or a rapid progress towards such sustainability while allowing room for budgetary manoeuvre, considering in particular the needs public investment.

The obligation to achieve and maintain the medium-term budgetary objective needs to be put into operation, through the specification of principles for the adjustment path towards the medium-term objective. These principles should, inter alia, ensure that revenue windfalls, namely revenues in excess of what can normally be expected from economic growth, are allocated to debt reduction.

Parliament stresses that a faster adjustment path towards the medium-term budgetary objectives should be required for Member States faced with a debt level exceeding 60% of GDP or with pronounced risks in terms of overall debt sustainability.

A temporary departure from the adjustment path towards the medium-term objective should be allowed when resulting from an unusual event outside the control of the Member State concerned and which has a major impact on the financial position of the general government or in case of severe economic downturn for the euro area or the EU 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 budgetary objective a **warning** should be addressed by the Commission to the Member State concerned, to be followed within one month by an examination of the situation by the Council and a recommendation for the necessary adjustment measures. The recommendation should set a deadline of no more than five months for addressing the deviation.

If the Member State concerned **fails to take appropriate action** in the deadline set by the Council, the Council should adopt a **decision establishing that no effective action has been taken** and report to the European Council. 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 Commission may recommend to the Council to adopt revised recommendations.

Principle of the statistical independence: with a view ensuring that the multilateral surveillance is based on sound and independent statistics, Member States shall ensure the professional independence of national statistical authorities, which shall be consistent with the European statistics code of practice as laid down in Regulation (EC) No 223/2009 on European Statistics.

Review: within three years after the entry into force of this Regulation and every five years thereafter, the Commission shall publish a report on the application of this Regulation.