

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

2010/0280(COD) - 28/09/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 354 votes to 269, with 34 abstentions, a legislative resolution 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.

The report was sent back to the committee responsible to be re-examined on 23 June 2011.

Parliament adopted its position at first reading, under the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between the European Parliament and the Council. They amend the Commission proposal as follows:

**Scope:** 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;
- **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.

**Strengthening the 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.

**Improving economic governance:** the text stresses the need to improve economic governance in the Union, which should be built on a stronger national ownership of commonly agreed rules and 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 fully aligned with the objectives of multilateral surveillance in the Union, and, in particular, with the **Semester**.

**European semester for economic policy coordination:** in order to ensure closer coordination of economic policies and sustained convergence of the economic performance of the Member States, the Council will conduct multilateral surveillance as an integral part of the European Semester for economic policy coordination in accordance with the objectives and requirements set out in the Treaty on the Function of the European Union (TFEU). Under the European Semester the policy surveillance and coordination cycle starts early in the year with a horizontal review under which the European Council, based on input from the Commission and the Council, identifies the main challenges facing the Union and the euro area and 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 where appropriate, in accordance with the provisions of the TFEU and national legal and political arrangements.

**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 pursuant to Article 121(2) TFEU; (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 recommendation** to participate in an exchange of views.

**Medium-term budgetary objective:** the medium-term budgetary objective should be updated regularly on the basis of a commonly agreed methodology reflecting appropriately risks of explicit and implicit

liabilities for public finance as embodied in the aims of the Stability and Growth Pact. 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. The obligation to achieve and maintain the medium-term-objective should equally apply to participating Member States and to non-participating Member States.

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.

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.

**Temporary departure from the adjustment path:** 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.

The implementation of **major structural reforms** should also be taken into account in allowing a temporary departure from the medium-term budgetary objective or the appropriate adjustment towards it, on condition of maintaining a safety margin with respect to the deficit reference value. A special attention should be paid in this context to **systemic pension reforms**, where the departure should reflect the direct incremental cost of the diversion of contributions from the publicly managed to the fully funded pillar.

**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.

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

- the Commission shall address a **warning** to the Member State concerned. The Council shall, within **one month of the date of adoption of the early warning, examine the situation and adopt a recommendation** for the necessary policy measures, on the basis of a Commission recommendation. The recommendation shall set a deadline of no more than five months for addressing the deviation. The deadline shall be reduced to three months if the Commission, in its warning, considers that the situation is particularly serious and warrants urgent action. The Council, on a proposal from the Commission, shall make the recommendation public;
- if the Member State concerned **fails to take appropriate action** within the deadline specified in a Council recommendation under the second subparagraph, the Commission shall immediately recommend to the Council to adopt, by qualified majority, a decision establishing that no effective

action has been taken. At the same time, the Commission may recommend to the Council to adopt a revised recommendation;

- in case the **Council does not adopt the decision** on the Commission recommendation that no effective action has been taken, and failure to take appropriate action on the part of the Member State concerned persists, the Commission, after one month from its earlier recommendation, shall recommend to the Council to adopt the decision establishing that no effective action has been taken. The decision shall be deemed to be adopted by the Council unless it decides, by **simple majority**, to reject the recommendation within ten days of its adoption by the Commission.

**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.

**Report:** 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. It shall evaluate, inter alia:

- the effectiveness of the regulation, particularly whether the provisions governing decision-making have proved sufficiently robust,
- the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU.