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

2010/0278(COD) - 28/09/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 352 votes to 237, with 67 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on effective enforcement of budgetary surveillance in the euro area.

The report had been sent back to the competent committee on 23 June 2011 to be re-examined.

Parliament adopted its position in first reading in accordance with the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between Parliament and Council. The Commission's proposal was amended as follows:

**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.** Inter linkages between the different strands should not provide for exemptions from the provisions of the Stability and Growth Pact.

Strengthening governance: the amended text stresses the need for improved economic governance in the Union, which should be built on **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.

A stronger role for the Commission: 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 warnings. It 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. In particular, the role of the Council should be limited in decision on sanctions and the **reversed qualified majority voting in the Council should be used**.

**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 Eurogroup to appear before the committee to discuss decisions taken pursuant to the Regulation. The competent committee of the European Parliament may offer the opportunity to the **Member State concerned by such decisions** to participate in an exchange of views.

Interest-bearing deposit: the Regulation stipulates that if the Council adopts a decision establishing that a Member State failed to take action in response to the Council recommendation referred to in Regulation (EC) No 1466/97, the Commission shall, within 20 days of adoption of the Council recommendation, recommend to the Council to impose the lodging of an interest bearing deposit. The decision shall be deemed to be adopted by the Council unless it decides by qualified majority to reject the recommendation within ten days of the Commission adopting it. The Council may amend the Commission recommendation acting by a qualified majority. interest-bearing deposit to be recommended by the Commission shall amount to 0.2% of the gross domestic product (GDP) of the Member State concerned in the preceding year. The deposit shall bear the interest rate reflecting the Commission credit risk and the relevant investment period.

Non-interest-bearing deposit: if the Council decides that an excessive deficit exists in a Member State which has an interest bearing deposit lodged with the Commission, or where particularly serious non compliance with the legal budgetary policy obligations laid down in the Stability and Growth Pact have been identified, the Commission shall, within 20 days of adoption of the Council decision, recommend to the Council to impose the lodging of a non-interest-bearing deposit. The decision shall be deemed adopted by the Council unless it decides by qualified majority to reject the recommendation within 10 days of the Commission adopting it. The Council may amend the Commission recommendation acting by a qualified majority.

By derogation, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within 10 days of adoption of the Council decision in accordance with Article 126(6) TFEU, recommend to reduce the amount of the non-interest-bearing deposit or to cancel it.

The deposit shall be lodged with the Commission. If the Member State has an interest-bearing deposit lodged with the Commission, the interest-bearing deposit shall be converted into a non-interest-bearing deposit.

Imposition of sanctions on manipulation of statistics: Members state that the Council acting on a recommendation by the Commission may decide to impose a **fine** on a Member State that intentionally or by serious negligence, misrepresents deficit and debt data. The fines shall be effective, dissuasive and proportionate to the nature and the seriousness of the breach, the duration of the breach. **The amount of the fine shall not exceed 0.2% of GDP**.

In order to establish the existence of infringements, the Commission may **conduct all necessary investigations**. It may decide to initiate an investigation when it finds that there are serious indications on the possible existence of facts liable to constitute an infringement. It shall investigate the presumed infringements taking into account any comments submitted by Member State subject to investigation. In order to carry out its tasks, the Commission may request to the Member State subject to investigation to provide information, as well as **conduct on site inspections and accede to the accounts** of all government entities at central, state, local and social security levels.

**Distribution of the interest and fines**: the interest earned by the Commission on deposits lodged and the fines collected shall be assigned to the European Financial Stability Facility. By the moment another stability mechanism to provide financial assistance is created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole, the interest and the fines shall be assigned to that last mechanism.

**Exercise of the delegation**: the Commission shall be empowered to adopt delegated acts concerning (a) detailed criteria establishing the amount of the fine; (b) detailed rules on the procedure for the investigations, associated measures and reporting on the investigations, as well as detailed rules of procedure aimed at guaranteeing the rights of defence, access to file, legal representation, confidentiality and temporal provisions and the collection of fines.

The new Regulation lays down the **conditions** under which the Commission may exercise its power to adopt delegated acts. The delegation of power shall be conferred on the Commission for a period of three years from the date of entry into force of this Regulation (which shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.) The delegation of powers may be revoked at any time by the European Parliament or by the Council.

**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, and particularly:

- the effectiveness of this Regulation, including the possibility to enable the Council and the Commission to act in order to address situations which risk jeopardising the proper functioning of the monetary union;
- the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU.

Where appropriate, the report shall be accompanied by a proposal for amendments to the Regulation.

Before the end of 2011, the Commission shall present a report on the possibility of introduction of "**eurosecurities**" to the Council and the European Parliament.