

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

2010/0278(COD) - 16/11/2011 - Final act

PURPOSE: to strengthen economic governance in the EU – and more specifically in the euro area – as part of the EU's response to the current difficulties on sovereign debt markets (budgetary surveillance in the euro area).

LEGISLATIVE ACT: Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area.

CONTENT: on the basis of a compromise reached with the European Parliament, the Council adopted a package of **six legislative proposals** (“six-pack”) aiming to strengthen economic governance in the EU – and more specifically in the euro area.

The measures set out to ensure the degree of coordination necessary to avoid the accumulation of excessive imbalances and to ensure sustainable public finances. This will help the EU's monetary union to function properly in the long term.

They consist of:

- a [regulation](#) amending regulation 1466/97 on the surveillance of Member States budgetary and economic policies;
- a [regulation](#) amending regulation 1467/97 on the EU's excessive deficit procedure;
- a **regulation on the enforcement of budgetary surveillance in the euro area**;
- a [regulation](#) on the prevention and correction of macroeconomic imbalances;
- a [regulation](#) on enforcement measures to correct excessive macroeconomic imbalances in the euro area;
- a [directive](#) on requirements for the Member States' budgetary frameworks.

The main elements of this Regulation are as follows:

Scope: this Regulation sets out a **system of sanctions** for enhancing the enforcement of the preventive and corrective parts of the Stability and Growth Pact in the euro area.

The role of the Commission: the Commission should play a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, on- site missions, recommendations and warnings. When taking decisions on sanctions, the role of the Council should be limited, and reversed qualified majority voting 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 deposits: if the Council adopts a decision establishing that a Member State failed to take action in response to the Council recommendation, the Commission shall, within 20 days of adoption of the Council's decision, recommend that the Council, by a further decision, require the Member State in question to lodge with the Commission an interest-bearing deposit **amounting to 0.2% of its GDP in the preceding year.**

The decision requiring a lodgement shall be deemed to be adopted by the Council unless it decides by a qualified majority to reject the Commission's recommendation within 10 days of the Commission's adoption thereof.

The Council, acting by a qualified majority, may amend the Commission's recommendation and adopt the text so amended as a Council decision.

Non-interest-bearing deposit: if the Council decides that an excessive deficit exists in a Member State which has lodged an interest-bearing deposit with the Commission in accordance with this Regulation, or where the Commission has identified particularly serious non-compliance with the budgetary policy obligations laid down in the SGP, the Commission shall, within 20 days of adoption of the Council's decision, recommend that the Council, by a further decision, require the Member State concerned to lodge with the Commission a non-interest-bearing deposit amounting to 0,2 % of its GDP in the preceding year

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, 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.**

Sanctions concerning the manipulation of statistics: 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, seriousness and duration of the misrepresentation. **The amount of the fine shall not exceed 0.2% of GDP of the Member State concerned.**

The Commission may conduct all investigations necessary to establish the existence of the misrepresentations. It may decide to initiate an investigation when it finds that there are serious indications of the existence of facts liable to constitute such a misrepresentation. The Commission shall investigate the putative misrepresentations taking into account any comments submitted by the Member State concerned. In order to carry out its tasks, the Commission may request the Member State to provide information, and may conduct **on-site inspections** and accede to the accounts of all government entities at central, state, local and social- security level.

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

Review: by 14 December 2014 and every 5 years thereafter, the Commission shall publish a report on the application of this Regulation. Where appropriate, that report shall be accompanied by a proposal for amendments to this Regulation. That report shall evaluate, inter alia: (a) 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; (b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU.

Before the end of 2011, the Commission shall present a report to the European Parliament and to the Council on the possibility of introducing **euro-securities**.

ENTRY INTO FORCE: 13/12/2011.

DELEGATED ACTS: in order to supplement the rules on calculation of the fines for manipulation of statistics as well as the rules on the procedure to be followed by the Commission for the investigation of such actions, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of detailed criteria for establishing the amount of the fine and for conducting the Commission's investigations. The power to adopt delegated acts shall be conferred on the Commission for a period of 3 years from 13 December 2011. The Commission shall draw up a report in respect of the delegation of power not later than 9 months before the end of that 3-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than 3 months before the end of each period.