

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

2010/0280(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 (reform of the preventative arm of the Stability and Growth Pact).

LEGISLATIVE ACT: Regulation (EU) No 1175/2011 of the European Parliament and of the Council amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

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 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.

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 shall conduct multilateral surveillance as an integral part of the European Semester for economic policy coordination.

The European Semester shall include: (a) the formulation, and the surveillance of the implementation, of the broad guidelines of the economic policies of the Member States and of the Union; (b) the formulation, and the examination of the implementation, of the employment guidelines that must be taken into account by Member States; (c) the submission and assessment of Member States' stability or convergence programmes under this Regulation; (d) the submission and assessment of Member States' national reform programmes supporting the Union's strategy for growth and jobs; (e) the surveillance to prevent and correct macroeconomic imbalances and on the prevention and correction of macroeconomic imbalances.

Under the European Semester the policy surveillance and coordination cycle starts early in the year with a horizontal review in 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 should 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. When preparing their stability or convergence programmes and national reform programmes, Member States should take into account the horizontal guidance by the European Council.

National parliaments should be duly involved in the European Semester and in the preparation of stability programmes, convergence programmes and national reform programmes in order to increase the transparency and ownership of, and accountability for the decisions taken.

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) 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 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. Those 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.

Adjustment path: a faster adjustment path towards the medium-term budgetary objective 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.

(1) 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**.

In the event of a **significant observed deviation** from the adjustment path:

- a warning should be addressed by the Commission to the Member State concerned, to be followed within 1 month by an examination of the situation by the Council and a recommendation for the necessary adjustment measures.
- if the Member State concerned fails to take appropriate action within the deadline specified in a Council recommendation, 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 statistical independence: with a view to 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 of the European Parliament and of the Council on European Statistics.

Review: by 14 December 2014 and every 5 years thereafter, the Commission shall publish a report on the application of this Regulation. The report shall evaluate, inter alia: (a) the effectiveness of this Regulation, particularly whether the provisions governing decision-making have proved sufficiently robust; (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.

ENTRY INTO FORCE: 13/12/2011.