

Economic governance: common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit in the euro area. 'Two pack'

2011/0386(COD) - 12/03/2013 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 526 votes to 86, with 66 abstentions, a legislative resolution on the proposal for a Regulation of the European Parliament and of the Council establishing common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area ('Two-pack'). At the sitting of 13 June 2012, the report had been referred back to the committee responsible.

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

Subject matter and scope: it is clarified that the Regulation sets out provisions for **enhanced monitoring of budgetary policies in the euro area** and ensuring that national budgets are consistent with the economic policy guidance issued in the context of the European semester for economic and budgetary policy surveillance.

Common budget timetable: The main steps shall be the following:

1. In the context of the European semester, the member States shall make public, **preferably by 15 April but no later than 30 April each year, their national medium-term fiscal plans** in accordance with their medium-term budgetary framework. Such plans shall include at least all the information to be provided in the stability programmes and be presented together with the national reform programmes and the stability programmes.

The national medium-term fiscal plans and the National Reform Programmes shall include indications on how the reforms and measures that are foreseen are expected to **contribute to the achievement of the targets and national commitments set in the framework of the Union's Strategy for growth and jobs**. Furthermore, the national medium-term fiscal plans or the National Reform Programmes shall include indications on the expected economic returns on non-defence public investment projects having a significant budgetary impact.

2. **The draft budget for the forthcoming year** for the central government and the main parameters of the draft budgets for all the other sub-sectors of the general government shall be made public annually **not later than 15 October**.

3. **The budget for the central government shall be adopted or fixed upon and made public annually not later than 31 December** together with the updated main budgetary parameters for the other sub-sectors of the general government.

Member States shall have in place **independent bodies** for monitoring compliance with numerical fiscal rules incorporating in the national budgetary processes their medium-term budgetary objective.

Monitoring and assessment of Member States' draft budgetary plans:

1. Member States shall submit annually to the Commission and the Eurogroup **a draft budgetary plan for the forthcoming year no later than 15 October**, which shall be consistent with the recommendations issued in the context of the Stability and Growth Pact. The draft budgetary plan shall be made public when submitted to the Commission and contain information for the forthcoming year such as:

- **relevant information on the general government expenditure by function, including on education, healthcare and employment**, and, where possible, indications on the expected distributional impact of the main expenditure and revenue measures;
- a description and quantification of the **expenditure and revenue measures** to be included in the draft budget for the year to come at the level of all sub-sectors;
- indications on how reforms and measures in the draft budgetary plan, including in particular **public investment**, address the current recommendations to the Member State concerned and are instrumental to the achievement of the targets set by the **Union's Strategy for growth and jobs**.

The Commission, in cooperation with the Member States, will draw up guidelines in the form of a **harmonised framework** for the specification of the content of draft budgetary plans.

2. **The Commission shall adopt an opinion on the draft budgetary plan** as soon as possible and **no later than end of November**. In the exceptional cases where, after consultation of the Member State concerned within one week from the submission of the draft budgetary plan, the Commission identifies particularly serious non-compliance with the budgetary policy obligations laid down in the Stability and Growth Pact, it will request a **revised draft budgetary plan** to be submitted. The Commission shall adopt a new opinion on the basis of the revised draft budgetary plan as soon as possible and no later than **within three weeks** from the adoption of the revised draft budgetary plan.

At the request of the Parliament of the Member State concerned or of the **European Parliament**, it shall be presented by the Commission to the parliament making the request after it has been made public.

Reporting on debt issuance: with a view to better planning coordination, Member States shall report to the Commission and the Eurogroup, *ex ante* and in a timely manner, on **their national debt issuance plans**.

Economic partnership programmes: if the Council decides that an excessive deficit exists in a Member State, the Member State concerned shall present to the Commission and to the Council an economic partnership programme describing the policy measures and structural reforms that are needed to ensure an effectively durable correction of the excessive deficit, as a development of its national reform programme and its stability programme.

The economic partnership programme shall **identify and select a number of specific priorities aiming at enhancing competitiveness and long-term sustainable growth and addressing structural weaknesses** in the Member State concerned. Those priorities shall be consistent with the Union strategy for growth and jobs.

The **Council**, acting on a proposal from the Commission, **shall adopt an opinion** on the economic partnership programme the implementation of which will be monitored by the Council and the Commission.

Reporting requirements for Member States in excessive deficit procedure: the new Regulation provides for **close monitoring** by means of additional reporting requirements which should enable the avoidance or rapid correction of divergences from the Council's recommendations concerning the correction of the excessive deficit.

These additional reporting requirements shall be **applied gradually**. In the first instance, the Member States concerned should carry out a comprehensive assessment of in-year budgetary execution for the general government and its sub-sectors taking into account the financial risks associated with contingent liabilities with potentially large impacts on public budgets.

Economic dialogue: to increase transparency and accountability, the **competent committee of the European Parliament** may invite, where appropriate, the President of the Council, the Commission, the President of the European Council or the President of the Eurogroup to appear before the committee to discuss, for example, the specification of the content of the draft budgetary plan. It may offer the opportunity to the **Member State concerned by a Commission recommendation** or by Council acts to participate in an **exchange of views** in accordance with the provisions of this Regulation. The participation of the Member State in such an exchange of views will be on a voluntary basis.

Delegated acts: in order to specify the extent of the reporting obligations for Member States in excessive deficit procedure, the power to adopt acts should be delegated to the Commission in respect of the content and scope of this reporting.

Review of the application of this Regulation: by **14 December 2014**, and every five years thereafter, the Commission shall publish a report on the application of this Regulation.

By 31 July 2013, the Commission shall report on the possibilities offered by the EU's existing fiscal framework to **balance productive public investment needs with fiscal discipline objectives** in the preventive arm of the Stability of Growth Pact, while fully respecting it.