

Governance framework for the budgetary instrument for convergence and competitiveness for the euro area

2019/0161(COD) - 24/07/2019 - Legislative proposal

PURPOSE: to contribute to the proper functioning of Europe's Economic and Monetary Union and to the convergence and competitiveness within the euro area by setting out a governance framework for the budgetary instrument for convergence and competitiveness.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the December 2018 Euro Summit mandated the Eurogroup to work on the design, modalities of implementation and timing of a budgetary instrument for convergence and competitiveness for the euro area. The instrument will be part of the Union budget and adopted on the basis of the relevant Commission legislative proposal to be amended if necessary. The Euro Summit also indicated that the instrument should be subject to criteria and strategic guidance from the euro-area Member States.

In its [Communication](#) on 'Deepening Europe's Economic and Monetary Union' of 12 June 2019, the Commission stressed that a budgetary instrument for convergence and competitiveness would contribute to the resilience of the Economic and Monetary Union by supporting coherent packages of reforms and investment aimed at addressing competitiveness and convergence challenges of the euro-area Member.

On 14 June 2019, the Eurogroup agreed a Term Sheet on the key features of the future budgetary instrument for convergence and competitiveness for the euro-area Member States and for the Member States participating in the ERM II on a voluntary basis. As part of the [Reform Support Programme](#), the budgetary instrument for convergence and competitiveness aims to promote cohesion within the Union by providing euro-area Member States with financial support for reforms and investment, as set out in coherent packages. The proposed Regulation intends to organise the governance aspect of that budgetary instrument and must be read in conjunction with the Reform Support Programme.

CONTENT: the proposal for a Regulation shall contribute to the convergence and competitiveness of the economies of the Member States whose currency is the euro by defining a governance framework relevant for the budgetary instrument for convergence and competitiveness, which sets out:

- the strategic orientations on the reform and investment priorities of the euro area as a whole;
- country-specific guidance on the objectives of reforms and investment relevant for the budgetary instrument for convergence and competitiveness consistent with the country-specific recommendations.

Strategic orientations for the euro area

On a recommendation from the Commission and after discussion in the Eurogroup, the Council shall establish, as part of the euro-area recommendation and on an annual basis, the strategic orientations for the reform and investment priorities of the euro area.

The Commission shall, alongside its recommendation on the strategic orientations, as part of its recommendation on the economic policy of the euro area, inform the Council of how the strategic orientations have been followed during the preceding years.

Country-specific guidance

The Member States whose currency is the euro can decide to submit proposals for reform and investment packages under the budgetary instrument for convergence and competitiveness. To that end, the Council will adopt a Recommendation providing country-specific guidance on the objectives of reforms and investment that can be supported under the budgetary instrument for convergence and competitiveness in Member States whose currency is the euro. This Council Recommendation should be consistent with the strategic orientations adopted under this Regulation, and with the country-specific recommendations that are adopted, in parallel, under the European Semester of economic policy coordination further to discussions, where appropriate, within the relevant Treaty-based committees. The Council Recommendation shall also duly take into account any macroeconomic adjustment programme approved in accordance with the relevant provisions of [Regulation \(EU\) No 472/2013](#) of the European Parliament and of the Council.

Severe economic recession

The budgetary instrument may set a minimum national co-financing rate as a percentage of the total cost of the reforms and investment. In this context, the proposal provides that, on the basis of an assessment by the Commission, the Council will establish which Member States are considered to be experiencing a severe economic downturn, for the purposes of a modulation of the national co-financing rate within the future budgetary instrument for convergence and competitiveness.

Voting in the Council

The proposed Regulation reaffirms the voting rule in Article 136(2) TFEU in relation to strategic orientations and Council recommendations: only members of the Council representing euro-area Member States will be entitled to vote.

Economic dialogue

In order to enhance the dialogue between the Union institutions, in particular between the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may host an economic dialogue and invite the President of the Council and the Eurogroup to discuss measures adopted under the Regulation.