

Effective coordination of economic policies and multilateral budgetary surveillance

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The Committee on Economic and Monetary Affairs adopted the report by Esther de LANGE (EPP, NL) and Margarida MARQUES (S&D, PT) on the proposal for a regulation of the European Parliament and of the Council the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Subject-matter

This Regulation sets out rules ensuring effective coordination of economic policies of the Member States. It lays down detailed rules concerning the content, submission, assessment and monitoring of national medium-term fiscal-structural plans as part of multilateral budgetary surveillance by the Council and the Commission, with the involvement of the European Parliament, so as to **promote debt sustainability, investments and reforms**, common priorities of the Union, and **sustainable and inclusive growth and resilience** in the Member States and to prevent the occurrence of excessive government deficits, by medium-term planning ensuring consistency within the Union, including the euro area.

The European Semester

In order to ensure closer coordination of economic and relevant social policies and sustained convergence of the economic and social performance of the Member States, the Council and the Commission, with the involvement of the European Parliament, should conduct multilateral surveillance within the European Semester whose overarching aim is to ensure closer coordination of economic, social, budgetary and structural policies.

Reference trajectory

For each Member State having a public debt above the 60% of GDP reference value or a government deficit above the 3% of GDP reference value, the Commission should put forward, in a report to the European Parliament and the Council, a reference trajectory. For the preparation of the report, the Commission should consult the Member State concerned including, where applicable, on its proposed reference trajectory, as part of the dialogue, while ensuring fair and equal treatment of all Member States.

The reference trajectory should be set in levels of net expenditure. It should ensure that:

- (a) the public debt ratio **is put or remains on a plausibly downward path, leading to sustainable debt reduction or stays at prudent levels**;
- (b) the government deficit is brought and maintained below the 3% of GDP reference value;
- (c) the fiscal adjustment effort over the period of the national medium-term fiscal-structural plan is at least proportional to the total effort over the entire adjustment period;

(d) the public debt ratio **stabilises** over the adjustment period and is reduced every year over the projection period on average by at least one percentage point of debt to GDP for the Member States with a debt-to-GDP ratio exceeding 90% and at least half a percentage point for the Member States with a debt-to-GDP ratio of 60% to 90%.

National medium-term fiscal-structural plans

Each Member State should present a medium-term plan that sets out its **net expenditure path** as well as priority public investment and reform commitments that together ensure sustained and gradual debt reduction and sustainable and inclusive growth, avoiding a pro-cyclical fiscal policy, as well as **broader reform and investment commitments**, including in relation to the European Green Deal, the European Pillar of Social Rights, the Digital Decade Policy Programme 2030 and the Strategic Compass for Security and Defence. The national plans should also assess the public investment gaps, in particular to achieve those common Union priorities.

Prior to the submission of the national medium-term fiscal-structural plan to the Council and the Commission, each Member State should establish a structured cooperation mechanism to receive contributions to that national medium-term fiscal-structural plan from civil society, social partners, regional authorities and other relevant stakeholders.

A **new government** in a Member State may submit a new or revised national medium-term fiscal-structural plan to the Commission. However, if there are objective circumstances preventing the implementation of the plan, a Member State may request to submit a revised plan to the Commission by no later than 12 months before the end of the current plan.

Monitoring by the Commission

The Commission should set up a **control account** for each Member State to keep track of annual deviations of the net expenditure observed in the Member State from the net expenditure path set by the Council, summing those deviations over time.

A Member State should be deemed not to be in compliance with its net expenditure path where the cumulated balance of the control account during the adjustment period is **higher than 1% of GDP in the years of positive GDP growth**.

For certain strategic investments that address the common priorities of the Union, and that have added value for the Union as a whole, the Commission should be able to exceptionally allow Member States to exceed the reference value in the control account, for example in exceptional cases where investment costs increase due to unforeseen circumstances or where the need to make additional strategic investments arises during the adjustment period. Any deviation from the reference value can be granted by the Commission for a period of up to 5 years per request.

A dedicated **scoreboard** should be established by way of a delegated act to display the progress of the implementation of the medium-term fiscal-structural plans of the Member States. The scoreboard should be operational by June 2024 and should be updated by the Commission twice a year.

Parliament's role

The European Parliament should be duly involved in a regular and structured way in the European Semester. The Council and the Commission should regularly report to the European Parliament on the application of this Regulation and include in their reports the results of the multilateral surveillance carried out pursuant to this Regulation.

In order to ensure transparency and accountability in the application of this Regulation, the Commission should transmit, subject to appropriate confidentiality arrangements where necessary, relevant documents and information simultaneously and on equal terms to the European Parliament and to the Council, such as the medium-term fiscal-structural plans submitted by Member States and the proposed net expenditure path, the debt sustainability assessments and an overview of the Commission's preliminary findings concerning the progress in the implementation of the plans.