Basic information

2010/0279(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack' See also 2010/0278(COD) See also 2010/0276(CNS) See also 2010/0277(NLE) See also 2010/0280(COD) See also 2010/0281(COD) See also 2014/2938(RSP) **Subject** 5.10.01 Convergence of economic policies, public deficit, interest rates 5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU) 5.20.02 Single currency, euro, euro area	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	HAGLUND Carl (ALDE)	21/09/2010
	Shadow rapporteur HÜBNER Danuta Maria (PPE)	

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	The committee decided not to give an opinion.	
EMPL Employment and Social Affairs	BERÈS Pervenche (S&D)	21/10/2010

Committee for opinion on the legal basis	Rapporteur for opinion	Appointed
JURI Legal Affairs	GERINGER DE OEDENBERG Lidia Joanna (S&D)	04/03/2011

Council of the European Union

Council configuration	Meetings	Date

	Economic and Financial Affairs ECOFIN	3088	2011-05-17
	Economic and Financial Affairs ECOFIN	3067	2011-02-14
	Economic and Financial Affairs ECOFIN	3100	2011-06-20
	Economic and Financial Affairs ECOFIN	3062	2011-01-18
	Economic and Financial Affairs ECOFIN	3076	2011-03-15
	Economic and Financial Affairs ECOFIN	3122	2011-11-08

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
07/10/2010	Legislative proposal published	COM(2010)0525	Summary
21/10/2010	Committee referral announced in Parliament, 1st reading		
18/01/2011	Debate in Council		Summary
14/02/2011	Debate in Council		Summary
19/04/2011	Vote in committee, 1st reading		Summary
29/04/2011	Committee report tabled for plenary, 1st reading	A7-0182/2011	
17/05/2011	Debate in Council		Summary
20/06/2011	Debate in Council		Summary
22/06/2011	Debate in Parliament		
23/06/2011	Decision by Parliament, 1st reading	T7-0292/2011	Summary
23/06/2011	Results of vote in Parliament		
28/09/2011	Decision by Parliament, 1st reading	T7-0423/2011	Summary
28/09/2011	Results of vote in Parliament		
08/11/2011	Act adopted by Council after Parliament's 1st reading		
16/11/2011	Final act signed		
16/11/2011	End of procedure in Parliament		
23/11/2011	Final act published in Official Journal		

Technical information

Procedure reference	2010/0279(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation

Legislative instrument	Regulation
Amendments and repeals	See also 2010/0278(COD) See also 2010/0276(CNS) See also 2010/0277(NLE) See also 2010/0280(COD) See also 2010/0281(COD) See also 2014/2938(RSP)
Legal basis	Treaty on the Functioning of the European Union TFEU 121-p6
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/04118

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE454.574	16/12/2010	
Amendments tabled in committee		PE456.990	15/02/2011	
Committee opinion	EMPL	PE454.657	18/03/2011	
Specific opinion	JURI	PE462.804	12/04/2011	
Committee report tabled for plenary, 1st reading/single reading		A7-0182/2011	29/04/2011	
Text adopted by Parliament, partial vote at 1st reading /single reading		T7-0292/2011	23/06/2011	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0423/2011	28/09/2011	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00029/2011/LEX	16/11/2011	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2010)0525	07/10/2010	Summary
Commission response to text adopted in plenary	SP(2011)8584	09/11/2011	
Follow-up document	COM(2014)0905	28/11/2014	Summary
Commission document (COM)	COM(2020)0055	05/02/2020	
Follow-up document	SWD(2020)0210	06/02/2020	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	LU_CHAMBER	COM(2010)0525	07/12/2010	
Contribution	PT_PARLIAMENT	COM(2010)0525	10/12/2010	
Contribution	RO_SENATE	COM(2010)0525	14/12/2010	
Contribution	IT_CHAMBER	COM(2010)0525	16/12/2010	
Contribution	IT_SENATE	COM(2010)0525	16/12/2010	
Contribution	CZ_SENATE	COM(2010)0525	28/01/2011	
Contribution	BG_PARLIAMENT	COM(2010)0525	07/04/2011	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2011/0013 OJ C 150 20.05.2011, p. 0001	16/02/2011	Summary
EESC	Economic and Social Committee: opinion, report	CES0799/2011	05/05/2011	

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act

Regulation 2011/1174
OJ L 306 23.11.2011, p. 0008 Summary

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 28/11/2014

The Commission has presented a **review of the various legislative texts known as the "six-pack" and "two-pack" to strengthen the economic** governance of the European Union. This review analyses to what extent the new rules introduced have been effective in achieving the objectives of ensuring closer coordination of economic policies.

The legislative packages aim to:

- more closely coordinate economic policies through a strengthening of budgetary surveillance under the Stability and Growth Pact;
- introduce a new procedure in the area of **macroeconomic imbalances**;

- establish a framework for dealing with countries experiencing difficulties with financial stability;
- to proceed with codification in legislation, in the form of the European Semester, of integrated economic and budgetary surveillance.

Taking into account the short experience of their operation, with the six-pack entering into force in end-2011 and the two-pack only in mid-2013, **the Commission considers it difficult to draw conclusions on the effectiveness of the regulations.**

In the Macroeconomic Imbalance Procedure (MIP) (see also Regulation (EU) No 1176/2011), the surveillance of economic policies of the Member States was broadened beyond budgetary issues, including to external imbalances, competitiveness, asset prices, and internal and external debt.

The following main tools were introduced:

- **the Alert Mechanism Report**: it aims to identify the Member States for which a detailed scrutiny (an In-Depth Review) is necessary before concluding whether imbalances or excessive imbalances exist;
- **the In Depth Reviews (IDRs):** they identify policy challenges and policy options with the aim of preparing policy recommendations, and contributing to dialogue with the EU institutions and with the relevant Member States.

In the preventive arm of the procedure, should an imbalance be identified, policy recommendations can be adopted, as part of the country-specific recommendations which the Commission puts forward at the end of the European Semester. An excessive imbalance procedure (the corrective arm of the MIP) may be launched for the Member States experiencing excessive imbalances.

Under the corrective arm, the Member States concerned are requested to prepare corrective action plans, the implementation of which is regularly monitored. Financial sanctions may be imposed on the euro area Member States if their corrective action plans are not appropriate given the challenges.

Employment and social indicators are being introduced into the macroeconomic imbalances procedure to gain better understanding of the labour market and social developments and risks.

Assessment:

The Excessive Imbalance Procedure has not yet been implemented so far. In 2013 and 2014, the Commission has identified excessive imbalances on five occasions, but did not submit a proposal for their formal establishment by the Council so the procedure was not triggered.

In both years, the Commission was of the view that the policies outlined by the relevant governments (Spain and Slovenia in 2013, and Italy, Croatia and Slovenia in 2014) in their national reform programmes and stability (or convergence) programmes were appropriate to the respective challenges identified in the IDRs. In each of these cases, **the Commission used the inherent flexibility in the Procedure framework** to put in motion a specific and close monitoring of policy implementation, also contributing to peer pressure, real-time assessment of action and promoting reform action in the Member States.

In conclusion, if the review has revealed some strengths, it also shows possible areas for improvement, concerning **transparency and complexity of policy making**, and their impact on growth, imbalances and convergence.

According to the Commission, a proper involvement of **national Parliaments** remains crucial in ensuring the legitimacy of Member States' action. At EU level, **the European Parliament** has a key role to play, notably through “economic dialogues”, which have ensured that institutional actors have been regularly held to account on the main issues related to economic governance.

The Commission plans to discuss these points with the European Parliament and the Council in the coming months.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 16/02/2011

OPINION OF THE EUROPEAN CENTRAL BANK on economic governance reform in the European Union.

On 29 November 2010, the European Central Bank (ECB) received a request from the Council for an opinion on a package of six legislative proposals aiming to strengthen economic governance.

The ECB considers that the Commission proposals represent an important broadening and strengthening of the EU economic and budgetary surveillance framework and go some way in improving enforcement in the euro area. However, **they fall short of the necessary quantum leap in the surveillance of the euro area, which the ECB deems necessary to ensure its stability and smooth functioning**.

The ECB calls on the EU legislator and the Member States to take advantage of the ongoing legislative process to strengthen the economic governance package to the maximum allowed under the current Treaties. In addition, the EU should consider at a certain point in time Treaty reform to further strengthen economic governance.

The ECB makes the following observations:

Insufficient automaticity: for the ECB, insufficient automaticity is a fundamental flaw of the Commission proposals. In this vein, the ECB proposes that the EU legislator consider reverting the changes to the Stability and Growth Pact introduced in 2005 which increased the leeway allowed to Member States in respect of their obligations under the Pact.

Furthermore, the ECB states that there are several elements showing insufficient automaticity in the Commission proposals which should be reconsidered:

- the draft budgetary surveillance procedure provides the possibility for Member States to depart from the adjustment path towards the medium-term budgetary objective in case of a severe economic downturn of a general nature;
- the draft budgetary enforcement procedure provides that the Council will review interest-bearing deposits, non-interest bearing deposits and fines it imposes, on the grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned;
- lastly, the Commission's obligation to take into account discussions within the Council as a condition for the continuation by the Commission of any procedure should be excluded.
- In addition, the ECB recommends increasing automaticity by means of **adding reverse Council qualified majority voting whenever possible.**

Additional political and reputational measures: these measuresshould be established in the draft budgetary surveillance procedure and EDP, including Member State reporting obligations and reports from the Council to the European Council. In addition, the Commission, in liaison with the ECB if it deems it appropriate, where euro area Member States or ERM II participant Member States are concerned, should conduct missions to Member States not complying with Council recommendations.

Assessing compliance with the reference value for the government debt ratio: while all relevant factors should be considered when the Commission prepares a report on the existence of an excessive debt ratio and while particular consideration should be given to the effect of guarantees issued by the Member States under the European Financial Stability Facility or eventually under the future European Stability Mechanism (ESM), all these factors should only be considered where the government debt ratio is declining over a three-year horizon according to the Commission's forecasts. Any relevant mitigating factors should never lead to an assessment that a Member State has no excessive debt ratio where its debt ratio exceeds the reference value and is projected to be on an increasing path.

Procedure concerning the draft budgetary surveillance procedure: the ECB recommends that:

- sufficient progress towards the medium-term objective should be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures;
- the growth rate of government expenditure should normally not exceed a projected reference medium- term growth rate of potential gross domestic product (GDP) growth;
- the projected medium-term rate of potential GDP growth should be calculated according to the common methodology used by the Commission;
- taking into account the impact of the structure of economic growth on revenue growth.

Macroeconomic surveillance procedure: the ECB strongly welcomes the introduction of a macroeconomic surveillance procedure, which closes an important lacuna in the economic governance framework. This new procedure should concentrate firmly on euro area Member States experiencing sustained losses of competitiveness and large current account deficits. The scope of the procedure should by defining the term 'imbalances' address an open list of situations to be prevented by the procedure.In addition, the macroeconomic surveillance procedure should be determined by transparent and effective trigger mechanisms.

Fines: as to the interest accruals from the non-remunerated deposits and the fines imposed on euro area Member States under the Commission proposals, they should be assigned to the ESM to be created in 2013, with an appropriate transition solution until its creation.

Independent advisory body: the ECB sees also the need to establish an advisory body of persons of recognised competence in economic and fiscal matters to prepare an independent annual report addressed to the Union institutions on compliance by the Council and the Commission, including Eurostat, with their obligations under Articles 121 and 126 of the Treaty and under the procedures addressed in the Commission proposals.

Draft directive on the budgetary frameworks:

- the ECB also considers that all Member States should in any case be required to ensure independent monitoring, analysis and validation of the key elements of their budgetary frameworks. All these measures should not prevent Member States from developing stronger budgetary frameworks, such as by including rules prohibiting general government structural deficits above a certain threshold of GDP;
- the ECB recommends highlighting the importance of transparent national forecasts and methodologies for their preparation. At the same time, the Commission's forecasts have to play a central role in benchmarking national forecasts;
- regarding its effectiveness, the directive should refer expressly to costs imposed on national authorities for non-compliance with numerical fiscal rules, including both non-financial measures and financial sanctions at national level. Obligations to redeem in the medium-term debt exceeding amounts tolerated by the fiscal framework should be included;
- regarding statistics, the ECB favours an increase in the timeliness and reliability of the annual and quarterly government accounts reported to the Commission under Regulation (EC) No 2223/96 on the European system of national and regional accounts in the Community. Regarding statistics in future legislation, the ECB notes that EU legislative action is required for the 'European statistics code of practice' to become legally binding, while, in the meantime, the complete implementation of the code is accelerated, in particular regarding quality and the mandates for data collection.

Lastly, **Eurostat powers in assessing and monitoring the EDP notifications should be further strengthened** with a focus on proactive measures to enhance the quality of government statistics.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 20/06/2011

The Council agreed unanimously an **updated general approach** on a package of legislative proposals on economic governance, with the aim of enabling negotiations with the European Parliament to be concluded in time for the European Council meeting on 23 and 24 June.

It will inform the Parliament of its compromise text by a letter to be sent by the chairman of the Permanent Representatives Committee on 21 June.

The proposals set out to strengthen economic governance in the EU – and more specifically within the euro area – as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets.

The Council reached agreement on a general approach on 15 March, opening the way for the negotiations with the Parliament.

Recognising that existing EU instruments have not generated a satisfactory decline in public debt levels and have catered insufficiently for macroeconomic imbalances, the proposals are aimed at enhancing budgetary discipline in the Member States and broadening the surveillance of their economic policies. They implement the recommendations of a task force, chaired by the President of the European Council, Herman Van Rompuy, which concluded that **the EU's monetary union will not be able to function properly in the long term without increased economic policy coordination**.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 23/06/2011 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted, by 368 votes to 80 with 209 abstentions a legislative resolution amending, in the first reading of the ordinary legislative procedure, the proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area. The vote on the resolution has been postponed to a later sitting. The main amendments are as follows:

Economic governance : Parliament recalls that the improved economic governance framework should rely on several inter-linked policies for sustainable growth and jobs, which need to be coherent with each other, in particular : (i) a Union strategy for growth and jobs, with particular focus upon development and strengthening of the internal market, (ii) fostering international trade and competitiveness, (iii) an effective framework for preventing and correcting excessive government deficit (the Stability and Growth Pact), (iv a robust framework for preventing and correcting macro-economic imbalances, (v) minimum requirements for national budgetary frameworks,(vi) enhanced financial market regulation and supervision.

The coordination of the economic policies of the Member States within the Union should be developed in the context of the broad economic policy guidelines and the employment guidelines,

Strengthening of Commission's role: the Commission should have a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, missions, recommendations and warnings.

Subject matter and scope : it is clarified that the Regulation lays down a system of sanctions for effective correction of excessive macroeconomic imbalances in the euro area

Sanctions: the amended text states that an interest-bearing deposit shall be imposed by a Council decision, acting on a recommendation by the Commission, if a Council decision on corrective action is where the Council concludes that the Member State concerned has not taken the recommended corrective action following a recommendation.

A yearly fine shall be imposed by a Council decision, acting on a recommendation by the Commission, if:

- two successive Council recommendations in the same imbalance procedure are adopted where the Council considers, that the Member State has submitted an insufficient corrective action plan;
- two successive Council decisions in the same imbalance procedure are adopted declaring non-compliance.

The fine shall be imposed by means of converting the interest-bearing deposit imposed into a yearly finance.

The decisions shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the recommendation within ten days of the Commission adopting it. The Council may amend the recommendation acting by qualified majority.

The interest-bearing deposit or the yearly fine to be recommended by the Commission shall **be 0.1% of the GDP** of the Member State concerned in the preceding year.

The Commission may, on grounds of **exceptional economic circumstances** or following a reasoned request by the Member State concerned addressed to the Commission within ten days of conditions referred to in the text being met , propose to reduce the amount of the interest-bearing deposit or the fine or to cancel it.

Allocation of the fines: fines shall be assigned to the European Financial Stability Facility. By the moment another stability mechanism to provide financial assistance is created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole, the fines shall be assigned to that last mechanism.

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.

Review: within three years after the entry into force of the Regulation and every five years thereafter, the Commission shall publish a report on the application of the Regulation., and shall evaluate, inter alia: (a) the effectiveness of the regulation; (b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the Treaty.

Where appropriate, this report shall be accompanied by a proposal for amendments to the Regulation. The report and any accompanying proposals shall be forwarded to the European Parliament and the Council.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 07/10/2010 - Legislative proposal

PURPOSE: to establish enforcement measures to correct excessive macroeconomic imbalances in the euro area.

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

BACKGROUND: in the years preceding the crisis, low financing costs fuelled misallocation of resources, often to less productive uses, feeding unsustainable levels of consumption, housing bubbles and accumulation of external and internal debt in some Member States.

The emergence of large macroeconomic imbalances, including wide and persistent divergences in competitiveness trends, proved highly damaging to the European Union, and in particular to the euro, when the crisis struck. **It is therefore important to develop a new structured procedure for prevention and correction of adverse macroeconomic imbalances in every Member State**.

In its Communication and report on «EMU@10: successes and challenges after 10 years of Economic and Monetary Union" the Commission stressed, in particular, the need to broaden economic surveillance in order to detect and address macroeconomic imbalances at an early stage. The Europe 2020 strategy calls for the development of a specific policy framework for the euro area to tackle broader macroeconomic imbalances.

Overall, the Task Force on economic governance, chaired by the President of the European Council, agreed that macroeconomic surveillance should function alongside the budget surveillance under the Stability and Growth Pact.

This proposal is part of **legislative package** comprising six texts which seeks to strengthen the pact by improving its provisions in the light of experience, not least of the crisis:

1) A Regulation amending the legislative underpinning of the preventive part of the Stability and Growth Pact (Regulation 1466/97);

2) A Regulation amending the legislative underpinning of the corrective part of the Stability and Growth Pact (Regulation 1467/97);

3) A Regulation on the effective enforcement of budgetary surveillance in the euro area;

4) A new Council Directive on requirements for the budgetary framework of the Member States;

5) A new Regulation on the prevention and correction of macroeconomic imbalances;

6) A **Regulation** on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

IMPACT ASSESSMENT: no impact assessment was undertaken.

LEGAL BASE: Article 136, in combination with Article 121(6) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the Commission is proposing a mechanism for the prevention and correction of macroeconomic imbalances which is made up of two draft proposals for regulations. The first proposal sketches out the excessive imbalance procedure (EIP), while this proposal focuses on the associated enforcement measures.

The second proposal specifies that if a Member State repeatedly fails to act on Council recommendations to address excessive macroeconomic imbalances, it will have to pay a **yearly fine equal to 0.1% of its GDP**.

As a rule, the Commission will propose the maximum amount of the fine provided for and this proposal will be considered adopted, unless the Council decides to the contrary by qualified majority within ten days of the Commission adopting its proposal (“reverse voting”). The Council may amend the Commission proposal by acting unanimously.

The Council may decide, on the basis of a Commission proposal, to cancel or to reduce the fine. The Commission could make a proposal to this end following assessment of a reasoned request by the Member State and this would reverse the burden of proof for application of the sanction. Furthermore, the Commission could also make a proposal to the same end on the basis of exceptional economic circumstances.

Council decisions concerning such fines will be made **only by the members representing Member States whose currency is the euro**. The vote of the member of the Council representing the Member State concerned by the decisions will not be taken into account.

The fines provided for in this proposal for a regulation constitute other revenue, as referred to in Article 311 of the Treaty. In line with the practice established in the corrective part of the SGP (Regulation 'EC) No 1467/97), this revenue will be distributed between Member States whose currency is the euro and which are not involved in an excessive imbalance procedure and not involved in an excessive deficit procedure, in proportion to their share of the total GNI of the eligible Member States.

BUDGETARY IMPLICATION: the proposal has no implication for the EU budget.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 18/01/2011

The Council discussed draft national reform programmes (NRPs) presented by the Member States. Ministers committed themselves to rectifying identified difficulties with the draft NRPs.

The programmes are required, under the EU's economic governance arrangements, to enable **multilateral surveillance of the Member States' economic policies**.

They should contain:

- a macroeconomic scenario for the medium term,
- national targets for translating headline targets set under the "Europe 2020" strategy for jobs and growth,
- identification of the main obstacles to creating growth and jobs,
- measures for concentrating growth-enhancing initiatives in an early period.

Review of the draft programmes constitutes, along with the annual growth survey, first steps in implementation of the so-called "European semester", which involves **simultaneous monitoring of the Member States' budgetary policies and structural reforms**, in accordance with common rules, during a six-month period every year.

At its meeting on 24 and 25 March, the European Council is due to provide guidance to the Member States for finalisation of their stability and convergence programmes (budgetary policies) and national reform programmes (structural reforms).

The **European semester is implemented for the first time this year** as part of a reform of EU economic governance.

Concerning the excessive deficit procedure: the Council discussed a Commission communication assessing the action taken by **Malta** in response to the Council recommendation of 16 February 2010 based on article 126(7) to bring to an end the situation of excessive deficit at the latest by 2011. The Council shares the Commission's view that, based on current information, Malta has taken action representing adequate progress towards the correction of the excessive deficit within the time limit set by the Council. In particular, the Maltese authorities have taken fiscal consolidation measures to correct the excessive deficit by 2011, while ensuring an adequate fiscal effort in 2011.

Against this background, the Council considers that at present no further steps under the excessive deficit procedure are necessary.

At the same time, the Council notes that in spite of a better macroeconomic environment than expected in the Council recommendations, there was no acceleration in the reduction of the deficit in 2010. In addition, **considerable downside risks exist to the achievement of the 2011 deficit target**. In this context, the Council calls for rigorous execution of the budget and close monitoring of budgetary developments in order to take corrective measures if needed to ensure that the deficit target of 2.8% of GDP is reached in 2011. Furthermore, further steps should be taken to strengthen the binding nature of the medium-term budgetary framework and improve the long-term sustainability of public finances, as requested by the Council in its recommendations and invitations.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 17/05/2011

The Council took note of a **report from the presidency on progress in negotiations with the European Parliament** on a package of legislative proposals on economic governance.

Taking note of the views expressed by delegations, the presidency called on all parties to remain constructive and show the degree of flexibility that will be necessary to enable an agreement to be reached in June, as called for by the European Council.

The proposals set out:

- **to strengthen economic governance in the EU** – and more specifically within the euro area – as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets. The Council reached agreement on a general approach in March, opening the way for the negotiations with the Parliament;
- **to enhance budgetary discipline in the Member States and broaden the surveillance of their economic policies**, thus implementing the recommendations of a task force chaired by the President of the European Council, Herman Van Rompuy.

The package consists of:

- a draft regulation amending Regulation (EC) No 1466/97 on the surveillance and coordination of Member States' budgetary and economic policies;
- a draft regulation amending Regulation (EC) No 1467/97 on the excessive deficit procedure;
- a draft regulation on the enforcement of budgetary surveillance in the euro area;
- a draft regulation on the prevention and correction of macroeconomic imbalances;
- a draft regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area;
- a draft directiveon requirements for the Member States' budgetary frameworks.

Four of the proposals deal with reform of the **EU's Stability and Growth Pact**, enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant Member States more consistently and at an earlier stage. The other two proposals target **macroeconomic imbalances** within the EU.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 15/03/2011

The Council agreed a general approach on a package of legislative proposals aimed at strengthening economic governance in the EU – and more specifically in the euro area – as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets.

The agreement will enable the presidency to start negotiations with the European Parliament, with the aim of **reaching an overall agreement in June 2011**, thus respecting the timetable set by the European Council.

Four of the proposals deal with reform of the EU's Stability and Growth Pact. They are aimed at enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant member states more consistently and at an earlier stage. The other two proposals target macroeconomic imbalances within the EU.

(1) Reform of the Stability and Growth Pact

Preventive arm of the pact:

- to promote attainment by the Member States of their medium term objectives (MTO), the reform would introduce an expenditure benchmark, which implies that annual expenditure growth should not exceed a reference medium-term rate of GDP growth. This is meant to ensure that revenue windfalls are not spent but instead allocated to debt reduction;
- if a Member State has not reached its MTO, a significant deviation in expenditure development from its reference expenditure growth path could eventually lead to sanctions.

Corrective arm of the pact (excessive deficit procedure):

- greater emphasis would also be placed on the **debt criterion** of the Stability and Growth Pact, with Member States whose debt exceeds 60% of GDP (the EU's reference value for debt) required to take steps to reduce their debt at a pre-defined pace, even if their deficit is below 3% of GDP (the EU's deficit reference value);

- to determine whether the debt ratio is sufficiently diminishing toward the 60% of GDP threshold, a numerical benchmark would be introduced. A debt-to-GDP ratio above 60% would thus be considered sufficiently diminishing if its distance with respect to the 60% reference value had decreased over the previous three years at an annual rate of one-twentieth;

- a decision to subject a country to the excessive deficit procedure would not only be based on the numerical benchmark, but would also take into account other relevant factors, such as implicit liabilities related to private sector debt and ageing cost. The net cost of implementation of a pension reform would also be considered;

- to strengthen the corrective arm of the Stability and Growth Pact, a **new set of financial sanctions** would be introduced for euro-area Member States; these would apply earlier on in the excessive deficit procedure, and using a **graduated approach**;

- a **non-interest-bearing deposit** amounting to 0.2% of GDP may be imposed already when decision has been taken to subject a country to the excessive deficit procedure. If the Council's recommendation for correcting the deficit is not followed, a **fine** will be imposed. Further non-compliance would result in the sanction being stepped up, in line with the existing provisions in the Stability and Growth Pact;

- to trigger the sanction more automatically than at present, a so-called **reverse majority rule would be introduced**, whereby the Commission's proposal for imposing a deposit or a fine would be considered adopted unless turned down by the Council via qualified majority.

(2) Surveillance of economic policies:beyond budgetary surveillance, the legislative package is aimed at broadening the surveillance of the Member States' economic policies. It would establish a mechanism for the prevention and correction of excessive macroeconomic imbalances, made up of two regulations which outline an "excessive imbalance procedure" and introduce the possibility of fines being imposed on Member States found to be in an "excessive imbalance position" and repeatedly failing to comply with recommendations.

- the starting point of the new framework will be an **alert mechanism for the early detection of imbalances**, which will be assessed using a "scoreboard" of economic indicators. This will be supplemented by country-specific qualitative expert analysis;
- if the imbalance is considered to be excessive, the Member State concerned could be subject to an excessive imbalance procedure, and would be called on to adopt a corrective action plan within a specific timeframe;
- on the other hand, repeated non-compliance with the recommendations could in the case of euro area Member States **eventually lead to sanctions**. Specifically, a decision to impose a yearly fine equal to 0.1% of the Member State's GDP would be adopted through the "reverse majority" rule described above;
- fines collected in the context of both the excessive imbalance and excessive deficit procedures would be **transferred to the crisis fund created for the euro area** to provide financial assistance to Member States in difficulty (i.e. the European Financial Stability Facility and the future European Stability Mechanism).

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 14/02/2011

The Council held a **policy debate** on a package of measures intended to strengthen economic governance in the EU, and more specifically in the euro area, in order to address the challenges highlighted by recent difficulties on sovereign debt markets.

The package consists of:

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

Four of the propositions deal with **reform of the EU's Stability and Growth Pact**. They are aimed at enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant member states more consistently and at an earlier stage.

In particular, a so-called **reverse majority rule**, whereby the Commission's proposal for imposing a fine will be considered adopted unless the Council turns it down by qualified majority, will trigger the sanction more automatically than at present.

Moreover, greater emphasis will also be placed on the **debt criterion** of the Stability and Growth Pact, with member states whose debt exceeds 60% of GDP required to take steps to reduce their debt at a pre-defined pace, even if their deficit is below the 3% of GDP threshold.

The other two proposals target **macroeconomic imbalances within the EU**. Here, the aim is to broaden the surveillance of economic policies, introducing the possibility of fines on Member States found to be in an "excessive imbalances position". Risks of macroeconomic imbalances will be assessed using a "scoreboard" of economic indicators.

The Council asked the Permanent Representatives Committee to oversee further work on the package, in the light of its discussion. The presidency's aim – in accordance with the deadlines set by the European Council on 4 February – is for the Council to agree on a **general approach on all six proposals at its meeting on 15 March 2011, with a view to reaching an agreement with the European Parliament in June 2011**.

As regards the excessive deficit procedure, the Council took note of a communication from the Commission assessing action taken by **Bulgaria, Denmark, Cyprus and Finland** in order to bring their government deficits below 3% of GDP, the reference value set by the EU treaty.

It shared the Commission's view that, on the basis of current information, **all four countries have taken action representing adequate progress** towards correcting their deficits within the time limits set in its recommendations, and that no further steps under the EU's excessive deficit procedure are required at present.

Bulgaria, Denmark, Cyprus and Finland have been subject to excessive deficit procedures since July 2010, when the Council issued its recommendations. The Council called on Bulgaria and Finland to reduce their deficits below the threshold of 3 % of GDP by 2011, Cyprus by 2012 and Denmark by 2013.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 28/09/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 395 votes to 63, with 206 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

The report had been sent back to the competent committee on 23 June 2011 to be re-examined.

Parliament adopted its position in first reading in accordance with the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between Parliament and Council. The Commission's proposal was amended as follows:

Economic governance: the amended text stresses the need for improved economic governance in the Union, which should be built on stronger national ownership of commonly agreed rules and policies and on a more robust surveillance framework at the Union level of national economic policies.

Parliament recalls that the improved economic governance framework should rely on several inter-linked policies for sustainable growth and jobs, which need to be coherent with each other, in particular:

- a Union strategy for growth and jobs, with particular focus upon development and strengthening of the internal market,
- fostering international trade and competitiveness,
- an effective framework for preventing and correcting excessive government deficit (the Stability and Growth Pact),
- a robust framework for preventing and correcting macro-economic imbalances,
- minimum requirements for national budgetary frameworks, enhanced financial market regulation and supervision.

The coordination of the economic policies of the Member States within the Union should be developed in the context of the **broad economic policy guidelines and the employment guidelines.**

Strengthening of Commission's role: the Commission should have a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, missions, recommendations and warnings.

Subject matter and scope: it is clarified that the Regulation lays down a system of sanctions for effective correction of excessive macroeconomic imbalances in the euro area

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.

Sanctions: the amended text states that an **interest-bearing deposit** shall be imposed by a Council decision, acting on a recommendation by the Commission, if a Council decision on corrective action is where the Council concludes that the Member State concerned has not taken the recommended corrective action following a recommendation.

A yearly fine shall be imposed by a Council decision, acting on a recommendation by the Commission, if:

- two successive Council recommendations in the same imbalance procedure are adopted where the Council considers, that the Member State has submitted an insufficient corrective action plan;
- two successive Council decisions in the same imbalance procedure are adopted declaring non-compliance. The fine shall be imposed by means of converting the interest-bearing deposit imposed into a yearly finance.

The decisions shall be deemed **adopted by the Council unless it decides, by qualified majority, to reject the recommendation within ten days of the Commission adopting it**. The Council may amend the recommendation acting by qualified majority.

The interest-bearing deposit or the yearly fine to be recommended by the Commission shall be **0.1% of the GDP of the Member State concerned in the preceding year**.

The Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of conditions referred to in the text being met , propose to reduce the amount of the interest-bearing deposit or the fine or to cancel it.

Allocation of the fines: fines shall be assigned to the European Financial Stability Facility. By the moment another stability mechanism to provide financial assistance is created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole, the fines shall be assigned to that last mechanism.

Review: within three years after the entry into force of the Regulation and every five years thereafter, the Commission shall publish a report on the application of the Regulation., and shall evaluate, inter alia: (a) the effectiveness of the regulation; (b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the Treaty.

Where appropriate, this report shall be accompanied by a proposal for amendments to the Regulation. The report and any accompanying proposals shall be forwarded to the European Parliament and the Council.

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(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 (enforcement measures to correct excessive macroeconomic imbalances in the euro area).

LEGISLATIVE ACT: Regulation (EU) No 1174/2011 of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances 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 regulationon 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 lays down a system of sanctions for the effective correction of excessive macroeconomic imbalances in the euro area.

Sanctions: an **interest-bearing deposit** shall be imposed by a Council decision, acting on a recommendation from the Commission, if a Council decision establishing non-compliance is adopted in accordance with Regulation (EU) No 1176/2011, where the Council concludes that the Member State concerned has not taken the corrective action recommended by the Council.

An annual fine shall be imposed by a Council decision, acting on a recommendation by the Commission, where:

(a) two successive Council recommendations in the same imbalance procedure as regards excessive imbalances and the Council considers that the Member State has submitted an insufficient corrective action plan; or

(b) two successive Council decisions in the same imbalance procedure as regards excessive imbalances. In this case, the annual fine shall be imposed by means of converting the interest-bearing deposit into an annual fine.

The abovementioned decisions shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the recommendation within 10 days of its adoption by the Commission. The Council may decide, by qualified majority, to amend the recommendation.

The interest-bearing deposit or the annual fine recommended by the Commission shall be **0.1% of the GDP in the preceding year of the Member State concerned**.

Allocation of the fines: fines 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, those 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. The report shall evaluate, inter alia: (a) the effectiveness of this Regulation; (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.

Where appropriate, that report shall be accompanied by a proposal for amendments to this Regulation. The Commission shall send the report and any accompanying proposals to the European Parliament and to the Council.

ENTRY INTO FORCE: 13/12/2011.