

Basic information

2011/0386(COD)

COD - Ordinary legislative procedure (ex-codecision procedure)
Regulation

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

See also [2011/0385\(COD\)](#)

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

Procedure completed

Key players

European Parliament	Committee responsible		Rapporteur	Appointed
	ECON Economic and Monetary Affairs		FERREIRA Elisa (S&D)	25/10/2011
			Shadow rapporteur THYSSEN Marianne (PPE) TREMOSA I BALCELLS Ramon (ALDE) LAMBERTS Philippe (Verts /ALE) EPPINK Derk Jan (ECR) PORTAS Miguel (GUE/NGL)	
	Committee for opinion		Rapporteur for opinion	Appointed
	BUDG Budgets		The committee decided not to give an opinion.	
	EMPL Employment and Social Affairs		DEUTSCH Tamás (PPE)	15/12/2011
Council of the European Union	Council configuration		Meetings	Date
	Economic and Financial Affairs ECOFIN		3129	2011-11-30
	Economic and Financial Affairs ECOFIN		3141	2012-01-24
	Economic and Financial Affairs ECOFIN		3227	2013-03-05

	Economic and Financial Affairs ECOFIN	3215	2013-01-22
	Economic and Financial Affairs ECOFIN	3205	2012-12-04
	Economic and Financial Affairs ECOFIN	3181	2012-07-10
	Economic and Financial Affairs ECOFIN	3148	2012-02-21
	Economic and Financial Affairs ECOFIN	3198	2012-11-13
	Agriculture and Fisheries	3237	2013-05-13
European Commission	Commission DG		Commissioner
	Economic and Financial Affairs		REHN Olli

Key events			
Date	Event	Reference	Summary
23/11/2011	Legislative proposal published	COM(2011)0821 	Summary
30/11/2011	Debate in Council		Summary
13/12/2011	Committee referral announced in Parliament, 1st reading		
24/01/2012	Debate in Council		Summary
21/02/2012	Debate in Council		Summary
14/05/2012	Vote in committee, 1st reading		
29/05/2012	Committee report tabled for plenary, 1st reading	A7-0173/2012	Summary
07/06/2012	Additional information		Summary
12/06/2012	Debate in Parliament		
13/06/2012	Decision by Parliament, 1st reading	T7-0243/2012	Summary
13/06/2012	Results of vote in Parliament		
10/07/2012	Debate in Council		Summary
13/11/2012	Debate in Council		Summary
04/12/2012	Debate in Council		
22/01/2013	Debate in Council		
05/03/2013	Debate in Council		Summary
12/03/2013	Decision by Parliament, 1st reading	T7-0070/2013	Summary
12/03/2013	Results of vote in Parliament		
13/05/2013	Act adopted by Council after Parliament's 1st reading		
21/05/2013	Final act signed		
21/05/2013	End of procedure in Parliament		
27/05/2013	Final act published in Official Journal		

Technical information	
Procedure reference	2011/0386(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	See also 2011/0385(COD) See also 2014/2938(RSP)
Legal basis	Treaty on the Functioning of the European Union TFEU 121-p6 Treaty on the Functioning of the European Union TFEU 136
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/07959

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		PE483.469	14/02/2012	
Amendments tabled in committee		PE485.870	13/03/2012	
Committee opinion	EMPL	PE480.645	29/03/2012	
Committee report tabled for plenary, 1st reading/single reading		A7-0173/2012	29/05/2012	Summary
Text adopted by Parliament, partial vote at 1st reading /single reading		T7-0243/2012	13/06/2012	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0070/2013	12/03/2013	Summary
Council of the EU				
Document type	Reference	Date	Summary	
Draft final act	00006/2013/LEX	21/05/2013		
European Commission				
Document type	Reference	Date	Summary	
Legislative proposal	COM(2011)0821 	23/11/2011	Summary	
Commission response to text adopted in plenary	SP(2013)306	30/04/2013		
Commission document (COM)	COM(2013)0490 	27/06/2013	Summary	
Follow-up document	COM(2014)0675 	28/10/2014	Summary	
	COM(2014)0905			

Follow-up document		28/11/2014	Summary
Follow-up document	COM(2016)0281 	26/05/2016	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	BE_CHAMBER	COM(2011)0821	08/02/2012	
Contribution	PT_PARLIAMENT	COM(2011)0821	14/02/2012	
Contribution	IT_SENATE	COM(2011)0821	11/10/2012	
Contribution	PT_PARLIAMENT	COM(2013)0490	18/12/2013	
Contribution	RO_SENATE	COM(2020)0055	22/06/2020	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2012/0018 OJ C 141 17.05.2012, p. 0007	07/03/2012	Summary

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act

Regulation 2013/0473 OJ L 140 27.05.2013, p. 0011	Summary
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Delegated acts

Reference	Subject
2013/2696(DEA)	Examination of delegated act
2020/2695(DEA)	Examination of delegated act

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) - 13/11/2012

The Council **adjusted its position** in negotiations with the European Parliament on two draft regulations aimed at further improving economic governance in the euro area.

This second "two-pack" of proposals includes:

- a **regulation** for enhanced monitoring and assessment of draft budgetary plans of euro area Member States, especially those subject to an excessive deficit procedure;
- a **regulation** on enhanced surveillance of euro area Member States that are experiencing severe financial disturbance or request financial assistance.

The proposals were presented by the Commission in November 2011, following adoption of an initial "six-pack" of economic governance measures. The Council agreed a general approach on the proposals in February 2012. The Parliament established its negotiating position on 4 July 2012, introducing significant changes to the texts. Negotiations between Council and Parliament started on 11 July 2012, and seven trilogues have been held since. **Progress has been achieved on the regulation on enhanced surveillance, while negotiations on the regulation concerning the assessment of draft budgets have so far proved more difficult.**

The Council's objective is to facilitate rapid agreement with the Parliament, so as to enable the regulations to be adopted at first reading before the end of the year, in line with the October European Council's conclusions.

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) - 05/03/2013

The Council welcomed an **agreement reached with the European Parliament** on 20 February on the "two-pack" of draft regulations aimed at further improving economic governance in the eurozone.

The "two-pack" includes:

- a **Regulation on enhanced monitoring and assessment of draft budgetary plans of euro area Member States, especially those subject to an excessive deficit procedure.** The Regulation provides that by 15 October annually, each Member State will have to submit its draft budget for the following year. If an examination of the draft budget reveals a serious non-compliance with the budgetary obligations laid down in the Stability and Growth Pact, the Commission will request a revised draft budget;
- a **Regulation** on enhanced surveillance of euro area member states which are experiencing severe financial disturbance or which request financial assistance.

Proposals were presented by the Commission in November 2011, following the adoption of an initial "six-pack" of economic governance measures. The Council finalised its position on the "two-pack" in February 2012 and negotiations with the Parliament started in July 2012.

The compromise approved by the Committee of Permanent Representatives on 28 February paves the way for the adoption of the texts at first reading.

If the Parliament approves the package as agreed in the trilogue, the Council will also proceed with adoption once the texts have been finalised.

The compromise agreed with the Parliament introduces the following elements:

- by 31 July 2013, the Commission will examine and report on ways to balance productive public investment needs with fiscal discipline objectives.
- reference to various documents on the further development of the EU's economic and monetary union.
- the Commission will draw up guidelines in the form of a harmonised framework for the specification of the content of draft budgetary plans.
- the Commission will set up a group of experts to analyse the possible merits, risks, requirements and obstacles in relation to a partial substitution of national debt issuance by joint issuance in the form of a debt redemption fund and eurobills. The group will be composed of experts in law and economics, public finances, financial markets and sovereign debt management. It will report back by March 2014 and the Commission will make proposals if appropriate.

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.

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) - 21/05/2013 - Final act

PURPOSE : to improve the economic governance of the euro area ('two pack').

LEGISLATIVE ACT : Regulation (EU) n° 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area.

CONTENT : following the adoption in November 2011 of an initial "six-pack" of economic governance measures, this Regulation sets out provisions for **enhanced monitoring of budgetary policies in the euro area** and for **ensuring that national budgets are consistent** with the economic policy guidance issued in the context of the SGP and the European Semester for economic policy coordination. The Stability and Growth Pact aims to secure

budgetary discipline across the Union and sets out the framework for preventing and correcting excessive government deficits. The European Semester includes the formulation, and the surveillance of the implementation, of the broad guidelines of the economic policies of the Member States and of the Union.

Common budgetary timeline: setting up a common budgetary timeline for Member States whose currency is the euro will **better synchronise the key steps in the preparation of national budgets**. The main steps are as follows:

1) Member States shall, in the context of the European Semester, 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 be presented together with their national reform programmes and the stability programmes.

National medium-term fiscal plans and national reform programmes shall include indications on how the reforms and measures set out are expected to contribute to the achievement of the targets and national commitments established within the framework of the Union's strategy for growth and jobs.

2) A draft budgetary plan for the forthcoming year must be submitted by each Member State **by 15 October**.

3) The budget for the central government shall be adopted or fixed upon **by 31 December**.

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.

Assessment of the draft budgetary plan : the Commission shall adopt an opinion on the draft budgetary plan as soon as possible and in any event by 30 November.

Where the Commission identifies particularly serious non-compliance with the budgetary policy obligations laid down in the SGP, the Commission shall request that a **revised draft budgetary plan** be submitted as soon as possible and in any event within three weeks of the date of its opinion. The Commission's request shall be reasoned and shall be made public.

At the request of the **parliament of the Member State concerned or of the European Parliament**, the Commission shall present its opinion to the parliament making the request.

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

Correction of excessive deficit: 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 effective and lasting correction of the excessive deficit.

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

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

Reporting requirements for Member States in excessive deficit procedure : the new Regulation provides for strict monitoring through reporting requirements for preventing and correcting excessive government deficits.

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, 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, inter alia, the specification of the content of the draft budgetary plan.

The competent committee of the European Parliament may offer an opportunity to participate in an **exchange of views** to a Member State which is the subject of a Commission recommendation or of a Council opinion in accordance with the Regulation. **The European Parliament shall be duly involved in the European Semester.**

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

By 31 July 2013, it shall report on the possibilities offered by the Union's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives in the preventive arm of the SGP, while complying with it fully.

ENTRY INTO FORCE : 30/05/2013.

DELEGATED ACTS : the Commission will have the power to adopt delegated acts in order to specify the extent of the reporting obligations for Member States subject to an excessive deficit procedure. The power to adopt acts is delegated to the Commission for a period of three years from 30 May 2013 (which may be tacitly extended for an identical period.)). The European Parliament or the Council may object to a delegated act within two months of notification of that act (which may be extended by two months). If Parliament or Council or Council express objections, the delegated act shall not enter into force.

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) - 27/06/2013 - Follow-up document

Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area entered into force on 30 May 2013.

The new fiscal surveillance features for euro area (EA) Member States stemming from Regulation (EU) No 473/2013 mean increased transparency on their budgetary decisions and stronger budgetary coordination between them starting with the 2014 budgetary cycle.

In particular, the new common budgetary provisions include a **new coordinated surveillance exercise** that will take place annually in the autumn. By 15 October every year, all EA Member States will submit their draft budgetary plans (DBPs) for the forthcoming year. For each EA Member State, the Commission will then issue an opinion on the DBP before the adoption of the corresponding national budget.

- **Harmonised framework:** the Communication puts forward a harmonised framework for EA Member States to submit their DBP. A set of templates are to be found in the Annex to the communication, covering the key budgetary and macroeconomic data for the forthcoming year, as required by Regulation (EU) No 473/2013.

- **Harmonised form:** the communication also puts forward a **harmonised form and content for EA Member States to report on their national debt issuance plans**. In order to place the national debt issuance plans in a fiscal surveillance framework, they should be accompanied by general information on the overall financing needs of the central budget.

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) - 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**.

Overall, the two main objectives of the six-pack and two-pack reforms in the area of fiscal surveillance were

- to strengthen and deepen budgetary surveillance by making it more continuous and integrated, also via an intensified sanctions mechanism; and
- to provide an additional surveillance for euro area Member States to ensure the correction of excessive deficits and an appropriate integration of EU policy recommendations in the national budgetary preparation.

The preventive arm of the Stability and Growth Pact was reinforced and made more binding. The six-pack introduced the **expenditure benchmark** to provide clearer and more operational guidance to Member States. The **increased involvement and enforcement in the preventive arm** reflects the importance of prudent fiscal policies during good economic times.

The corrective arm was upgraded by operationalising the Treaty's debt criterion and intensifying the sanctions imposed on euro area countries non-compliant with recommendations under the Excessive Deficit Procedure.

Overall, **the Stability and Growth Pact was made more flexible** via the possibility to adapt the pace of fiscal consolidation both in the preventive and corrective arm in justified cases.

Assessment: overall, the Commission considers that **the reformed framework has proven effective** in strengthening budgetary surveillance and thus in guiding Member States in their efforts to consolidate public finances in difficult economic conditions.

- While it has been in operation for a rather short period of time, **the reformed framework has already played a role in the correction of excessive deficits**. The EU-28 average fiscal deficit has fallen from 4.5% of GDP in 2011 to a forecast of around 3% of GDP in 2014. The number of countries subject to an Excessive Deficit Procedure fell from 23 Member States of 27 to 11 on 28.
- **The experience with the debt benchmark is very limited**, not least as the new rules included a transition period for the debt benchmark to fully enter into force. Nevertheless, **the operationalisation of the debt criterion** has increased the awareness of the relevance of debt for fiscal stability and has offered additional incentives to bring debt on a sustainable path.
- **The intermediate nominal and structural deficit targets** under the Excessive Deficit Procedure have enabled more precise and transparent policy advice and monitoring.
- **No sanctions** having been imposed on countries non-compliant with the reformed Stability and Growth Pact rules.

The Two Pack's drive to strengthen the fiscal frameworks of euro area Member States has already produced tangible improvements:

- the scope and quality of annual budgeting and medium-term fiscal planning have been upgraded. These processes are now generally based on independently produced or endorsed macroeconomic forecasts;

- national budgeting processes in the euro area are being aligned with the common milestones set out in the "Two Pack";
- a host of bodies entrusted under national law to independently monitor the respect of national fiscal rules have been established or reinforced across the euro area. Their independence, credibility and effectiveness will have to be confirmed by practice over the coming years;
- the rules have allowed a modulation of the fiscal effort according to economic conditions and sustainability risks in the preventive arm and the extension of deadlines for correcting excessive deficits in the corrective arm;
- a general escape clause exists in both the preventive and corrective arm to deal with exceptional situations constituting threats to the economies of the euro area or the EU as a whole.

The Commission considers that the additional budgetary surveillance elements for euro area Member States introduced by the two-pack seem to have broadly fulfilled their objective to increase at least the pressure to correct excessive deficits. The **European Semester** combines these different tools in an overarching framework for integrated multilateral economic and budgetary surveillance. The streamlining and strengthening of the 2015 exercise will further improve its functioning.

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: 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) - 28/10/2014 - Follow-up document

This Communication replaces the Communication from the Commission [COM\(2013\)490](#) entitled "Harmonized framework for draft budgetary plans and debt issuance reports within the euro area".

The Commission proposes to amend the abovementioned Communication in light of experience built since the implementation of Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area entered into force on 30 May 2013.

The harmonised frameworks for the draft budgetary plans and for the debt issuance reports, as adopted by the Commission in Communication COM (2013) 490 final and contained in a Code of Conduct, set out all commonly agreed guidelines. Experience has proven that **some elements of the reporting process deserve additional clarity and require modification**, as laid down in this Communication.

The Commission Communication contains:

(1) Specifications on the form and content of draft budgetary plans: the guidelines should be considered as a code of good practice and checklist to be used by Member States in preparing draft budgetary plans (DBPs). Member States are expected to follow the guidelines, and to justify any departure from them.

According to the Commission:

- the draft budgetary plans essentially should present an update of some of the standardized set of tables from the Stability Programmes, complemented by detailed information on the measures presented in the DBP;
- in line with existing guidelines provided for Stability and Convergence Programmes, the concepts used should be consistent with the standards established at European level, notably in the context of the European system of accounts (ESA);
- the DBP should allow the identification of sources of possible discrepancies from the budgetary strategy in the most recent Stability Programme.

(2) Guidelines on the form and content of debt issuance reports: this section provides a harmonised form and content for euro area Member States to report on their national debt issuance plans.

In order to place the national debt issuance plans in a fiscal surveillance framework they should be accompanied by general information on the overall financing needs of the central budget. Therefore, two reports are to be submitted: an annual and a quarterly report.

The annual report should contain:

- general information on the overall financing needs of the central budget, such as (i) redemptions of securities with an original maturity of one year or more; (ii) stock of securities with an original maturity of less than one year; (iii) net cash financing; and (iv) cash deficit/surplus,

- the issuance plans for the next year including the break-down into short-term and medium- to long-term securities,
- the central government ESA based deficit/surplus for the year to come following the template provided in the Communication.

The **quarterly report** should present the issuance plans, per quarter (non-cumulative) including the breakdown into short-term and medium- to long-term securities.

The reports should in principle not be disseminated to the public, given the potential sensitivity of this information.

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) - 30/11/2011

The Council **took note of a presentation by the Commission on a second package of proposals** for the strengthening of economic governance, aimed at enabling the EU's monetary union to function better in the longer term.

The package includes:

- a regulation for enhanced surveillance of euro area member states, especially of those subject of an excessive deficit procedure;
- a [regulation](#) on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance;
- a [green paper on stability bonds](#) ("eurobonds"), assessing the options for the joint issuance of bonds in the euro area.

Presentation of the package follows the recent adoption of a **first package of proposals** on the strengthening of coordination so as to ensure sustainable public finances and avoid the accumulation of excessive economic imbalances in the member states.

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) - 23/11/2011 - Legislative proposal

PURPOSE: to complement the existing provisions of the Stability and Growth Pact and strengthen the surveillance of budgetary discipline in Member States whose currency is the euro.

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

BACKGROUND: the Stability and Growth Pact has been further strengthened by [Regulation No 1175/2011](#) and [Regulation \(EU\) No 1177/2011](#) on the implementation of the excessive deficit procedure. [Regulation \(EC\) No 1173/2011](#) on the effective enforcement of budgetary surveillance in the euro area added a system of effective, preventive and gradual enforcement mechanisms in the form of financial sanctions for the Member States whose currency is the euro.

These provisions have created a more robust framework at the level of the Union for the surveillance of national economic policies.

The Treaty allows the adoption of specific measures in the euro area that go beyond the provisions applicable to all Member States in order to ensure the proper functioning of the Economic and Monetary Union.

Strong public finances are best ensured at the planning stage and gross errors should be identified as early as possible.

Setting-up a **common budgetary timeline** for Member States whose currency is the euro should better synchronize the key steps in the preparation of national budgets, thus contributing to the effectiveness of the European semester for budgetary policy coordination.

IMPACT ASSESSMENT: the Commission has not carried out an impact assessment.

LEGAL BASIS: Article 136 in conjunction with Article 121(6) of the Treaty on the Functioning of the European Union.

CONTENT: the proposed regulation builds on what has already been agreed in the 'Six Pack' set of legislative measures which will enter into force in mid-December 2011. It contains provisions to enhance both the coordination and the surveillance of budgetary processes for all euro area Member States:

- **complementing the European semester** with a common budgetary timeline;
- **complementing the multilateral surveillance system** of budgetary policies with additional monitoring requirements in order to ensure that Union policy recommendations in the budgetary area are appropriately integrated in the national budgetary preparations;

- **complementing the procedure for correction of a Member State's excessive deficit** by a closer monitoring of budgetary policies of Member States subject to an excessive deficit procedure in order to secure a timely durable correction of excessive deficits.

The proposed regulation would **require Member States whose currency is the euro to present their draft budgets at the same time each year** (by 15 April) and gives the Commission the right to assess and, if necessary, issue an opinion on them. The Commission could request that these drafts be revised, should it consider them to be seriously non-compliant with the policy obligations laid down in the Stability and Growth Pact. All of this would be done publically to ensure full transparency.

The Eurogroup shall discuss opinions of the Commission on the national budgetary plans and the budgetary situation and prospects in the euro area as a whole on the basis of the overall assessment made by the Commission

The proposal also contains **new monitoring requirements** – based on an obligation to communicate information to the Commission – to allow assessments to be made about the content and direction of fiscal policy at any point while a Member State is under an Excessive Deficit Procedure. Member States of the euro area must have in place an independent fiscal council for monitoring the implementation of national fiscal rules and base their budgets on independent macroeconomic forecasts.

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 offer the opportunity to the Member State concerned by a Commission recommendation to participate in an exchange of views.

BUDGETARY IMPLICATIONS: there are no budgetary implications for the EU budget.

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) - 24/01/2012

The Council **discussed two draft regulations** on economic governance, namely:

- a **regulation** for enhanced monitoring and assessment of draft budgetary plans of euro area member states, especially those subject to an excessive deficit procedure;
- a **regulation** on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance.

This second package of proposals was presented by the Commission in November following adoption of the so-called "**six-pack**" of economic governance proposals.

The Council assessed progress made by an ad hoc working group which was set up in December 2011 to work on the proposals and discussed two issues (one related to each proposal):

Submission of budgetary plans: whether all euro area member states should submit their budgetary plans to the Commission and the Euro Group for monitoring purposes, or only those subject to an excessive deficit procedure. While a broad majority of member states favoured reporting by all member states, some countries considered the proposed reporting requirements to be excessive for countries not subject to an excessive deficit procedure.

The Council concluded that the **reporting should involve all member states**. It asked the ad hoc working group to consider the concerns raised, as well as the timing of the reporting requirement.

Recommendation to seek financial assistance: whether the Council should be empowered to adopt, on the basis of a Commission proposal, a recommendation to a member state to seek financial assistance. Some member states expressed concerns that this could impinge on the decision-making procedures of the European Stability Mechanism (ESM), and pose difficulties with regard to confidentiality.

The Council concluded that it should be able to issue such a recommendation and accordingly asked the ad hoc working group to **analyse the decision-making procedures**.

Discussions on the two proposals are linked with the negotiation of a fiscal compact treaty and amendments to the ESM treaty. Therefore, the texts of the two legislative proposals will not be finalised until the two treaties have been approved.

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) - 21/02/2012

The Council agreed a **general approach** on two draft regulations on economic governance, namely:

- a **regulation** for enhanced monitoring and assessment of draft budgetary plans of euro area member states, especially those subject to an excessive deficit procedure;
- a **regulation** on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance.

This will enable the presidency, on behalf of the Council, to start negotiations with the European Parliament, with a view to reaching agreement at first reading before the end of the Danish presidency.

The two regulations would introduce provisions for **enhanced monitoring of euro area countries' budgetary policies**:

- Member states would be required to submit annually to the Council and the Commission their draft budgetary plans for the next year by 15 October.
- Closer monitoring would apply to member states in excessive deficit procedure in order to enable the Commission to better assess whether there is a risk of non-compliance with the deadline to correct the excessive deficit.

Member states experiencing severe difficulties with regard to their financial stability or receiving financial assistance on a precautionary basis would be subject to even tighter monitoring than member states in excessive deficit procedure.

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) - 29/05/2012 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report drafted by Elisa FERREIRA (S&D, PT) on the proposal for a regulation of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area.

The committee recommends that the position of the European Parliament in first reading following the ordinary legislative procedure should be to amend the Commission proposal. The main amendments are as follows:

Subject matter and scope: Members specify that this Regulation sets out provisions for enhanced monitoring of budgetary and **economic** policies and an enhanced economic policy coordination framework

in the euro area by :

- complementing the procedure for prevention and correction of excessive macroeconomic imbalances as established by [Regulation \(EU\) No 1174/2011](#);
- guaranteeing the compatibility between budgetary policies and the procedure for prevention and correction of excessive macroeconomic imbalances as established by Regulation (EU) No 1174/2011, through a closer monitoring of Member States' national reform programmes and any economic partnership programmes, in order to ensure sustainable compliance and convergence within the euro area.

The recommendations adopted under this Regulation shall be applied in a manner fully respecting practices and institutions for **wage formation**. The application of this Regulation and those recommendations shall take into account the **Charter of Fundamental Rights of the European Union**, and, accordingly, shall not affect the right to negotiate, conclude or enforce collective agreements and to take collective action in accordance with national law and practices.

Definitions: the report clarifies a certain number of definitions such as "**a particularly serious non-compliance with the adjustment path towards the medium-term budgetary objective**", which means a deviation in the figures presented in the draft budget which is at least 1% of GDP in a single year or at least 0.5% of GDP on average per year in two consecutive years and that cannot be justified by exceptional circumstances or a severe economic downturn.

Timeline for the European Semester for economic policy coordination: the Member States' budgetary procedure shall be coherent with the framework of the European Semester, in accordance with an annual cycle which includes: (i) the Spring European Council policy orientations to individual Member States ; (ii) the Summer European Council endorsement of the country-specific policy recommendations.

Common Budgetary Provisions and information requirements on national public debt issuance: Member States shall, in the context of the European Semester 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, based on credible and independent macroeconomic forecasts.

Member States shall have in place numerical fiscal rules that implement in the national budgetary processes their medium-term budgetary objective. Those rules shall also include the definition of exceptional circumstances and severe economic downturns which may lead to temporary deviation from the medium-term budgetary objective or the adjustment path towards it, provided that such deviation does not endanger fiscal sustainability in the medium term. Those rules should include a **mechanism**, to be triggered in the case of significant deviation from the medium-term budgetary objective or the adjustment path towards it, aiming at ensuring a timely return to the medium-term objective.

Monitoring requirements: Member States shall submit annually to the Commission and the Eurogroup a draft budgetary plan for the forthcoming year no later than 1 October, taking into account the country-specific policy recommendations of the Summer European Council and any recommendations addressed to the Member State in the context of the Stability and Growth Pact or the macroeconomic imbalances procedure.

The **draft budgetary plan** shall contain the **following information** for the forthcoming year:

- the projections at unchanged policies for expenditure and revenue as a percentage of GDP for the general government and their main components; those projections shall cover both current expenditure and investment expenditure and, to that end, clear budgetary targets on current and investment expenditure shall be set and, in the case of investment expenditure, an evaluation of its economic returns shall be published;
- details of the expenditure directly linked to the achievement of the Union's strategy for growth and jobs, including public investment, together with details of the link with the achievement of the budgetary objectives in the long term as well as a social impact assessment of the measures provided for in the budgetary plan;
- a quantification of the public investment needs and, as appropriate, of the budgetary impact together with an evaluation of the economic returns of the measures foreseen in the national reform programmes;
- an analysis of the contribution of reforms and investments included in the national reform programmes to the achievement of the objectives of stability programmes including a cost-benefit analysis of the reforms from a budgetary point of view.

The medium-term fiscal plans shall contain an **updated projection of multiannual expenditure** as a percentage of GDP for the general government and their main components as well as multiannual targets and commitments on expenditure earmarked to the achievement of the objectives embedded in the Union strategy for growth and jobs.

Assessment of the draft budgetary plan: where the Commission identifies a particularly serious non-compliance of the draft budgetary plan with the adjustment path towards the medium-term budgetary objective, it may request a **revised draft budgetary plan**, after adequate consultation of and explanation by the Member State. The request shall be made up to one month from the submission of the draft budgetary plan.

The Commission opinion shall be made public and presented to the Eurogroup. 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 concerned.

The Commission's overall assessment shall include **stress tests** that provide an indication of the risks to public finance sustainability in the event of adverse financial or budgetary developments. The assessment shall identify on a country-by-country basis **potential negative spill-over effects** on the sustainability of public finances of the Member States generated by its private sector or by other Member States. The assessment shall be made public and shall be integrated in the forthcoming annual growth survey.

The Eurogroup and the relevant committee of the European Parliament shall discuss opinions of the Commission on the national budgetary plans and the budgetary situation and prospects in the euro area as a whole on the basis of the overall assessment made by the Commission. The outcome of that discussion shall be made public and shall be taken into account in the following European Semester, in particular in the annual growth survey. Following the discussions between the Eurogroup and the relevant committee of the European Parliament, if appropriate the Commission shall update its specific recommendations in the framework of the annual growth survey aiming at reinforcing the common macroeconomic framework of the euro area as well as outlining supportive measures foreseen in case of adverse financial, economic or budgetary developments.

Reporting on debt issuance: Member States shall report to the Commission and the Eurogroup, ex-ante and in a timely manner, on their national debt issuance plans.

Establishment of a roadmap for enhanced economic policy coordination, a growth facility and a framework for enhanced debt issuance: Members propose the following:

- by one month following the entry into force of the Regulation, the Commission shall present a report establishing a roadmap towards euro area stability bonds. It shall also present a proposal for a euro area sustainable growth instrument aiming at mobilising approximately 1% of GDP per year over a period of ten years, including an increase in the capital of the EIB and project bonds, to be invested in European infrastructure including science and technology;
- with a view to better coordinating the planning and placement of their national debt issuance, Member States shall report ex ante on their public debt issuance plans to the Commission and to the Council;
- as an element of the first step of the roadmap, a **European redemption fund (ERF)**, based on joint liability and strict fiscal discipline shall be established with the aim of reducing excessive debt over a period of 25 years to be adjusted according to actual growth figures. Following that period, the ERF shall be wound up.

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. The economic partnership programme shall identify and select a number of specific budgetary priorities aiming at stabilising the economy in the short term, enhancing long-term sustainable growth and addressing structural weaknesses in the Member State concerned. Those priorities shall be aimed at rebalancing competitiveness according to the creation of European Added Value and shall be consistent with the Union's strategy for growth jobs.

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 decisions taken pursuant to this Regulation. The competent committee of the European Parliament may offer the opportunity to the Member State concerned and the Commission to participate to an exchange of views.

Commission report: by three months after the entry into force of the Regulation, the Commission shall put forward a report, and if necessary a proposal, to the European Parliament and to the Council, setting out how coordination and ex ante discussions among Member States of any major economic and fiscal policy reform plans with potential spill-over effects are to operate, what form that coordination and those discussions are to take, what policies are contemplated, and the likely political consequences – to Member States and, in particular, to thenational parliaments - of decisions arising from such coordination and ex ante discussions.

European debt authority: by three months after the entry into force of the Regulation, the Commission shall put forward a report, and if necessary a proposal, to the European Parliament and to the Council, evaluating the possibility of the creation of a European debt authority, responsible for managing and coordinating all issues relating to the annual debt issuance plan of the Member States, the renewal of Member States' outstanding debt and the assessment of the sustainability of all Member States' government debt

Common principles for Independent Fiscal Institutions (IFIs): according to Members, the characteristics of IFIs should be consistent with the Member State's legal framework and political and administrative system. They suggest certain principles to ensure the independence of the institutions: (i) the mandate of IFIs should be clearly defined in legislation to prevent unwarranted interference from fiscal authorities or unwarranted extension of its mandate at the expense of fiscal authorities' powers or the prerogatives of national parliaments; (ii) the resources allocated to IFIs should be commensurate with their mandate in order to fulfil it in a credible manner ; (iii) statutory mechanisms should be put in place to encourage appropriate accountability to the legislature ; (iv) senior appointments should be selected on the basis of merit, experience and technical competence, in particular as regards the budget process ; (v) staff of IFIs should be selected through open competition based on merit and technical competence; (vi) as a rule, IFIs should be guaranteed full access in legislation to all relevant information needed to discharge effectively their mandate in a timely manner.

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) - 13/06/2012 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament, by 501 to 138, with 36 abstentions, adopted amendments to the proposal for a regulation of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area.

The issue was **sent back to the committee responsible** and the vote on the legislative resolution shall be postponed until a later date.

The main amendments made to the proposal are as follows:

Sovereign indebtedness: Parliament states that the extent of sovereign indebtedness in the Union is a paramount challenge which should be addressed if the economy is to return to a stable and resilient growth trend in the short as well as the long term.

Members note that a significant time span will elapse before the average level of indebtedness among Member States returns to the 60 % trajectory stipulated by the Stability and Growth Pact. Fulfilment of the medium-term budgetary objectives is a fundamental precondition in this regard while deviating from them could trigger soaring interest rates and thereby threaten growth and recovery.

In this context, **sound public finances and balanced budgets are a prerequisite for economic and financial stability** as clearly demonstrated by the sovereign debt crisis, underlining the need for strong and solid fiscal frameworks. Furthermore, the deficits of today, associated with stagnated economies, highlight the need for reforms rather than increased spending.

Subject matter and scope: Parliament specifies that this Regulation sets out provisions for enhanced monitoring of budgetary and **economic** policies and an enhanced economic policy coordination framework in the euro area by :

- complementing the procedure for prevention and correction of excessive macroeconomic imbalances as established by [Regulation \(EU\) No 1174/2011](#);
- guaranteeing the compatibility between budgetary policies and the procedure for prevention and correction of excessive macroeconomic imbalances as established by Regulation (EU) No 1174/2011, through a closer monitoring of Member States' national reform programmes and any economic partnership programmes, in order to ensure sustainable compliance and convergence within the euro area.

The recommendations adopted under this Regulation shall be applied in a manner fully respecting practices and institutions for **wage formation**. The application of this Regulation and those recommendations shall take into account the **Charter of Fundamental Rights of the European Union**, and, accordingly, shall not affect the right to negotiate, conclude or enforce collective agreements and to take collective action in accordance with national law and practices.

Definitions: the resolution clarifies a certain number of definitions such as "**a particularly serious non-compliance with the adjustment path towards the medium-term budgetary objective**", which means a deviation in the figures presented in the draft budget which is at least 1% of GDP in a single year or at least 0.5% of GDP on average per year in two consecutive years and that cannot be justified by exceptional circumstances or a severe economic downturn.

Timeline for the European Semester for economic policy coordination: the Member States' budgetary procedure shall be coherent with the framework of the European Semester, in accordance with an annual cycle which includes: (i) the Spring European Council policy orientations to individual Member States; (ii) the Summer European Council endorsement of the country-specific policy recommendations.

Common Budgetary Provisions and information requirements on national public debt issuance: Member States shall, in the context of the European Semester 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, based on credible and independent macroeconomic forecasts. Such plans shall be presented together with the national reform programmes and the stability or convergence programmes and shall be fully consistent with the policy orientations based on the annual growth survey and the annual reports.

Numerical fiscal rules: Member States shall have in place numerical fiscal rules that implement in the national budgetary processes their medium-term budgetary objective. Those rules shall also include the definition of exceptional circumstances and severe economic downturns which may lead to temporary deviation from the medium-term budgetary objective or the adjustment path towards it, provided that such deviation does not endanger fiscal sustainability in the medium term. Those rules should include a **mechanism**, to be triggered in the case of significant deviation from the medium term budgetary objective or the adjustment path towards it, aiming at ensuring a timely return to the medium-term objective.

Monitoring requirements: Member States shall submit annually to the Commission and the Eurogroup a draft budgetary plan for the forthcoming year no later than 1 October, taking into account the country-specific policy recommendations of the Summer European Council and any recommendations addressed to the Member State in the context of the Stability and Growth Pact or the macroeconomic imbalances procedure.

The **draft budgetary plan** shall contain the **following information** for the forthcoming year:

- the projections at unchanged policies for expenditure and revenue as a percentage of GDP for the general government and their main components; those projections shall cover both current expenditure and investment expenditure and, to that end, clear budgetary targets on current and investment expenditure shall be set and, in the case of investment expenditure, an evaluation of its economic returns shall be published;
- details of the expenditure directly linked to the achievement of the Union's strategy for growth and jobs, including public investment, together with details of the link with the achievement of the budgetary objectives in the long term as well as a social impact assessment of the measures provided for in the budgetary plan;
- a quantification of the public investment needs and, as appropriate, of the budgetary impact together with an evaluation of the economic returns of the measures foreseen in the national reform programmes;
- an analysis of the contribution of reforms and investments included in the national reform programmes to the achievement of the objectives of stability programmes including a cost-benefit analysis of the reforms from a budgetary point of view.

The medium-term fiscal plans shall contain an **updated projection of multiannual expenditure** as a percentage of GDP for the general government and their main components as well as multiannual targets and commitments on expenditure earmarked to the achievement of the objectives embedded in the Union strategy for growth and jobs.

Assessment of the draft budgetary plan: where the Commission identifies a particularly serious non-compliance of the draft budgetary plan with the adjustment path towards the medium-term budgetary objective, it may request a **revised draft budgetary plan**, after adequate consultation of and explanation by the Member State. The request shall be made up to one month from the submission of the draft budgetary plan.

The Commission opinion shall be made public and presented to the Eurogroup. 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 concerned.

The Commission's overall assessment shall include **stress tests** that provide an indication of the risks to public finance sustainability in the event of adverse financial or budgetary developments. The assessment shall identify on a country-by-country basis **potential negative spill-over effects** on the sustainability of public finances of the Member States generated by its private sector or by other Member States. The assessment shall be made public and shall be integrated in the forthcoming annual growth survey.

The Eurogroup and the relevant committee of the European Parliament shall discuss opinions of the Commission on the national budgetary plans and the budgetary situation and prospects in the euro area as a whole on the basis of the overall assessment made by the Commission. The outcome of that discussion shall be made public and shall be taken into account in the following European Semester, in particular in the annual growth survey. Following the discussions between the Eurogroup and the relevant committee of the European Parliament, if appropriate the Commission shall update its specific recommendations in the framework of the annual growth survey aiming at reinforcing the common macroeconomic framework of the euro area as well as outlining supportive measures foreseen in case of adverse financial, economic or budgetary developments.

Reporting on debt issuance: Member States shall report to the Commission and the Eurogroup, ex-ante and in a timely manner, on their national debt issuance plans.

Establishment of a roadmap for enhanced economic policy coordination, a growth facility and a framework for enhanced debt issuance: Members propose the following:

- by one month following the entry into force of the Regulation, the Commission shall present a report establishing a roadmap towards euro area stability bonds. It shall also present a proposal for a euro area sustainable growth instrument aiming at mobilising approximately 1% of GDP per year over a period of ten years, including an increase in the capital of the EIB and project bonds, to be invested in European infrastructure including science and technology;
- with a view to better coordinating the planning and placement of their national debt issuance, Member States shall report ex ante on their public debt issuance plans to the Commission and to the Council;
- as an element of the first step of the roadmap, a **European redemption fund (ERF)**, based on joint liability and strict fiscal discipline shall be established with the aim of reducing excessive debt over a period of 25 years to be adjusted according to actual growth figures. Following that period, the ERF shall be wound up.

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. The economic partnership programme shall identify and select a number of specific budgetary priorities aiming at stabilising the economy in the short term, enhancing long-term sustainable growth and addressing structural weaknesses in the Member State concerned. Those priorities shall be aimed at rebalancing competitiveness according to the creation of European Added Value and shall be consistent with the Union's strategy for growth jobs.

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 decisions taken pursuant to this Regulation. The competent committee of the European Parliament may offer the opportunity to the Member State concerned and the Commission to participate to an exchange of views.

Commission report: by three months after the entry into force of the Regulation, the Commission shall put forward a report, and if necessary a proposal, to the European Parliament and to the Council, setting out how coordination and ex ante discussions among Member States of any major economic and fiscal policy reform plans with potential spill-over effects are to operate, what form that coordination and those discussions are to take, what policies are contemplated, and the likely political consequences – to Member States and, in particular, to the national parliaments - of decisions arising from such coordination and ex ante discussions.

European debt authority: by three months after the entry into force of the Regulation, the Commission shall put forward a report, and if necessary a proposal, to the European Parliament and to the Council, evaluating the possibility of the creation of a European debt authority, responsible for managing and coordinating all issues relating to the annual debt issuance plan of the Member States, the renewal of Member States' outstanding debt and the assessment of the sustainability of all Member States' government debt

Common principles for Independent Fiscal Institutions (IFIs): according to Members, the characteristics of IFIs should be consistent with the Member State's legal framework and political and administrative system. They suggest certain principles to ensure the independence of the institutions: (i) the **mandate of IFIs should be clearly defined** in legislation to prevent unwarranted interference from fiscal authorities or unwarranted extension of its mandate at the expense of fiscal authorities' powers or the prerogatives of national parliaments; (ii) the **resources** allocated to IFIs should be commensurate with their mandate in order to fulfil it in a credible manner ; (iii) statutory mechanisms should be put in place to encourage appropriate accountability to the legislature ; (iv) **senior appointments** should be selected on the basis of merit, experience and technical competence, in particular as regards the budget process ; (v) **staff** of IFIs should be selected through open competition based on merit and technical competence; (vi) as a rule, IFIs should be guaranteed full access in legislation to all relevant information needed to discharge effectively their mandate in a timely manner.

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) - 07/03/2012

OPINION OF THE EUROPEAN CENTRAL BANK on strengthened economic governance of the euro area (Two pack).

On 21 December 2011, the ECB received a request from the Council of the European Union for an opinion on :

- a **proposal for a regulation** of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area;
- a [proposal for a regulation](#) of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area.

The ECB welcomes the proposed regulations and recommends **some amendments** aimed at: (a) further strengthening the budgetary discipline of the euro area Member States; and; (b) further enhancing the surveillance of the euro area Member States experiencing or threatened with serious difficulties with respect to their financial stability, irrespective of whether they receive financial assistance or may need to receive such assistance.

The ECB sees the proposed regulations as **compatible with and complementary to the new Treaty on Stability, Coordination and Governance in the Economic and Monetary Union** ('TSCG') as agreed at the European Council meeting of 30 January 2012. Finally, a condition for progressing with the above mentioned quantum leap is that Member States timely and vigorously implement their obligations under the TSCG, and the proposed regulations when adopted.

Proposed regulation on monitoring draft budgetary plans: the ECB considers that there is room for improvement to make the proposed regulation more forceful and effective. In this context, the ECB has several observations:

- The Commission should — to ensure early adherence to stability programmes - request euro area Member States not only to submit a draft budgetary plan but also updated medium-term fiscal plans. These plans should also cover government debt developments, implicit and contingent government liabilities and other data relevant to an assessment of the longer- term sustainability of public finances. This will allow the Commission to monitor and assess the draft budgetary plans for the forthcoming year, taking into account the medium-term budgetary implications of new measures, as well as any country-specific risks to the sustainability of public finances.

- The ECB proposes that the Commission should issue an opinion where the draft budgetary plan would lead to non-compliance with the budgetary policy obligations laid down in the Stability and Growth Pact and a structural deficit higher than that foreseen in the stability programme of a Member State; or where the government debt ratio is above 60 % of gross domestic product and not declining at a sufficient pace as defined in the Stability and Growth Pact; or where the Commission identifies risks to fiscal sustainability. The Commission should thereby take into account any Council opinion on the stability programme.
- The ECB also recommends making it explicit that the Commission assesses the quality of the process of collecting the underlying data, which could lead for example to an opinion on the quality of budgetary statistics or the lack of independence of macroeconomic and/or budgetary forecasts.
- The Commission should in its opinion request a revised draft budgetary plan from euro area Member States in the case of non-compliance with the budgetary policy obligations laid down in the Stability and Growth Pact. In addition, the Commission should request a revised draft budgetary plan from Member States in the case of non-compliance of a draft budget with the deficit and/or debt path specified in the stability programme of a Member State, taking into account any Council opinion on the stability programme, or when it identifies risks to fiscal sustainability (i.e. this should not only be requested in cases of 'particularly serious non-compliance' with the budgetary policy obligations for the forthcoming year as laid down in the SGP, but as soon as there is any non-compliance or when other risks to fiscal sustainability have been identified).
- The proposed regulation provides that the Commission requests a revised draft budgetary plan in the case of 'particularly serious non-compliance' with the budgetary policy obligations laid down in the SGP.

To strengthen the corrective arm of the SGP, the ECB also considers warranted a closer follow-up of the adequacy of corrective measures — if the timely correction of the excessive deficit seems in doubt — through stronger use of peer pressure in the Eurogroup, the Council and, ultimately, the European Council, as well as a greater use of (reputational) sanctions.

Relationship with the TSCG: the adoption of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union has as a consequence the amendment of the proposed regulation on monitoring draft budgetary plans.

Amongst other things, the ECB suggests that this regulation should cover to the extent possible: (a) the provisions on numerical fiscal rules, including the timetable for rapid convergence to the medium-term objective, including the scope for temporary deviations due to exceptional circumstances; (b) the main elements of the automatic correction mechanism; (c) the requirement for Member States that have been made subject to the excessive deficit procedure to put in place budgetary and economic partnership programmes; and (d) the ex ante reporting of public debt issuance plans.

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) - 10/07/2012

The Council was informed by the presidency on the process to be followed with a view to reaching an agreement with the European Parliament on two draft Regulations on economic governance, namely:

- a **Regulation** for enhanced monitoring and assessment of draft budgetary plans of euro area Member States, especially those subject to an excessive deficit procedure;
- a **Regulation** on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance.

The Council confirmed that the **general approach** agreed at its meeting on 21 February remains the starting position for the negotiations (*please refer to the procedure summary of that date*). The Parliament established its **negotiating position** on 13 June and introduced significant changes to the proposals (*please refer to the procedure summary of that date*).

The **first "trilogue" meeting** with the European Parliament is scheduled for 11 July. An ad hoc Council working group, created to work on the proposals, discussed the modifications introduced by the Parliament on 4 July.

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) - 26/05/2016 - Follow-up document

The Commission adopted a report on the exercise of the power to adopt delegated acts conferred on the Commission pursuant to Regulation (EU) No 473/2013 of the European Parliament and of the Council of on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area.

To recall, Regulation (EU) No 473/2013 of the European Parliament and of the Council is one of the two legal acts of the economic governance package called 'the two-pack', which was designed to enhance surveillance and monitoring in the euro area. It allows for a strengthened surveillance of euro area Member States which are subject to an excessive deficit procedure (EDP), by means of additional reporting requirements, aiming at ensuring prevention and early correction of any deviations from the Council recommendations or decisions giving notice to correct the excessive deficit.

Regulation (EU) No 473/2013 empowers the Commission to adopt delegated acts in order to **specify the content of the additional reporting** that Member States in excessive deficit procedure must submit to the Commission and to the Economic and Financial Committee of the Council. The power to adopt such acts is conferred on the Commission for a period of three years from 30 May 2013.

The Commission has only adopted one delegated regulation to lay down specifications for the content of the regular reports: [Commission Delegated Regulation \(EU\) No 877/2013](#).

The Commission Delegated Regulation sets out the structure and content of the reports. It includes in particular a set of template tables, to be found in the Annex of the Delegated Regulation, covering the key budgetary and macroeconomic data that allow the correction of the excessive deficit to be monitored. The reporting established by the Delegated Regulation is meant to provide a structured view of the budgetary situation and strategy of the Member State concerned, ensuring an appropriate follow-up of the correction of their excessive deficit.

When preparing and drawing up the draft Delegated Regulation, the Commission ensured a simultaneous and timely transmission of the relevant documents to experts, to the European Parliament (Committee on Economic and Monetary Affairs) and to the Council.

The Commission adopted the Delegated Regulation on 27 June 2013 and notified the European Parliament and the Council. Neither the European Parliament nor the Council issued any objection to the Delegated Regulation within the two-month objection period provided for in Regulation (EU) No 473/2013. **After the expiry of the two-month period**, the Delegated Regulation was published in the Official Journal of the European Union and entered into force on 16 September 2013.

In conclusion, **the Commission considers that it has exercised its delegated powers correctly.** It does not currently envisage using the empowerment conferred on it by Regulation (EU) No 473/2013.