Basic information

2014/2145(INI) INI - Own-initiative procedure	Procedure completed
Review of the economic governance framework: stocktaking and challenges **Subject** 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	BERÈS Pervenche (S&D)	22/07/2014
	Shadow rapporteur DE LANGE Esther (PPE) LUCKE Bernd (ECR) THEURER Michael (ALDE) MATIAS Marisa (GUE/NGL) KARI Rina Ronja (GUE/NGL) URTASUN Ernest (Verts/ALE) VALLI Marco (EFDD)	

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	SANDER Anne (PPE)	01/10/2014
IMCO Internal Market and Consumer Protection	GÁLL-PELCZ Ildikó (PPE)	07/10/2014
AFCO Constitutional Affairs	GOULARD Sylvie (ALDE)	06/10/2014

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3366	2015-01-27
Economic and Financial Affairs ECOFIN	3387	2015-05-12
Economic and Financial Affairs ECOFIN	3399	2015-06-19

European Commission	

Commission DG	Commissioner
Economic and Financial Affairs	MOSCOVICI Pierre

Key events

Date	Event	Reference	Summary
24/11/2014	Committee referral announced in Parliament		
27/01/2015	Debate in Council		
12/05/2015	Resolution/conclusions adopted by Council		Summary
16/06/2015	Vote in committee		
17/06/2015	Committee report tabled for plenary	A8-0190/2015	Summary
19/06/2015	Debate in Council		
24/06/2015	Decision by Parliament	T8-0238/2015	Summary
24/06/2015	Results of vote in Parliament		
24/06/2015	Debate in Parliament		
24/06/2015	End of procedure in Parliament		

Technical information

Procedure reference	2014/2145(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/01152

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE546.753	05/02/2015	
Amendments tabled in committee		PE549.458	03/03/2015	
Amendments tabled in committee		PE551.754	03/03/2015	
Amendments tabled in committee		PE549.455	04/03/2015	
Committee opinion	IMCO	PE546.596	18/03/2015	

Committee opinion	AFCO	PE544.400	19/03/2015	
Committee opinion	EMPL	PE544.340	01/04/2015	
Committee report tabled for plenary, single reading		A8-0190/2015	17/06/2015	Summary
Text adopted by Parliament, single reading		T8-0238/2015	24/06/2015	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2015)530	06/11/2015	

Review of the economic governance framework: stocktaking and challenges

2014/2145(INI) - 17/06/2015 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Pervenche BERÈS (S&D, FR) on the review of the economic governance framework: stocktaking and challenges.

Whilst welcoming the Commission Communication of 28 November 2014 on the economic governance review, the committee stressed the fact that the **current economic governance framework needs to be implemented and where necessary improved** to: (i) deliver fiscal stability, to favour a proper debate on the overall assessment of the euro area as a whole allowing growth friendly fiscal responsibility; (ii) improve economic convergence perspective of the euro area; (iii) address on an equal footing Member States' different economic and fiscal situations.

Members insisted that the current framework is complex and it suffers from a **lack of ownership at national level** and limited attention to the international economic perspective and **appropriate democratic accountability mechanism**. They underlined the importance of **simple and transparent procedures** for economic governance.

Best application of flexibility within the existing rules: the report welcomed the interpretative communication on flexibility within the existing rules of the Stability and Growth Pact (SGP). Members supported:

- all the **incentives** proposed by the European Commission to finance the new European Fund for Strategic Investments (EFSI), mainly by **making national contributions to the fund fiscally neutral** as regards to the attainment of the MTO and to the required fiscal adjustment effort without modifying it in the preventive or the corrective arm of the Stability and Growth Pact;
- the Commission's intention to **refrain from launching an Excessive Deficit Procedure** (EDP) if, only because of the additional contribution to the EFSI, a Member State deficit goes slightly and temporarily beyond the 3% deficit limit;
- that the Commission communication aims at **clarifying the scope of the investment clause**, allowing for a certain degree of temporary flexibility in the preventive arm of the SGP, in the form of a temporary deviation from the Medium Term Objective (MTO), provided the deviation does not lead to an excess over the 3% deficit reference value and an appropriate safety margin, to accommodate investment programmes by the Member States.

Closer coordination, economic convergence and streamlining of the European Semester: the report urged the Commission to fully apply the SGP and ensure its fair implementation. Members supported the Commission **three-pillar strategy** (growth-enhancing investments, fiscal consolidation and structural reforms), presented in the AGS 2015 and asked to make it **more concrete** under the overall assessment of the budgetary situation and prospects in the euro area and in the Country Specific Recommendations.

Members made the following recommendations:

- **streamline and reinforce the European Semester** within the current legislative framework;
- the Commission and the Council should **better articulate the fiscal and macroeconomic frameworks** to allow for earlier and more consistent debate among all stakeholders taking into account: (i) the European interests served by these frameworks, (ii) the need to increase convergence between euro area Member States, (iii) deliberation by national parliaments and the role of social partners or of local authorities regarding the ownership of sustainable and socially balanced structural reforms;
- **the Annual Growth Survey (AGS) as well as the country-specific recommendations (CSR) must be better implemented** and take into account the assessment of the budgetary situation and prospects both in the euro area as a whole and in the individual Member States;
- the Country Specific Recommendations (CSRs) should be, where relevant, **better coordinated** with the Excessive Deficit Procedure (EDP) recommendations so as to ensure consistency;
- the **elaboration**, follow-up, support and monitoring of Country Specific Recommendations should be enhanced;
- the Commission should **take account, in its analyses all important factors**, including real growth, inflation, long term public investment and unemployment rates when evaluating the economic and fiscal situations of Member States.

Democratic accountability and challenges ahead: Members stressed that **a major role must be played by institutions subject to democratic accountability**. They recalled the European Parliament's resolutions specifying that the creation of the European Stability Mechanism (ESM) and of the Treaty on Stability, Coordination and Governance ('Fiscal Compact') outside of the structure of the institutions of the Union represents a **setback** to the political integration of the Union.

The stakeholders are invited to take into account the foreseeable future enlargement of the euro area and to explore all options to **deepen and strengthen the EMU**, such as:

- **enhanced democratic accountability mechanisms** at both the EU and national levels, whereby responsibilities must be assumed at the level where decisions are taken and **based on the adoption of convergence guidelines under co-decision**;
- formalising the **scrutiny role of the European Parliament** in the European Semester in an Inter-Institutional Agreement;
- ensuring that all euro area **National Parliaments** follow each step of the European Semester process;
- a **social dimension** aimed at preserving Europe's social market economy, respecting the right to collective bargaining;
- a **euro area fiscal capacity** based on specific own-resources which should, in the framework of the Union budget with European parliamentary control, assist Member States in the implementation of the agreed structural reforms;
- increasing the **resilience of the EMU** to face economic shocks and emergencies directly connected to the monetary union;
- the **inclusion of the European Stability Mechanism** and the Treaty on Stability, Coordination and Governance (TSCG) in Union law.

Members recalled their request to develop options for a **new legal framework for future macroeconomic adjustment programmes, replacing the Troika**, in order to increase the transparency and ownership of these programmes and ensure that all EU decisions are, where possible, taken under the Community method.

Review of the economic governance framework: stocktaking and challenges

2014/2145(INI) - 24/06/2015 - Text adopted by Parliament, single reading

The European Parliament adopted by 317 votes to 254, with 9 abstentions, a resolution on the review of the economic governance framework: stocktaking and challenges.

An alternative motion for a resolution was rejected in plenary by 79 votes to 515, with 31 abstentions.

Parliament welcomed the Commission Communication of 28 November 2014 on the economic governance review. However, it insisted that the current framework is complex and it suffers from a **lack of ownership at national level** and limited attention to the international economic perspective and **appropriate democratic accountability mechanism**. It underlined the importance of **simple and transparent procedures** for economic governance.

The current economic governance framework needs to be **implemented and where necessary improved to**:

- deliver fiscal stability;
- improve economic convergence perspective of the euro area;
- address on an equal footing Member States' different economic and fiscal situations.

Members believe that the current economic situation with its fragile growth and high unemployment calls for urgent, comprehensive and decisive measures in an holistic approach based on **growth-friendly fiscal consolidation**, **structural reforms** and boosting investment in order to restore sustainable growth and competitiveness, to foster innovation and to fight unemployment.

Parliament agreed with Commissioner Thyssen's statement that countries that provide high-quality jobs and better social protection and invest in human capital are **more resilient to economic crises**. It called on the Commission to reflect this position as it moves forward in all of its European semester policy and country-specific recommendations.

Best application of flexibility within the existing rules: Parliament welcomed the interpretative communication on flexibility within the existing rules of the Stability and Growth Pact (SGP). It supported:

- all the **incentives** proposed by the European Commission to finance the new European Fund for Strategic Investments (EFSI), mainly by **making national contributions to the fund fiscally neutral** as regards to the attainment of the MTO and to the required fiscal adjustment effort without modifying it in the preventive or the corrective arm of the Stability and Growth Pact;
- the Commission's intention to **refrain from launching an Excessive Deficit Procedure** (EDP) if, only because of the additional contribution to the EFSI, a Member State deficit goes slightly and temporarily beyond the 3% deficit limit;
- that the Commission communication aims at **clarifying the scope of the investment clause**, allowing for a certain degree of temporary flexibility in the preventive arm of the SGP, in the form of a temporary deviation from the Medium Term Objective (MTO), provided the deviation does not lead to an excess over the 3% deficit reference value and an appropriate safety margin, to accommodate investment programmes by the Member States.

Parliament called for: (i) **enhanced dialogue between the Commission and the Member States** on the content and types of structural reforms most appropriate and effective to be proposed by the Commission in the Country specific recommendations; (ii) **greater economic and social cohesion** to be provided by strengthening the European Social Fund and the Cohesion Fund in order to preserve and create jobs with rights by supporting measures to combat unemployment and poverty; (iii) the fight against long-term unemployment to be reflected in its policies and country-specific recommendations.

Closer coordination, economic convergence and streamlining of the European Semester: Parliament urged the Commission to fully apply the SGP and ensure its fair implementation.

It made the following recommendations:

- **streamline and reinforce the European Semester** within the current legislative framework;
- the Commission and the Council should **better articulate the fiscal and macroeconomic frameworks** to allow for earlier and more consistent debate among all stakeholders taking into account: (i) the European interests served by these frameworks, (ii) the need to increase convergence between euro area Member States, (iii) deliberation by national parliaments and the role of social partners or of local authorities regarding the ownership of sustainable and socially balanced structural reforms;
- **the Annual Growth Survey (AGS) as well as the country-specific recommendations (CSR) must be better implemented** and take into account the assessment of the budgetary situation and prospects both in the euro area as a whole and in the individual Member States;
- the Country Specific Recommendations (CSRs) should be, where relevant, **better coordinated** with the Excessive Deficit Procedure (EDP) recommendations so as to ensure consistency;
- the **elaboration**, follow-up, support and monitoring of Country Specific Recommendations should be enhanced;
- the Commission should **take account, in its analyses all important factors**, including real growth, inflation, long term public investment and unemployment rates when evaluating the economic and fiscal situations of Member States.

Democratic accountability and challenges ahead: Members stressed that **a major role must be played by institutions subject to democratic accountability**. They recalled the European Parliament's resolutions specifying that the creation of the European Stability Mechanism (ESM) and of the Treaty on Stability, Coordination and Governance ('Fiscal Compact') outside of the structure of the institutions of the Union represents a **setback** to the political integration of the Union.

The stakeholders are invited to take into account the foreseeable future enlargement of the euro area and to explore all options to **deepen and strengthen the EMU**, such as:

- **enhanced democratic accountability mechanisms** at both the EU and national levels, whereby responsibilities must be assumed at the level where decisions are taken and **based on the adoption of convergence guidelines under co-decision**;
- formalising the **scrutiny role of the European Parliament** in the European Semester in an Inter-Institutional Agreement;
- ensuring that all euro area **National Parliaments** follow each step of the European Semester process;
- a **social dimension** aimed at preserving Europe's social market economy, respecting the right to collective bargaining;
- a **euro area fiscal capacity** based on specific own-resources which should, in the framework of the Union budget with European parliamentary control, assist Member States in the implementation of the agreed structural reforms;
- increasing the **resilience of the EMU** to face economic shocks and emergencies directly connected to the monetary union;
- completing the **Banking Union** step by step;
- the **inclusion of the European Stability Mechanism** and the Treaty on Stability, Coordination and Governance (TSCG) in Union law.

Parliament also recalled their request to develop options for a new legal framework for future macroeconomic adjustment programmes, **replacing the Troika**, in order to increase the transparency and ownership of these programmes and ensure that all EU decisions are, where possible, taken under the Community method.

Review of the economic governance framework: stocktaking and challenges

2014/2145(INI) - 12/05/2015

The Council adopted **conclusions on the in-depth reviews** in the context of the Macroeconomic Imbalances Procedure (MIP). These reviews are included in the country specific reports which analyse the economic policies for each of the Member States and of the euro area in the framework of the European Semester.

In-depth reviews: the Council considered that the in-depth reviews are structured in an appropriate way and present a thorough analysis of the imbalances in each of the Member States under review. It agreed with the Commission that:

- **16 of the examined Member States** which are identified in Alert Mechanism Report 2015 (Belgium, Bulgaria, Germany, Ireland, Spain, France, Croatia, Italy, Hungary, the Netherlands, Portugal, Romania, Slovenia, Finland, Sweden and the UK) are experiencing macroeconomic imbalances of various natures and magnitudes;
- excessive imbalances exist in **5 Member States** (Bulgaria, France, Croatia, Italy, and Portugal), and the Commission's intention to consider in May 2015 the policy measures of France and Croatia, taking into account the level of ambition of the National Reform Programme.

The Council stressed the need for **policy action and strong commitment to structural reforms in all Member States**, in particular when they face macroeconomic imbalances, especially if affecting the smooth functioning of the Economic and Monetary Union. It welcomed the Commission's plans with regard to specific monitoring of the recommendations by the Council to the Member States with excessive imbalances (Bulgaria France, Croatia, Italy and Portugal).

Specific monitoring will also apply to a number of euro area Member States with imbalances requiring decisive policy action (Ireland, Spain and Slovenia). The Commission is invited to outline the concrete timing and content of such monitoring.

The Council recognised that a number of macro-economic imbalances are being corrected, but that there are **still sizeable risks in certain Member States**. In particular:

- large external liabilities make debtor countries vulnerable, and improvements in current account are not always sufficient to diminish the stock of external debt.
- strengthening export growth through further structural efforts remains a priority in order to achieve a sustainable and growth-friendly rebalancing;
- current account surpluses remain high in some Member States: these reflect to some extent weak domestic demand, which can be partially linked to low levels of private and public sector investment;
- high levels of private and government debt remain an important challenge in some countries, also in the context of low inflation and moderate growth rates;
- structural reforms are needed to enhance the growth potential and to tackle high unemployment, in particular among the youth and long-term unemployed.

Country specific recommendations: the Council welcomed the overall progress made in addressing the 2014-15 Country Specific and the euro area Recommendations.

Reform implementation has been uneven over policy areas and across countries and needs to be stepped up: further structural reforms in the services, product and labour markets and responsible fiscal policies are needed in all Member States to strengthen and sustain the economic recovery, correct harmful imbalances, achieve fiscal sustainability, improve the conditions for investment and reinforce the single market.

The Council stated that it is looking forward to the Commission's publication of the 2015-2016 Country Specific Recommendations in mid-May to ensure the necessary in-depth multilateral discussions before their adoption by the Ecofin council.

Country-specific recommendations should focus on **areas of macroeconomic significance** where there is an urgent need for action, in order to give these issues more visibility in the Member State's national political debate.