Basic information

2023/0138(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Effective coordination of economic policies and multilateral budgetary surveillance Repealing Regulation 1997/1466 1996/0247(SYN) **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) **Legislative priorities** Joint Declaration 2023-24	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	FERBER Markus (EPP) MARQUES Margarida (S&D)	16/02/2024 16/02/2024
	Shadow rapporteur KELLEHER Billy (Renew) LAMBERTS Philippe (Greens/EFA) VAN OVERTVELDT Johan (ECR) RINALDI Antonio Maria (ID)	

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs (Associated committee)	BISCHOFF Gabriele (S&D)	29/06/2023

Council of the European Union

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	GENTILONI Paolo

Key events

Date	Event	Reference	Summary
26/04/2023	Legislative proposal published	COM(2023)0240	Summary
12/06/2023	Committee referral announced in Parliament, 1st reading		
14/09/2023	Referral to associated committees announced in Parliament		
11/12/2023	Vote in committee, 1st reading		
11/12/2023	Committee decision to open interinstitutional negotiations with report adopted in committee		
15/12/2023	Committee report tabled for plenary, 1st reading	A9-0439/2023	Summary
15/01/2024	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72)		
17/01/2024	Results of vote in Parliament		
17/01/2024	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 72 - vote)		
04/03/2024	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE759.672 GEDA/A/(2024)001133	
23/04/2024	Decision by Parliament, 1st reading	T9-0311/2024	Summary
23/04/2024	Results of vote in Parliament		
23/04/2024	Debate in Parliament		
29/04/2024	Act adopted by Council after Parliament's 1st reading		
29/04/2024	Final act signed		
30/04/2024	Final act published in Official Journal		

Technical information

Procedure reference	2023/0138(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Repealing Regulation 1997/1466 1996/0247(SYN)
Legal basis	Rules of Procedure EP 57_o Treaty on the Functioning of the European Union TFEU 121-p6
Stage reached in procedure	Procedure completed
Committee dossier	ECON/9/11942

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE754.668	12/10/2023	
Amendments tabled in committee		PE754.898	25/10/2023	
Amendments tabled in committee		PE754.936	25/10/2023	
Amendments tabled in committee		PE754.937	25/10/2023	
Committee opinion	EMPL	PE752.621	30/10/2023	
Committee report tabled for plenary, 1st reading/single reading		A9-0439/2023	15/12/2023	Summary
Text agreed during interinstitutional negotiations		PE759.672	21/02/2024	
Text adopted by Parliament, 1st reading/single reading		T9-0311/2024	23/04/2024	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2024)001133	21/02/2024	
Draft final act	00051/2024/LEX	29/04/2024	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2023)0240	26/04/2023	Summary
Commission response to text adopted in plenary	SP(2024)394	08/08/2024	

National parliaments

Document type	Parliament/Chamber	Reference	Date	Summary
Contribution	IE_HOUSES-OF-OIREACHTAS	COM(2023)0240	27/06/2023	
Contribution	CZ_SENATE	COM(2023)0240	20/07/2023	
Contribution	IT_CHAMBER	COM(2023)0240	13/12/2023	
Contribution	IT_SENATE	COM(2023)0240	19/12/2023	
Contribution	FR_SENATE	COM(2023)0240	03/01/2024	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2023/0020 OJ C 290 18.08.2023, p. 0017	05/07/2023	
EESC	Economic and Social Committee: opinion, report	CES2275/2023	20/09/2023	
CofR	Committee of the Regions: opinion	CDR0157/2023	10/10/2023	

Additional information		
Source	**Document**	**Date**
European Parliament	Briefing	07/02/2024
European Commission	EUR-Lex	

Meetings with interest representatives published in line with the Rules of Procedure

Rapporteurs, Shadow Rapporteurs and Committee Chairs

Transparency				
Name	**Role**	**Committee**	**Date**	**Interest representatives**
BISCHOFF Gabriele	Rapporteur for opinion	EMPL	15/02/2024	Deutscher Gewerkschaftsbund
BISCHOFF Gabriele	Rapporteur for opinion	EMPL	18/10/2023	Deutscher Gewerkschaftsbund
DE LANGE Esther	Rapporteur	ECON	12/10/2023	BUSINESSEUROPE
GUSMÃO José	Shadow rapporteur	ECON	10/10/2023	Dezernat Zukunft e.V.
GUSMÃO José	Shadow rapporteur	ECON	10/10/2023	Finance Watch
DE LANGE Esther	Rapporteur	ECON	06/09/2023	Sustainable Finance Lab
DE LANGE Esther	Rapporteur	ECON	06/09/2023	EUROPEAN TRADE UNION CONFEDERATION European Environmental Bureau Finance Watch Social Platform

Other Members

Transparency		
Name	**Date**	**Interest representatives**
JONGERIUS Agnes	09/01/2024	ETUC
SCHIRDEWAN Martin	19/04/2023	New Economics Foundation

Final act
Regulation 2024/1263 OJ OJ L 30.04.2024

Effective coordination of economic policies and multilateral budgetary surveillance

2023/0138(COD) - 23/04/2024 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 367 votes to 161, with 69 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the proposal as follows:

Subject-matter

This Regulation:

- lays down rules to ensure the **effective coordination of sound economic policies of the Member States**, thereby supporting the achievement of the Union's objectives of sustainable and inclusive growth and employment;

- lays down detailed rules on the content, submission, assessment and monitoring of national medium-term fiscal-structural plans as part of multilateral budgetary surveillance by the Council and the Commission, so as to promote sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, and prevent excessive government deficits.

Reference trajectory

Where the general government debt exceeds 60 % of GDP or the general government deficit exceeds 3 % of GDP, the Commission should transmit to the Member State concerned and to the Economic and Financial Committee a reference trajectory for the net expenditure covering an adjustment period of **four years** and its possible extension by up to **three years**.

The reference trajectory should be risk-based and differentiated for each Member State, ensuring that:

(a) by the end of the adjustment period, assuming that there are no further budgetary measures, the projected general government debt ratio is put or remains on a plausibly downward path, or stays at prudent levels **below 60 % of GDP** over the medium-term;

(b) the projected general government deficit is brought **below 3 % of GDP** over the adjustment period and is maintained below that reference value over the medium-term assuming that there are no further budgetary measures;

The reference trajectory should:

- ensure that the projected general government debt-to-GDP ratio decreases by a minimum annual average amount of: (a) 1 percentage point of GDP as long as the general government debt-to-GDP ratio exceeds 90 %; (b) 0.5 percentage points of GDP as long as the general government debt-to-GDP ratio remains between 60 % and 90 %;

- ensure that fiscal adjustment continues, where needed, until the Member State concerned reaches a deficit level that provides a common resilience margin in structural terms of **1.5 % of GDP** relative to the deficit reference value of 3 % of GDP.

During the month before the deadline by which the Commission is to transmit a reference trajectory or technical information to a Member State, that Member State should have the possibility to request a technical exchange with the Commission. That technical exchange should provide an opportunity to discuss the latest statistical information available and the economic and fiscal outlook of the Member State concerned, while ensuring equal treatment of Member States.

National medium-term fiscal-structural plans

Each Member State should submit to the Council and to the Commission a national medium-term fiscal-structural plan by **30 April** of the last year of the plan in force. Prior to the submission of its national medium-term fiscal-structural plan, each Member State should conduct, in accordance with its national legal framework, a consultation of civil society, social partners, regional authorities and other relevant stakeholders.

Those plans should also include **broader reforms and investments**, including in relation to common priorities of the Union, namely the green transition, including the European Green Deal; the digital transition; social and economic resilience and the implementation of the European Pillar of Social Rights; energy security; the build-up of defence capabilities. The national plans should also integrate the impact of reforms and investments already implemented by the Member State concerned, paying particular attention to the impact of future government revenue, expenditure and potential growth on fiscal sustainability, based on sound economic evidence.

Where a Member State commits to a relevant set of reforms and investments in accordance with certain criteria, the adjustment period may be extended by **up to three years**.

A Member State may request to submit a **revised national medium-term fiscal-structural plan** to the Commission before the end of the period covered by the national medium-term fiscal-structural plan if there are objective circumstances preventing its implementation within that period.

In the case of a **newly appointed government**, a Member State may submit a revised national medium-term fiscal-structural plan covering a new period of four or five years depending on the regular term of its legislature.

Upon a recommendation from the Commission, the Council should adopt a recommendation setting the net expenditure path of the Member State concerned and, where applicable, endorsing the set of reform and investment commitments underpinning an extension of the adjustment period included in the national medium-term fiscal-structural plan. Where a Member State has been granted an extension of its adjustment period but fails to

satisfactorily comply with its set of reform and investment commitments, the Council may on a recommendation from the Commission, recommend a revised net expenditure path with a shorter adjustment period, unless there are objective circumstances preventing the implementation by the initial deadline.

Role of the European Parliament

The European Parliament should be involved in the **European Semester** on a regular and structured basis. The Council and the Commission must report regularly to the European Parliament on the application of the Regulation. The competent committee of the European Parliament should offer the possibility of participating in an exchange of views with a Member State that is the subject of a Council recommendation.

Lastly, a permanent and more independent **European Fiscal Board** should play a more prominent advisory role in the economic governance framework of the Union. It should continue to evaluate the implementation of the Stability and Growth Pact, assess the prospective fiscal stance for the euro area as a whole, and provide advice to the Commission and the Council.

Effective coordination of economic policies and multilateral budgetary surveillance

2023/0138(COD) - 26/04/2023 - Legislative proposal

PURPOSE: to reform the EU economic governance framework.

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

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

BACKGROUND: this proposal forms part of a package and aims to replace Council Regulation No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (the preventive arm of the Stability and Growth Pact). It is accompanied by:

- a proposal to amend Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (the corrective arm of the Stability and Growth Pact);

- a proposal to amend Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States.

The **review of the EU's economic governance framework** was based on a consultation with a wide range of stakeholders. It revealed that the framework has a number of strengths, but also a series of shortcomings, in particular i) increased complexity, ii) the need to be more effective in reducing high levels of debt and building up buffers for future shocks, as well as (iii) the need to update a number of instruments and procedures to incorporate lessons learned from the response to recent economic shocks, including the interaction between reforms and investments under the Recovery and Resilience Facility.

The strong policy response to the COVID19 pandemic proved effective in mitigating the economic and social damage of the crisis, but resulted in a significant **increase in public- and private-sector debt ratios**, underscoring the importance of **reducing debt ratios to prudent levels in a gradual, sustained and growth-friendly manner** and addressing macroeconomic imbalances, while paying due attention to employment and social objectives.

The legislative package aims at making the EU governance framework simpler (by using a single operational indicator in the form of a net expenditure path and by simplifying reporting requirements in particular through the introduction of a holistic, single, integrated medium-term fiscal-structural plan), more transparent and effective, with greater national ownership and better enforcement, allowing for reform and investment while reducing high public debt ratios in a realistic, gradual and sustained manner.

The central objective of these proposals is to **strengthen the sustainability of public debt** and to promote sustainable and inclusive growth in all Member States through reforms and investments.

CONTENT: the proposed Regulation sets out rules ensuring effective coordination of economic policies of the Member States, thereby supporting the achievement of the Union’s objectives for growth and employment.

Its main elements are as follows:

European Semester

The provisions introduce the EU budgetary framework into the surveillance cycle of the European Semester. They also provide that Member States must take into account the guidance given by the Council, and list the legal instruments in which a failure to do so by Member States could result in

Technical trajectory

For each Member State having a public debt **above the 60% of GDP** reference value or a government deficit above the 3% of GDP reference value, the Commission will put forward, in a report to the Economic and Financial Committee, a technical trajectory for net expenditure covering a minimum

adjustment period of 4 years of the national medium-term fiscal-structural plan, and its possible extension by a maximum of 3 years. The **trajectory will ensure that the public debt ratio is put or remains on a plausibly downward path or stays at prudent levels** and that the government deficit is brought and maintained below the 3% of GDP reference value.

For Member States having a government deficit below the 3% of GDP reference value and public debt below the 60% of GDP reference value, the Commission will provide **technical information** regarding the structural primary balance necessary to ensure that the headline deficit is maintained below the 3% of GDP reference value in the medium-term.

These technical paths and technical information will guide Member States in defining the multi-annual expenditure targets they will include in their plans.

National medium-term fiscal and structural plans

The proposal aims to move to a **risk-based EU surveillance framework** that differentiates between Member States taking into account their public debt challenges. National medium-term fiscal and structural plans are the cornerstone of the proposed framework. They will integrate **fiscal policy, reform and investment objectives**, including those to address macroeconomic imbalances where necessary, and to implement the European Social Charter, into a single comprehensive medium-term plan, creating a coherent and streamlined process. Member States will have more room for manoeuvre in setting their net budgetary expenditure path, thereby strengthening national ownership of these budgetary paths.

These plans will be **assessed by the Commission and approved by the Council** on the basis of common EU criteria. The proposal also sets out the conditions under which the Council will be able to ask a Member State to present a revised plan and under which the Council will be able to propose a revision of the net expenditure path that it has itself approved if the Member State does not meet the requirements for presenting a revised plan.

Member States will submit **annual progress reports** and the Commission will monitor the implementation of the net expenditure paths including through the set-up of a control account. This intends to make the annual monitoring by the Commission less burdensome for Member States.

Derogation clauses

On a recommendation from the Commission, the Council may adopt a recommendation allowing a Member States to deviate from their net expenditure path, in the **event of a severe economic downturn** in the euro area or the Union as a whole, provided it does not endanger fiscal sustainability in the medium term. The Council will specify a time-limit for such deviation.

Economic dialogue

The proposed Regulation lays down the conditions under which the economic dialogue takes place between the institutions and Member States, including the necessity to inform the **European Parliament** on the application of the Regulation and the possibility for the European Parliament to have an exchange of views with a Member State where there is a significant risk of deviation from the net expenditure path.

Interaction with Regulation (EU) No 1176/2011

The proposed regulation interacts with Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances in that the Council may adopt a recommendation establishing the existence of an excessive imbalance in case a Member State fails to implement the reform and investment commitments included in its medium-term fiscal-structural plan to address the country-specific recommendations that are relevant for the Macroeconomic Imbalances Procedure. Moreover, if a Member State is under an excessive imbalance procedure, it should submit a revised medium-term fiscal-structural plan under the latter regulation.

Effective coordination of economic policies and multilateral budgetary surveillance

2023/0138(COD) - 15/12/2023 - Committee report tabled for plenary, 1st reading/single reading

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

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

Subject-matter

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

The European Semester

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

Reference trajectory

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

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

(a) the public debt ratio **is put or remains on a plausibly downward path, leading to sustainable debt reduction or stays at prudent levels**;

(b) the government deficit is brought and maintained below the 3% of GDP reference value;

(c) the fiscal adjustment effort over the period of the national medium-term fiscal-structural plan is at least proportional to the total effort over the entire adjustment period;

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

National medium-term fiscal-structural plans

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

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

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

Monitoring by the Commission

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

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

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

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

Parliament's role

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

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