Economic governance: 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. 'Two pack'

2011/0385(COD) - 06/02/2014 - Follow-up document

The Commission presents a Communication describing some of the essential aspects of the Regulation (EU) No 472/2013, which, together with Regulation (EU) No 473/2013, forms the "Two Pack". The main objective of Regulation (EU) No 472/2013 is to strengthen monitoring and surveillance for Member States threatened with, or experiencing, serious difficulties regarding their financial stability. It aims to establish transparent, efficient, streamlined, and predictable **surveillance processes for the Member States under enhanced surveillance, macroeconomic adjustment programme and post-programme surveillance**.

These "Two Pack" Regulations entered into force on 30 May 2013.

The report notes that the Regulation has only been in force for a very short time, implying severe limitations regarding what can be evaluated, and to what depth, at this juncture. The review of the "Six Pack" and "Two Pack" legislation at the end of 2014 will, in contrast, allow a more comprehensive and in-depth assessment of the Regulation's effectiveness.

Effectiveness of the Regulation: at the time of the entry into force of the Regulation, **Greece, Ireland, Portugal, Spain, and Cyprus were beneficiaries of financial assistance** from one or several other Member States, the EFSM, the ESM, the EFSF or another relevant international financial institution such as the IMF. In addition, four Member States are in receipt of financial assistance linked to a **macroeconomic adjustment programme: Greece, Ireland Portugal and Cyprus**. Spain has been subject to financial assistance for the recapitalisation of financial institutions, which means that the Regulation's macroeconomic adjustment programme provisions do not apply to Spain. The latter will, however, be subject to post-programme surveillance as soon as the current financial assistance programme ends.

The report notes that many provisions of the Regulation are relevant for the period in which programmes are developed and negotiated. In the existing programmes, these periods took place before the Regulation entered into force. The effectiveness of the Regulation cannot therefore be evaluated as regards these earlier phases.

In addition, it is not possible to assess the effectiveness of the Regulation with regard to enhanced surveillance, as **no euro area Member State has yet been placed under enhanced surveillance.** For these same reasons, the effectiveness of **the Regulation cannot yet be assessed as regards the application of post-programme surveillance.**

During this time, effectiveness can be evaluated only as regards existing macroeconomic adjustment programmes. Thus far, **the existing macroeconomic adjustment programmes have achieved the objectives of the Regulation**.

In the circumstances, the Commission is of the opinion that Regulation (EU) No 472/2013 has so far proven an adequate framework for a strengthened monitoring and surveillance of the euro-area Member States experiencing or threatened with serious difficulties with respect to their financial stability. However, the short timeframe during which the Regulation has been in force provides limited evidence on which to base this evaluation, since enhanced surveillance and post- programme surveillance remain to be tested.

A more thorough assessment will be carried out in parallel with the review of the Regulation (EU) No 473 /2013 and the "Six Pack" legislation.