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.