Basic information

2010/0278(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack' See also 2010/0276(CNS) See also 2010/0277(NLE) See also 2010/0279(COD) See also 2010/0280(COD) See also 2010/0281(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	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	GOULARD Sylvie (ALDE)	21/09/2010

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	The committee decided not to give an opinion.	
EMPL Employment and Social Affairs		

Committee for opinion on the legal basis	Rapporteur for opinion	Appointed
JURI Legal Affairs	GERINGER DE OEDENBERG Lidia Joanna (S&D)	04/03/2011

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3062	2011-01-18
Economic and Financial Affairs ECOFIN	3088	2011-05-17
Economic and Financial Affairs ECOFIN	3122	2011-11-08
Economic and Financial Affairs ECOFIN	3100	2011-06-20
Economic and Financial Affairs ECOFIN	3076	2011-03-15
Economic and Financial Affairs ECOFIN	3067	2011-02-14

European Commission	Commission DG	Commissioner
	Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
07/10/2010	Legislative proposal published	COM(2010)0524	Summary
21/10/2010	Committee referral announced in Parliament, 1st reading		
18/01/2011	Debate in Council		Summary
14/02/2011	Debate in Council		Summary
19/04/2011	Vote in committee, 1st reading		Summary
02/05/2011	Committee report tabled for plenary, 1st reading	A7-0180/2011	
17/05/2011	Debate in Council		Summary
20/06/2011	Debate in Council		Summary
22/06/2011	Debate in Parliament	CRE link	
23/06/2011	Decision by Parliament, 1st reading	T7-0290/2011	Summary
23/06/2011	Results of vote in Parliament		
28/09/2011	Decision by Parliament, 1st reading	T7-0422/2011	Summary
28/09/2011	Results of vote in Parliament		
08/11/2011	Act adopted by Council after Parliament's 1st reading		
16/11/2011	Final act signed		
16/11/2011	End of procedure in Parliament		
23/11/2011	Final act published in Official Journal		

Technical information

Procedure reference	2010/0278(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	See also 2010/0276(CNS) See also 2010/0277(NLE) See also 2010/0279(COD) See also 2010/0280(COD) See also 2010/0281(COD) See also 2014/2938(RSP)
Legal basis	Treaty on the Functioning of the EU TFEU 121-p6
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/04115

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE454.626	11/01/2011	
Amendments tabled in committee		PE458.626	16/02/2011	
Committee opinion	EMPL	PE454.659	21/03/2011	
Specific opinion	JURI	PE462.803	12/04/2011	
Committee report tabled for plenary, 1st reading/single reading		A7-0180/2011	02/05/2011	
Text adopted by Parliament, partial vote at 1st reading /single reading		T7-0290/2011	23/06/2011	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0422/2011	28/09/2011	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00028/2011/LEX	16/11/2011	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2010)0524	07/10/2010	Summary
Commission response to text adopted in plenary	SP(2011)8584	09/11/2011	
Follow-up document	COM(2014)0393	27/06/2014	Summary
Follow-up document	COM(2014)0905	28/11/2014	Summary
For information	COM(2015)0209	07/05/2015	
Follow-up document	COM(2015)0211	07/05/2015	Summary
Follow-up document	SWD(2015)0105	07/05/2015	
For information	C(2016)2633	03/05/2016	
Follow-up document	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	LU_CHAMBER	COM(2010)0524	02/12/2010	
Contribution	PT_PARLIAMENT	COM(2010)0524	10/12/2010	

Contribution	RO_SENATE	COM(2010)0524	14/12/2010	
Contribution	IT_CHAMBER	COM(2010)0524	16/12/2010	
Contribution	IT_SENATE	COM(2010)0524	16/12/2010	
Contribution	CZ_SENATE	COM(2010)0524	28/01/2011	
Contribution	BG_PARLIAMENT	COM(2010)0524	07/04/2011	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2011/0013 OJ C 150 20.05.2011, p. 0001	16/02/2011	Summary
ESC	Economic and Social Committee: opinion, report	CES0798/2011	05/05/2011	

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act

Regulation 2011/1173
OJ L 306 23.11.2011, p. 0001

Summary

Delegated acts

Reference	Subject
2013/2804(DEA)	Examination of delegated act

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(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.**

Fiscal surveillance and coordination of economic policies (six-pack)

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: this was **reinforced and made more binding**. The six-pack:

- established the **concept of a significant deviation** from the medium-term objective, or from the adjustment path towards it. Insufficient correction of such a deviation can eventually lead to financial sanctions for a euro area country;
- 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.

Corrective arm: this was upgraded:

- by operationalising the Treaty's debt criterion;
- by intensifying the sanctions imposed on euro area countries non-compliant with recommendations under the Excessive Deficit Procedure;
- by introducing new provisions on annual nominal and structural deficit targets for the duration of 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. The possibility to adapt existing recommendations has been used for well-justified reasons, and has proved particularly valuable in adapting the consolidation trajectories in the fast changing environment of the past ten years.
- N**o sanctions** having been imposed on countries non-compliant with the reformed Stability and Growth Pact rules, it is not possible to fully assess whether the objective of a more effective enforcement of budgetary surveillance in the euro area was indeed achieved.

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: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 07/05/2015 - Follow-up document

The Commission presents a report on the **investigation related to the manipulation of statistics in Spain** as referred to in Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area (Commission Decision of 11 July 2014).

Background: Regulation (EU) No 1173/2011 on the effective enforcement of budgetary surveillance in the euro area empowers the Commission to launch investigations if there are serious indications of manipulation of statistics, intentionally or due to serious negligence. Such investigations may lead to a recommendation from the Commission that the Council should impose a fine on the Member State. The fine to be recommended is calculated by the Commission but the Council has the final say on its imposition and size. If it is found that the Member State has, intentionally or by serious negligence, misrepresented its deficit and debt data, the Council may decide to impose a fine of up to 0.2% of GDP on that Member State.

According to Council Regulation (EC) No 479/2009 on the application of the Protocol on the excessive deficit procedure, Member States are obliged to report their annual deficit and debt data to the Commission (Eurostat), in full compliance with European statistical rules and procedures.

Spain sent its first notification in the year 2012 under the Excessive Deficit Procedure (EDP) to Eurostat on 30 March 2012. The notification contained, amongst other data, the first reported data for the year 2011. After having followed its usual procedure for data assessment, Eurostat validated and published the data of Spain on 23 April 2012, in its EDP Press Release

However, on 17 of May 2012, the Spanish Statistical Authorities informed Eurostat of an increase in the expenditure of regional governments (Autonomous Communities) of about 4.5 billion euro (around 0.4% of GDP), which would impact the Spanish general government deficit, mainly in 2011, entailing an upward revision of the deficit data transmitted in the April 2012 EDP notification.

Findings of the investigations: based on visits made in 2012 and 2013, and on further analysis of the situation, **Eurostat opened a formal investigation** into the possible manipulation of statistics in the Autonomous Community (AC) of Valencia (*Comunidad Valenciana*), Spain.

This report presents the findings of the Commission in the light of the investigation conducted, together with the key facts supporting those findings. The written observations submitted by Spain on the Commission preliminary findings, are also included.

The Commission report concludes as follows:

- an entity (IGGV Regional Audit Office of the AC of Valencia - *Intervención General de la Generalitat Valenciana)* within the general government sector of the Kingdom of Spain was **seriously negligent concerning the non-recording of health expenditure** (and the non-respect of the accrual principle) in national accounts (ESA 95), leading to **an incorrect reporting of deficit data to Eurostat in 2012**, i.e. after the entry into force of Regulation (EU) 1173/2011;
- the **non-recording of expenditure was not rectified in spite of publicly available information** on the existence and extent of the problem in the reporting of the Regional Court of Auditors, which recommended that the Regional Audit Office of Valencia (IGGV) should ensure a correct recording of such expenditure.
- as a result, the data sent by Spain to Eurostat in the context of the 2012 EDP reporting was **incomplete** insofar as significant amounts of health expenditure were not reported, leading to the **revision of the reported government deficit of EUR 1.9 billion.**

Based on the findings in the report regarding the behaviour of the Spanish authorities during the period from 13 December 2011 until the launch of the investigation on 11 July 2014, the Commission may decide to adopt **a recommendation to the Council to impose a fine on Spain**, as provided in Regulation (EU) No 1173/2011.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 27/06/2014 - Follow-up document

In accordance with the requirements of Regulation (EU) No 1173/2011 on the effective enforcement of budgetary surveillance in the euro area, the Commission presents a report on the exercise of the power to adopt delegated acts conferred on the Commission, with particular reference to sanctions concerning the manipulation of statistics. To recall, the Regulation is one of the six legal acts in the economic governance package (‘**the six-pack**’), which was designed to address the gaps and weaknesses identified in the EU economic governance system, which were partly responsible for the spread of economic crisis in EU countries.

Regulation (EU) No 1173/2011 empowers the Commission to adopt delegated acts with respect to: (i) certain procedures in connection with sanctions concerning the manipulation of statistics, (ii) detailed rules concerning the procedures for investigations; (iii) detailed criteria establishing the amount of any fines that the Council might impose; (iv) associated measures and measures on reporting on the investigations; (v) detailed rules of procedure aimed at guaranteeing the rights of the defence, access to the file, legal representation, confidentiality and provisions as to the timing and the collection of the fines.

On 29 June 2012, the Commission adopted a single delegated decision on investigations and fines to cover all the aspects for which it was empowered to adopt delegated acts: Commission Delegated Decision 2012/678/EU. It notified the European Parliament and the Council. In July 2012, a number of Member States voiced the opinion that more time was needed to examine the act. On 24 July, the Council therefore decided to extend the objection period by two months (in addition to the standard two-month period allowed) as provided for in Regulation (EU) No 1173/2011. **Neither the European Parliament nor the Council issued any objection to the delegated act** within the four-month period. On the expiry of the additional two-month period, the delegated act was published in the *Official Journal of the European Union* and entered into force on 26 November 2012.

The Commission concludes that it has **exercised its delegated powers correctly** and invites the European Parliament and the Council to take note of the report.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 14/02/2011

The Council held a **policy debate** on a package of measures intended to strengthen economic governance in the EU, and more specifically in the euro area, in order to address the challenges highlighted by recent difficulties on sovereign debt markets.

The package consists of:

- a draft regulation amending regulation 1466/97 on the surveillance of Member States budgetary and economic policies;
- a draft regulation amending regulation 1467/97 on the EU's excessive deficit procedure;

- a **draft regulation** on the enforcement of budgetary surveillance in the euro area;
- a draft regulation on the prevention and correction of macroeconomic imbalances;
- a draft regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area;
- a draft directive on requirements for the member states' budgetary frameworks.

Four of the propositions deal with **reform of the EU's Stability and Growth Pact**. They are aimed at enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant member states more consistently and at an earlier stage.

In particular, a so-called **reverse majority rule**, whereby the Commission's proposal for imposing a fine will be considered adopted unless the Council turns it down by qualified majority, will trigger the sanction more automatically than at present.

Moreover, greater emphasis will also be placed on the **debt criterion** of the Stability and Growth Pact, with member states whose debt exceeds 60% of GDP required to take steps to reduce their debt at a pre-defined pace, even if their deficit is below the 3% of GDP threshold.

The other two proposals target **macroeconomic imbalances within the EU**. Here, the aim is to broaden the surveillance of economic policies, introducing the possibility of fines on Member States found to be in an "excessive imbalances position". Risks of macroeconomic imbalances will be assessed using a "scoreboard" of economic indicators.

The Council asked the Permanent Representatives Committee to oversee further work on the package, in the light of its discussion. The presidency's aim – in accordance with the deadlines set by the European Council on 4 February – is for the Council to agree on a **general approach on all six proposals at its meeting on 15 March 2011, with a view to reaching an agreement with the European Parliament in June 2011**.

As regards the excessive deficit procedure, the Council took note of a communication from the Commission assessing action taken by **Bulgaria, Denmark, Cyprus and Finland** in order to bring their government deficits below 3% of GDP, the reference value set by the EU treaty.

It shared the Commission's view that, on the basis of current information, **all four countries have taken action representing adequate progress** towards correcting their deficits within the time limits set in its recommendations, and that no further steps under the EU's excessive deficit procedure are required at present.

Bulgaria, Denmark, Cyprus and Finland have been subject to excessive deficit procedures since July 2010, when the Council issued its recommendations. The Council called on Bulgaria and Finland to reduce their deficits below the threshold of 3 % of GDP by 2011, Cyprus by 2012 and Denmark by 2013.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 28/09/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 352 votes to 237, with 67 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on effective enforcement of budgetary surveillance in the euro area.

The report had been sent back to the competent committee on 23 June 2011 to be re-examined.

Parliament adopted its position in first reading in accordance with the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between Parliament and Council. The Commission’s proposal was amended as follows:

Stability pact: the Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a **Union strategy for growth and jobs.** Inter linkages between the different strands should not provide for exemptions from the provisions of the Stability and Growth Pact.

Strengthening governance: the amended text stresses the need for improved economic governance in the Union, which should be built on **stronger national ownership** of commonly agreed rules and policies and on a more robust surveillance framework at the Union level of national economic policies. Strengthening economic governance should include a closer and **more timely involvement of the European Parliament and the national parliaments**.

A stronger role for the Commission: the Commission should play a stronger coordination role in the enhanced surveillance procedures, mainly as regards Member-State-specific assessments, monitoring, missions in situ, recommendations and warnings. It should have a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, missions, recommendations and warnings. In particular, the role of the Council should be limited in decision on sanctions and the **reversed qualified majority voting in the Council should be used**.

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 Eurogroup to appear before the committee to discuss decisions taken pursuant to the Regulation. The competent committee of the European Parliament may offer the opportunity to the **Member State concerned by such decisions** to participate in an exchange of views.

Interest-bearing deposit: the Regulation stipulates that if the Council adopts a decision establishing that a Member State failed to take action in response to the Council recommendation referred to in Regulation (EC) No 1466/97, the Commission shall, within 20 days of adoption of the Council recommendation, recommend to the Council to impose the lodging of an interest bearing deposit. The decision shall be deemed to be adopted by the Council unless it decides by qualified majority to reject the recommendation within ten days of the Commission adopting it. The Council may amend the Commission recommendation acting by a qualified majority. interest-bearing deposit to be recommended by the Commission shall amount to 0.2% of the gross domestic product (GDP) of the Member State concerned in the preceding year.The deposit shall bear the interest rate reflecting the Commission credit risk and the relevant investment period.

Non-interest-bearing deposit: if the Council decides that an excessive deficit exists in a Member State which has an interest bearing deposit lodged with the Commission, or where particularly serious non compliance with the legal budgetary policy obligations laid down in the Stability and Growth

Pact have been identified, the Commission shall, within 20 days of adoption of the Council decision, recommend to the Council to impose the lodging of a non-interest-bearing deposit. The decision shall be deemed adopted by the Council unless it decides by qualified majority to reject the recommendation within 10 days of the Commission adopting it. The Council may amend the Commission recommendation acting by a qualified majority.

By derogation, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within 10 days of adoption of the Council decision in accordance with Article 126(6) TFEU, recommend to reduce the amount of the non-interest-bearing deposit or to cancel it.

The deposit shall be lodged with the Commission. If the Member State has an interest-bearing deposit lodged with the Commission, the interest-bearing deposit shall be converted into a non-interest-bearing deposit.

Imposition of sanctions on manipulation of statistics: Members state that the Council acting on a recommendation by the Commission may decide to impose a **fine** on a Member State that intentionally or by serious negligence, misrepresents deficit and debt data. The fines shall be effective, dissuasive and proportionate to the nature and the seriousness of the breach, the duration of the breach. **The amount of the fine shall not exceed 0.2% of GDP**.

In order to establish the existence of infringements, the Commission may **conduct all necessary investigations**. It may decide to initiate an investigation when it finds that there are serious indications on the possible existence of facts liable to constitute an infringement. It shall investigate the presumed infringements taking into account any comments submitted by Member State subject to investigation. In order to carry out its tasks, the Commission may request to the Member State subject to investigation to provide information, as well as **conduct on site inspections and accede to the accounts** of all government entities at central, state, local and social security levels.

Distribution of the interest and fines: the interest earned by the Commission on deposits lodged and the fines collected shall be assigned to the European Financial Stability Facility. By the moment another stability mechanism to provide financial assistance is created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole, the interest and the fines shall be assigned to that last mechanism.

Exercise of the delegation: the Commission shall be empowered to adopt delegated acts concerning (a) detailed criteria establishing the amount of the fine; (b) detailed rules on the procedure for the investigations, associated measures and reporting on the investigations, as well as detailed rules of procedure aimed at guaranteeing the rights of defence, access to file, legal representation, confidentiality and temporal provisions and the collection of fines.

The new Regulation lays down the **conditions** under which the Commission may exercise its power to adopt delegated acts. The delegation of power shall be conferred on the Commission for a period of three years from the date of entry into force of this Regulation (which shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.) The delegation of powers may be revoked at any time by the European Parliament or by the Council.

Review: within three years after the entry into force of this Regulation and every five years thereafter, the Commission shall publish a report on the application of this Regulation, and particularly:

- the effectiveness of this Regulation, including the possibility to enable the Council and the Commission to act in order to address situations which risk jeopardising the proper functioning of the monetary union;
- the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU.

Where appropriate, the report shall be accompanied by a proposal for amendments to the Regulation.

Before the end of 2011, the Commission shall present a report on the possibility of introduction of “**euro-securities**” to the Council and the European Parliament.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 15/03/2011

The Council agreed a general approach on a package of legislative proposals aimed at strengthening economic governance in the EU – and more specifically in the euro area – as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets.

The agreement will enable the presidency to start negotiations with the European Parliament, with the aim of **reaching an overall agreement in June 2011**, thus respecting the timetable set by the European Council.

Four of the proposals deal with reform of the EU's Stability and Growth Pact. They are aimed at enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant member states more consistently and at an earlier stage. The other two proposals target macroeconomic imbalances within the EU.

(1) Reform of the Stability and Growth Pact

Preventive arm of the pact:

- to promote attainment by the Member States of their medium term objectives (MTO), the reform would introduce an expenditure benchmark, which implies that annual expenditure growth should not exceed a reference medium-term rate of GDP growth. This is meant to ensure that revenue windfalls are not spent but instead allocated to debt reduction;
- if a Member State has not reached its MTO, a significant deviation in expenditure development from its reference expenditure growth path could eventually lead to sanctions.

Corrective arm of the pact (excessive deficit procedure):

- greater emphasis would also be placed on the **debt criterion** of the Stability and Growth Pact, with Member States whose debt exceeds 60% of GDP (the EU's reference value for debt) required to take steps to reduce their debt at a pre-defined pace, even if their deficit is below 3% of GDP (the EU's deficit reference value);

- to determine whether the debt ratio is sufficiently diminishing toward the 60% of GDP threshold, a numerical benchmark would be introduced. A debt-to-GDP ratio above 60% would thus be considered sufficiently diminishing if its distance with respect to the 60% reference value had decreased over the previous three years at an annual rate of one-twentieth;

- a decision to subject a country to the excessive deficit procedure would not only be based on the numerical benchmark, but would also take into account other relevant factors, such as implicit liabilities related to private sector debt and ageing cost. The net cost of implementation of a pension reform would also be considered;

- to strengthen the corrective arm of the Stability and Growth Pact, a **new set of financial sanctions** would be introduced for euro-area Member States; these would apply earlier on in the excessive deficit procedure, and using a **graduated approach**;

- a **non-interest-bearing deposit** amounting to 0.2% of GDP may be imposed already when decision has been taken to subject a country to the excessive deficit procedure. If the Council's recommendation for correcting the deficit is not followed, a **fine** will be imposed. Further non-compliance would result in the sanction being stepped up, in line with the existing provisions in the Stability and Growth Pact;

- to trigger the sanction more automatically than at present, a so-called **reverse majority rule would be introduced**, whereby the Commission's proposal for imposing a deposit or a fine would be considered adopted unless turned down by the Council via qualified majority.

(2) Surveillance of economic policies:beyond budgetary surveillance, the legislative package is aimed at broadening the surveillance of the Member States' economic policies. It would establish a mechanism for the prevention and correction of excessive macroeconomic imbalances, made up of two regulations which outline an "excessive imbalance procedure" and introduce the possibility of fines being imposed on Member States found to be in an "excessive imbalance position" and repeatedly failing to comply with recommendations.

- the starting point of the new framework will be an **alert mechanism for the early detection of imbalances**, which will be assessed using a "scoreboard" of economic indicators. This will be supplemented by country-specific qualitative expert analysis;
- if the imbalance is considered to be excessive, the Member State concerned could be subject to an excessive imbalance procedure, and would be called on to adopt a corrective action plan within a specific timeframe;
- on the other hand, repeated non-compliance with the recommendations could in the case of euro area Member States **eventually lead to sanctions**. Specifically, a decision to impose a yearly fine equal to 0.1% of the Member State's GDP would be adopted through the "reverse majority" rule described above;
- fines collected in the context of both the excessive imbalance and excessive deficit procedures would be **transferred to the crisis fund created for the euro area** to provide financial assistance to Member States in difficulty (i.e. the European Financial Stability Facility and the future European Stability Mechanism).

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 20/06/2011

The Council agreed unanimously an **updated general approach** on a package of legislative proposals on economic governance, with the aim of enabling negotiations with the European Parliament to be concluded in time for the European Council meeting on 23 and 24 June.

It will inform the Parliament of its compromise text by a letter to be sent by the chairman of the Permanent Representatives Committee on 21 June.

The proposals set out to strengthen economic governance in the EU – and more specifically within the euro area – as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets.

The Council reached agreement on a general approach on 15 March, opening the way for the negotiations with the Parliament.

Recognising that existing EU instruments have not generated a satisfactory decline in public debt levels and have catered insufficiently for macroeconomic imbalances, the proposals are aimed at enhancing budgetary discipline in the Member States and broadening the surveillance of their economic policies. They implement the recommendations of a task force, chaired by the President of the European Council, Herman Van Rompuy, which concluded that **the EU's monetary union will not be able to function properly in the long term without increased economic policy coordination**.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 23/06/2011 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament amended by 336 votes to 269 with 59 abstentions in first reading of the ordinary legislative procedure, the proposal for a regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area.

The vote on the legislative resolution was postponed to a later date. The main amendments are as follows:

Stability pact: the Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a **Union strategy for growth and jobs.** Inter linkages between the different strands should not provide for exemptions from the provisions of the Stability and Growth Pact.

Strengthening governance: Members stress the need for improved economic governance in the Union, which should be built on **stronger national ownership** of commonly agreed rules and policies and on a more robust surveillance framework at the Union level of national economic policies. Strengthening economic governance should include a closer and **more timely involvement of the European Parliament and the national parliaments**.

A stronger role for the Commission: the Commission should play a stronger coordination role in the enhanced surveillance procedures, mainly as regards Member-State-specific assessments, monitoring, missions in situ, recommendations and warnings. It should have a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, missions, recommendations and warnings. In particular, the role of the Council should be limited in decision on sanctions and the **reversed qualified majority voting in the Council** should be used.

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 Eurogroup to appear before the committee to discuss decisions taken pursuant to the Regulation. The competent committee of the European Parliament may offer the opportunity to the Member State concerned by such decisions to participate in an exchange of views.

Interest-bearing deposit: the text stipulates that if the Council adopts a decision establishing that a Member State failed to take action in response to the Council recommendation referred to in Regulation (EC) No 1466/97, the Commission shall, within 20 days of adoption of the Council recommendation, recommend to the Council to impose the lodging of an interest bearing deposit. The decision shall be deemed to be adopted by the Council unless it decides by qualified majority to reject the recommendation within ten days of the Commission adopting it. The Council may amend the Commission recommendation **acting by a qualified majority.**

Non-interest-bearing deposit: if the Council decides that an excessive deficit exists in a Member State which has an interest bearing deposit lodged with the Commission, or where particularly serious non compliance with the legal budgetary policy obligations laid down in the Stability and Growth Pact have been identified, the Commission shall, within 20 days of adoption of the Council decision, recommend to the Council to impose the lodging of a non-interest-bearing deposit. The decision shall be deemed adopted by the Council unless it decides by qualified majority to reject the recommendation within 10 days of the Commission adopting it. The Council may amend the Commission recommendation acting by a qualified majority.

Imposition of sanctions on manipulation of statistics: Members state that the Council acting on a recommendation by the Commission may decide to impose a fine on a Member State that intentionally or by serious negligence, misrepresents deficit and debt data. The fines shall be effective, dissuasive and proportionate to the nature and the seriousness of the breach, the duration of the breach. **The amount of the fine shall not exceed 0.2% of GDP.**

In order to establish the existence of infringements, the Commission may conduct all necessary investigations. It may decide to initiate an investigation when it finds that there are serious indications on the possible existence of facts liable to constitute an infringement. It shall investigate the presumed infringements taking into account any comments submitted by Member State subject to investigation. In order to carry out its tasks, the Commission may request to the Member State subject to investigation to provide information, as well as conduct on site inspections and accede to the accounts of all government entities at central, state, local and social security levels.

Members propose that the Commission be empowered to adopt delegated acts concerning (a) detailed criteria establishing the amount of the fine; (b) detailed rules on the procedure for the investigations, associated measures and reporting on the investigations, as well as detailed rules of procedure aimed at guaranteeing the rights of defence, access to file, legal representation, confidentiality and temporal provisions and the collection of fines.

Distribution of the interest and fines: the interest earned by the Commission on deposits lodged and the fines collected shall be assigned to the European Financial Stability Facility. By the moment another stability mechanism to provide financial assistance is created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole, the interest and the fines shall be assigned to that last mechanism.

Exercise of the delegation: the amendments lay down the conditions under which the Commission may exercise its power to adopt delegated acts. The delegation of power shall be conferred on the Commission for a period of three years from the date of entry into force of this Regulation (which shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.) The delegation of powers may be revoked at any time by the European Parliament or by the Council.

Review : within three years after the entry into force of this Regulation and every five years thereafter, the Commission shall publish a report on the application of this Regulation, and particularly:

- the effectiveness of this Regulation, including the possibility to enable the Council and the Commission to act in order to address situations which risk jeopardising the proper functioning of the monetary union;
- the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU.

Where appropriate, the report shall be accompanied by a proposal for amendments to the Regulation.

Before the end of 2011 the Commission shall present a **report on the possibility of introduction of “euro-securities”** to the Council and the European Parliament.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 16/02/2011

OPINION OF THE EUROPEAN CENTRAL BANK on economic governance reform in the European Union.

On 29 November 2010, the European Central Bank (ECB) received a request from the Council for an opinion on a package of six legislative proposals aiming to strengthen economic governance.

The ECB considers that the Commission proposals represent an important broadening and strengthening of the EU economic and budgetary surveillance framework and go some way in improving enforcement in the euro area. However, **they fall short of the necessary quantum leap in the surveillance of the euro area, which the ECB deems necessary to ensure its stability and smooth functioning**.

The ECB calls on the EU legislator and the Member States to take advantage of the ongoing legislative process to strengthen the economic governance package to the maximum allowed under the current Treaties. In addition, the EU should consider at a certain point in time Treaty reform to further strengthen economic governance.

The ECB makes the following observations:

Insufficient automaticity: for the ECB, insufficient automaticity is a fundamental flaw of the Commission proposals. In this vein, the ECB proposes that the EU legislator consider reverting the changes to the Stability and Growth Pact introduced in 2005 which increased the leeway allowed to Member States in respect of their obligations under the Pact.

Furthermore, the ECB states that there are several elements showing insufficient automaticity in the Commission proposals which should be reconsidered:

- the draft budgetary surveillance procedure provides the possibility for Member States to depart from the adjustment path towards the medium-term budgetary objective in case of a severe economic downturn of a general nature;
- the draft budgetary enforcement procedure provides that the Council will review interest-bearing deposits, non-interest bearing deposits and fines it imposes, on the grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned;
- lastly, the Commission's obligation to take into account discussions within the Council as a condition for the continuation by the Commission of any procedure should be excluded.
- In addition, the ECB recommends increasing automaticity by means of **adding reverse Council qualified majority voting whenever possible.**

Additional political and reputational measures: these measuresshould be established in the draft budgetary surveillance procedure and EDP, including Member State reporting obligations and reports from the Council to the European Council. In addition, the Commission, in liaison with the ECB if it deems it appropriate, where euro area Member States or ERM II participant Member States are concerned, should conduct missions to Member States not complying with Council recommendations.

Assessing compliance with the reference value for the government debt ratio: while all relevant factors should be considered when the Commission prepares a report on the existence of an excessive debt ratio and while particular consideration should be given to the effect of guarantees issued by the Member States under the European Financial Stability Facility or eventually under the future European Stability Mechanism (ESM), all these factors should only be considered where the government debt ratio is declining over a three-year horizon according to the Commission's forecasts. Any relevant mitigating factors should never lead to an assessment that a Member State has no excessive debt ratio where its debt ratio exceeds the reference value and is projected to be on an increasing path.

Procedure concerning the draft budgetary surveillance procedure: the ECB recommends that:

- sufficient progress towards the medium-term objective should be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures;
- the growth rate of government expenditure should normally not exceed a projected reference medium- term growth rate of potential gross domestic product (GDP) growth;
- the projected medium-term rate of potential GDP growth should be calculated according to the common methodology used by the Commission;
- taking into account the impact of the structure of economic growth on revenue growth.

Macroeconomic surveillance procedure: the ECB strongly welcomes the introduction of a macroeconomic surveillance procedure, which closes an important lacuna in the economic governance framework. This new procedure should concentrate firmly on euro area Member States experiencing sustained losses of competitiveness and large current account deficits. The scope of the procedure should by defining the term 'imbalances' address an open list of situations to be prevented by the procedure.In addition, the macroeconomic surveillance procedure should be determined by transparent and effective trigger mechanisms.

Fines: as to the interest accruals from the non-remunerated deposits and the fines imposed on euro area Member States under the Commission proposals, they should be assigned to the ESM to be created in 2013, with an appropriate transition solution until its creation.

Independent advisory body: the ECB sees also the need to establish an advisory body of persons of recognised competence in economic and fiscal matters to prepare an independent annual report addressed to the Union institutions on compliance by the Council and the Commission, including Eurostat, with their obligations under Articles 121 and 126 of the Treaty and under the procedures addressed in the Commission proposals.

Draft directive on the budgetary frameworks:

- the ECB also considers that all Member States should in any case be required to ensure independent monitoring, analysis and validation of the key elements of their budgetary frameworks. All these measures should not prevent Member States from developing stronger budgetary frameworks, such as by including rules prohibiting general government structural deficits above a certain threshold of GDP;
- the ECB recommends highlighting the importance of transparent national forecasts and methodologies for their preparation. At the same time, the Commission's forecasts have to play a central role in benchmarking national forecasts;
- regarding its effectiveness, the directive should refer expressly to costs imposed on national authorities for non-compliance with numerical fiscal rules, including both non-financial measures and financial sanctions at national level. Obligations to redeem in the medium-term debt exceeding amounts tolerated by the fiscal framework should be included;
- regarding statistics, the ECB favours an increase in the timeliness and reliability of the annual and quarterly government accounts reported to the Commission under Regulation (EC) No 2223/96 on the European system of national and regional accounts in the Community. Regarding statistics in future legislation, the ECB notes that EU legislative action is required for the 'European statistics code of practice' to become legally binding, while, in the meantime, the complete implementation of the code is accelerated, in particular regarding quality and the mandates for data collection.

Lastly, **Eurostat powers in assessing and monitoring the EDP notifications should be further strengthened** with a focus on proactive measures to enhance the quality of government statistics.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 07/10/2010 - Legislative proposal

PURPOSE : to create a mechanism for the effective enforcement of budgetary surveillance in the euro area.

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

BACKGROUND: the global economic and financial crisis revealed gaps and weaknesses in the existing instruments and methods of co-ordination and surveillance of economic policies in the Economic and Monetary Union (EMU). There is broad agreement that the framework for EMU should be urgently strengthened in order to anchor macroeconomic stability and the sustainability of public finances.

The key instrument for fiscal policy co-ordination and surveillance is the Stability and Growth Pact (SGP), which implements the Treaty provisions on budgetary discipline. **Strengthening the Pact** is important for both increasing the credibility of the agreed co-ordinated fiscal exit strategy and avoiding a repetition of past mistakes.

This proposal is part of **legislative package** comprising six texts which seeks to strengthen the pact by improving its provisions in the light of experience, not least of the crisis:

1) A Regulation amending the legislative underpinning of the preventive part of the Stability and Growth Pact (Regulation 1466/97);

2) A Regulation amending the legislative underpinning of the corrective part of the Stability and Growth Pact (Regulation 1467/97);

3) A Regulation on the effective enforcement of budgetary surveillance in the euro area;

4) A new Council Directive on requirements for the budgetary framework of the Member States;

5) A new Regulation on the prevention and correction of macroeconomic imbalances;

6) A Regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

The outlines of these proposals were announced by the Commission in two communications on economic governance: "Reinforcing economic policy coordination" (12 May 2010) and "Enhancing economic policy coordination for stability, growth and jobs – Tools for stronger EU economic governance" (30 June 2010).

In June 2010, the European Council agreed on the urgent need to reinforce the coordination of economic policies. In particular, it agreed on:

- strengthening both the preventive and corrective parts of the SGP, including with sanctions and taking due account of the particular situation of euro-area Member States;
- giving, in budgetary surveillance, a much more prominent role to levels and evolutions of debt and overall sustainability;
- ensuring that all Member States have national budgetary rules and medium term budgetary frameworks in line with the SGP;
- ensuring the quality of statistical data.

IMPACT ASSESSMENT: no impact assessment was undertaken.

LEGAL BASE: Article 136, in combination with Article 121(6) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the changes that the Commission is proposing in regard to the preventive and corrective parts of the SGP need to be complemented by a **new set of graduated financial sanctions** for euro-area Member States to make the enforcement of budgetary surveillance in the euro area more effective.

1) As regards the preventive part, the implementation mechanism would take the form of **an interest-bearing deposit, amounting to 0.2% of GDP**. A procedure of 'reverse voting' mechanism is introduced for imposing the interest-bearing deposit: on the issue of a recommendation, the deposit would become due on proposal by the Commission, unless the Council decides to the contrary by qualified majority within ten days. The Council could reduce the amount of the deposit only unanimously or based on a Commission proposal and a reasoned request from the Member State concerned. The deposit will be returned with the accrued interest once the Council is satisfied that the situation giving rise to it has come to an end.

2) **As far as the corrective part is concerned,** a non-interest-bearing deposit amounting to 0.2% of GDP would apply upon a decision to place a country in excessive deficit. This would be converted into a **fine** in the event of non-compliance with the initial recommendation to correct the deficit. Further non-compliance would result in the sanction being stepped up, in line with the already existing provisions in the SGP. To reduce discretion in enforcement, the 'reverse voting' mechanism is envisaged for imposing the new sanctions in connection with the successive steps of the EDP. Specifically, at each step of the EDP, the Commission will make a proposal for the relevant sanction, and this will be considered adopted, unless the Council decides to the contrary by qualified majority within ten days. The size of the non-interest-bearing deposit or the fine could only be reduced or cancelled by the Council unanimously or based on a specific proposal from the Commission on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned.

The non-interest-bearing deposit should be **released upon correction of the excessive deficit** while the interest on such deposits and the fines collected should be distributed among Member States whose currency is the euro which do not have an excessive deficit and which are not the subject of an excessive imbalance procedure either.

BUDGETARY IMPLICATION: the proposal has no implication for the EU budget.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 18/01/2011

The Council discussed draft national reform programmes (NRPs) presented by the Member States. Ministers committed themselves to rectifying identified difficulties with the draft NRPs.

The programmes are required, under the EU's economic governance arrangements, to enable **multilateral surveillance of the Member States' economic policies**.

They should contain:

- a macroeconomic scenario for the medium term,
- national targets for translating headline targets set under the "Europe 2020" strategy for jobs and growth,
- identification of the main obstacles to creating growth and jobs,
- measures for concentrating growth-enhancing initiatives in an early period.

Review of the draft programmes constitutes, along with the annual growth survey, first steps in implementation of the so-called "European semester", which involves **simultaneous monitoring of the Member States' budgetary policies and structural reforms**, in accordance with common rules, during a six-month period every year.

At its meeting on 24 and 25 March, the European Council is due to provide guidance to the Member States for finalisation of their stability and convergence programmes (budgetary policies) and national reform programmes (structural reforms).

The **European semester is implemented for the first time this year** as part of a reform of EU economic governance.

Concerning the excessive deficit procedure: the Council discussed a Commission communication assessing the action taken by **Malta** in response to the Council recommendation of 16 February 2010 based on article 126(7) to bring to an end the situation of excessive deficit at the latest by 2011. The Council shares the Commission's view that, based on current information, Malta has taken action representing adequate progress towards the correction of the excessive deficit within the time limit set by the Council. In particular, the Maltese authorities have taken fiscal consolidation measures to correct the excessive deficit by 2011, while ensuring an adequate fiscal effort in 2011.

Against this background, the Council considers that at present no further steps under the excessive deficit procedure are necessary.

At the same time, the Council notes that in spite of a better macroeconomic environment than expected in the Council recommendations, there was no acceleration in the reduction of the deficit in 2010. In addition, **considerable downside risks exist to the achievement of the 2011 deficit target**. In this context, the Council calls for rigorous execution of the budget and close monitoring of budgetary developments in order to take corrective measures if needed to ensure that the deficit target of 2.8% of GDP is reached in 2011. Furthermore, further steps should be taken to strengthen the binding nature of the medium-term budgetary framework and improve the long-term sustainability of public finances, as requested by the Council in its recommendations and invitations.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 17/05/2011

The Council took note of a **report from the presidency on progress in negotiations with the European Parliament** on a package of legislative proposals on economic governance.

Taking note of the views expressed by delegations, the presidency called on all parties to remain constructive and show the degree of flexibility that will be necessary to enable an agreement to be reached in June, as called for by the European Council.

The proposals set out:

- **to strengthen economic governance in the EU** – and more specifically within the euro area – as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets. The Council reached agreement on a general approach in March, opening the way for the negotiations with the Parliament;
- **to enhance budgetary discipline in the Member States and broaden the surveillance of their economic policies**, thus implementing the recommendations of a task force chaired by the President of the European Council, Herman Van Rompuy.

The package consists of:

- a draft regulation amending Regulation (EC) No 1466/97 on the surveillance and coordination of Member States' budgetary and economic policies;
- a draft regulation amending Regulation (EC) No 1467/97 on the excessive deficit procedure;
- a draft regulation on the enforcement of budgetary surveillance in the euro area;
- a draft regulation on the prevention and correction of macroeconomic imbalances;
- a draft regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area;
- a draft directiveon requirements for the Member States' budgetary frameworks.

Four of the proposals deal with reform of the **EU's Stability and Growth Pact**, enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant Member States more consistently and at an earlier stage. The other two proposals target **macroeconomic imbalances** within the EU.

Economic governance: effective enforcement of budgetary surveillance in the euro area. 'Six pack'

2010/0278(COD) - 16/11/2011 - Final act

PURPOSE: to strengthen economic governance in the EU – and more specifically in the euro area – as part of the EU's response to the current difficulties on sovereign debt markets (budgetary surveillance in the euro area).

LEGISLATIVE ACT: Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area.

CONTENT: on the basis of a compromise reached with the European Parliament, the Council adopted a package of **six legislative proposals** (“six-pack”) aiming to strengthen economic governance in the EU – and more specifically in the euro area.

The measures set out to ensure the degree of coordination necessary to avoid the accumulation of excessive imbalances and to ensure sustainable public finances. This will help the EU's monetary union to function properly in the long term.

They consist of:

- a regulation amending regulation 1466/97 on the surveillance of Member States budgetary and economic policies;
- a regulation amending regulation 1467/97 on the EU's excessive deficit procedure;
- **a regulation on the enforcement of budgetary surveillance in the euro area**;
- a regulation on the prevention and correction of macroeconomic imbalances;
- a regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area;
- a directive on requirements for the Member States' budgetary frameworks.

The main elements of this Regulation are as follows:

Scope: this Regulation sets out a **system of sanctions** for enhancing the enforcement of the preventive and corrective parts of the Stability and Growth Pact in the euro area.

The role of the Commission: the Commission should play a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, on- site missions, recommendations and warnings. When taking decisions on sanctions, the role of the Council should be limited, and reversed qualified majority voting should be use.

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 Eurogroup to appear before the committee to discuss decisions taken pursuant to the Regulation.

The competent committee of the European Parliament may offer the opportunity to the Member State concerned by such decisions to participate in an exchange of views.

Interest-bearing deposits: if the Council adopts a decision establishing that a Member State failed to take action in response to the Council recommendation, the Commission shall, within 20 days of adoption of the Council’s decision, recommend that the Council, by a further decision, require the Member State in question to lodge with the Commission an interest-bearing deposit **amounting to 0.2% of its GDP in the preceding year**.

The decision requiring a lodgement shall be deemed to be adopted by the Council unless it decides by a qualified majority to reject the Commission’s recommendation within 10 days of the Commission’s adoption thereof.

The Council, acting by a qualified majority, may amend the Commission’s recommendation and adopt the text so amended as a Council decision.

Non-interest-bearing deposit: if the Council decides that an excessive deficit exists in a Member State which has lodged an interest-bearing deposit with the Commission in accordance with this Regulation, or where the Commission has identified particularly serious non-compliance with the budgetary policy obligations laid down in the SGP, the Commission shall, within 20 days of adoption of the Council’s decision, recommend that the Council, by a further decision, require the Member State concerned to lodge with the Commission a non-interest-bearing deposit amounting to 0,2 % of its GDP in the preceding year

By derogation, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within 10 days of adoption of the Council decision, recommend to reduce the amount of the non-interest-bearing deposit or to cancel it.

The deposit shall be lodged with the Commission. If the Member State has an interest-bearing deposit lodged with the Commission, the interest-bearing deposit shall be **converted into a non-interest-bearing deposit.**

Sanctions concerning the manipulation of statistics: the Council, acting on a recommendation by the Commission, may decide to impose a fine on a Member State that **intentionally or by serious negligence** misrepresents deficit and debt data. The fines shall be effective, dissuasive and proportionate to the nature, seriousness and duration of the misrepresentation. **The amount of the fine shall not exceed 0.2% of GDP of the Member State concerned**.

The Commission may conduct all investigations necessary to establish the existence of the misrepresentations. It may decide to initiate an investigation when it finds that there are serious indications of the existence of facts liable to constitute such a misrepresentation. The Commission shall investigate the putative misrepresentations taking into account any comments submitted by the Member State concerned. In order to carry out its tasks, the Commission may request the Member State to provide information, and may conduct **on-site inspections** and accede to the accounts of all government entities at central, state, local and social- security level.

Distribution of the interest and fines: the interest earned by the Commission on deposits lodged and the fines collected shall constitute other revenue, and shall be assigned to the European Financial Stability Facility. When the Member States whose currency is the euro create another stability mechanism to provide financial assistance in order to safeguard the stability of the euro area as a whole, the interest and the fines shall be assigned to that mechanism.

Review: by 14 December 2014 and every 5 years thereafter, the Commission shall publish a report on the application of this Regulation. Where appropriate, that report shall be accompanied by a proposal for amendments to this Regulation. That report shall evaluate, inter alia: (a) the effectiveness of this Regulation, including the possibility to enable the Council and the Commission to act in order to address situations which risk jeopardising the proper functioning of the monetary union; (b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU.

Before the end of 2011, the Commission shall present a report to the European Parliament and to the Council on the possibility of introducing **euro-securities**.

ENTRY INTO FORCE: 13/12/2011.

DELEGATED ACTS: in order to supplement the rules on calculation of the fines for manipulation of statistics as well as the rules on the procedure to be followed by the Commission for the investigation of such actions, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of detailed criteria for establishing the amount of the fine and for conducting the Commission’s investigations. The power to adopt delegated acts shall be conferred on the Commission for a period of 3 years from 13 December 2011. The Commission shall draw up a report in respect of the delegation of power not later than 9 months before the end of that 3-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than 3 months before the end of each period.