


# Procedure file

Basic information	
COS - Procedure on a strategy paper (historic) <a href="#">2002/2168(COS)</a>	Procedure completed
Economic and monetary union EMU: public finances, 2001 budgetary results, developments. 3rd report	
Subject 5 Economic and monetary system 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs		19/06/2002
		PSE <a href="#">DOS SANTOS Manuel</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>BUDG</b> Budgets	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2444</a>	12/07/2002
European Commission	Commission DG	Commissioner	
	<a href="#">Economic and Financial Affairs</a>		

Key events			
14/05/2002	Non-legislative basic document published	<a href="#">COM(2002)0209</a>	Summary
12/07/2002	Debate in Council	<a href="#">2444</a>	
02/09/2002	Committee referral announced in Parliament		
28/01/2003	Vote in committee		Summary
28/01/2003	Committee report tabled for plenary	<a href="#">A5-0018/2003</a>	
11/03/2003	Debate in Parliament		
12/03/2003	Decision by Parliament	<a href="#">T5-0092/2003</a>	Summary
12/03/2003	End of procedure in Parliament		
10/03/2004	Final act published in Official Journal		

Technical information	

Procedure reference	2002/2168(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/16491

Documentation gateway					
Non-legislative basic document		<a href="#">COM(2002)0209</a>	14/05/2002	EC	Summary
Document attached to the procedure		<a href="#">SEC(2002)0518</a>	14/05/2002	EC	
Document attached to the procedure		<a href="#">COM(2002)0551</a>	16/10/2002	EC	Summary
Document attached to the procedure		<a href="#">COM(2002)0668</a>	27/11/2002	EC	Summary
Document attached to the procedure		<a href="#">COM(2002)0670</a>	27/11/2002	EC	
Committee report tabled for plenary, single reading		<a href="#">A5-0018/2003</a>	28/01/2003	EP	
Text adopted by Parliament, single reading		<a href="#">T5-0092/2003</a> OJ C 061 10.03.2004, p. 0153-0305 E	12/03/2003	EP	Summary

## Economic and monetary union EMU: public finances, 2001 budgetary results, developments. 3rd report

**PURPOSE :** to present the Communication from the European Commission on state of public finances in EMU - 2002. **CONTENT :** in its Communication on the state of public finances in EMU, the European Commission confirms that sound budgetary management is at the forefront of EU priorities, and an essential element in achieving the employment and growth objectives of the Lisbon strategy. The report identifies the most pressing budgetary policy challenges as follows: - sound budgetary policies must be run over the entire economic cycle, including during economic upturns. Major reforms such as tax reductions and expenditure increases must be financed on a sustainable footing, and one cannot simply rely on the automatic fruit of economic growth. - the four euro area Member States which still have large deficits need to resume the process of budgetary consolidation and achieve positions of 'close to balance or in surplus' in accordance with the timetable set down in the stability programmes and political commitments given to the Council. - ageing populations poses a substantial budgetary challenge in all Member States, and there is a risk of emerging imbalances in several countries. Ambitious and comprehensive reforms in several Member State contrast with piecemeal approaches in others that fail to grasp the scale of the challenge. The medium budgetary choices in coming years will largely determine the capacity of Member States to meet the future costs associated with ageing. - when incorporating the candidate countries into the EU budgetary surveillance, adequate account needs to be taken of major structural and institutional reform underway. In the run up to accession, the candidate countries need to comply with the Copenhagen criteria rather than the nominal Maastricht convergence criteria. However, this emphasis on structural and institutional reform should not hide the importance of running sound budgetary policies as they play a central role in providing a stable macroeconomic framework. It is also essential to broaden the debate on fiscal policy in EMU from its focus on stability towards the positive contribution which public finances can make to growth and employment. The effect of the economic slowdown has resulted in a rise in the deficit levels of most Member States and the euro area as a whole. Nonetheless, the framework for budgetary surveillance and in particular the Stability and Growth Pact (SGP) has worked reasonably well. Countries have had scope to allow the automatic stabilisers to operate and cushion the effects of the downturn, and past mistakes of unwarranted expansionary policies were avoided. However, it is vital that the process of budgetary consolidation resumes so that all countries reach the medium-term goal of the SGP of budget positions that are close to balance or in surplus.?

## Economic and monetary union EMU: public finances, 2001 budgetary results, developments. 3rd report

This Communication presents the Commission's recommendation for the list of structural indicators which are a key element of the Spring Report 2003. The Communication also describes the progress the Commission services have made over the last year in developing new indicators, improving the quality of last year's list of structural indicators and integrating the candidate countries into the structural indicators process. The new list comprises a high degree of stability and allows for some flexibility. The list remains short and balanced between the domains. The main change is the inclusion of the candidate countries. The Commission services have made good progress on developing new indicators and improving the quality and presentation of the existing indicators. Progress has been made in developing indicators in several areas: composite indicators, potential output, marginal (and average) effective tax rate, childcare facilities, e-commerce, e-government, business demography, company registration, financial integration, recycling rate of selected materials and hazardous waste. The Commission services will continue to develop indicators across a wide range of areas over the next year. Two composite indicators on the

knowledge-based economy have been developed and will be used in relevant policy discussions and Communications. The Commission continues to reflect on the use of composite indicators within the framework of the structural indicators.?

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The European Commission has presented its communication on the need and means to upgrade the quality of budgetary statistics. The quality of statistical data is crucial to ensure adequate implementation of the agreed budgetary surveillance framework and effective co-ordination of budgetary policies. The Commission considers that a strong commitment of all parties (Member States and Commission) to a code of best practice will constitute a valuable step in upgrading the quality, reliability and transparency of budgetary data. The code of best practice should cover: - the compilation and reporting of data by Member States - including strong commitments to comply strictly with the accounting rules, to ensure the consistency of the reported figures with other data and to guarantee transparency in the reporting; - the procedure to resolve technical difficulties and - the assessment of the reported figures and the provision of data by the Commission. As an annex to this Communication, the Commission proposes such a code and urges the Ecofin Council to endorse it, at the earliest convenience, before the next excessive deficit procedure reporting of 1 March 2003.?

## Economic and monetary union EMU: public finances, 2001 budgetary results, developments. 3rd report

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The committee adopted the report by Manuel DOS SANTOS (PES, P) on the Commission review of EMU public finances in 2002. Although the committee approved the final text by a large majority, many individual points were adopted by a tight margin. MEPs restated their support for the Stability and Growth Pact and welcomed the idea of applying it flexibly, with a stronger emphasis on Member States' overall debt levels as proposed by the Commission. However, they warned against any attempt to exclude certain expenditure items when calculating deficits. The committee welcomed the commitment to reduce structural deficits by 0.5% of GDP annually, especially in Germany, France, Italy and Portugal, with the aim of reaching a position close to balance. It also stressed that the Pact allows enough room for manoeuvre during crisis periods to countries "that have not overstretched their budgets". The committee also recommended that pro-cyclical budget policies be avoided "at any time", not just in good times. Lastly, it called for the basic principles of the Pact to be included in the future Constitutional Treaty.?

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The European Parliament adopted a resolution drafted by Manuel DOS SANTOS (PES, Portugal) on the Commission Communication on public finances in EMU. (Please refer to the document dated 28/01/03.) Parliament pointed out that Member States must apply the agreements reached within the Council. The debate on improving the SGP does not justify failure to implement it. Parliament felt that applying the agreements will have a positive effect on the public perception of the European Community and will minimise the negative effects which the excessively uneven budget policies of the Member States have on the economies within the euro area. Parliament recognised economic policy lies fundamentally within the area of Member State competence but that, under Article 99 of the EC Treaty, Member States are required to regard their economic policies as a matter of common concern and to coordinate those policies. The acceleration of the Lisbon strategy is very important in this connection, namely the production of growth and job creation, investment, research, regional development, training and labour markets. Parliament also noted the need for additional work on statistical requirements and for a more universal understanding of what constitute good economic and public finance policies. It requested a clear method, with a definition of "high quality public expenditure", for quantifying public budgetary positions and their contribution to growth and investment, so that fluctuations in the economic cycle can be accurately quantified and qualified. Finally, Parliament welcomed the priority given to avoiding pro-cyclical budget policies in good times, and proposed extending that politically with a view to avoid, as a general rule, pro-cyclical budget policies at any time.?