

# Procedure file

Basic information			
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 <a href="#">2010/0276(CNS)</a> See also <a href="#">2010/0277(NLE)</a> See also <a href="#">2010/0279(COD)</a> See also <a href="#">2010/0280(COD)</a> See also <a href="#">2010/0281(COD)</a> See also <a href="#">2014/2938(RSP)</a>			
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 <b>ECON</b> Economic and Monetary Affairs	Rapporteur  ALDE <a href="#">GOULARD Sylvie</a>	Appointed  21/09/2010
	Committee for opinion <b>BUDG</b> Budgets	Rapporteur for opinion  The committee decided not to give an opinion.	Appointed
	<b>EMPL</b> Employment and Social Affairs	PPE <a href="#">CASA David</a>	21/10/2010
	Committee for opinion on the legal basis <b>JURI</b> <a href="#">Legal Affairs</a>	Rapporteur for opinion  S&D <a href="#">GERINGER DE OEDENBERG Lidia Joanna</a>	Appointed  04/03/2011
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3122</a>	08/11/2011
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3100</a>	20/06/2011
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3088</a>	17/05/2011
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3076</a>	15/03/2011
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3067</a>	14/02/2011
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3062</a>	18/01/2011
European Commission	Commission DG	Commissioner	

## Key events

07/10/2010	Legislative proposal published	<a href="#">COM(2010)0524</a>	Summary
21/10/2010	Committee referral announced in Parliament, 1st reading		
18/01/2011	Debate in Council	<a href="#">3062</a>	Summary
14/02/2011	Debate in Council	<a href="#">3067</a>	Summary
19/04/2011	Vote in committee, 1st reading		Summary
02/05/2011	Committee report tabled for plenary, 1st reading	<a href="#">A7-0180/2011</a>	
17/05/2011	Debate in Council	<a href="#">3088</a>	Summary
20/06/2011	Debate in Council	<a href="#">3100</a>	Summary
22/06/2011	Debate in Parliament		
23/06/2011	Results of vote in Parliament		
23/06/2011	Decision by Parliament, 1st reading	<a href="#">T7-0290/2011</a>	Summary
28/09/2011	Decision by Parliament, 1st reading	<a href="#">T7-0422/2011</a>	Summary
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 <a href="#">2010/0276(CNS)</a> See also <a href="#">2010/0277(NLE)</a> See also <a href="#">2010/0279(COD)</a> See also <a href="#">2010/0280(COD)</a> See also <a href="#">2010/0281(COD)</a> See also <a href="#">2014/2938(RSP)</a>
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

Legislative proposal		<a href="#">COM(2010)0524</a>	07/10/2010	EC	Summary
Committee draft report		<a href="#">PE454.626</a>	11/01/2011	EP	
Amendments tabled in committee		<a href="#">PE458.626</a>	16/02/2011	EP	
European Central Bank: opinion, guideline, report		<a href="#">CON/2011/0013</a> <a href="#">OJ C 150 20.05.2011, p. 0001</a>	16/02/2011	ECB	Summary
Committee opinion	<b>EMPL</b>	<a href="#">PE454.659</a>	21/03/2011	EP	
Specific opinion	<b>JURI</b>	<a href="#">PE462.803</a>	12/04/2011	EP	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A7-0180/2011</a>	02/05/2011	EP	
Economic and Social Committee: opinion, report		<a href="#">CES0798/2011</a>	05/05/2011	ESC	
Text adopted by Parliament, partial vote at 1st reading/single reading		<a href="#">T7-0290/2011</a>	23/06/2011	EP	Summary
Text adopted by Parliament, 1st reading/single reading		<a href="#">T7-0422/2011</a>	28/09/2011	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2011)8584</a>	09/11/2011	EC	
Draft final act		<a href="#">00028/2011/LEX</a>	16/11/2011	CSL	
Follow-up document		<a href="#">COM(2014)0393</a>	27/06/2014	EC	Summary
Follow-up document		<a href="#">COM(2014)0905</a>	28/11/2014	EC	Summary
Follow-up document		<a href="#">COM(2015)0211</a>	07/05/2015	EC	Summary
Follow-up document		<a href="#">SWD(2015)0105</a>	07/05/2015	EC	
For information		<a href="#">COM(2015)0209</a>	07/05/2015	EC	
For information		<a href="#">C(2016)2633</a>	03/05/2016	EC	
Follow-up document		<a href="#">COM(2020)0055</a>	05/02/2020	EC	
Follow-up document		<a href="#">SWD(2020)0210</a>	06/02/2020	EC	

#### Additional information

National parliaments	<a href="#">IPEX</a>
European Commission	<a href="#">EUR-Lex</a>

#### Final act

<a href="#">Regulation 2011/1173</a> <a href="#">OJ L 306 23.11.2011, p. 0001</a> Summary Final legislative act with provisions for delegated acts
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#### Delegated acts

<a href="#">2013/2804(DEA)</a>	Examination of delegated act
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# pack'

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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'

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The Committee on Economic and Monetary Affairs adopted the report drafted by Sylvie GOULARD (ALDE, FR) on the proposal for a regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area.

It recommended that the European Parliament's position adopted at first reading, under the ordinary legislative procedure, should be to amend the Commission proposal as follows:

Subject matter and scope: Members specify that this Regulation sets out a system of incentives and sanctions for enhancing the enforcement of the preventive and corrective parts of the Stability and Growth Pact and strengthening the coordination and surveillance of the budgetary discipline as well as preserving the financial stability in the euro area.

This Regulation shall also apply to a Member State whose currency is not the euro and which has notified the Commission of its willingness to apply this Regulation. Such a notification shall be published in the Official Journal of the European Union.

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. The budgetary surveillance framework should, in any case, support the Union's growth and jobs objectives. It needs to be, especially during economic downturns, combined with effective efforts to stimulate sustainable growth, the protection of social cohesion and the creation of jobs, whilst respecting Member-State-specific priorities and needs.

Stronger role for Commission in surveillance: 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 early warnings. It should have a stronger and more independent 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 the steps leading to potential sanctions and the reversed qualified majority voting in the Council should be used wherever possible under the TFEU.

Transparency and democratic legitimacy: the committee is of the opinion that strengthening economic governance should go hand in hand with reinforcing the democratic legitimacy of economic governance in the Union, which should be achieved through a closer and timelier involvement of the European Parliament and the national parliaments throughout the economic policy coordination procedures.

The annual policy recommendations by the Commission should be discussed in the European Parliament before the beginning of discussions in the Council.

In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and the national parliaments, governments and other relevant bodies of the Member States, and to ensure greater transparency and accountability, the competent committee of the European Parliament may organise, at its own initiative or at the request of a Member state, public debates and hearings on macro-economic and budgetary surveillance undertaken by the Council and the Commission. The Commission and the Council will take due consideration of the outcome of such hearings.

Members call on the Council and the Commission shall make public and set out the reasons for all their decisions and recommendations unless provided for otherwise in the TFEU. An economic dialogue with the European Parliament may be established, enabling the Commission to make its analyses public and for the economic and finance minister of one or several Member States concerned to respond.

Fines: the committee proposes that in the event that a Member State manipulates financial data, falsifies statistics or deliberately provides misleading information, in particular resulting in a violation of the European statistical rules, the Council, acting on a proposal from the Commission, may adopt a decision requiring the Member State to pay a fine. Such a fine shall be a one-off payment of 0.5% of the GDP of the Member State concerned in the preceding year. The decision shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the proposal within ten days of adoption by the Commission. The Council may amend the Commission's proposal in accordance with Article 293(1) TFEU.

The total yearly amount of the cumulative fines imposed on a Member State, excluding the fine referred to in paragraph 1b, shall not exceed 0.5% of its GDP.

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 allocated to the permanent stability mechanism.

Until the establishment of this mechanism the interest and the fines should be allocated as provisioning for risk-sharing financial instruments for EU relevant projects financed by the European Investment Bank in conformity with provisions of the Protocol (n° 5) on the Statute of the European Investment Bank annexed to the Treaties.

Emergency intervention: in the event that the appropriate procedures have been launched without result and the excessive deficit or the debt level or any other imbalance of a Member State still puts the stability of the euro at risk, Members call on the Commission, after consultation with the ECB, to take all necessary measures to safeguard the euro.

Review: before the end of 2011 the Commission shall present a report, including an impact assessment and a feasibility study, to the European Parliament and the Council, accompanied, where appropriate, by legislative proposals and, if necessary a Treaty change, to:

- establish, under Community rules, a European Monetary Fund with the aim of improving economic governance and coordination at EU level, preserving the financial stability of the euro area as a whole and reinforcing budgetary discipline among Member States;
- set up a system of common issuance of European sovereign bonds (eurosecurities) under joint and several liability. This system shall aim at strengthening the fiscal discipline and bring stability to the euro area through markets but also, taking advantage of the increase in liquidity, to ensure that the best rated Member States would not suffer from higher interest rates resulting from the introduction of eurosecurities.

These legislative proposals shall be submitted in due time in order to enter into force from 1 January 2013.

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

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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'

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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

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'

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**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 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 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 Commissions 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.

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

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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'

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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.