Procedure file

Basic information

COD - Ordinary legislative procedure (ex-codecision procedure) Regulation 2010/0280(COD)	Procedure completed
Economic governance: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack' Amending Regulation (EC) No 1466/97 1996/0247(SYN) See also 2010/0276(CNS) See also 2010/0277(NLE) See also 2010/0278(COD) See also 2010/0279(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)	

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		21/09/2010
		PPE WORTMANN-KOOL Corien	
		Shadow rapporteur	
		ALDE GOULARD Sylvie	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets	The committee decided not to give an opinion.	
	EMPL Employment and Social Affairs		21/10/2010
		S&D BERÈS Pervenche	
	Committee for opinion on the legal basis	Rapporteur for opinion	Appointed
	JURI Legal Affairs		04/03/2011
		S&D GERINGER DE OEDENBERG Lidia Joanna	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	3122	08/11/2011
	Economic and Financial Affairs ECOFIN	3100	20/06/2011
	Economic and Financial Affairs ECOFIN	3088	17/05/2011
	Economic and Financial Affairs ECOFIN	3076	15/03/2011
	Economic and Financial Affairs ECOFIN	3067	14/02/2011
	Economic and Financial Affairs ECOFIN	3062	18/01/2011
European Commission	Commission DG	Commissioner	
	Economic and Financial Affairs	REHN Olli	

Key events

07/10/2010	Legislative proposal published	COM(2010)0526	Summary
21/10/2010	Committee referral announced in Parliament, 1st reading		
18/01/2011	Debate in Council	3062	Summary
14/02/2011	Debate in Council	3067	Summary
19/04/2011	Vote in committee, 1st reading		Summary
29/04/2011	Committee report tabled for plenary, 1st reading	A7-0178/2011	
17/05/2011	Debate in Council	3088	Summary
20/06/2011	Debate in Council	3100	Summary
22/06/2011	Debate in Parliament		
23/06/2011	Results of vote in Parliament		
23/06/2011	Decision by Parliament, 1st reading	T7-0291/2011	Summary
28/09/2011	Decision by Parliament, 1st reading	T7-0421/2011	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	2010/0280(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation (EC) No 1466/97 1996/0247(SYN) See also 2010/0276(CNS) See also 2010/0277(NLE) See also 2010/0278(COD) See also 2010/0279(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/7/04121

Documentation gateway

Legislative proposal		COM(2010)0526	07/10/2010	EC	Summary
Committee draft report		PE454.680	17/12/2010	EP	

Amendments tabled in committee		PE458.763	15/02/2011	EP	
Amendments tabled in committee		PE458.764	15/02/2011	EP	
European Central Bank: opinion, guideline, report		CON/2011/0013 OJ C 150 20.05.2011, p. 0001	16/02/2011	ECB	Summary
Committee opinion	EMPL	PE454.656	18/03/2011	EP	
Specific opinion	JURI	PE462.805	12/04/2011	EP	
Committee report tabled for plenary, 1st reading/single reading		A7-0178/2011	29/04/2011	EP	
Text adopted by Parliament, partial vote at 1st reading/single reading		T7-0291/2011	23/06/2011	EP	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0421/2011	28/09/2011	EP	Summary
Commission response to text adopted in plenary		SP(2011)8584	09/11/2011	EC	
Draft final act		00030/2011/LEX	16/11/2011	CSL	
Follow-up document		COM(2014)0905	28/11/2014	EC	Summary
Follow-up document		COM(2020)0055	05/02/2020	EC	
Follow-up document		SWD(2020)0210	06/02/2020	EC	

Additional information

National parliaments	IPEX
European Commission	EUR-Lex

Final act

Regulation 2011/1175
OJ L 306 23.11.2011, p. 0012 Summary

Economic governance: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

PURPOSE: the reform of the preventive part of the Stability and Growth Pact with a view to strengthening the EU?s economic governance.

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 121(6) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the preventive part of the SGP is meant to ensure that Member States follow prudent fiscal policies so that there is no need to adopt more stringent forms of coordination to avoid public finance sustainability being put at risk, with potential negative consequences for EMU as a whole.

Accordingly, Member States are required to present stability and convergence programmes outlining their plans to achieve medium-term budgetary objectives (MTOs), which are defined as a percentage of GDP in structural terms (i.e. adjusting for the effect of the cycle and excluding one-off and temporary measures) and are differentiated across countries around a close-to-balance position to reflect the level of public debt and liabilities related to ageing. Member States not having reached their MTO are expected to converge towards it at an annual pace of 0.5% of GDP in structural terms.

However, progress towards MTOs in the medium term has been generally insufficient. In a number of countries, even apparently sound budgetary positions before the crisis masked a strong reliance on windfall revenues to finance expenditure, the reversal of which contributed to soaring budget deficits.

To respond to these shortcomings the reform of the preventive part that is being proposed, while retaining the current MTOs and the 0.5% of GDP annual convergence requirement, makes them operational in terms of a new principle of prudent fiscal policy-making. This new principle will provide the benchmark against which countries? fiscal plans in the stability and convergence programme will be examined.

A prudent fiscal policy implies that the rate of growth of public expenditure does not exceed, in principle, a prudent medium-term rate of growth of GDP, unless the MTO has been significantly overachieved or the excess of expenditure growth over the prudent medium-term rate is matched by discretionary measures on the revenue side.

Failure to keep to the agreed rate of growth of expenditure, in conjunction with the stipulated revenue measures, will make the Member State concerned liable to a warning from the Commission and, if persistent and/or particularly serious, a Council recommendation to take corrective action.

A temporary departure from prudent fiscal policy-making should be allowed in case of severe economic downturn of a general nature in order to facilitate economic recovery.

Special attention shall be paid to pension reforms introducing a multi-pillar system that includes a mandatory, fully funded pillar. Member States implementing such reforms shall be allowed to deviate from the adjustment path to their medium-term budgetary objective or from the objective itself, with the deviation reflecting the net cost of the reform to the publicly managed pillar, under the condition that the deviation remains temporary and that an appropriate safety margin with respect to the deficit reference value is preserved.

BUDGETARY IMPLICATION: the proposal relates to the extension of an existing action and does not require any additional human or financial resources.

Economic governance: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

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: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

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: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

The Committee on Economic and Monetary Affairs adopted the report drafted by Corien WORTMANN-KOOL (EPP, NL) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

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:

Stability Pact: Members consider that the Stability and Growth Pact should support the achievement of the Union?s objectives for sustainable growth and employment. The budgetary targets in the stability and convergence programmes should explicitly take into account of the measures adopted in line with the Broad Economic Policy Guidelines, the Guidelines for the Employment Policies of the Member States and the Union and, in general, the national reform programmes.

The Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a Union strategy for growth and jobs. However, these inter linkages should not provide for exemptions to the provisions of the Stability and Growth Pact.

Strengthening the Commission?s role: the Commission 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.

Improving economic governance: Members stress the need to improve economic governance in the Union, which should be built on a stronger national ownership of commonly agreed rules and policies.

In order to enhance national ownership of the Stability and Growth Pact, national budgetary frameworks should be fully aligned with the objectives of multilateral surveillance in the Union, and, in particular, with the Semester, in the context of which the national parliaments and all other relevant stakeholders, in particular the social partners, should be informed in a timely manner and should be duly involved.

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 more timely involvement of the European Parliament and the national parliaments throughout the economic policy coordination procedures.

European semester for economic policy coordination: the Semester should play a vital role in implementing the requirement provided by the TFEU that Member States regard their economic policies as a matter of common concern and coordinate them accordingly. The relevant stakeholders, in particular the social partners and the European platform against poverty and for social inclusion, should be consulted, within the framework of the Semester, on the main policy measures to be discussed by the Union institutions.

Transparency: transparency, accountability and independent oversight are an integral part of enhanced economic governance. The Council and the Commission should make public and set out the reasons for their positions and decisions at the appropriate stages of the economic policy coordination procedures, in order to ensure effective peer pressure.

The Commission should present and explain the preventive and corrective actions recommended to a Member State to the European Parliament and its competent committee. The European Parliament may invite the Member State concerned to explain its decisions and policies before its competent committee. The President of the Euro Group may, at the request of the European Parliament or on his own initiative, be heard by the competent committees of the European Parliament.

National budgetary procedures: the Protocol on the excessive deficit procedure annexed to the Treaties provides that Member States ensure that national procedures in the budgetary area enable them to meet their obligations in this area deriving from the Treaties. Member States whose currency is the euro should therefore anchor the objectives of the Union fiscal framework in national law, and should ensure that adequate budgetary procedures are in place for meeting those objectives.

Member States should, in the framework of national budgetary law, set targets for deficits and surpluses for three years ahead, aiming for medium-term balance in public finances.

Debt criteria: an assessment of the sustainability of public finances, including the debt level, debt profile (including maturity), ageing costs and debt dynamics should be more strongly taken into account in the required pace of adjustment towards Member-State-specific medium-term budgetary objectives to be included in the Stability and Convergence Programmes.

Medium-term budgetary objective: according to Members, sufficient progress towards the medium-term budgetary 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.

In this regard, and as long as the medium-term budgetary objective is not achieved, the growth rate of government expenditure should normally not exceed a reference medium-term rate of potential GDP growth, with increases in excess of that norm being matched by discretionary increases in government revenues and discretionary revenue reductions being compensated by reductions in expenditure. The reference medium-term rate of potential GDP growth should be calculated according to a commonly agreed methodology validated by the Member States.

Temporary departure from the adjustment path: Members consider that a temporary departure from the adjustment path towards the medium-term objective may exceptionally be allowed: (i) when resulting from an unusual event outside the control of the Member State concerned and which has a major impact on the structural balance of the general government of at least 0.5% of GDP in one single year or; (ii) in case of severe economic downturn for the euro-area or the Union as a whole, on condition that this does not endanger fiscal sustainability in the medium-term, in order to facilitate economic recovery.

In the event of a significant deviation from the adjustment path towards the medium-term objective:

- § a warning should be addressed by the Commission to the Member State concerned to be followed within one month by a Council recommendation, setting a deadline of no more than five months to take the necessary corrective measures;
- § if the Member State concerned fails to take appropriate action in the deadline set by the Council, the Commission should recommend to the Council to establish that has been no effective action. The decision should be deemed adopted by the Council, unless it decides by qualified majority to reject it within ten days from the Commission adoption. At the same time the Council, on a proposal by the Commission, should report to the European Council.

The Commission, in liaison with the ECB for euro area Member States and for ERM2 Member States, may carry out a monitoring mission. The Commission should report to the Council on the outcome of the mission and should make its findings public within one month.

The Commission should when making proposals for measures to implement this Regulation take into account the economic and budgetary situation of the concerned Member State that are subject to an EU/IMF adjustment programme.

Economic governance: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

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: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

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: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

The European Parliament adopted, at first reading of the ordinary legislative procedure (by 333 votes to 303, with 26 abstentions), the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

The vote on the legislative resolution was postponed until a later plenary session.

The main amendments by the Parliament are as follows:

Scope: Parliament clarifies that this Regulation sets out the rules covering the content, the submission, the examination and the monitoring of stability programmes and convergence programmes as part of multilateral surveillance by the Council and the Commission so as to prevent, at an early stage, the occurrence of excessive general government deficits and to promote the surveillance and coordination of economic policies thereby supporting the achievement of the Union's objectives for growth and employment.

Stability Pact: the preventive part of the Stability and Growth Pact would benefit from more stringent forms of surveillance in order to ensure Member States' consistency and compliance with the Union's budgetary coordination framework.

The Stability and Growth Pact and the complete economic governance framework complement and support the 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.

Stability programmes: the budgetary targets in the stability and convergence programmes should explicitly take into account of the measures adopted in line with the Broad Economic Policy Guidelines, the Guidelines for the Employment Policies of the Member States and the Union and, in general, the national reform programmes.

The Stability or Convergence Programmes and the National Reform Programmes should be prepared in a coherent manner and the timing of their submissions should be aligned. These programmes should be submitted to the Council and the Commission. These programmes should be made public.

The submission and assessment of Stability and Convergence programmes should be made before key decisions on the national budgets for the following years are taken. A particular deadline for submission of the Stability and Convergence programmes should therefore be established. Taking into account the specificities of the budgetary year of the United Kingdom, special provisions for the date for submission of its convergence programmes should be established

Strengthened role of the Commission: the Commission 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.

Improved governance: Members underline the need for improved economic governance in the Union, which should be built on a 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.

In order to enhance national ownership of the Stability and Growth Pact, national budgetary frameworks should be aligned with the objectives of multilateral surveillance in the Union, and, in particular, with the Semester for economic policy coordination.

European Semester: the amended text provides that under the European Semester the policy surveillance and coordination cycle: (i) starts early in the year with a horizontal review under which the European Council, based on input from the Commission and the Council; (ii) identifies the main challenges facing the Union and the euro area and; (iii) gives strategic guidance on policies.

Discussion will also take place in the European Parliament at the beginning of the annual cycle of surveillance in due time before the discussion takes place in the European Council. Member States are expected to take into account the horizontal guidance by the European Council when preparing their Stability or Convergence Programmes and National Reform Programmes.

Transparency: national parliaments should be duly involved in the Semester and in the preparation of Stability Programmes, Convergence Programmes and National Reform Programmes in order to increase the transparency, ownership and accountability of the decisions taken.

The Economic and Financial Committee, the Economic Policy Committee, the Employment Committee and the Social Protection Committee will be consulted within the framework of the Semester where appropriate. Relevant stakeholders, in particular the social partners, will be involved within the framework of the Semester, on the main policy issues.

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 European Council or the President of the Eurogroup to appear before the committee to discuss: (i) information provided to it by the Council on the broad guidelines of economic policy; (ii) general guidance to Member States issued by the Commission at the beginning of the annual cycle of surveillance; (iii) any conclusions drawn by the European Council on orientations for economic policies in the context of the European Semester; (iv) the results of multilateral surveillance carried out under this Regulation; (v) any conclusions drawn by the European Council on the orientations for and results of multilateral surveillance; (vi) any review of the conduct of multilateral surveillance at the end of the European Semester; (vii) Council recommendations addressed to Member States.

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

Medium-term budgetary objective: this 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. In this regard, and as long as the medium-term budgetary objective is not achieved, the growth rate of government expenditure should normally not exceed a reference medium-term rate of potential GDP growth, with increases in excess of that norm being matched by discretionary increases in government revenues and discretionary revenue reductions being compensated by reductions in expenditure. The medium-term budgetary objectives shall ensure the sustainability of public finances or a rapid progress towards such sustainability while allowing room for budgetary manoeuvre, considering in particular the needs public investment.

The obligation to achieve and maintain the medium-term budgetary objective needs to be put into operation, through the specification of principles for the adjustment path towards the medium-term objective. These principles should, inter alia, ensure that revenue windfalls, namely revenues in excess of what can normally be expected from economic growth, are allocated to debt reduction.

Parliament stresses that a faster adjustment path towards the medium-term budgetary objectives should be required for Member States faced with a debt level exceeding 60% of GDP or with pronounced risks in terms of overall debt sustainability.

A temporary departure from the adjustment path towards the medium-term objective should be allowed when resulting from an unusual event outside the control of the Member State concerned and which has a major impact on the financial position of the general government or in case of severe economic downturn for the euro area or the EU as a whole, on condition that this does not endanger fiscal sustainability in the medium-term, in order to facilitate economic recovery.

In the event of a significant deviation from the adjustment path towards the medium-term budgetary objective a warning should be addressed by the Commission to the Member State concerned, to be followed within one month by an examination of the situation by the Council and a recommendation for the necessary adjustment measures. The recommendation should set a deadline of no more than five months for addressing the deviation.

If the Member State concerned fails to take appropriate action in the deadline set by the Council, the Council should adopt a decision establishing that no effective action has been taken and report to the European Council. The decision should be deemed adopted by the Council, unless it decides by qualified majority to reject it within ten days from the Commission adoption. At the same time, the Commission may recommend to the Council to adopt revised recommendations.

Principle of the statistical independence: with a view ensuring that the multilateral surveillance is based on sound and independent statistics, Member States shall ensure the professional independence of national statistical authorities, which shall be consistent with the European statistics code of practice as laid down in Regulation (EC) No 223/2009 on European Statistics.

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.

Economic governance: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

The European Parliament adopted by 354 votes to 269, with 34 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

The report was sent back to the committee responsible to be re-examined on 23 June 2011.

Parliament adopted its position at first reading, under the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between the European Parliament and the Council. They amend the Commission proposal as follows:

Scope: this Regulation sets out the rules covering the content, the submission, the examination and the monitoring of stability programmes and convergence programmes as part of multilateral surveillance by the Council and the Commission so as to:

- prevent, at an early stage, the occurrence of excessive general government deficits;
- promote the surveillance and coordination of economic policies thereby supporting the achievement of the Union's objectives for growth and employment.

Stability Pact: the preventive part of the Stability and Growth Pact would benefit from more stringent forms of surveillance in order to ensure Member States' consistency and compliance with the Union's budgetary coordination framework. The Stability and Growth Pact and the complete economic governance framework complement and support the 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.

Stability programmes: the budgetary targets in the stability and convergence programmes should explicitly take into account of the measures adopted in line with the Broad Economic Policy Guidelines, the Guidelines for the Employment Policies of the Member States and the Union and, in general, the national reform programmes.

The Stability or Convergence Programmes and the National Reform Programmes should be prepared in a coherent manner and the timing of their submissions should be aligned. These programmes should be submitted to the Council and the Commission. These programmes should be made public.

The submission and assessment of Stability and Convergence programmes should be made before key decisions on the national budgets for the following years are taken. A particular deadline for submission of the Stability and Convergence programmes should therefore be established. Taking into account the specificities of the budgetary year of the United Kingdom, special provisions for the date for submission of its convergence programmes should be established.

Strengthening the role of the Commission: the Commission 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.

Improving economic governance: the text stresses the need to improve economic governance in the Union, which should be built on a stronger national ownership of commonly agreed rules and policies. Strengthening economic governance should include a closer and more timely involvement of the European Parliament and the national parliaments.

In order to enhance national ownership of the Stability and Growth Pact, national budgetary frameworks should be fully aligned with the objectives of multilateral surveillance in the Union, and, in particular, with the Semester.

European semester for economic policy coordination: in order to ensure closer coordination of economic policies and sustained convergence of the economic performance of the Member States, the Council will conduct multilateral surveillance as an integral part of the European Semester for economic policy coordination in accordance with the objectives and requirements set out in the Treaty on the Function of the European Union (TFEU). Under the European Semester the policy surveillance and coordination cycle starts early in the year with a horizontal review under which the European Council, based on input from the Commission and the Council, identifies the main challenges facing the Union and the euro area and gives strategic guidance on policies. Discussion will also take place in the European Parliament at the beginning of the annual cycle of surveillance in due time before the discussion takes place in the European Council. Member States are expected to take into account the horizontal guidance by the European Council when preparing their Stability or Convergence Programmes and National Reform Programmes.

Transparency: national parliaments should be duly involved in the Semester and in the preparation of Stability Programmes, Convergence Programmes and National Reform Programmes in order to increase the transparency, ownership and accountability of the decisions taken. The Economic and Financial Committee, the Economic Policy Committee, the Employment Committee and the Social Protection Committee will be consulted within the framework of the Semester where appropriate. Relevant stakeholders, in particular the social partners, will be involved within the framework of the Semester, on the main policy issues where appropriate, in accordance with the provisions of the TFEU and national legal and political arrangements.

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 European Council or the President of the Eurogroup to appear before the committee to discuss: (i) information provided to it by the Council on the broad guidelines of economic policy pursuant to Article 121(2) TFEU; (ii) general guidance to Member States issued by the Commission at the beginning of the annual cycle of surveillance; (iii) any conclusions drawn by the European Council on orientations for economic policies in the context of the European Semester; (iv) the results of multilateral surveillance carried out under this Regulation; (v) any conclusions drawn by the European Council on the orientations for and results of multilateral surveillance; (vi) any review of the conduct of multilateral surveillance at the end of the European Semester; (vii) Council recommendations addressed to Member States.

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

Medium-term budgetary objective: the medium-term budgetary objective should be updated regularly on the basis of a commonly agreed methodology reflecting appropriately risks of explicit and implicit liabilities for public finance as embodied in the aims of the Stability and Growth Pact. The obligation to achieve and maintain the medium-term budgetary objective needs to be put into operation, through the specification of principles for the adjustment path towards the medium-term objective. These principles should, inter alia, ensure that revenue windfalls, namely revenues in excess of what can normally be expected from economic growth, are allocated to debt reduction. The obligation to achieve and maintain the medium-term-objective should equally apply to participating Member States and to non-participating Member States.

Sufficient progress towards the medium-term budgetary 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.

A faster adjustment path towards the medium-term budgetary objectives should be required for Member States faced with a debt level exceeding 60% of GDP or with pronounced risks in terms of overall debt sustainability.

Temporary departure from the adjustment path: a temporary departure from the adjustment path towards the medium-term objective may exceptionally be allowed: (i) when resulting from an unusual event outside the control of the Member State concerned and which has a major impact on the structural balance of the general government of at least 0.5% of GDP in one single year or; (ii) in case of severe economic downturn for the euro-area or the Union as a whole, on condition that this does not endanger fiscal sustainability in the medium-term, in order to facilitate economic recovery.

The implementation of major structural reforms should also be taken into account in allowing a temporary departure from the medium-term budgetary objective or the appropriate adjustment towards it, on condition of maintaining a safety margin with respect to the deficit reference value. A special attention should be paid in this context to systemic pension reforms, where the departure should reflect the direct incremental cost of the diversion of contributions from the publicly managed to the fully funded pillar.

In the event of a significant deviation from the adjustment path towards the medium-term objective:

- a warning should be addressed by the Commission to the Member State concerned to be followed within one month by a Council recommendation, setting a deadline of no more than five months to take the necessary corrective measures;
- if the Member State concerned fails to take appropriate action in the deadline set by the Council, the Commission should recommend to the Council to establish that has been no effective action. The decision should be deemed adopted by the Council, unless it decides by qualified majority to reject it within ten days from the Commission adoption. At the same time the Council, on a proposal by the Commission, should report to the European Council.

In the event of a significant observed deviation from the adjustment path towards the medium-term objective :

- the Commission shall address a warning to the Member State concerned. The Council shall, within one month of the date of adoption of the early warning, examine the situation and adopt a recommendation for the necessary policy measures, on the basis of a Commission recommendation. The recommendation shall set a deadline of no more than five months for addressing the deviation. The deadline shall be reduced to three months if the Commission, in its warning, considers that the situation is particularly serious and warrants urgent action. The Council, on a proposal from the Commission, shall make the recommendation public;
- if the Member State concerned fails to take appropriate action within the deadline specified in a Council recommendation under the second subparagraph, the Commission shall immediately recommend to the Council to adopt, by qualified majority, a decision establishing that no effective action has been taken. At the same time, the Commission may recommend to the Council to adopt a revised recommendation;
- in case the Council does not adopt the decision on the Commission recommendation that no effective action has been taken, and failure to take appropriate action on the part of the Member State concerned persists, the Commission, after one month from its earlier recommendation, shall recommend to the Council to adopt the decision establishing that no effective action has been taken. The decision shall be deemed to be adopted by the Council unless it decides, by simple majority, to reject the recommendation within ten days of its adoption by the Commission.

Principle of the statistical independence: with a view ensuring that the multilateral surveillance is based on sound and independent statistics, Member States shall ensure the professional independence of national statistical authorities, which shall be consistent with the European statistics code of practice as laid down in Regulation (EC) No 223/2009 on European Statistics.

Report: 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. It shall evaluate, inter alia:

- the effectiveness of the regulation, particularly whether the provisions governing decision-making have proved sufficiently robust,
- the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU.

Economic governance: strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies. 'Six pack'

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 (reform of the preventative arm of the Stability and Growth Pact).

LEGISLATIVE ACT: Regulation (EU) No 1175/2011 of the European Parliament and of the Council amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

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 the rules covering the content, the submission, the examination and the monitoring of stability programmes and convergence programmes as part of multilateral surveillance by the Council and the Commission so as to prevent, at an early stage, the occurrence of excessive general government deficits and to promote the surveillance and coordination of economic policies thereby supporting the achievement of the Union's objectives for growth and employment.

European Semester for economic policy coordination: in order to ensure closer coordination of economic policies and sustained convergence of the economic performance of the Member States, the Council shall conduct multilateral surveillance as an integral part of the European Semester for economic policy coordination.

The European Semester shall include: (a) the formulation, and the surveillance of the implementation, of the broad guidelines of the economic policies of the Member States and of the Union; (b) the formulation, and the examination of the implementation, of the employment guidelines that must be taken into account by Member States; (c) the submission and assessment of Member States' stability or convergence programmes under this Regulation; (d) the submission and assessment of Member States' national reform programmes supporting the Union's strategy for growth and jobs; (e) the surveillance to prevent and correct macroeconomic imbalances and on the prevention and correction of macroeconomic imbalances.

Under the European Semester the policy surveillance and coordination cycle starts early in the year with a horizontal review in which the European Council, based on input from the Commission and the Council, identifies the main challenges facing the Union and the euro area and gives strategic guidance on policies.

Discussion should also take place in the European Parliament at the beginning of the annual cycle of surveillance in due time before the discussion takes place in the European Council. When preparing their stability or convergence programmes and national reform programmes, Member States should take into account the horizontal guidance by the European Council.

National parliaments should be duly involved in the European Semester and in the preparation of stability programmes, convergence programmes and national reform programmes in order to increase the transparency and ownership of, and accountability for the decisions taken.

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 European Council or the President of the Eurogroup to appear before the committee to discuss: (i) information provided to it by the Council on the broad guidelines of economic policy; (ii) general guidance to Member States issued by the Commission at the beginning of the annual cycle of surveillance; (iii) Council recommendations addressed to Member States.

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

Medium-term budgetary objective: the obligation to achieve and maintain the medium-term budgetary objective needs to be put into operation, through the specification of principles for the adjustment path towards the medium-term objective. Those principles should, inter alia, ensure that revenue windfalls, namely revenues in excess of what can normally be expected from economic growth, are allocated to debt reduction.

Adjustment path: a faster adjustment path towards the medium-term budgetary objective should be required for Member States faced with a debt level exceeding 60 % of GDP, or with pronounced risks in terms of overall debt sustainability.

(1) Temporary departure from the adjustment path: a temporary departure from the adjustment path towards the medium-term objective may exceptionally be allowed: (i) when resulting from an unusual event outside the control of the Member State concerned and which has a major impact on the structural balance of the general government of at least 0.5% of GDP in one single year or; (ii) in case of severe economic downturn for the euro-area or the Union as a whole, on condition that this does not endanger fiscal sustainability in the medium-term, in order to facilitate economic recovery.

The implementation of major structural reforms should also be taken into account in allowing a temporary departure from the medium-term budgetary objective or the appropriate adjustment towards it, on condition of maintaining a safety margin with respect to the deficit reference value. A special attention should be paid in this context to systemic pension reforms.

In the event of a significant observed deviation from the adjustment path:

- a warning should be addressed by the Commission to the Member State concerned, to be followed within 1 month by an examination of the situation by the Council and a recommendation for the necessary adjustment measures.
- if the Member State concerned fails to take appropriate action within the deadline specified in a Council recommendation, the Commission shall immediately recommend to the Council to adopt, by qualified majority, a decision establishing that no effective action has been taken. At the same time, the Commission may recommend to the Council to adopt a revised recommendation;
- in case the Council does not adopt the decision on the Commission recommendation that no effective action has been taken, and failure to take appropriate action on the part of the Member State concerned persists, the Commission, after one month from its earlier

recommendation, shall recommend to the Council to adopt the decision establishing that no effective action has been taken. The decision shall be deemed to be adopted by the Council unless it decides, by simple majority, to reject the recommendation within ten days of its adoption by the Commission.

Principle of statistical independence: with a view to ensuring that the multilateral surveillance is based on sound and independent statistics, Member States shall ensure the professional independence of national statistical authorities, which shall be consistent with the European statistics code of practice as laid down in Regulation (EC) No 223/2009 of the European Parliament and of the Council on European Statistics.

Review: by 14 December 2014 and every 5 years thereafter, the Commission shall publish a report on the application of this Regulation. The report shall evaluate, inter alia: (a) the effectiveness of this Regulation, particularly whether the provisions governing decision-making have proved sufficiently robust; (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.

ENTRY INTO FORCE: 13/12/2011.