Procedure file

Basic information

CNS - Consultation procedure Regulation	2010/0276(CNS)	Procedure completed

Economic governance: implementation of the excessive deficit procedure. 'Six pack'

Amending Regulation (EC) No 1467/97 1996/0248(CNS)
See also 2010/0277(NLE)
See also 2010/0278(COD)
See also 2010/0279(COD)
See also 2010/0280(COD)
See also 2010/0281(COD)
See also 2014/2938(RSP)

Subject
5.10.01 Convergence of economic policies, public deficit, interest rates
5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU)

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs		21/09/2010
	PPE FEIO Diogo	
	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
	PPE CASA David	

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)0522	Summary
13/12/2010	Committee referral announced in Parliament		
18/01/2011	Debate in Council	3062	Summary
14/02/2011	Debate in Council	3067	Summary
19/04/2011	Vote in committee		Summary
02/05/2011	Committee report tabled for plenary, 1st reading/single reading	A7-0179/2011	
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	T7-0288/2011	Summary
28/09/2011	Decision by Parliament	T7-0425/2011	Summary
08/11/2011	Act adopted by Council after consultation of Parliament		
08/11/2011	End of procedure in Parliament		
23/11/2011	Final act published in Official Journal		

Technical information

Procedure reference	2010/0276(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation (EC) No 1467/97 1996/0248(CNS) See also 2010/0277(NLE) See also 2010/0278(COD) See also 2010/0279(COD) See also 2010/0280(COD) See also 2010/0281(COD) See also 2014/2938(RSP)
Legal basis	Treaty on the Functioning of the EU TFEU 126-p14-a2
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/04130

Documentation gateway

Legislative proposal		COM(2010)0522	07/10/2010	EC	Summary
Committee draft report		PE454.690	18/01/2011	EP	
Amendments tabled in committee		PE458.575	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	PE454.658	21/03/2011	EP	
Specific opinion	JURI	PE462.801	12/04/2011	EP	
Committee report tabled for plenary, 1st reading/single reading		A7-0179/2011	02/05/2011	EP	
Text adopted by Parliament, partial vote at 1st reading/single reading		T7-0288/2011	23/06/2011	EP	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0425/2011	28/09/2011	EP	Summary
Commission response to text adopted in plenary		SP(2011)8584	09/11/2011	EC	
Follow-up document		COM(2014)0905	28/11/2014	EC	Summary
For information		COM(2020)0055	05/02/2020	EC	
For information		SWD(2020)0210	06/02/2020	EC	

Additional information

National parliaments	IPEX
European Commission	EUR-Lex

Final act

Regulation 2011/1177
OJ L 306 23.11.2011, p. 0033 Summary

Economic governance: implementation of the excessive deficit procedure. 'Six pack'

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

PROPOSED ACT: Council Regulation.

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: the second subparagraph of Article 126(14) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the corrective part of the SGP is meant to avoid gross errors in budgetary policies, which might put at risk the sustainability of public finances and potentially endanger EMU. This translates into the obligation for Member States to avoid excessive government deficits, which are defined against a numerical threshold for deficit (3% of GDP) and debt (60% of GDP or sufficiently declining toward it).

The excessive deficit procedure (EDP) that implements the ban on excessive deficits provides for a sequence of steps, which, for euro-area countries, include the eventual imposition of financial sanctions.

The EDP has been regularly applied in line with the relevant provisions, even against the background of the exceptional circumstances of the financial crisis, thereby contributing to anchoring expectations of its orderly resolution. However a number of shortcomings have emerged.

This proposal to reform the corrective part of the SGP seeks to address these shortcomings. It is proposed to amend Regulation No 1467/97 in such a way that the decision to implement the excessive deficit procedure will give a more prominent role to the evolution of debt, placing it on an equal footing with the evolution of the deficit.

The proposal provides for the debt criterion of the EDP to be made operational notably through the adoption of a numerical benchmark to gauge whether the debt ratio is sufficiently diminishing toward the 60% of GDP threshold.

More specifically, a debt-to-GDP ratio above 60% is to be considered sufficiently diminishing if its distance with respect to the 60% of GDP reference value has reduced over the previous three years at a rate of the order of one-twentieth per year.

Non-compliance with this numerical benchmark is not, however, necessarily expected to result in the country concerned being placed in excessive deficit, as this decision would need to take into account all the factors that are relevant, in particular for the assessment of debt developments, such as whether very low nominal growth is hampering debt reduction, together with risk factors linked to the debt structure, private sector indebtedness and implicit liabilities related to ageing.

In line with the greater emphasis on debt, more consideration should be given to relevant factors in the event of non-compliance with the deficit criterion if a country has a debt below the 60% of GDP threshold.

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

Economic governance: implementation of the excessive deficit procedure. '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: implementation of the excessive deficit procedure. '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: implementation of the excessive deficit procedure. 'Six pack'

The Committee on Economic and Monetary Affairs adopted the report by Diego FEIO (EPP, PT), and, in the framework of a special legislative procedure (consultation of the European Parliament) made some amendments to the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

The main amendments are as follows:

Stability pact: Members consider that the Stability and Growth Pact and the Union's economic governance framework as a whole should complement and be compatible with a Union strategy for growth and job creation that boosts the Union's competitiveness. Environmental responsibility, social progress and stability, and the development and strengthening of the Single Market should also be envisaged by this framework. As a general principle, these interlinkages should not provide for exemptions to the provisions of the Stability and Growth Pact. National budgetary rules should be complementary to the Member States' commitments under the Stability and Growth Pact. .

Stronger role for Commission in surveillance: Members feel that the Commission should have a stronger and more independent role in the enhanced surveillance procedure. This concerns Member-State-specific assessments, monitoring, missions, recommendations and warnings. They also suggest that the role of the Council needs to be reduced in the steps leading to potential sanctions and the reversed qualified majority voting in the Council needs to be used wherever possible in accordance with the TFEU. The member of the Council representing the Member State concerned and those which are not complying with the Council recommendations to take corrective action under the Stability and Growth Pact or to address excessive macroeconomic imbalances should not participate in the vote.

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 European semester for economic policy coordination should play a vital role in implementing the requirement that Member States regard their economic policies as a matter of common concern and coordinate them accordingly.

National institutions should play a more prominent role in budgetary surveillance to strengthen national ownership, enhance enforcement through national public opinion and complement the economic and policy analysis that exists at EU level. The Commission shall ensure a permanent dialogue with the authorities of the Member States in accordance with the objectives of the Regulation. To that end, the Commission shall carry out, in all Member States, visits for the purpose of regular dialogue and, where appropriate, surveillance.

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. It should be possible for the European Parliament to invite the Member State concerned to explain before its competent committee its decisions and policies. In additional The national budgetary frameworks should include the establishment and strengthening of the role of independent fiscal bodies and ensure the publication of transparent fiscal statistics.

Debt criteria: Members consider that the rules on budgetary discipline and on complying with and enforcing it should be strengthened in particular by giving a more prominent role to the level and evolution of debt and overall sustainability. The debt criteria, including private debt to the extent that it may represent a contingent implicit liability for the government, should be better integrated in each step of the excessive deficit procedure in order to ensure the sustainability of public finances while maintaining adequate levels of public investments.

However, non-compliance with the numerical benchmark for debt reduction should not be sufficient for the establishment of an excessive deficit, which should take into account the whole range of relevant factors covered by the Commission. In particular, the assessment of the effect of the cycle and the composition of the stock-flow adjustment on debt developments may be sufficient to exclude the establishment of an excessive deficit on the basis of the debt criterion.

Deficit criteria: the committee stresses that in the establishment of the existence of an excessive deficit based on the deficit criterion and the steps leading to it there is a need to take into account the nature, composition and quality of expenditure, including government investment expenditure, and other relevant factors if the government debt to gross domestic product does not exceed the reference value. These factors should always be taken into account when establishing the existence of an excessive deficit based on the debt criterion and in the steps leading to it.

Even where the existence of the excessive deficit has been established, all the relevant factors should be taken into account in the subsequent steps of the procedure. In particular, the implementation of policies aimed at increasing the medium-term rate for potential growth in the context of the common growth strategy of the Union should be appropriately taken into account when setting the deadline for correcting the excessive deficit and eventually extending it.

Members also feel that the Commission and the Council, in all budgetary assessments in the framework of the excessive deficit procedure, shall give due consideration to the implementation of pension reforms introducing a multipillar system that includes a mandatory, fully funded pillar, which promotes the long-term sustainability of the pension system while not increasing risks for the medium-term budgetary position and other expenditure.

Sanctions: the text adopted by the committee provides that the amount of the fine shall comprise a fixed component equal to 0.2 % of GDP, and a variable component. The determination of the variable component shall be based on an assessment by the Council on whether the participating Member State has taken effective action:

- if the Council considers that the Member State has taken effective action, no variable component shall be applied. The decision not to apply the variable component shall be taken by qualified majority;
- if the Member State is considered not to have taken effective action, the variable component shall amount, as a rule, to one tenth of the difference between the deficit as a percentage of GDP in the preceding year and either the reference value for government deficit or, if non compliance with budgetary discipline includes the debt criterion, the general government balance as a percentage of GDP that should have been achieved in the same year according to the notice issued under the TFEU.

Fines collected in accordance with this Regulation shall constitute other revenue and be allocated to a stability mechanism for Member States whose currency is the euro. Until the establishment of this mechanism the fines shall 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.

Economic governance: implementation of the excessive deficit procedure. '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: implementation of the excessive deficit procedure. '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: implementation of the excessive deficit procedure. 'Six pack'

The European Parliament amended by 339 votes to 304, with 26 abstentions, under a special legislative procedure (consultation), the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

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

The main amendments requested by the Parliament are as follows:

Stability Pact: the Stability and Growth Pact and the complete economic governance framework should complement and support the Union strategy for growth and jobs. Inter-linkages between different strands should not provide for exemptions from the provisions of the Stability and Growth Pact.

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.

Strengthened role of the Commission: the Commission should have a stronger role in the enhanced surveillance procedureas regards assessments that are specific to each Member State, monitoring, missions, recommendations and warnings.

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 Council recommendations and decisions based on the TFEU.

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

Excessive deficit procedure: the Commission and the Council should when applying this Regulation appropriately take into account all relevant factors and the economic and budgetary situation of the concerned Member States.

The text stipulates that implementing the existing excessive deficit procedure on the basis of both the deficit criterion and the debt criterion requires a numerical benchmark that takes into account the business cycle against which to assess whether the ratio of government debt to gross domestic product is sufficiently diminishing and approaching the reference value at a satisfactory pace.

Parliament calls for a transition period to be introduced in order to allow Member States subject to an excessive deficit procedure at the date of adoption of this regulation to adapt their policies to the numerical benchmark for debt reduction. This should equally apply to Member States which are subject to a European Union/International Monetary Fund adjustment programme.

Members consider that non-compliance with the numerical benchmark for debt reduction should not be sufficient for the establishment of an excessive deficit, which should take into account the whole range of relevant factors covered by the Commission. In particular, the assessment of the effect of the cycle and the composition of the stock-flow adjustment on debt developments may be sufficient to exclude the establishment of an excessive deficit on the basis of the debt criterion.

In taking into account systemic pensions reforms among the relevant factors, the central consideration should be whether they enhance the long-term sustainability of the overall pension system, while not increasing risks for the medium-term budgetary position.

Correction of situations of excessive deficit: in order to support the monitoring of compliance with Council recommendations and notices for the correction of situations of excessive deficit, there is a need that these specify annual budgetary targets consistent with the required fiscal improvement in cyclically adjusted terms, net of one-off and temporary measures. In this context, the 0.5% of GDP annual benchmark should be understood as annual average basis. In assessing the case for an extension of the deadline for correcting the excessive deficit, special consideration should be given to severe economic downturns for the euro area or the EU as a whole on condition that this does not endanger fiscal sustainability in the medium term.

Surveillance missions: the Commission shall maintain a permanent dialogue with authorities of the Member States in accordance with the objectives of this Regulation. To that end, the Commission shall, in particular, carry out missions for the purpose of the assessment of the actual economic situation in the Member State and the identification of any risks or difficulties in complying with the objectives of this

Regulation.

When the Member State concerned is a Member State whose currency is the euro or participating in ERM II, the Commission may invite representatives of the European Central Bank, if appropriate, to participate in surveillance missions.

Fines: fines collected should be assigned to stability mechanisms to provide financial assistance, created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole.

Economic governance: implementation of the excessive deficit procedure. 'Six pack'

The European Parliament adopted by 363 votes to 268, with 37 abstentions, under a special legislative procedure (consultation of the European Parliament), a legislative procedure on the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

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

The main amendments made to the proposal are as follows:

Stability pact: the Stability and Growth Pact and the Union's economic governance framework as a whole should complement and be compatible with a Union strategy for growth and job creation that boosts the Union's competitiveness. Environmental responsibility, social progress and stability, and the development and strengthening of the Single Market should also be envisaged by this framework. As a general principle, these interlinkages should not provide for exemptions to the provisions of the Stability and Growth Pact. National budgetary rules should be complementary to the Member States' commitments under the Stability and Growth Pact.

Strengthening governance: the amended text states that experience gained and mistakes made during the first decade of functioning of the economic and monetary union show a 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.

According to the new Regulation, the improved economic governance framework should rely on several inter-linked policies for sustainable growth and jobs, which need to be coherent with each other, in particular a Union strategy for growth and jobs, with particular focus upon development and strengthening of the internal market, fostering international trade and competitiveness, an effective framework for preventing and correcting excessive government deficit (the Stability and Growth Pact), a robust framework for preventing and correcting macro-economic imbalances, minimum requirements for national budgetary frameworks, enhanced financial market regulation and supervision including macro-prudential supervision by the European Systemic Risk Board.

Stronger role for Commission in surveillance: Parliament states that the Commission should have a stronger and more independent role in the enhanced surveillance procedure. This concerns Member-State-specific assessments, monitoring, missions, recommendations and warnings.

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 the Council decision and the Council recommendation based on the Treaty on the Functioning of the European Union. The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly.

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

Excessive deficit procedure: the Commission and the Council should when applying this Regulation appropriately take into account all relevant factors and the economic and budgetary situation of the concerned Member States. The amended text states that implementing the existing excessive deficit procedure on the basis of both the deficit criterion and the debt criterion requires a numerical benchmark that takes into account the business cycle against which to assess whether the ratio of government debt to gross domestic product is sufficiently diminishing and approaching the reference value at a satisfactory pace. A transition period should be introduced in order to allow Member States subject to an excessive deficit procedure at the date of adoption of this regulation to adapt their policies to the numerical benchmark for debt reduction. This should equally apply to Member States which are subject to a European Union/International Monetary Fund adjustment programme.

Non-compliance with the numerical benchmark for debt reduction should not be sufficient for the establishment of an excessive deficit, which should take into account the whole range of relevant factors covered by the Commission. In particular, the assessment of the effect of the cycle and the composition of the stock-flow adjustment on debt developments may be sufficient to exclude the establishment of an excessive deficit on the basis of the debt criterion.

In taking into account systemic pensions reforms among the relevant factors, the central consideration should be whether they enhance the long-term sustainability of the overall pension system, while not increasing risks for the medium-term budgetary position.

Correction of excessive deficits: in order to support the monitoring of compliance with Council recommendations and notices for the correction of situations of excessive deficit, there is a need that these specify annual budgetary targets consistent with the required fiscal improvement in cyclically adjusted terms, net of one-off and temporary measures. In this context, the 0.5% of GDP annual benchmark should be understood as annual average basis.

In assessing the case for an extension of the deadline for correcting the excessive deficit, special consideration should be given to severe economic downturns for the euro area or the EU as a whole on condition that this does not endanger fiscal sustainability in the medium term.

If a participating Member State fails to act in compliance with the successive decisions of the Council, the decision of the Council to impose sanctions shall be taken as a rule within sixteen months of the reporting dates established in Regulation (EC) No 479/2009. An expedited procedure shall be used in the case of a deliberately planned deficit which the Council decides is excessive.

Surveillance missions: the Commission shall maintain a permanent dialogue with authorities of the Member States in accordance with the objectives of this Regulation. To that end, the Commission shall, in particular, carry out missions for the purpose of the assessment of the actual economic situation in the Member State and the identification of any risks or difficulties in complying with the objectives of this Regulation.

When the Member State concerned is a Member State whose currency is the euro or participating in ERM II, the Commission may invite representatives of the European Central Bank, if appropriate, to participate in surveillance missions.

Fines: fines shall constitute other revenue and 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 fines shall be assigned to that last mechanism.

Reporting: 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. That report shall evaluate, inter alia: (a) the effectiveness of the regulation; (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.

Economic governance: implementation of the excessive deficit procedure. '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 (corrective arm of the Stability and Growth Pact).

LEGISLATIVE ACT: Council Regulation (EU) No 1177/2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

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 lays down the provisions for speeding up and clarifying the excessive deficit procedure. The objective of the excessive deficit procedure is to deter excessive government deficits and, if they occur, to further prompt their correction, where compliance with the budgetary discipline is examined on the basis of the government deficit and government debt criteria.

Excessive deficit procedure: the Council and the Commission should, when applying this Regulation, take into account, as appropriate, all relevant factors and the economic and budgetary situation of the Member States concerned.

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

A numerical benchmark is introduced to determine whether the debt ratio is sufficiently diminishing toward the 60% of GDP threshold. A debt-to-GDP ratio above 60% will thus be considered to be sufficiently diminishing if its distance with respect to the 60% reference value has decreased over the previous three years at an annual rate of one twentieth. However, a decision to subject a country to the excessive deficit procedure will not only be based on the numerical benchmark, but will also take into account other relevant factors.

Taking into account systemic pension reforms among the relevant factors, the central consideration should be whether those reforms enhance the long-term sustainability of the overall pension system, while not increasing the risks to the medium-term budgetary position.

Sanctions: to strengthen the corrective arm of the Stability and Growth Pact, a new set of financial sanctions are introduced for euro-area Member States.

These sanctions will apply earlier on in the excessive deficit procedure, and using a graduated approach.

The deposit will be converted into a fine of 0.2% of GDP if the Council's initial recommendation for correcting the deficit has not been followed. Further non-compliance will result in the sanction being stepped up, in line with the existing provisions of article 126(11) of the EU treaty (maximum fine: 0.5% of GDP).

To trigger the sanctions more automatically than at present, a so-called reverse majority rule is introduced, whereby the Commission's proposal for imposing sanctions related to non-compliance with the Pact will be considered adopted unless the Council turns it down by qualified majority.

If a participating Member State fails to act in compliance with the successive acts of the Council, the decision of the Council under Article 126(11) TFEU to impose sanctions shall be taken as a rule within 16 months of the reporting dates established in Regulation (EC) No 479/2009.

Fines: fines shall constitute other revenue and should be assigned to stability mechanisms to provide financial assistance, created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole.

Economic dialogue: in order to enhance the dialogue between the institutions of the Union, 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 Council decisions and recommendations under the TFEU.

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

Surveillance missions: the Commission shall ensure a permanent dialogue with authorities of the Member States in accordance with the objectives of this Regulation. To that end, the Commission shall, in particular, carry out missions for the purpose of the assessment of the actual economic situation in the Member State and the identification of any risks or difficulties in complying with the objectives of this Regulation.

When the Member State concerned is a Member State whose currency is the euro or participating in ERM II, the Commission may invite representatives of the European Central Bank, if appropriate, to participate in surveillance missions.

Report: by 14 December 2014 and every five years thereafter, the Commission shall publish a report on the application of this Regulation. This report shall evaluate the effectiveness of this Regulation as well as 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.