Procedure file

Basic information

COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	2011/0385(COD)	Procedure completed

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

See also 2011/0386(COD)
See also 2014/2938(RSP)

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

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		25/10/2011
		PPE GAUZÈS Jean-Paul	
		Shadow rapporteur	
		S&D FERREIRA Elisa	
		ALDE GOULARD Sylvie	
		Verts/ALE GIEGOLD Sven	
		ECR EPPINK Derk Jan	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets	The committee decided not to give an opinion.	
	EMPL Employment and Social Affairs		15/12/2011
		S&D DAERDEN Frédéric	
Council of the European Union	Council configuration	Meeting	Date
	Agriculture and Fisheries	3237	13/05/2013
	Economic and Financial Affairs ECOFIN	3227	05/03/2013
	Economic and Financial Affairs ECOFIN	3215	22/01/2013
	Economic and Financial Affairs ECOFIN	3205	04/12/2012
	Economic and Financial Affairs ECOFIN	3198	13/11/2012
	Economic and Financial Affairs ECOFIN	3181	10/07/2012
	Economic and Financial Affairs ECOFIN	3148	21/02/2012
	Economic and Financial Affairs ECOFIN	3141	24/01/2012
	Economic and Financial Affairs ECOFIN	3129	30/11/2011
European Commission	Commission DG	Commissioner	
	Economic and Financial Affairs	REHN Olli	

Key events

23/11/2011	Legislative proposal published	COM(2011)0819	Summary
30/11/2011	Debate in Council	3129	Summary
15/12/2011	Committee referral announced in Parliament, 1st reading		
24/01/2012	Debate in Council	3141	Summary
21/02/2012	Debate in Council	3148	Summary
14/05/2012	Vote in committee, 1st reading		
24/05/2012	Committee report tabled for plenary, 1st reading	A7-0172/2012	Summary
07/06/2012	Additional information		Summary
12/06/2012	Debate in Parliament		
13/06/2012	Results of vote in Parliament		
13/06/2012	Decision by Parliament, 1st reading	T7-0242/2012	Summary
10/07/2012	Debate in Council	3181	Summary
13/11/2012	Debate in Council	3198	Summary
04/12/2012	Debate in Council	3205	
22/01/2013	Debate in Council	3215	
05/03/2013	Debate in Council	3227	Summary
12/03/2013	Decision by Parliament, 1st reading	T7-0069/2013	Summary
13/05/2013	Act adopted by Council after Parliament's 1st reading		
21/05/2013	Final act signed		
21/05/2013	End of procedure in Parliament		
27/05/2013	Final act published in Official Journal		

Technical information

Procedure reference	2011/0385(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	See also 2011/0386(COD) See also 2014/2938(RSP)
Legal basis	Treaty on the Functioning of the EU TFEU 136; Treaty on the Functioning of the EU TFEU 121-p6
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/07962

Documentation gateway

Legislative proposal		COM(2011)0819	23/11/2011	EC	Summary
European Central Bank: opinion, guideline, report		CON/2012/0018 OJ C 141 17.05.2012, p. 0007	07/03/2012	ECB	Summary
Amendments tabled in committee		PE485.871	13/03/2012	EP	
Committee draft report		PE483.472	14/03/2012	EP	
Committee opinion	EMPL	PE480.648	28/03/2012	EP	
Committee report tabled for plenary, 1st reading/single reading		A7-0172/2012	24/05/2012	EP	Summary
Text adopted by Parliament, partial vote at 1st reading/single reading		T7-0242/2012	13/06/2012	EP	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0069/2013	12/03/2013	EP	Summary
Commission response to text adopted in plenary		SP(2013)306	30/04/2013	EC	
Follow-up document		COM(2014)0061	06/02/2014	EC	Summary
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 2013/472
OJ L 140 27.05.2013, p. 0001 Summary

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

PURPOSE: to strengthen economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area.

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

BACKGROUND: the unprecedented global crisis that has hit the world over the last three years has seriously damaged economic growth and financial stability and provoked a strong deterioration in the government deficit and debt position of the Member States, leading a number of them to seek financial assistance outside the framework of the Union.

The full consistency between the Union multilateral surveillance framework established by the Treaty and the possible policy conditions attached to this financial assistance should be enshrined in Union law. The economic and financial integration of the Member States whose currency is the euro calls for a reinforced surveillance to prevent a contagion from a Member State experiencing difficulties with respect to its financial stability to the rest of the euro area.

The intensity of the economic and fiscal surveillance should be commensurate to the severity of the financial difficulties encountered and should take due account of the nature of the financial assistance received, which may range from a mere precautionary support based on eligibility conditions up to a full macro-economic adjustment programme involving strict policy conditionality

IMPACT ASSESSMENT: no impact assessment was carried out.

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

CONTENT: the proposed Regulation on strengthened surveillance for the euro area builds on what has already been agreed in the Six Pack set of legislative measures which will enter into force in mid-December. It sets out provisions for strengthening the economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability and/or that receive or may receive financial assistance from one or several other States, the European Financial Stability Facility (EFSF), the European Financial Stability Mechanism (EFSM), the European Stability Mechanism (ESM) or other International Financial Institutions (IFI), such as the International Monetary Fund (IMF).

Enhanced surveillance: the proposed Regulation strengthening economic and fiscal surveillance of euro area countries facing or threatened with serious financial instability would ensure that the surveillance of these Member States under a financial assistance programme, or facing a serious threat of financial instability, is robust, follows clear procedures and is embedded in EU law. The Commission would be able to decide whether a Member State experiencing severe difficulties with regard to its financial stability should be subject to enhanced surveillance. The Council would be able to issue a recommendation to such Member States to request financial assistance. A Member State under enhanced surveillance shall, in consultation and cooperation with the Commission, acting in liaison with the European Central Bank (ECB), adopt measures aimed at addressing the sources or potential sources of difficulties. The Commission shall conduct, in liaison with the ECB, regular review missions in the Member State under surveillance to verify the progresses made in the implementation of the measures.

Where it is concluded that further measures are needed and the financial situation of the Member State concerned has significant adverse effects on the financial stability of the euro area, the Council, acting by qualified majority on a proposal from the Commission, may recommend to the Member State concerned to seek financial assistance and to prepare a macro-economic adjustment programme. The Council may decide to make this recommendation public.

Where a recommendation is made public: (a) the relevant Committee of the European Parliament may invite representatives of the Member State concerned to participate to an exchange of views; (b) representatives of the Commission may be invited by the parliament of the Member State concerned to participate to an exchange of views.

Macro-economic adjustment programme: a Member State receiving financial assistance from one or several other States, the IMF, the EFSF or the ESM shall prepare in agreement with the Commission - acting

in liaison with the ECB - a draft adjustment programme aimed at re-establishing a sound and sustainable economic and financial situation and restoring its capacity to finance itself fully on the financial markets. The Council, acting by qualified majority on a proposal from the Commission, shall approve the adjustment programme.

The Commission, in liaison with the ECB, shall monitor the progress made in the implementation of the adjustment programme. It shall - in liaison with the ECB - examine with the Member State concerned the changes that may be needed to its adjustment programme. The Council, acting by a qualified majority on a proposal from the Commission, shall decide on any change to be made to the adjustment programme.

Post-programme surveillance: a Member State shall be under post-programme surveillance as long as a minimum of 75% of the financial assistance received from one or several other Member State(s), the EFSM, the EFSF or the ESM has not been repaid. The Council, acting on a qualified majority on a proposal from the Commission, may extend the duration of the post programme surveillance.

BUDGETARY IMPLICATION: there are no budgetary implications.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Council took note of a presentation by the Commission on a second package of proposals for the strengthening of economic governance, aimed at enabling the EU's monetary union to function better in the longer term.

The package includes:

- a regulation for enhanced surveillance of euro area member states, especially of those subject of an excessive deficit procedure;
- a regulation on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance;
- a green paper on stability bonds ("eurobonds"), assessing the options for the joint issuance of bonds in the euro area.

Presentation of the package follows the recent adoption of a first package of proposals on the strengthening of coordination so as to ensure sustainable public finances and avoid the accumulation of excessive economic imbalances in the member states.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Council discussed two draft regulations on economic governance, namely:

- a regulation for enhanced monitoring and assessment of draft budgetary plans of euro area member states, especially those subject to an excessive deficit procedure;
- a regulation on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance.

This second package of proposals was presented by the Commission in November following adoption of the so-called "six-pack" of economic

governance proposals.

The Council assessed progress made by an ad hoc working group which was set up in December 2011 to work on the proposals and discussed two issues (one related to each proposal):

Submission of budgetary plans: whether all euro area member states should submit their budgetary plans to the Commission and the Euro Group for monitoring purposes, or only those subject to an excessive deficit procedure. While a broad majority of member states favoured reporting by all member states, some countries considered the proposed reporting requirements to be excessive for countries not subject to an excessive deficit procedure.

The Council concluded that the reporting should involve all member states. It asked the ad hoc working group to consider the concerns raised, as well as the timing of the reporting requirement.

Recommendation to seek financial assistance: whether the Council should be empowered to adopt, on the basis of a Commission proposal, a recommendation to a member state to seek financial assistance. Some member states expressed concerns that this could impinge on the decision-making procedures of the European Stability Mechanism (ESM), and pose difficulties with regard to confidentiality.

The Council concluded that it should be able to issue such a recommendation and accordingly asked the ad hoc working group to analyse the decision-making procedures.

Discussions on the two proposals are linked with the negotiation of a fiscal compact treaty and amendments to the ESM treaty. Therefore, the texts of the two legislative proposals will not be finalised until the two treaties have been approved.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Council agreed a general approach on two draft regulations on economic governance, namely:

- a regulation for enhanced monitoring and assessment of draft budgetary plans of euro area member states, especially those subject to an excessive deficit procedure;
- a regulation on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance.

This will enable the presidency, on behalf of the Council, to start negotiations with the European Parliament, with a view to reaching agreement at first reading before the end of the Danish presidency.

The two regulations would introduce provisions for enhanced monitoring of euro area countries' budgetary policies:

- Member states would be required to submit annually to the Council and the Commission their draft budgetary plans for the next year by 15 October.
- Closer monitoring would apply to member states in excessive deficit procedure in order to enable the Commission to better assess whether there is a risk of non-compliance with the deadline to correct the excessive deficit.

Member states experiencing severe difficulties with regard to their financial stability or receiving financial assistance on a precautionary basis would be subject to even tighter monitoring than member states in excessive deficit procedure.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

OPINION OF THE EUROPEAN CENTRAL BANK on strengthened economic governance of the euro area (Two pack).

On 21 December 2011, the ECB received a request from the Council of the European Union for an opinion on :

- a proposal for a regulation of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area;
- a proposal for a regulation of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area.

The ECB welcomes the proposed regulations and recommends some amendments aimed at: (a) further strengthening the budgetary discipline of the euro area Member States; and; (b) further enhancing the surveillance of the euro area Member States experiencing or threatened with serious difficulties with respect to their financial stability, irrespective of whether they receive financial assistance or may need to receive such assistance.

The ECB sees the proposed regulations as compatible with and complementary to the new Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) as agreed at the European Council meeting of 30 January 2012. Finally, a condition for progressing with the above mentioned quantum leap is that Member States timely and vigorously implement their obligations under the TSCG, and the proposed regulations when adopted.

Proposed regulation on strengthening surveillance procedures: overall, the proposed regulation is welcome, as it gives an explicit basis to the practice of stronger monitoring of Member States experiencing financial market tensions or receiving financial assistance. The involvement of the ECB and European Supervisory Authorities is also welcome. Nevertheless, the ECB has several observations:

- The ECB welcomes the fact that even if a Member State is not receiving any kind of financial support, the Commission may decide to subject it to enhanced surveillance if it is experiencing severe financial difficulties. In addition, providing examples of what could constitute a serious difficulty would facilitate the understanding of the proposed regulation, contrary to developing an exhaustive definition, which would not be prudent.
- As the sources of difficulties of the Member States under enhanced surveillance might easily encompass or generate systemic risks, action in this field could benefit from the involvement of the European Systemic Risk Board (ESRB). It would therefore be useful to inform the ESRB, where relevant, about the results of the enhanced surveillance.
- Another crucial feature of the proposed regulation is that the Council may recommend that a Member State under enhanced surveillance seeks financial assistance and prepares a macroeconomic adjustment programme if it is found that more measures are needed and the Member States financial situation has significant adverse effects on financial stability in the euro area as a whole. This is an important provision as it strongly encourages a Member State to ask for financial assistance and to avoid unnecessary delays where this could have detrimental consequences for financial stability in the euro area as a whole. This provision could be reinforced by obliging the Council (the Council shall) to make a recommendation of this kind.
- Member States should be encouraged not to avoid a more ambitious adjustment programme by applying for precautionary assistance instead of direct financial assistance.
- The ECB notes that obligations of the euro area Member States wishing to obtain financial assistance should entail more than just information sharing. Indeed such Member States should discuss the possibilities available under existing Union or euro area financial instruments and the facilities of international financial institutions and lenders. The proposed strengthened surveillance procedure could be further reinforced in several ways.
- The continuous monitoring by the Commission of the eligibility criteria laid down in Union and intergovernmental financial assistance instruments should also apply to Member States that have been granted access to financial assistance on a precautionary basis, even if this assistance is not linked to the adoption of new policy measures. In any case, if a Member State judges it necessary to request precautionary financial assistance, a closer monitoring seems justified.
- The ECB recommends keeping open the possibility of assessing the sustainability of government debt also with regard to Member States under a precautionary programme.
- It is important to also empower the Council to initiate and pursue the enhanced surveillance procedures by requesting the Commission to initiate enhanced surveillance, request additional information on the situation of financial institutions, perform additional stress tests or request additional action.
- The proposed regulation requires a Member State subject to an adjustment programme experiencing insufficient administrative capacity or significant problems in the implementation of the programme to seek technical assistance from the Commission.
- In addition, the setting up of a permanent resident advisor in the Member State concerned, who would advise the authorities of this Member State on the implementation of the adjustment programme and coordinate with the Union institutions and Member States involved in the technical assistance would be useful.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Committee on Economic and Monetary Affairs adopted the report by Jean-Paul GAUZÈS (EPP, FR) on the proposal for a regulation of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area.

The committee recommends that the position of the European Parliament in first reading following the ordinary legislative procedure should be to amend the Commission proposal. The main amendments are as follows:

Strengthening budgetary rules and economic coordination: Members feel that the Regulation should contain provisions for enhanced national budgetary rules and economic policy coordination. With a view to coordinating better the planning of their national debt issuance, Member States shall report in advance on their public debt issuance plans to the Commission and to the Council. They must also ensure that all major economic policy reforms that they plan to undertake are discussed in advance and, where appropriate, shall coordinate those reforms with the other Member States; ensure that the budgetary position of the general government is balanced or in surplus over the medium term.

Members specify that the recommendations adopted under the Regulation shall respect national practices and institutions for wage formation. The Regulation does not affect the right to negotiate, conclude and enforce collective agreements and to take collective action in accordance with national law and practices.

Member States under enhanced surveillance: before deciding to make a Member State subject to enhanced surveillance, the Commission must take account of the latest in-depth review in accordance with Regulation (EU) No 1176/2011, and take into account additional objective criteria, including warnings by the European Systemic Risk Board (ESRB). The Council may, within 10 days of such a decision, repeal it by qualified majority. The Member State concerned shall be given the possibility to express its views before the decision is taken.

Where the Commission decides to put a Member State under enhanced surveillance it shall duly notify the ESRB and, where relevant, inform them of the results of the enhanced surveillance.

Enhanced surveillance: when preparing the macro-economic adjustment programme, the committee states that all recommendations addressed to the Member State in the course of an excessive deficit procedure or an excessive macroeconomic imbalance procedure should be taken into account. Moreover, the Commission shall examine potential negative spill-over effects generated by other Member States including in the field of taxation. Where the Commission has identified such negative spill-over effects, the Council, on a recommendation from the Commission, shall address the necessary recommendations to the Member States generating the negative spill-over effects.

On a request from the Commission, a Member State under enhanced surveillance shall:

- communicate to the Commission, the ECB, and the relevant ESAs, disaggregated information on developments in its financial system;
- carry out, under the supervision of the relevant ESAs, stress test exercises or sensitivity analyses as necessary to assess the

resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB in liaison with the relevant ESAs and the ESRB;

- be subject to regular assessments of its supervisory capacities over the financial sector in the framework of aspecific peer review carried out by the relevant ESAs;
- communicate any information needed for the monitoring of macroeconomic imbalances .

Member States receiving financial support for the recapitalisation of their financial institutions shall, in addition, report on the conditions imposed on those financial institutions, including as regards executive remuneration and credit conditions applicable in the real economy.

The Commission shall conduct, in liaison with the ECB and the relevant ESAs and, where appropriate, the IMF, regular review missions in the Member State under enhanced surveillance to verify the progress made. It shall communicate every quarter its findings to the EFC and to the competent committee of the European Parliament.

Where a Member State seeks financial assistance from the ESM, the other Member States shall use their best efforts to ensure that the ESM provide assistance to that Member State, and that it do so in a timely manner.

During the whole process, the competent committee of the European Parliament and the parliament of the Member State concerned may invite representatives of the IMF, the ECB and the Commission to participate in an economic dialogue on significant in relation to the proper functioning of the economy.

Assessment of the sustainability of the government debt: the amended text states that where financial assistance is sought from the EFSF, the EFSM or the ESM, the Commission shall prepare in liaison with the ECB and wherever possible and appropriate, with the IMF - an analysis of the sustainability of the government debt and the actual or potential financing needs of the Member State concerned, including the impact of any macro-prudential adjustment programme on the Member State's ability to repay the envisaged financial assistance, and send it to the Economic and Financial Committee.

The assessment of the sustainability of the government debt shall be based on prudent macroeconomic and budgetary forecasts using the most up-to-date information. The forecasts shall assess the impact of macroeconomic and financial shocks and adverse developments on the sustainability of government debt.

Macro-economic adjustment programme: an amendment stipulates that the draft macroeconomic adjustment programme shall addresses the specific risks emanating from that Member State for the financial stability of the euro area and shall aim at rapidly re-establishing a sound and sustainable economic and financial situation and restoring its capacity to finance itself fully on the financial markets. The draft macroeconomic adjustment programme shall respect the practices and institutions for wage formation and industrial relations in the Union and shall, where possible, take into account the national reform programme of the Member State concerned in the context of the Union strategy for growth and jobs.

- A Member State preparing a draft macroeconomic adjustment programme shall establish, in agreement with the Commission, an updated partnership programme aiming at creating the necessary conditions for achieving sustainable public finances. The Commission shall assess the draft macroeconomic adjustment programme within one week of submission of that programme. If the Commission considers the draft macroeconomic adjustment programme to be sufficient, it shall approve it. The Council may, within 10 days of that decision, repeal it by qualified majority.
- The Commission and the Council shall monitor the implementation of the adjustment programme and the annual budgetary plans consistent with it. In the case of insufficient cooperation, the Council, on a proposal from the Commission, may address a public recommendation to the Member State concerned laying down the action to be taken by that Member State.
- If the monitoring highlights significant deviations from the macroeconomic adjustment programme. The Commission may decide that the Member State concerned does not comply with the policy requirements contained in the adjustment programme. In its decision, the Commission shall explicitly take account of whether significant deviation is due to reasons that are not within the control of the Member State concerned. The Council may, within 10 days of adoption of such a decision, repeal it by qualified majority.
- The macroeconomic adjustment programme shall, in particular, outline precautionary measures and contingency plans to be adopted in case of unforeseen developments such as exogenous shocks.
- The fiscal consolidation efforts set out in the macroeconomic adjustment programme shall take into account the needs to ensure sufficient means for fundamental policies such as education and health care.
- Members state that a Member State subject to a macroeconomic adjustment programme shall carry out a comprehensive audit of its outstanding stock of debt in order to inter alia carry out an assessment of the reasons having led to the building up of excessive levels of debt as well as any irregularity involved in the debt issuance process.

Involvement of social partners and civil society: the committee inserted a new clause stating that organisations representing the economic and the social partners as well as civil society organisations shall be given the opportunity to express their views on the Commission public recommendations and opinions provided for in the Regulation and on Member States reports and draft reports. These views shall be made public.

Measures to safeguard tax revenue: the Member State concerned shall, in close cooperation with the Commission and in liaison with the ECB, take measures aimed at preventing infringements of national law and regulations in particular in the field of taxation. The Member State concerned shall request the Commission to make a proposal to the Council, in accordance with Article 66 TFEU, to take safeguard measures regarding movements of capital to or from third countries causing, or threatening to cause, serious difficulties for the operation of the economic and monetary union.

Placement of a Member State under legal protection: members propose the creation of a system of legal protection where the measures provided for do not restore the financial situation of the Member State and where that Member State is at risk of enduring state of default or suspension of payments. The Commission may, after consulting the Council, adopt a decision placing the Member State under legal protection whereby 'close-out netting' or 'credit event' provisions become inoperative.

The aim is to allow the Member State concerned to stabilise its economic situation and to be able to honour its debt. These provisions would

apply from 2017.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

For more information, please refer to the Newsletter and "Q&A" published by the European Parliament's DG Communication.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The European Parliament, by 471 votes to 97, with 78 abstentions, adopted amendments to the proposal for a regulation of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area.

The issue was sent back to the committee responsible and the vote on the legislative resolution shall be postponed until a later date.

The main amendments made to the proposal are as follows:

Strengthening budgetary rules and economic coordination: Parliament feels that the Regulation should contain provisions for enhanced national budgetary rules and economic policy coordination.

With a view to coordinating better the planning of their national debt issuance, Member States shall report in advance on their public debt issuance plans to the Commission and to the Council.

They must also ensure that:

- all major economic policy reforms that they plan to undertake are discussed in advance and, where appropriate, shall coordinate those reforms with the other Member States;
- ensure that the budgetary position of the general government is balanced or in surplus over the medium term.

Members specify that the recommendations adopted under the Regulation shall respect national practices and institutions for wage formation. The Regulation does not affect the right to negotiate, conclude and enforce collective agreements and to take collective action in accordance with national law and practices.

Member States under enhanced surveillance: before deciding to make a Member State subject to enhanced surveillance, the Commission must take account of the latest in-depth review in accordance with Regulation (EU) No 1176/2011, and take into account additional objective criteria, including warnings by the European Systemic Risk Board (ESRB). The Council may, within 10 days of such a decision, repeal it by qualified majority. The Member State concerned shall be given the possibility to express its views before the decision is taken.

Where the Commission decides to put a Member State under enhanced surveillance it shall duly notify the ESRB and, where relevant, inform them of the results of the enhanced surveillance.

Enhanced surveillance: when preparing the macro-economic adjustment programme, the Parliament states that all recommendations addressed to the Member State in the course of an excessive deficit procedure or an excessive macroeconomic imbalance procedure should be taken into account. The Eurogroup Working Group, the Economic and Financial Committee (EFC), the relevant committee of the European Parliament and the parliament of the Member State concerned shall be informed of those measures.

Moreover, the Commission shall examine potential negative spill-over effects generated by other Member States including in the field of taxation. Where the Commission has identified such negative spill-over effects, the Council, on a recommendation from the Commission, shall address the necessary recommendations to the Member States generating the negative spill-over effects.

On a request from the Commission, a Member State under enhanced surveillance shall:

- communicate to the Commission, the ECB, and the relevant ESAs, disaggregated information on developments in its financial system; including an analysis of the results of the stress test exercises and sensitivity analyses carried out the Regulation;
- carry out, under the supervision of the relevant ESAs, stress test exercises or sensitivity analyses as necessary to assess the resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB in liaison with the relevant ESAs and the ESRB;
- be subject to regular assessments of its supervisory capacities over the financial sector in the framework of aspecific peer review carried out by the relevant ESAs;
- communicate any information needed for the monitoring of macroeconomic imbalances.

Member States receiving financial support for the recapitalisation of their financial institutions shall, in addition, report on the conditions imposed on those financial institutions, including as regards executive remuneration and credit conditions applicable in the real economy.

The Commission shall conduct, in liaison with the ECB and the relevant ESAs and, where appropriate, the IMF, regular review missions in the Member State under enhanced surveillance to verify the progress made. It shall communicate every quarter its findings to the EFC and to the competent committee of the European Parliament.

Where a Member State seeks financial assistance from the ESM, the other Member States shall use their best efforts to ensure that the ESM provide assistance to that Member State, and that it do so in a timely manner. A Member State intending to request financial assistance from one or several other Member States, the EFSF, the ESM, the IMF or another institution outside of the Union framework shall immediately

inform the European Parliament, the Council, the Commission and the ECB of its intention.

During the whole process, the competent committee of the European Parliament and the parliament of the Member State concerned may invite representatives of the IMF, the ECB and the Commission to participate in an economic dialogue on significant in relation to the proper functioning of the economy.

Assessment of the sustainability of the government debt: the amended text states that where financial assistance is sought from the EFSF, the EFSM or the ESM, the Commission shall prepare ? in liaison with the ECB and wherever possible and appropriate, with the IMF - an analysis of the sustainability of the government debt and the actual or potential financing needs of the Member State concerned, including the impact of any macro-prudential adjustment programme on the Member State's ability to repay the envisaged financial assistance, and send it to the Economic and Financial Committee.

The assessment of the sustainability of the government debt shall be based on prudent macroeconomic and budgetary forecasts using the most up-to-date information. The forecasts shall assess the impact of macroeconomic and financial shocks and adverse developments on the sustainability of government debt.

Macro-economic adjustment programme: Parliament stipulates that the draft macroeconomic adjustment programme shall address the specific risks emanating from that Member State for the financial stability of the euro area and shall aim at rapidly re-establishing a sound and sustainable economic and financial situation and restoring its capacity to finance itself fully on the financial markets. The draft macroeconomic adjustment programme shall respect the practices and institutions for wage formation and industrial relations in the Union and shall, where possible, take into account the national reform programme of the Member State concerned in the context of the Union strategy for growth and jobs.

- A Member State preparing a draft macroeconomic adjustment programme shall establish, in agreement with the Commission, an updated partnership programme aiming at creating the necessary conditions for achieving sustainable public finances. The Commission shall assess the draft macroeconomic adjustment programme within one week of submission of that programme. If the Commission considers the draft macroeconomic adjustment programme to be sufficient, it shall approve it. The Council may, within 10 days of that decision, repeal it by qualified majority.
- If the Commission considers the actions or the timetable envisaged in the draft macroeconomic adjustment programme to be insufficient, it shall adopt a recommendation addressed to the Member State to submit, within one week, a new draft macroeconomic adjustment programme, while stating the reasons why the original programme is insufficient.
- The Commission and the Council shall monitor the implementation of the adjustment programme and the annual budgetary plans consistent with it. In the case of insufficient cooperation, the Council, on a proposal from the Commission, may address a public recommendation to the Member State concerned laying down the action to be taken by that Member State.
- If the monitoring highlights significant deviations from the macroeconomic adjustment programme. The Commission may decide that the Member State concerned does not comply with the policy requirements contained in the adjustment programme. In its decision, the Commission shall explicitly take account of whether significant deviation is due to reasons that are not within the control of the Member State concerned. The Council may, within 10 days of adoption of such a decision, repeal it by qualified majority.
- The macroeconomic adjustment programme shall, in particular, outline precautionary measures and contingency plans to be adopted in case of unforeseen developments such as exogenous shocks.
- Member State subject to a macroeconomic adjustment programme experiencing insufficient administrative capacity or significant problems in the implementation of its adjustment programme shall seek technical assistance from the Commission. The objectives and the means of the technical assistance shall be explicitly outlined in the updated versions of the macroeconomic adjustment programme. It shall be focused on areas such as: improving public procurement, promoting competition, tackling corruption and increasing the efficiency of collecting tax revenues to promote financial sustainability.
- The fiscal consolidation efforts set out in the macroeconomic adjustment programme shall take into account the needs to ensure sufficient means for fundamental policies such as education and health care.

Members state that a Member State subject to a macroeconomic adjustment programme shall carry out a comprehensive audit of its outstanding stock of debt in order to inter alia carry out an assessment of the reasons having led to the building up of excessive levels of debt as well as any irregularity involved in the debt issuance process.

Involvement of social partners and civil society: Members introduced a new article stating that organisations representing the economic and the social partners as well as civil society organisations shall be given the opportunity to express their views on the Commission public recommendations and opinions provided for in the Regulation and on Member States reports and draft reports. These views shall be made public.

Measures to safeguard tax revenue: the Member State concerned shall, in close cooperation with the Commission and in liaison with the ECB, take measures aimed at preventing infringements of national law and regulations in particular in the field of taxation. The Member State concerned shall request the Commission to make a proposal to the Council, in accordance with Article 66 TFEU, to take safeguard measures regarding movements of capital to or from third countries causing, or threatening to cause, serious difficulties for the operation of the economic and monetary union.

Placement of a Member State under legal protection: Parliament proposes the creation of a system of legal protection where the measures provided for do not restore the financial situation of the Member State and where that Member State is at risk of enduring state of default or suspension of payments. The aim of this is to allow the Member State concerned to stabilise its economic situation and to be able to honour its debt.

A decision placing a Member State under legal protection shall have the following effects:

- ?close-out netting? or ?credit event? provisions become inoperative;
- the loan interest rates applied are maintained and new loans to the Member State, with the exception of financial assistance referred to in Article 1(1), are to be reimbursed as a priority;
- the creditors of the Member State concerned make themselves known to the Commission within two months from the publication of the decision placing the Member State concerned under legal protection in the Official Journal of the European Union; failure to do so results in their debt being extinguished.

This Article shall apply from 2017.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Council was informed by the presidency on the process to be followed with a view to reaching an agreement with the European Parliament on two draft Regulations on economic governance, namely:

- a Regulation for enhanced monitoring and assessment of draft budgetary plans of euro area Member States, especially those subject to an excessive deficit procedure;
- a Regulation on enhanced surveillance of euro area member states that are experiencing severe financial disturbance or request financial assistance.

The Council confirmed that the general approach agreed at its meeting on 21 February remains the starting position for the negotiations (please refer to the procedure summary of that date). The Parliament established its negotiating position on 13 June and introduced significant changes to the proposals (please refer to the procedure summary of that date).

The first "trilogue" meeting with the European Parliament is scheduled for 11 July. An ad hoc Council working group, created to work on the proposals, discussed the modifications introduced by the Parliament on 4 July.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Council adjusted its position in negotiations with the European Parliament on two draft regulations aimed at further improving economic governance in the euro area.

This second "two-pack" of proposals includes:

- aregulation for enhanced monitoring and assessment of draft budgetary plans of euro area Member States, especially those subject to an excessive deficit procedure;
- a regulation on enhanced surveillance of euro area Member States that are experiencing severe financial disturbance or request financial assistance.

The proposals were presented by the Commission in November 2011, following adoption of an initial "six-pack" of economic governance measures. The Council agreed a general approach on the proposals in February 2012. The Parliament established its negotiating position on 4 July 2012, introducing significant changes to the texts. Negotiations between Council and Parliament started on 11 July 2012, and seven trilogues have been held since. Progress has been achieved on the regulation on enhanced surveillance, while negotiations on the regulation concerning the assessment of draft budgets have so far proved more difficult.

The Councils objective is to facilitate rapid agreement with the Parliament, so as to enable the regulations to be adopted at first reading before the end of the year, in line with the October European Council's conclusions.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Council welcomed an agreement reached with the European Parliament on 20 February on the "two-pack" of draft regulations aimed at further improving economic governance in the eurozone.

The "two-pack" includes:

- a regulation on enhanced monitoring and assessment of draft budgetary plans of euro area Member States, especially those subject to an excessive deficit procedure;
- a regulation on enhanced surveillance of euro area Member States which are experiencing severe financial disturbance or which request financial assistance. Under this Regulation, a Member State experiencing severe financial disturbance or receiving precautionary financial assistance will come under enhanced surveillance, whilst a member state receiving (non-precautionary) financial assistance will also be subject to a macroeconomic adjustment programme.

Proposals were presented by the Commission in November 2011, following the adoption of an initial "six-pack" of economic governance measures. The Council finalised its position on the "two-pack" in February 2012 and negotiations with the Parliament started in July 2012.

The compromise approved by the Committee of Permanent Representatives on 28 February paves the way for the adoption of the texts at first reading. If the Parliament approves the package as agreed in the trilogue, the Council will also proceed with adoption once the texts have been finalised.

The compromise agreed with the Parliament introduces the following elements:

- by 31 July 2013, the Commission will examine and report on ways to balance productive public investment needs with fiscal discipline objectives.
- reference to various documents on the further development of the EU's economic and monetary union.

- the Commission will draw up guidelines in the form of a harmonised framework for the specification of the content of draft budgetary plans;
- the Commission will set up a group of experts to analyse the possible merits, risks, requirements and obstacles in relation to a partial substitution of national debt issuance by joint issuance in the form of a debt redemption fund and eurobills. The group will be composed of experts in law and economics, public finances, financial markets and sovereign debt management. It will report back by March 2014 and the Commission will make proposals if appropriate.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The European Parliament adopted by 528 votes to 81, with 71 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area (Two-pack). At the sitting of 13 June 2012, the report had been referred back to the committee responsible.

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

Subject matter and scope: it is clarified that the Regulation sets out provisions to enhance economic policy coordination as well as strengthen the economic and budgetary surveillance of Member States whose currency is the euro and which:

- experience or are threatened with serious difficulties with respect to their financial stability and/or the sustainability of their public finances, leading to potential negative spill-over effects on other Member States of the euro area; and/or;
- request or receive financial assistance from one or several other Member States, the European Financial Stability Mechanism (EFSM), the European Financial Stability Facility (EFSF), the European Stability Mechanism (ESM) or other international financial institutions such as the International Monetary Fund (IMF).

Member States under enhanced surveillance: under the amended Regulation, the Commission may decide to make a Member State experiencing severe difficulties with regard to its financial stability likely to have adverse spill-over effects on other Member States of the euro area, subject to enhanced surveillance.

When assessing whether a Member State is threatened with serious difficulties with respect to its financial stability, the Commission take notably into account : (i) the borrowing conditions of that Member State; (ii) the repayment profile of its debt obligations; (iii) the robustness of its budgetary framework, the long term sustainability of its public finances, the importance of the debt burden and the risk of contagion from severe tensions in its financial sector on its fiscal situation or on the financial sector of other Member States.

Where the Commission decides to make a Member State subject to enhanced surveillance, it shall duly inform the Member State concerned of all the results of the enhanced surveillance and notify the ESRB, the ECB in its capacity as supervisor and the relevant ESAs and the ESFS.

Enhanced surveillance: Member State subject to enhanced surveillance shall adopt measures aimed at addressing the sources or potential sources of difficulties. To this end, it shall take into account any recommendations addressed to them under Council Regulation (EC) No 1466/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

On a request from the Commission, a Member State under enhanced surveillance shall:

- communicate to the Commission, the ECB, and where appropriate the relevant ESAs, at the requested frequency disaggregated information on developments in its financial system, including an analysis of the results of the stress test exercises and sensitivity analyses carried out under the Regulation;
- carry out, under the supervision of the ECB where entrusted in a supervisory capacity or where appropriate the relevant ESA(s), stress test exercises or sensitivity analyses as necessary to assess the resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB in liaison with the relevant ESAs and the ESRB, and share the detailed results with them;
- be subject to regular assessments of its supervisory capacities over the financial sector in the framework of a specific peer review carried out by the relevant ESAs;
- communicate any information needed for the monitoring of macroeconomic imbalances.

Where it is concluded that further measures are needed and the financial and economic situation of the Member State concerned has significant adverse effects on the financial stability of the euro area or of its Member States, the Council, acting by a qualified majority on a proposal from the Commission, may recommend to the Member State concerned to adopt precautionary corrective measures or prepare a draft macroeconomic adjustment programme. The Council may decide to make its recommendations public.

Where a recommendation is made public, the competent committee of the European Parliament may offer the opportunity to the Member State concerned and to the Commission to participate to an exchange of views.

During the whole process, the competent committee of the European Parliament and the parliament of the Member State concerned may invite representatives of the IMF, the ECB and the Commission to participate in an economic dialogue.

Recapitalisation of financial institutions: Member States under enhanced surveillance or macroeconomic adjustment programme receiving financial support for the recapitalisation of their financial institutions shall report twice a year to the EFC on the conditions imposed on those financial institutions, including as regards executive remuneration. Member States shall report on the credit conditions offered by the financial sector to the real economy.

Evaluation of the sustainability of the government debt: where financial assistance is sought from the EFSM, the EFSF or the ESM, the Commission shall assess in liaison with the ECB and wherever possible, the IMF - the sustainability of the government debt and the actual or potential financing needs of the Member State concerned. The assessment of the sustainability of the government debt shall be based on the most likely macrofiscal scenario or a more prudent scenario and budgetary forecasts using the most up-to-date information.

Macroeconomic adjustment programme: the draft macroeconomic adjustment programme shall address the specific risks emanating from that Member State for the financial stability of the euro area and shall aim at rapidly re-establishing a sound and sustainable economic and financial situation and restoring said Member State's capacity to finance itself fully on the financial markets.

The draft programme shall take into account the practices and institutions of wage formations and the national reform programme of the Member State concerned in the context of the Union strategy for growth and jobs.

The Commission, in liaison with the ECB and wherever relevant the IMF, shall monitor the progress made in the implementation of the macroeconomic adjustment programme and updates that may be needed to its adjustment programme in order to take proper account of inter alia any significant gap between macroeconomic forecasts and realised figures, including possible consequences resulting from the adjustment programme, negative spill-over effects as well as macroeconomic and financial shocks.

The Regulation stipulates that the macroeconomic adjustment programme shall be made public, including its objectives and the expected distribution of the adjustment effort. The fiscal consolidation efforts set out in the macroeconomic adjustment programme shall take into account the needs to ensure sufficient means for fundamental policies, such as education and health care.

Involvement of social partners and civil society: the Member State concerned shall seek the views of social partners as well as relevant civil society organisations when preparing a draft macroeconomic adjustment programme, with a view to contributing to building consensus over its content.

Measures to safeguard tax revenue: the Member State concerned shall, where needed, take measures in close cooperation with the Commission and in liaison with the ECB and where appropriate the IMF, aimed at reinforcing the efficiency and effectiveness of collection capacity and fighting tax fraud and evasion, with a view to increasing its fiscal revenues.

Report: by 1 January 2014 and every five years thereafter, the Commission shall publish a report on the application of this Regulation.

The European Parliament may invite representatives of the Council and of the Commission for a dialogue on the application of this Regulation.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

PURPOSE : to improve the economic governance of the euro area (two pack). LEGISLATIVE ACT : Regulation (EU) n° 472/2013 of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability.

CONTENT : following the adoption in November 2011 of an initial "six-pack" of economic governance measures, this Regulation lays down provisions for strengthening the economic and budgetary surveillance of Member States whose currency is the euro, where those Member States:

- experience or are threatened with serious difficulties with respect to their financial stability or to the sustainability of their public finances, leading to potential adverse spillover effects on other Member States in the euro area; or
- request or receive financial assistance from one or several other Member States or third countries, the European Financial Stabilisation Mechanism (EFSM), the European Stability Mechanism (ESM), the European Financial Stability Facility (EFSF), or another relevant international financial institution such as the International Monetary Fund (IMF).

Member States subject to enhanced surveillance: the Regulation states that the Commission may decide to subject to enhanced surveillance a Member State experiencing or threatened with serious difficulties with respect to its financial stability which are likely to have adverse spill-over effects on other Member States in the euro area.

The Member State concerned shall be given the opportunity to express its views before the Commission adopts its decision to subject that Member State to enhanced surveillance. Every six months, the Commission shall decide whether to prolong the enhanced surveillance on that Member State.

Where a Member State is in receipt of financial assistance on a precautionary basis from one or several other Member States or third countries, the EFSM, the ESM, the EFSF, or another relevant international financial institution such as the IMF, that Member State will be subject to enhanced surveillance.

Enhanced surveillance: a Member State subject to enhanced surveillance shall adopt measures aimed at addressing the sources or potential sources of difficulties. In so doing, it shall take into account any recommendations addressed to it in the course of an excessive deficit procedure or an excessive macro-economic imbalance procedure.

On a request from the Commission, a Member State subject to enhanced surveillance shall:

- communicate to the ECB in its supervisory capacity, and, where appropriate, to the relevant ESAs, at the requested frequency, disaggregated information on developments in its financial system;
- carry out stress test exercises or sensitivity analyses, as necessary, to assess the resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB;
- be required to submit to regular assessments of its supervisory capacities over the financial sector in the framework of a specific peer review carried out by the relevant ESAs;
- communicate any information needed for the monitoring of macroeconomic imbalances.

Where it is concluded that further measures are needed and the financial and economic situation of the Member State concerned has significant adverse effects on the financial stability of the euro area or of its Member States, the Council, acting by a qualified majority on a proposal from the Commission, may recommend to the Member State concerned to adopt precautionary corrective measures or to prepare a

draft macroeconomic adjustment programme. The Council may decide to make its recommendation public.

Political dialogue: where a recommendation is made public, the competent committee of the European Parliament may offer the opportunity to the Member State concerned and to the Commission to participate in an exchange of views.

During the course of the enhanced surveillance process, the competent committee of the European Parliament and the parliament of the Member State concerned may invite representatives of the Commission, the ECB and the IMF to participate in an economic dialogue.

Macroeconomic adjustment programme: where a Member State requests financial assistance from one or several other Member States or third countries, the EFSM, the ESM, the EFSF or the IMF, it shall prepare, in agreement with the Commission, acting in liaison with the ECB and, where appropriate, with the IMF, a draft macroeconomic adjustment programme.

The draft macroeconomic adjustment programme shall: (i) address the specific risks emanating from that Member State for the financial stability in the euro area; (ii) shall aim at rapidly re-establishing a sound and sustainable economic and financial situation and restoring the Member State's capacity to finance itself fully on the financial markets. The draft programme shall be based on the assessment of the sustainability of the government debt.

A Member State shall seek the views of social partners as well as relevant civil society organisations when preparing its draft macroeconomic adjustment programmes, with a view to contributing to building consensus over its content.

The Council, acting by a qualified majority on a proposal from the Commission, shall approve the programme prepared by the Member State requesting financial assistance.

The Commission, in liaison with the ECB and, where appropriate, with the IMF, shall monitor the progress made by a Member State in the implementation of its macroeconomic adjustment programme.

Representatives of the Commission may be invited by the parliament of the Member State concerned to participate in an exchange of views on the progress made in the implementation of its programme.

The budgetary consolidation efforts set out in the adjustment programme shall take into account the need to ensure sufficient means for fundamental policies, such as education and health care.

The adjustment programme, including its objectives and the expected distribution of the adjustment effort, shall be made public.

Council vote: only members of the Council representing Member States whose currency is the euro shall vote and the Council shall act without taking into account the vote of the member of the Council representing the Member State concerned.

Report: by 1 January 2014, and every five years thereafter, the Commission shall submit a report on the application of the Regulation. The European Parliament may invite representatives of the Council and of the Commission to enter into a dialogue on the application of the Regulation.

ENTRY INTO FORCE : 30/05/2013.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Commission presents a Communication describing some of the essential aspects of the Regulation (EU) No 472/2013, which, together with Regulation (EU) No 473/2013, forms the "Two Pack". The main objective of Regulation (EU) No 472/2013 is to strengthen monitoring and surveillance for Member States threatened with, or experiencing, serious difficulties regarding their financial stability. It aims to establish transparent, efficient, streamlined, and predictable surveillance processes for the Member States under enhanced surveillance, macroeconomic adjustment programme and post-programme surveillance.

These "Two Pack" Regulations entered into force on 30 May 2013.

The report notes that the Regulation has only been in force for a very short time, implying severe limitations regarding what can be evaluated, and to what depth, at this juncture. The review of the "Six Pack" and "Two Pack" legislation at the end of 2014 will, in contrast, allow a more comprehensive and in-depth assessment of the Regulation's effectiveness.

Effectiveness of the Regulation: at the time of the entry into force of the Regulation, Greece, Ireland, Portugal, Spain, and Cyprus were beneficiaries of financial assistance from one or several other Member States, the EFSM, the ESM, the EFSF or another relevant international financial institution such as the IMF. In addition, four Member States are in receipt of financial assistance linked to a macroeconomic adjustment programme: Greece, Ireland Portugal and Cyprus. Spain has been subject to financial assistance for the recapitalisation of financial institutions, which means that the Regulation's macroeconomic adjustment programme provisions do not apply to Spain. The latter will, however, be subject to post-programme surveillance as soon as the current financial assistance programme ends.

The report notes that many provisions of the Regulation are relevant for the period in which programmes are developed and negotiated. In the existing programmes, these periods took place before the Regulation entered into force. The effectiveness of the Regulation cannot therefore be evaluated as regards these earlier phases.

In addition, it is not possible to assess the effectiveness of the Regulation with regard to enhanced surveillance, as no euro area Member State has yet been placed under enhanced surveillance. For these same reasons, the effectiveness of the Regulation cannot yet be assessed as regards the application of post-programme surveillance.

During this time, effectiveness can be evaluated only as regards existing macroeconomic adjustment programmes. Thus far, the existing macroeconomic adjustment programmes have achieved the objectives of the Regulation.

In the circumstances, the Commission is of the opinion that Regulation (EU) No 472/2013 has so far proven an adequate framework for a strengthened monitoring and surveillance of the euro-area Member States experiencing or threatened with serious difficulties with respect to

their financial stability. However, the short timeframe during which the Regulation has been in force provides limited evidence on which to base this evaluation, since enhanced surveillance and post- programme surveillance remain to be tested.

A more thorough assessment will be carried out in parallel with the review of the Regulation (EU) No 473/2013 and the "Six Pack" legislation.

Economic governance: strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area. 'Two pack'

The Commission has presented a review of the various legislative texts known as the six-pack and two-pack to strengthen the economic governance of the European Union. This review analyses to what extent the new rules introduced have been effective in achieving the objectives of ensuring closer coordination of economic policies.

The legislative packages aim to:

- more closely coordinate economic policies through a strengthening of budgetary surveillance under the Stability and Growth Pact;
- introduce a new procedure in the area of macroeconomic imbalances;
- establish a framework for dealing with countries experiencing difficulties with financial stability;
- to proceed with codification in legislation, in the form of the European Semester, of integrated economic and budgetary surveillance.

Taking into account the short experience of their operation, with the six-pack entering into force in end-2011 and the two-pack only in mid-2013, the Commission considers it difficult to draw conclusions on the effectiveness of the regulations.

Alongside Regulation (EU) No 473/2013 the main objective of the second two-pack regulation is to strengthen monitoring and surveillance for Member States threatened with, or experiencing, serious difficulties regarding their financial stability. It aims to establish transparent, efficient, streamlined, and predictable surveillance processes for the Member States under enhanced surveillance, macroeconomic adjustment programme and post-programme surveillance.

Assessment: at the date of entry into force of the Regulation in May 2013, the Euro area Member States in receipt of financial assistance linked to a macroeconomic adjustment programme were

Greece, Ireland, Portugal and Cyprus. Cyprus and Greece, where programmes are still ongoing. Overall, considerable achievements have been made in reducing fiscal deficits in current and former programme countries, and overall public debt is stabilising.

Based on the experience with these countries, the integrated set of rules indeed increases the transparency, predictability, practicality and efficiency of country surveillance and monitoring of Member States that are experiencing or is threatened with serious financial difficulties. However, since the Regulation entered into force only after all current and completed programmes had started, the effectiveness assessment is necessarily incomplete.

In addition, it is not possible to assess the effectiveness of the regulation with regard to enhanced surveillance, as no euro area Member State has yet been placed under enhanced surveillance. The ability to assess the effectiveness of post-programme surveillance is also limited by the fact that Ireland, Spain and Portugal have been under post-programme surveillance for less than a year.

The review notes that the programmes have achieved the objectives of the regulation to rapidly re-establish a sound and sustainable economic and financial situation and to restore financial market access. For the future, the Regulation foresees inter alia improvements in the information of the European Parliament and a set of requirements aiming at better taking into account the social impact of programmes and better protecting fundamental policies, such as health care and education.

In conclusion, if the review has revealed some strengths, it also shows possible areas for improvement, concerning transparency and complexity of policy making, and their impact on growth, imbalances and convergence.

According to the Commission, a proper involvement of national Parliaments remains crucial in ensuring the legitimacy of Member States' action. At EU level, the European Parliament has a key role to play, notably through economic dialogues, which have ensured that institutional actors have been regularly held to account on the main issues related to economic governance.

The Commission plans to discuss these points with the European Parliament and the Council in the coming months.