









# Procedure file

Basic information			
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation		Procedure completed, awaiting publication in Official Journal	
Effective coordination of economic policies and multilateral budgetary surveillance			
Repealing Regulation 1997/1466 <a href="#">1996/0247(SYN)</a>			
Subject 5.10.01 Convergence of economic policies, public deficit, interest rates 5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU)			
Legislative priorities <a href="#">Joint Declaration 2023-24</a>			
Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<div>ECON</div> <a href="#">Economic and Monetary Affairs</a>		16/02/2024
		<div></div> <a href="#">FERBER Markus</a>	16/02/2024
		<div></div> <a href="#">MARQUES Margarida</a>	
		Shadow rapporteur	
		<div></div> <a href="#">KELLEHER Billy</a>	
		<div></div> <a href="#">LAMBERTS Philippe</a>	
		<div></div> <a href="#">RINALDI Antonio Maria</a>	
		<div></div> <a href="#">VAN OVERTVELDT Johan</a>	
		<div></div> <a href="#">GUSMÃO José</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<div>EMPL</div> <a href="#">Employment and Social Affairs</a> (Associated committee)		29/06/2023
		<div></div> <a href="#">BISCHOFF Gabriele</a>	
Council of the European Union			
European Commission	Commission DG	Commissioner	

## Key events

26/04/2023	Legislative proposal published	<a href="#">COM(2023)0240</a>	Summary
12/06/2023	Committee referral announced in Parliament, 1st reading		
14/09/2023	Referral to associated committees announced in Parliament		
11/12/2023	Vote in committee, 1st reading		
11/12/2023	Committee decision to open interinstitutional negotiations with report adopted in committee		
15/12/2023	Committee report tabled for plenary, 1st reading	<a href="#">A9-0439/2023</a>	Summary
15/01/2024	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
17/01/2024	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71 - vote)		
04/03/2024	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	<a href="#">PE759.672</a> GEDA/A/(2024)001133	
23/04/2024	Debate in Parliament		
23/04/2024	Decision by Parliament, 1st reading	<a href="#">T9-0311/2024</a>	
29/04/2024	Act adopted by Council after Parliament's 1st reading		
29/04/2024	Act adopted by Council after Parliament's 1st reading		
29/04/2024	Final act signed		

## Technical information

Procedure reference	2023/0138(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
	Repealing Regulation 1997/1466 <a href="#">1996/0247(SYN)</a>
Legal basis	Rules of Procedure EP 57; Treaty on the Functioning of the EU TFEU 121-p6
Stage reached in procedure	Procedure completed, awaiting publication in Official Journal
Committee dossier	ECON/9/11942

## Documentation gateway

Legislative proposal		<a href="#">COM(2023)0240</a>	26/04/2023	EC	Summary
European Central Bank: opinion, guideline, report		<a href="#">CON/2023/0020</a> <a href="#">OJ C 290 18.08.2023, p. 0017</a>	05/07/2023	ECB	

Economic and Social Committee: opinion, report		<a href="#">CES2275/2023</a>	20/09/2023	ESC	
Committee of the Regions: opinion		<a href="#">CDR0157/2023</a>	10/10/2023	CofR	
Committee draft report		<a href="#">PE754.668</a>	12/10/2023	EP	
Amendments tabled in committee		<a href="#">PE754.898</a>	25/10/2023	EP	
Amendments tabled in committee		<a href="#">PE754.936</a>	25/10/2023	EP	
Amendments tabled in committee		<a href="#">PE754.937</a>	25/10/2023	EP	
Committee opinion	EMPL	<a href="#">PE752.621</a>	30/10/2023	EP	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A9-0439/2023</a>	15/12/2023	EP	Summary
Coreper letter confirming interinstitutional agreement		GEDA/A/(2024)001133	21/02/2024	CSL	
Text agreed during interinstitutional negotiations		<a href="#">PE759.672</a>	21/02/2024	EP	
Text adopted by Parliament, 1st reading/single reading		<a href="#">T9-0311/2024</a>	23/04/2024	EP	
Draft final act		00051/2024/LEX	29/04/2024	CSL	

#### Additional information

Research document	<a href="#">Briefing</a>	07/02/2024
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## Effective coordination of economic policies and multilateral budgetary surveillance

**PURPOSE:** to reform the EU economic governance framework.

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

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** this proposal forms part of a package and aims to replace Council Regulation No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (the preventive arm of the Stability and Growth Pact). It is accompanied by:

- a [proposal](#) to amend Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (the corrective arm of the Stability and Growth Pact);
- a [proposal](#) to amend Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States.

The review of the EU's economic governance framework was based on a consultation with a wide range of stakeholders. It revealed that the framework has a number of strengths, but also a series of shortcomings, in particular i) increased complexity, ii) the need to be more effective in reducing high levels of debt and building up buffers for future shocks, as well as (iii) the need to update a number of instruments and procedures to incorporate lessons learned from the response to recent economic shocks, including the interaction between reforms and investments under the Recovery and Resilience Facility.

The strong policy response to the COVID19 pandemic proved effective in mitigating the economic and social damage of the crisis, but resulted in a significant increase in public- and private-sector debt ratios, underscoring the importance of reducing debt ratios to prudent levels in a gradual, sustained and growth-friendly manner and addressing macroeconomic imbalances, while paying due attention to employment and social objectives.

The legislative package aims at making the EU governance framework simpler (by using a single operational indicator in the form of a net expenditure path and by simplifying reporting requirements in particular through the introduction of a holistic, single, integrated medium-term fiscal-structural plan), more transparent and effective, with greater national ownership and better enforcement, allowing for reform and investment while reducing high public debt ratios in a realistic, gradual and sustained manner.

The central objective of these proposals is to strengthen the sustainability of public debt and to promote sustainable and inclusive growth in all Member States through reforms and investments.

**CONTENT:** the proposed Regulation sets out rules ensuring effective coordination of economic policies of the Member States, thereby supporting the achievement of the Unions objectives for growth and employment.

Its main elements are as follows:

#### European Semester

The provisions introduce the EU budgetary framework into the surveillance cycle of the European Semester. They also provide that Member States must take into account the guidance given by the Council, and list the legal instruments in which a failure to do so by Member States could result in

#### Technical trajectory

For each Member State having a public debt above the 60% of GDP reference value or a government deficit above the 3% of GDP reference value, the Commission will put forward, in a report to the Economic and Financial Committee, a technical trajectory for net expenditure covering a minimum adjustment period of 4 years of the national medium-term fiscal-structural plan, and its possible extension by a maximum of 3 years. The trajectory will ensure that the public debt ratio is put or remains on a plausibly downward path or stays at prudent levels and that the government deficit is brought and maintained below the 3% of GDP reference value.

For Member States having a government deficit below the 3% of GDP reference value and public debt below the 60% of GDP reference value, the Commission will provide technical information regarding the structural primary balance necessary to ensure that the headline deficit is maintained below the 3% of GDP reference value in the medium-term.

These technical paths and technical information will guide Member States in defining the multi-annual expenditure targets they will include in their plans.

#### National medium-term fiscal and structural plans

The proposal aims to move to a risk-based EU surveillance framework that differentiates between Member States taking into account their public debt challenges. National medium-term fiscal and structural plans are the cornerstone of the proposed framework. They will integrate fiscal policy, reform and investment objectives, including those to address macroeconomic imbalances where necessary, and to implement the European Social Charter, into a single comprehensive medium-term plan, creating a coherent and streamlined process. Member States will have more room for manoeuvre in setting their net budgetary expenditure path, thereby strengthening national ownership of these budgetary paths.

These plans will be assessed by the Commission and approved by the Council on the basis of common EU criteria. The proposal also sets out the conditions under which the Council will be able to ask a Member State to present a revised plan and under which the Council will be able to propose a revision of the net expenditure path that it has itself approved if the Member State does not meet the requirements for presenting a revised plan.

Member States will submit annual progress reports and the Commission will monitor the implementation of the net expenditure paths including through the set-up of a control account. This intends to make the annual monitoring by the Commission less burdensome for Member States.

#### Derogation clauses

On a recommendation from the Commission, the Council may adopt a recommendation allowing a Member States to deviate from their net expenditure path, in the event of a severe economic downturn in the euro area or the Union as a whole, provided it does not endanger fiscal sustainability in the medium term. The Council will specify a time-limit for such deviation.

#### Economic dialogue

The proposed Regulation lays down the conditions under which the economic dialogue takes place between the institutions and Member States, including the necessity to inform the European Parliament on the application of the Regulation and the possibility for the European Parliament to have an exchange of views with a Member State where there is a significant risk of deviation from the net expenditure path.

#### Interaction with Regulation (EU) No 1176/2011

The proposed regulation interacts with Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances in that the Council may adopt a recommendation establishing the existence of an excessive imbalance in case a Member State fails to implement the reform and investment commitments included in its medium-term fiscal-structural plan to address the country-specific recommendations that are relevant for the Macroeconomic Imbalances Procedure. Moreover, if a Member State is under an excessive imbalance procedure, it should submit a revised medium-term fiscal-structural plan under the latter regulation.

## Effective coordination of economic policies and multilateral budgetary surveillance

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The Committee on Economic and Monetary Affairs adopted the report by Esther de LANGE (EPP, NL) and Margarida MARQUES (S&D, PT) on the proposal for a regulation of the European Parliament and of the Council the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

#### Subject-matter

This Regulation sets out rules ensuring effective coordination of economic policies of the Member States. It lays down detailed rules concerning the content, submission, assessment and monitoring of national medium-term fiscal-structural plans as part of multilateral budgetary surveillance by the Council and the Commission, with the involvement of the European Parliament, so as to promote debt sustainability, investments and reforms, common priorities of the Union, and sustainable and inclusive growth and resilience in the Member States and to prevent the occurrence of excessive government deficits, by medium-term planning ensuring consistency within the Union, including the euro area.

#### The European Semester

In order to ensure closer coordination of economic and relevant social policies and sustained convergence of the economic and social

performance of the Member States, the Council and the Commission, with the involvement of the European Parliament, should conduct multilateral surveillance within the European Semester whose overarching aim is to ensure closer coordination of economic, social, budgetary and structural policies.

Reference trajectory

For each Member State having a public debt above the 60% of GDP reference value or a government deficit above the 3% of GDP reference value, the Commission should put forward, in a report to the European Parliament and the Council, a reference trajectory. For the preparation of the report, the Commission should consult the Member State concerned including, where applicable, on its proposed reference trajectory, as part of the dialogue, while ensuring fair and equal treatment of all Member States.

The reference trajectory should be set in levels of net expenditure. It should ensure that:

- (a) the public debt ratio is put or remains on a plausibly downward path, leading to sustainable debt reduction or stays at prudent levels;
- (b) the government deficit is brought and maintained below the 3% of GDP reference value;
- (c) the fiscal adjustment effort over the period of the national medium-term fiscal-structural plan is at least proportional to the total effort over the entire adjustment period;
- (d) the public debt ratio stabilises over the adjustment period and is reduced every year over the projection period on average by at least one percentage point of debt to GDP for the Member States with a debt-to-GDP ratio exceeding 90% and at least half a percentage point for the Member States with a debt-to-GDP ratio of 60% to 90%.

National medium-term fiscal-structural plans

Each Member State should present a medium-term plan that sets out its net expenditure path as well as priority public investment and reform commitments that together ensure sustained and gradual debt reduction and sustainable and inclusive growth, avoiding a pro-cyclical fiscal policy, as well as broader reform and investment commitments, including in relation to the European Green Deal, the European Pillar of Social Rights, the Digital Decade Policy Programme 2030 and the Strategic Compass for Security and Defence. The national plans should also assess the public investment gaps, in particular to achieve those common Union priorities.

Prior to the submission of the national medium-term fiscal-structural plan to the Council and the Commission, each Member State should establish a structured cooperation mechanism to receive contributions to that national medium-term fiscal-structural plan from civil society, social partners, regional authorities and other relevant stakeholders.

A new government in a Member State may submit a new or revised national medium-term fiscal-structural plan to the Commission. However, if there are objective circumstances preventing the implementation of the plan, a Member State may request to submit a revised plan to the Commission by no later than 12 months before the end of the current plan.

Monitoring by the Commission

The Commission should set up a control account for each Member State to keep track of annual deviations of the net expenditure observed in the Member State from the net expenditure path set by the Council, summing those deviations over time.

A Member State should be deemed not to be in compliance with its net expenditure path where the cumulated balance of the control account during the adjustment period is higher than 1% of GDP in the years of positive GDP growth.

For certain strategic investments that address the common priorities of the Union, and that have added value for the Union as a whole, the Commission should be able to exceptionally allow Member States to exceed the reference value in the control account, for example in exceptional cases where investment costs increase due to unforeseen circumstances or where the need to make additional strategic investments arises during the adjustment period. Any deviation from the reference value can be granted by the Commission for a period of up to 5 years per request.

A dedicated scoreboard should be established by way of a delegated act to display the progress of the implementation of the medium-term fiscal-structural plans of the Member States. The scoreboard should be operational by June 2024 and should be updated by the Commission twice a year.

Parliaments role

The European Parliament should be duly involved in a regular and structured way in the European Semester. The Council and the Commission should regularly report to the European Parliament on the application of this Regulation and include in their reports the results of the multilateral surveillance carried out pursuant to this Regulation.

In order to ensure transparency and accountability in the application of this Regulation, the Commission should transmit, subject to appropriate confidentiality arrangements where necessary, relevant documents and information simultaneously and on equal terms to the European Parliament and to the Council, such as the medium-term fiscal-structural plans submitted by Member States and the proposed net expenditure path, the debt sustainability assessments and an overview of the Commission's preliminary findings concerning the progress in the implementation of the plans.

Transparency				
BISCHOFF Gabriele	Rapporteur for opinion	EMPL	15/02/2024	Deutscher Gewerkschaftsbund
BISCHOFF Gabriele	Rapporteur for opinion	EMPL	18/10/2023	Deutscher Gewerkschaftsbund
DE LANGE Esther	Rapporteur	ECON	12/10/2023	BUSINESSEUROPE

GUSMÃO José	Shadow rapporteur	ECON	10/10/2023	Finance Watch
GUSMÃO José	Shadow rapporteur	ECON	10/10/2023	Dezernat Zukunft e.V.
DE LANGE Esther	Rapporteur	ECON	06/09/2023	EUROPEAN TRADE UNION CONFEDERATION European Environmental Bureau Finance Watch Social Platform
DE LANGE Esther	Rapporteur	ECON	06/09/2023	Sustainable Finance Lab
JONGERIUS Agnes	Member	09/01/2024	ETUC	
SCHIRDEWAN Martin	Member	19/04/2023	New Economics Foundation	