

Economic governance: common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit in the euro area. 'Two pack'

2011/0386(COD) - 23/11/2011 - Legislative proposal

PURPOSE: to complement the existing provisions of the Stability and Growth Pact and strengthen the surveillance of budgetary discipline in Member States whose currency is the euro.

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

BACKGROUND: the Stability and Growth Pact has been further strengthened by [Regulation No 1175/2011](#) and [Regulation \(EU\) No 1177/2011](#) on the implementation of the excessive deficit procedure. [Regulation \(EC\) No 1173/2011](#) on the effective enforcement of budgetary surveillance in the euro area added a system of effective, preventive and gradual enforcement mechanisms in the form of financial sanctions for the Member States whose currency is the euro.

These provisions have created a more robust framework at the level of the Union for the surveillance of national economic policies.

The Treaty allows the adoption of specific measures in the euro area that go beyond the provisions applicable to all Member States in order to ensure the proper functioning of the Economic and Monetary Union.

Strong public finances are best ensured at the planning stage and gross errors should be identified as early as possible.

Setting-up a common budgetary timeline for Member States whose currency is the euro should better synchronize the key steps in the preparation of national budgets, thus contributing to the effectiveness of the European semester for budgetary policy coordination.

IMPACT ASSESSMENT: the Commission has not carried out an impact assessment.

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

CONTENT: the proposed regulation builds on what has already been agreed in the Six Pack set of legislative measures which will enter into force in mid-December 2011. It contains provisions to enhance both the coordination and the surveillance of budgetary processes for all euro area Member States:

- complementing the European semester with a common budgetary timeline;
- complementing the multilateral surveillance system of budgetary policies with additional monitoring requirements in order to ensure that Union policy recommendations in the budgetary area are appropriately integrated in the national budgetary preparations;
- complementing the procedure for correction of a Member State's excessive deficit by a closer monitoring of budgetary policies of Member States subject to an excessive deficit procedure in order to secure a timely durable correction of excessive deficits.

The proposed regulation would require Member States whose currency is the euro to present their draft budgets at the same time each year (by 15 April) and gives the Commission the right to assess and, if necessary, issue an opinion on them. The Commission could request that these drafts be revised, should it consider them to be seriously non-compliant with the policy obligations laid down in the Stability and Growth Pact. All of this would be done publically to ensure full transparency.

The Eurogroup shall discuss opinions of the Commission on the national budgetary plans and the budgetary situation and prospects in the euro area as a whole on the basis of the overall assessment made by the Commission

The proposal also contains new monitoring requirements based on an obligation to communicate information to the Commission to allow assessments to be made about the content and direction of fiscal policy at any point while a Member State is under an Excessive Deficit Procedure. Member States of the euro area must have in place an independent fiscal council for monitoring the implementation of national fiscal rules and base their budgets on independent macroeconomic forecasts.

In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may offer the opportunity to the Member State concerned by a Commission recommendation to participate in an exchange of views.

BUDGETARY IMPLICATIONS: there are no budgetary implications for the EU budget.