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Committee on Economic and Monetary Affairs

2010/0276(CNS)

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DRAFT REPORT

on the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure
(COM(2010)0522 – C7-0396/2010 – 2010/0276(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Diogo Feio

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: [...].

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (COM(2010)0522 – C7-0396/2010 – 2010/0276(CNS))

(Special legislative procedure – consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2010)0522),
 - having regard to Article 126(14), second subparagraph of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C7-0396/2010),
 - having regard to the opinion of the European Central Bank of ...,
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Employment and Social Affairs (A7-0000/2010),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, in accordance with Article 293(2) of the Treaty on the Functioning of the European Union;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the Commission proposal;
 5. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation – amending act

Recital 1

Text proposed by the Commission

(1) The coordination of the economic policies of the Member States within the Union, as provided by the Treaty, should entail compliance with the guiding

Amendment

(1) The coordination of the economic policies of the Member States within the Union, as provided by the Treaty, should entail compliance with the guiding

principles of stable prices, sound public finances and monetary conditions and a sustainable balance of payments.

principles of stable prices, sound **and sustainable** public finances and monetary conditions and a sustainable balance of payments.

Or. en

Amendment 2

Proposal for a regulation – amending act Recital 3

Text proposed by the Commission

(3) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth underpinned by financial stability and conducive to employment creation.

Amendment

(3) The Stability and Growth Pact is based on the objective of sound **and sustainable** government finances as a means of strengthening the conditions for price stability and for strong sustainable growth underpinned by financial stability and conducive to employment creation.

Or. en

Amendment 3

Proposal for a regulation – amending act Recital 4 a (new)

Text proposed by the Commission

Amendment

(4a) Economic developments in the Union have posed new challenges to the conduct of national fiscal policies and have, in particular, highlighted the need for uniform minimum requirements as regards the rules and procedures forming the budgetary frameworks of the Member States.

Or. en

Amendment 4

Proposal for a regulation – amending act Recital 4 b (new)

Text proposed by the Commission

Amendment

(4b) The improved economic governance framework should rely on several inter-linked policies for sustainable growth and jobs, which should be coherent with each other, namely a Union strategy for growth and jobs, an effective framework for preventing and correcting excessive budgetary positions (the Stability and Growth Pact), a robust framework for preventing and correcting macro-economic imbalances, enhanced financial market regulation and supervision (including macro-prudential supervision by the European Systemic Risk Board) as well as a credible permanent crisis resolution mechanisms.

Or. en

Amendment 5

Proposal for a regulation – amending act Recital 4 c (new)

Text proposed by the Commission

Amendment

(4c) The Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a Union strategy for growth and jobs which aims at boosting the Union's competitiveness and social stability.

Or. en

Amendment 6

Proposal for a regulation – amending act Recital 4 d (new)

Text proposed by the Commission

Amendment

(4d) Strengthening economic governance should go hand in hand with reinforcing the democratic legitimacy of European governance, which should be achieved through the closer and timelier involvement of the European Parliament and the national parliaments throughout the economic policy coordination procedures.

Or. en

Amendment 7

Proposal for a regulation – amending act Recital 4 e (new)

Text proposed by the Commission

Amendment

(4e) The European semester for economic policy coordination should play a vital role in implementing the requirement under Article 121(1) of the Treaty on the Functioning of the European Union (TFEU) that Member States regard their economic policies as a matter of common concern and that they coordinate them accordingly. Transparency and independent oversight are an integral part of enhanced economic governance. The Council and the Commission should make public and set out the reasons for their positions and decisions at appropriate stages of the economic policy coordination procedures.

Or. en

Amendment 8

Proposal for a regulation – amending act Recital 4 f (new)

Text proposed by the Commission

Amendment

(4f) Without prejudice to their rights and obligations under the TFEU, the Member States whose currency is not the euro should have the right to apply the economic governance legislation.

Or. en

Amendment 9

Proposal for a regulation – amending act Recital 4 g (new)

Text proposed by the Commission

Amendment

(4g) Experience gained during the first decade of functioning of the economic and monetary union shows a need for improved economic governance in the Union, which should be built on a stronger national ownership of commonly agreed rules and policies and on a more robust surveillance framework at the Union level of national economic policies.

Or. en

Amendment 10

Proposal for a regulation – amending act Recital 4 k (new)

Text proposed by the Commission

Amendment

(4k) The Commission should have a stronger and more independent role in the enhanced surveillance procedure as regards Member-State-specific

assessments, monitoring, missions, recommendations and warnings. In addition, the role of the Council needs to be reduced in the steps leading to potential sanctions and the reversed qualified majority voting in the Council needs to be used wherever possible under the TFEU.

Or. en

Amendment 11

Proposal for a regulation – amending act Recital 4 l (new)

Text proposed by the Commission

Amendment

(4l) This Regulation should enter into force as soon as possible after its adoption. The Commission should, however, when making proposals for measures to implement this Regulation, take into account the current economic situation of the concerned Member States and all other relevant factors.

Or. en

Amendment 12

Proposal for a regulation – amending act Recital 4 m (new)

Text proposed by the Commission

Amendment

(4m) Article 3 of the Protocol (No 12) on the excessive deficit procedure annexed to the Treaties provides that Member States ensure that national procedures in the budgetary area enable them to meet their obligations in this area deriving from the Treaties. Member States whose currency is the euro should therefore anchor the

objectives of the Union fiscal framework in national law, and should ensure that adequate budgetary procedures are in place to meet those objectives.

Or. en

Amendment 13

Proposal for a regulation – amending act Recital 5 a (new)

Text proposed by the Commission

Amendment

(5a) The debt criteria should be better integrated in each step of the excessive deficit procedure in order to ensure the sustainability of public finances.

Or. en

Amendment 14

Proposal for a regulation – amending act Recital 5 b (new)

Text proposed by the Commission

Amendment

(5b) An assessment of the sustainability of public finances, including the debt level, debt profile (including maturity) and debt dynamics should be more strongly taken into account in the pace of convergence towards Member State-specific medium-term budgetary objectives to be included in the Stability and Convergence Programmes.

Or. en

Amendment 15

Proposal for a regulation – amending act Recital 5 c (new)

Text proposed by the Commission

Amendment

(5c) As a complement to the excessive deficit procedure, a clear harmonised framework to measure and monitor debt dynamics, including implicit and contingent liabilities, such as public pension exposures and public guarantees (whether, inter alia, of principal, interest or income-flows) in the financial sector and in public-private partnership investments, and the costs of such investments to the national budget throughout the years, should be established.

Or. en

Amendment 16

Proposal for a regulation – amending act Recital 5 d (new)

Text proposed by the Commission

Amendment

(5d) The framework to control public and private debt should support long-term growth, and should, during downturns, be combined with efforts to stimulate the economy, such as improved preconditions for investments and an improved and developed internal market, whilst respecting Member State specific priorities and needs.

Or. en

Amendment 17

Proposal for a regulation – amending act Recital 7

Text proposed by the Commission

(7) The establishment of the existence of an excessive deficit based on the debt criterion and the steps leading to it should **not** be based **solely** on non-compliance with the numerical benchmark, **but always** take into account the whole range of relevant factors covered by the Commission report under Article 126(3) of *the Treaty*.

Amendment

(7) The establishment of the existence of an excessive deficit based on the debt criterion and the steps leading to it should be based on non-compliance with the numerical benchmark, **and** take into account the whole range of relevant factors covered by the Commission report under Article 126(3) *TFEU*.

Or. en

Amendment 18

Proposal for a regulation – amending act Recital 8

Text proposed by the Commission

(8) In the establishment of the existence of an excessive deficit based on the deficit criterion and the steps leading to it there is a need to take into account the whole range of relevant factors covered by the report under Article 126(3) of *the Treaty* **if the government debt to gross domestic product does not exceed the reference value**.

Amendment

(8) In the establishment of the existence of an excessive deficit based on the deficit criterion and the steps leading to it there is a need to take into account the whole range of relevant factors covered by the report under Article 126(3) *TFEU*.

Or. en

Amendment 19

Proposal for a regulation – amending act Recital 12

Text proposed by the Commission

(12) In assessing the case for an extension of the deadline for correcting the excessive deficit, special consideration should be given to severe economic downturns ***of a general nature***.

Amendment

(12) In assessing the case for an extension of the deadline for correcting the excessive deficit, special consideration should be given to severe economic downturns.

Or. en

Amendment 20

Proposal for a regulation – amending act Recital 14 a (new)

Text proposed by the Commission

Amendment

(14a) The economically and politically more sensitive incentives and sanctions should take due account of the structure of the national deficit and debt (including implicit liabilities), the "economic cycle" in order to avoid pro-cyclical fiscal policy, and the structural composition of public revenues and expenditures needed for growth-enhancing structural reforms.

Or. en

Amendment 21

Proposal for a regulation – amending act Recital 14 b (new)

Text proposed by the Commission

Amendment

(14b) Incentives and sanctions for Member States whose currency is the euro should be enforced and implemented taking into consideration the very close

interconnections with Member States whose currency is not the euro, especially those that are expected to join the euro area, as part of the new multilateral surveillance framework and the enhanced instruments of the Stability and Growth Pact, in particular a stronger focus on the medium-term budgetary objectives.

Or. en

Amendment 22

Proposal for a regulation – amending act Recital 14 c (new)

Text proposed by the Commission

Amendment

(14c) The Council and the Commission should make their positions and decisions public at appropriate stages of the economic policy coordination procedures, while fully respecting Treaty provisions, in order to ensure effective peer pressure, and the European Parliament may invite the Member State concerned to explain before its competent committee its decisions and policies.

Or. en

Amendment 23

Proposal for a regulation – amending act Recital 14 d (new)

Text proposed by the Commission

Amendment

(14) The annual policy recommendations by the Commission should be discussed in the European Parliament before the beginning of discussions in the Council.

Or. en

Amendment 24

Proposal for a regulation – amending act

Article 1 – point 1

Regulation EC) No 1467/97

Article 1 – paragraph 2

Text proposed by the Commission

Amendment

2. For the purpose of this Regulation 'participating Member States' shall mean those Member States whose currency is the euro.'

deleted

Or. en

Amendment 25

Proposal for a regulation – amending act

Article 1 – point 1

Regulation EC) No 1467/97

Article 1 – paragraph 2

Text proposed by the Commission

Amendment

2. For the purpose of this Regulation 'participating Member States' **shall mean** those Member States whose currency is the euro.

2. For the purpose of this Regulation:
– 'participating Member States' **means** those Member States whose currency is the euro, **and**
– '**Member States with a derogation**' **means Member States other than those whose currency is the euro.**

Or. en

Amendment 26

Proposal for a regulation – amending act

Article 1 – point 1

Regulation (EC) No 1467/97

Article 1 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. A Member State with a derogation may apply the rules applicable to participating Member States laid down in this Regulation and, if so, shall notify the Commission accordingly. Such a notification shall be published in the Official Journal of the European Union. The Member State concerned shall be considered to be a participating Member State for the purposes of this Directive from the day after such publication

Or. en

Amendment 27

Proposal for a regulation – amending act

Article 1 – point 2 – point b

Regulation (EC) No 1467/97

Article 2 – paragraph 1a

Text proposed by the Commission

Amendment

'1a. When it exceeds the reference value, the ratio of the government debt to gross domestic product (GDP) is to be considered sufficiently diminishing and approaching the reference value at a satisfactory pace in accordance with Article 126 (2) (b) of the Treaty if the differential with respect to the reference value has reduced over the previous three years at ***a*** rate of the order of one-twentieth per year. For a period of 3 years from [date of entering into force of this Regulation - to be inserted], account shall be taken of the backward-looking nature of this

'1a. When it exceeds the reference value, the ratio of the government debt to gross domestic product (GDP) is to be considered sufficiently diminishing and approaching the reference value at a satisfactory pace in accordance with Article 126 (2) (b) of the Treaty if the differential with respect to the reference value has reduced over the previous three years at ***an average*** rate of the order of one-twentieth per year, ***as a benchmark, following an assessment made over a three-year period.*** For a period of 3 years from [date of entering into force of this

indicator in its application.'

Regulation - to be inserted], account shall be taken of the backward-looking nature of this indicator in its application.'

Or. en

Amendment 28

Proposal for a regulation – amending act

Article 1 – point 2 – point c

Regulation (EC) No 1467/97

Article 2 – paragraph 3

Text proposed by the Commission

'3. The Commission, when preparing a report under Article 126(3) of the Treaty shall take into account all relevant factors as indicated in that Article. The report shall appropriately reflect developments in the medium-term economic position (in particular potential growth, prevailing cyclical conditions, inflation, **excessive** macroeconomic imbalances) and developments in the medium-term budgetary position (in particular, fiscal consolidation efforts in 'good times', public investment, the implementation of policies in the context of the common growth strategy for the Union and the overall quality of public finances, in particular, compliance with Council Directive [...] on requirements for budgetary frameworks of the Member States). The report shall also analyse developments in the medium-term debt position as relevant (in particular, it appropriately reflects risk factors including the maturity structure **and** currency denomination of the debt, stock-flow operations, accumulated reserves and other government assets; guarantees, notably linked to the financial sector; **liabilities both** explicit **and** implicit related to ageing and private debt to the extent that it may represent a contingent implicit liability for

Amendment

'3. The Commission, when preparing a report under Article 126(3) of the Treaty shall take into account all relevant factors as indicated in that Article. The report shall appropriately reflect developments in the medium-term economic position, in particular, potential growth, prevailing cyclical conditions, inflation, **relevant** macroeconomic imbalances and developments in the medium-term budgetary position, in particular, fiscal consolidation efforts in 'good times', public investment, the implementation of policies in the context of the common growth strategy for the Union and the overall quality of public finances, in particular, compliance with Council Directive [...] on requirements for budgetary frameworks of the Member States. The report shall also analyse developments in the medium-term debt position as relevant, in particular, it appropriately reflects risk factors including the maturity, structure **and dynamics of debt, and the** currency denomination of the debt, stock-flow operations, accumulated reserves and other government assets; guarantees, notably linked to the financial sector, **and other public guarantees;** explicit, implicit **and contingent liabilities** related to ageing, **public pensions**

the government). Furthermore, the Commission shall give due consideration to any other factors which, in the opinion of the Member State concerned, are relevant in order to comprehensively assess in qualitative terms the excess over the reference value and which the Member State has put forward to the Commission and to the Council. In that context, special consideration shall be given to financial contributions to fostering international solidarity and to achieving Union policy goals, including financial stability.'

exposure and private debt to the extent that it may represent a contingent implicit liability for the government, *such as in the financial sector or in public-private partnership investments, and the costs of such investments to the national budget throughout the years. The exact nature of the information mentioned above shall be laid out in a harmonised framework to be established by the Commission.*

Furthermore, the Commission shall give due consideration to any other factors which, in the opinion of the Member State concerned, are relevant in order to comprehensively assess in qualitative terms the excess over the reference value and which the Member State has put forward to the Commission and to the Council. In that context, special consideration shall be given to financial contributions to fostering international solidarity and to achieving Union policy goals, including financial stability.'

Or. en

Amendment 29

Proposal for a regulation – amending act

Article 1 – point 2 – point d a (new)

Regulation (EC) No 1467/97

Article 2 – paragraph 5

Text proposed by the Commission

[Current text of Article 2(5) of Regulation (EC) No 1467/97:

"The Commission and the Council, in all budgetary assessments in the framework of the excessive deficit procedure, shall give due consideration to the implementation of pension reforms introducing a multi-pillar system that includes a mandatory, fully funded pillar."]

Amendment

(da) paragraph 5 is replaced by the following:

"5. The Commission and the Council, in all budgetary assessments in the framework of the excessive deficit procedure, shall give due consideration to the implementation of pension reforms introducing or enhancing fully funded pension liabilities."

(For information, please insert the text in the left column without bold and italics.)

Justification

Compared to the current wording of Article 2(5) of Regulation (EC) No 1467/97, "introducing a multi-pillar system that includes a mandatory, fully funded pillar" has been replaced by "introducing or enhancing fully funded pension liabilities".

Amendment 30

Proposal for a regulation – amending act

Article 1 – point 2 – point e

Regulation (EC) No 1467/97

Article 2 – paragraph 7

Text proposed by the Commission

'7. In the case of Member States where the excess of the deficit or the breach of the requirements of the debt criterion according to Article 126 (2) (b) of the Treaty reflects the implementation of a pension reform introducing ***a multi-pillar system that includes a mandatory, fully funded pillar***, the Commission and the Council shall also consider the cost of the reform to the publicly managed pillar when assessing developments in EDP deficit and debt figures. In cases where the debt ratio exceeds the reference value, the cost of the reform shall be considered only if the deficit remains close to the reference value. For that purpose, for a period of five years starting from the date of entry into force of such a reform, consideration shall be given to its net cost as reflected in deficit and debt developments on the basis of a linear degressive scale. Additionally, irrespective of the date of entry into force of the reform, its net cost as reflected in debt developments shall be given consideration for a transitional period of five years from [date of entry into force of this Regulation,

Amendment

'7. In the case of Member States where the excess of the deficit or the breach of the requirements of the debt criterion according to Article 126 (2) (b) of the Treaty reflects the implementation of a pension reform introducing ***or enhancing fully funded pension liabilities***, the Commission and the Council shall also consider the cost of the reform to the publicly managed pillar when assessing developments in EDP deficit and debt figures. In cases where the debt ratio exceeds the reference value, the cost of the reform shall be considered only if the deficit remains close to the reference value. For that purpose, for a period of five years starting from the date of entry into force of such a reform, consideration shall be given to its net cost as reflected in deficit and debt developments on the basis of a linear degressive scale. Additionally, irrespective of the date of entry into force of the reform, its net cost as reflected in debt developments shall be given consideration for a transitional period of five years from [date of entry into force of this Regulation,

to be inserted] on the basis of the same linear degressive scale. The net cost as thus calculated shall be taken into account also for the decision of the Council under Article 126(12) of the Treaty on the abrogation of some or all of its decisions under paragraphs 6 to 9 and 11 of Article 126 of the Treaty, if the deficit has declined substantially and continuously and has reached a level that comes close to the reference value and, in case of non-fulfilment of the requirements of the debt criterion, the debt has been put on a declining path. Moreover, equal consideration shall be given to the reduction in this net cost resulting from the partial or total reversal of an above mentioned pension reform.'

to be inserted] on the basis of the same linear degressive scale. The net cost as thus calculated shall be taken into account also for the decision of the Council under Article 126(12) of the Treaty on the abrogation of some or all of its decisions under paragraphs 6 to 9 and 11 of Article 126 of the Treaty, if the deficit has declined substantially and continuously and has reached a level that comes close to the reference value and, in case of non-fulfilment of the requirements of the debt criterion, the debt has been put on a declining path. Moreover, equal consideration shall be given to the reduction in this net cost resulting from the partial or total reversal of an above mentioned pension reform.'

Or. en

Amendment 31

Proposal for a regulation – amending act

Article 1 – point 2 a (new)

Regulation (EC) No 1467/97

Section 1 a (new)

Text proposed by the Commission

Amendment

2a. The following Section is inserted:

"SECTION 1a

***DIALOGUE ON MACRO-ECONOMIC
AND BUDGETARY SURVEILLANCE***

Article 2a

In order to enhance the dialogue between the institutions of the Union, in particular the European Parliament, the Council, the Commission, and the Member States' parliaments and governments, or any other relevant body, and to ensure greater transparency and accountability, the competent committee of the European Parliament may conduct public debates

on the macro-economic and budgetary surveillance undertaken by the Council and the Commission."

Or. en

Amendment 32

Proposal for a regulation – amending act

Article 1 – point 3 – point b

Regulation (EC) No 1467/97

Article 3 – paragraph 3

Text proposed by the Commission

(b) *In* paragraph 3, *the reference to 'Article 4(2) and (3) of Regulation (EC) No 3605/93' is replaced by the reference to 'Article 3(2) and (3) of Regulation (EC) No 479/2009'.*

Amendment

(b) paragraph 3 *is replaced by the following:*

"3. The Council shall decide on the existence of an excessive deficit in accordance with *Article 126(6) TFEU*, as a rule within *two* months of the reporting dates established in *Article 3(2) and (3) of Regulation (EC) No 479/2009*. When it decides that an excessive deficit exists, the Council shall at the same time make recommendations to the Member State concerned in accordance with *Article 126(7) TFEU*."

Or. en

Amendment 33

Proposal for a regulation – amending act

Article 1 – point 3 – point d

Regulation (EC) No 1467/97

Article 3 – paragraph 4a

Text proposed by the Commission

'4a. Within the deadline of six month at

Amendment

'4a. Within the deadline of six month at

most provided for in paragraph 4, the Member State concerned shall report to the Commission and the Council on action taken in response to the Council recommendation under Article 126(7) of the Treaty. The report shall include the targets for the government expenditure *and* for the *discretionary* measures on the revenue side consistent with the Council recommendation under Article 126(7) of the Treaty, as well as information on the measures taken and the nature of those envisaged to achieve the targets. The report shall be made public.'

most provided for in paragraph 4, the Member State concerned shall report to the Commission and the Council on action taken in response to the Council recommendation under Article 126(7) of the Treaty. The report shall include the targets for the *reduction of* government expenditure, for the measures on the revenue side *with a mitigated impact* consistent with the Council recommendation under Article 126(7) of the Treaty, as well as information on the measures taken and the nature of those envisaged to achieve the targets. The report shall be made public.'

Or. en

Amendment 34

Proposal for a regulation – amending act

Article 1 – point 3 – point d

Regulation (EC) No 1467/97

Article 3 – paragraph 4 b (new)

Text proposed by the Commission

Amendment

4b. The Commission may request additional reporting from the Member State concerned.

Or. en

Amendment 35

Proposal for a regulation – amending act

Article 1 – point 3 – point d

Regulation (EC) No 1467/97

Article 3 – paragraph 4 c (new)

Text proposed by the Commission

Amendment

4c. The European Parliament may invite the Member State concerned to explain its

economic and budgetary policy and the action it intends to take to correct the excessive deficit situation before its competent committee.

Or. en

Amendment 36

Proposal for a regulation – amending act

Article 1 – point 3 – point e

Regulation (EC) No 1467/97

Article 3 – paragraph 5

Text proposed by the Commission

'5. If effective action has been taken in compliance with a recommendation under Article 126(7) *of the Treaty* and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that recommendation, the Council may decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) *of the Treaty*. The revised recommendation, taking into account the relevant factors mentioned in Article 2(3) of this Regulation, may notably extend the deadline for the correction of the excessive deficit by one year as a rule. The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in its recommendation. The Council may also decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) *of the Treaty* in case of a severe economic downturn ***of a general nature.***'

Amendment

'5. If effective action has been taken in compliance with a recommendation under Article 126(7) *TFEU* and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that recommendation, the Council may decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) *TFEU*. The revised recommendation, taking into account the relevant factors mentioned in Article 2(3) of this Regulation, may notably extend the deadline for the correction of the excessive deficit by one year as a rule. The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in its recommendation. The Council may also decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) *TFEU* in case of a severe economic downturn.'

Or. en

Amendment 37

Proposal for a regulation – amending act

Article 1 – point 3 a (new)

Regulation (EC) No 1467/97

Article 4 – paragraph 1

Text proposed by the Commission

Amendment

[Current text of Article 4(1) of Regulation (EC) No 1467/97:

"1. Any Council decision to make public its recommendations, where it is established that no effective action has been taken in accordance with Article 104(8), shall be taken immediately after the expiry of the deadline set in accordance with Article 3 (4) of this Regulation.

3a. In Article 4, paragraph 1 is replaced by the following:

"1. Any Council decision to make public its recommendations, where it is established that no effective action has been taken in accordance with *Article 126(8) TFEU*, shall be taken immediately after the expiry of the deadline set in accordance with Article 3 (4) of this Regulation. *At the same time, the Council, upon a proposal from the Commission, shall immediately address a formal report to the European Council. That report shall be deemed to be adopted by the Council unless it decides, by qualified majority, within 10 days, to reject the proposal.*"

Or. en

(For information, please insert the text in the left column without bold and italics.)

Justification

Compared to the current wording of Article 4(1) of Regulation (EC) No 1467/97, the reference to the Treaty has been updated and a requirement that the Council, on a proposal from the Commission, issue a formal report to the European Council has been added.

Amendment 38

Proposal for a regulation – amending act

Article 1 – point 4

Regulation (EC) No 1467/97

Article 4 – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. The European Parliament shall be informed of the situations described in paragraphs 1 and 2.

Or. en

Amendment 39

Proposal for a regulation – amending act

Article 1 – point 5 – point a

Regulation (EC) No 1467/97

Article 5 – paragraph 1

Text proposed by the Commission

Amendment

'1. Any Council decision to give notice to the participating Member State concerned to take measures for the deficit reduction in accordance with Article 126(9) *of the Treaty* shall be taken within **two months** of the Council decision establishing that no effective action has been taken in accordance with Article 126(8). In the notice, the Council shall request that the Member State achieve annual budgetary targets which, on the basis of the forecast underpinning the notice, are consistent with a minimum annual improvement of at least 0,5 % of GDP as a benchmark, in its cyclically adjusted balance net of one-off and temporary measures, in order to ensure the correction of the excessive deficit within the deadline set in the notice. The Council shall also indicate measures conducive to the achievement of these targets.'

'1. Any Council decision to give notice to the participating Member State concerned to take measures for the deficit reduction in accordance with Article 126(9) *TFEU* shall be taken within **one month** of the Council decision establishing that no effective action has been taken in accordance with Article 126(8) *TFEU*. In the notice, the Council shall request that the Member State achieve annual budgetary targets which, on the basis of the forecast underpinning the notice, are consistent with a minimum annual improvement of at least 0,5 % of GDP as a benchmark, in its cyclically adjusted balance net of one-off and temporary measures, in order to ensure the correction of the excessive deficit within the deadline set in the notice. The Council shall also indicate measures conducive to the achievement of these targets.'

Or. en

Amendment 40

Proposal for a regulation – amending act

Article 1 – point 5 – point b

Regulation (EC) No 1467/97

Article 5 – paragraph 1a

Text proposed by the Commission

'1a. Following the Council notice given in accordance with Article 126(9) *of the Treaty*, the Member State concerned shall report to the Commission **and the Council** on action taken in response to the Council notice. The report shall include the targets for the government expenditure and for **the discretionary** measures on the revenue side as well as information on the actions being taken in response to the specific Council recommendations so as to allow the Council to take, if necessary, the decision in accordance with Article 6 (2) of this Regulation. The report shall be made public.'

Amendment

'1a. Following the Council notice given in accordance with Article 126(9) *TFEU*, the Member State concerned shall report to the **European Parliament, the Council and the Commission** on action taken in response to the Council notice. The report shall include the targets for the **reduction of** government expenditure and for measures on the revenue side **with a mitigated impact** as well as information on the actions being taken in response to the specific Council recommendations so as to allow the Council to take, if necessary, the decision in accordance with Article 6 (2) of this Regulation. The report shall be made public.'

Or. en

Amendment 41

Proposal for a regulation – amending act

Article 1 – point 5 – point b

Regulation (EC) No 1467/97

Article 5 – paragraph 1a – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

The Commission shall monitor and evaluate adjustment measures taken to address the excessive deficit on the basis of surveillance visits in accordance with Article 8 and prepare a report to the Council. That report shall be made public.

Or. en

Amendment 42

Proposal for a regulation – amending act

Article 1 – point 5 – point b

Regulation (EC) No 1467/97

Article 5 – paragraph 1 b (new)

Text proposed by the Commission

Amendment

1b. The European Parliament may invite the Member State concerned to explain its economic and budgetary policy and the action it intends to take to correct the excessive deficit situation before its competent committee.

Or. en

Amendment 43

Proposal for a regulation – amending act

Article 1 – point 5 – point c

Regulation (EC) No 1467/97

Article 5 – paragraph 2

Text proposed by the Commission

Amendment

'2. If effective action has been taken in compliance with a notice under Article 126(9) *of the Treaty* and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that notice, the Council may decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) *of the Treaty*. The revised notice, taking into account the relevant factors mentioned in Article 2(3) of this Regulation, may notably extend the deadline for the correction of the excessive deficit by one year as a rule. The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances

'2. If effective action has been taken in compliance with a notice under Article 126(9) *TFEU* and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that notice, the Council may decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) *TFEU*. The revised notice, taking into account the relevant factors mentioned in Article 2(3) of this Regulation, may notably extend the deadline for the correction of the excessive deficit by one year as a rule. The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in

against the economic forecasts in its notice. The Council may also decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) *of the Treaty* in case of a severe economic downturn *of a general nature*.'

its notice. The Council may also decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) *TFEU* in case of a severe economic downturn.'

Or. en

Amendment 44

Proposal for a regulation – amending act

Article 1 – point 6

Regulation (EC) No 1467/97

Article 6 – paragraph 1

Text proposed by the Commission

1. The Council, when considering whether effective action has been taken in response to its notice made in accordance with Article 126(9) *of the Treaty*, shall base its decision on the report submitted by the Member State concerned in accordance to Article 5(1a) of this Regulation and its implementation as well as on any other publicly announced decisions by the Government of the Member State concerned.

Amendment

1. The Council, when considering whether effective action has been taken in response to its notice made in accordance with Article 126(9) *TFEU*, shall base its decision on the report submitted by the Member State concerned in accordance to Article 5(1a) of this Regulation and its implementation as well as on any other publicly announced decisions by the Government of the Member State concerned *and on the outcome of the Commission report referred to in Article 5(1a)*.

Or. en

Amendment 45

Proposal for a regulation – amending act

Article 1 – point 6

Regulation (EC) No 1467/97

Article 6 – paragraph 2

Text proposed by the Commission

2. Where the conditions to apply Article

Amendment

2. Where the conditions to apply Article

126(11) *of the Treaty* are met, the Council shall impose sanctions in accordance with Article 126 (11). Any such decision shall be taken no later than **four months** after the Council decision giving notice to the participating Member State concerned to take measures in accordance with Article 126 (9).'

126(11) *TFEU* are met, the Council shall impose sanctions in accordance with Article 126 (11) *TFEU*. Any such decision shall be taken no later than **two months** after the Council decision giving notice to the participating Member State concerned to take measures in accordance with Article 126 (9) *TFEU*.'

Or. en

Amendment 46

Proposal for a regulation – amending act

Article 1 – point 7

Regulation (EC) No 1467/97

Article 7

Text proposed by the Commission

7. *in* Article 7, *the reference to 'Article 4(2) and (3) of Regulation (EC) No 3605/93' is replaced by the reference to 'Article 3(2) and (3) of Regulation (EC) No 479/2009'.*

Amendment

7. Article 7 *is replaced by the following:*

"If a participating Member State fails to act in compliance with the successive decisions of the Council in accordance with Article 126(7) and (9) TFEU, the decision of the Council to impose sanctions, in accordance with Article 126(11) TFEU, shall be taken as a rule within sixteen months of the reporting dates established in Article 3(2) and (3) of Regulation (EC) No 479/2009. In case Article 3(5) or 5(2) of this Regulation is applied, the sixteen-month deadline is amended accordingly. An expedited procedure shall be used in the case of a deliberately planned deficit which the Council decides is excessive. The European Parliament may invite the Member State to report to its competent committee."

Or. en

Amendment 47

Proposal for a regulation – amending act

Article 1 – point 10 a (new)

Regulation (EC) No 1467/97

Article 10 a (new)

Text proposed by the Commission

Amendment

10a. The following article is inserted:

"Article 10a

1. The Commission shall ensure a permanent dialogue with the authorities of Member States in accordance with the objectives of this Regulation. To that end, the Commission shall carry out, in all Member States, visits for the purposes of regular dialogue and, where appropriate, surveillance.

2. When organising dialogue or surveillance visits, the Commission shall, if appropriate, transmit its provisional findings to the Member States concerned for comments.

3. The Commission shall, within the context of dialogue visits, review the actual economic situation in the Member State and identify any risks or difficulties in complying with the objectives of this Regulation.

4. The Commission, in the context of surveillance visits, shall monitor the processes and verify that measures have been taken in accordance with decisions of the Council or the Commission in accordance with the objectives of this Regulation. Surveillance visits shall be undertaken only in exceptional cases and only where there are significant risks or difficulties in achieving those objectives. The Commission may invite representatives of the European Central Bank or other relevant institutions to take

part in surveillance visits.

5. The Commission shall inform the Economic and Financial Committee of the reasons for surveillance visits.

6. Member States shall take all necessary measures to facilitate dialogue and surveillance visits. Member States shall provide, at the request of the Commission and on a voluntary basis, the assistance of all the relevant national authorities for the preparation for and conduct of dialogue and surveillance visits."

Or. en

Amendment 48

Proposal for a regulation – amending act

Article 1 – point 11

Regulation (EC) No 1467/97

Article 11 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

The European Parliament may invite the Member State concerned, within three months of the date of the announcement of the sanctions referred to in paragraph 1, to explain before its competent committee the reasons why, despite the warnings received, it has not corrected the excessive deficit.

Or. en

Amendment 49

Proposal for a regulation – amending act

Article 1 – point 14

Regulation (EC) No 1467/97

Article 16

Text proposed by the Commission

Fines referred to in Article 12 of this Regulation shall ***constitute other revenue referred to in Article 311 of the Treaty and shall be distributed among participating Member States which do not have excessive deficit as determined in accordance with Article 126(6) of the Treaty and which are not the subject of an excessive imbalance procedure within the meaning of Regulation (EU) No [.../...], in proportion to their share in the total gross national income (GNI) of the eligible Member States.***

Amendment

Fines referred to in Article 12 of this Regulation shall ***be credited to the European Financial Stability Facility.***

Or. en

Amendment 50

**Proposal for a regulation – amending act
Article 1 – point 14 a (new)
Regulation EC) No 1467/97
Article 17 a (new)**

Text proposed by the Commission

Amendment

14a. The following article is inserted:

"Article 17a

1. By ...* and every three years thereafter the Commission shall publish a report on the application of this Regulation.

2. The report and any accompanying proposals shall be forwarded to the European Parliament and the Council.

3. If the report identifies obstacles to the proper functioning of the rules and provisions in the Treaties governing economic and monetary union, it shall make the necessary recommendations to the European Council."

**** OJ please insert date: xxx years after the date of entry into force of this***

Regulation.

Or. en

EXPLANATORY STATEMENT

This package is of major importance for the future of the EU and the stability of economic growth in the future, in particular in the euro area.

Indeed, the experience gained during the first decade of functioning of the Economic and Monetary Union shows a clear need for an **improved economic governance framework**, which should be built on a stronger national ownership of commonly agreed rules and policies and on a more robust surveillance framework at the European level of national economic policies. The rapporteurs favour therefore an extensive reform of the governance framework based on the Community (Union) method and a strong and independent Commission as overseeing and giving directions in the new deeper and wider economic policy surveillance framework.

The improved economic governance framework should rely on several inter-linked policies for sustainable growth and jobs, which need to be coherent with each other. These main policy tools are a EU strategy for growth and jobs (EU2020), an effective framework for preventing and correcting excessive budgetary positions (the Stability and Growth Pact), a new robust framework for preventing and correcting macro-economic imbalances, enhanced financial market regulation and supervision (including macro-prudential supervision by the European Systemic Risk Board) as well as a credible permanent crisis resolution mechanism as a last resort solution to safeguard stability in the euro area.

The Stability and Growth Pact and the complete economic governance framework should support and be compatible with EU strategies for growth and jobs and with the aim to increase the competitiveness of all Member States and social stability in all regions of the Union.

Strengthening economic governance must go hand in hand with reinforcing the democratic legitimacy of the decision taken, which must be achieved through closer and timelier involvement of national parliaments, relevant stakeholders and the European Parliament throughout the process.

The report stresses that the framework of the new European Economic Semester has to be included in the legal texts (and not only in a code of conduct endorsed by the Council). Increased ownership, transparency, peer review and reputational sanctions (comply or explain) via the European Semester and the incentives and sanctions of these relating procedures should ensure a stronger alignment and compliance of EU rules by Member States.

Economic governance and national economic policy should be more a matter of common concern of all parties involved. Therefore national ownership and responsibility need to be enhanced. A stronger involvement of national parliaments both at the national level and the EU-level is needed. In addition Member States should introduce national rules and institutions, which are in line with the objectives of the Stability and Growth Pact. The Commission proposals are a good starting point however they need to be further

strengthened, in particular in the following areas:

- Stronger coherence between the Stability and Growth Pact, the new macro-economic surveillance framework and the European Economic Semester as part of EU's strategy for growth and jobs (i.e. EU2020).
- A stronger focus on prevention of unsustainable fiscal and macroeconomic policies. The sanction regime shall be based on a lasting/recurring unwillingness of a Member State to take action in accordance with commonly agreed decisions at the EU-level. New incentives to apply with the common rules should also be introduced.
- As part of the Economic Semester national reform programmes and stability and convergence programmes should be duly dealt with at the national level before submission to EU-level surveillance. All Member States should integrate the rules of the Stability and Growth Pact in their national budgetary procedures.
- A stronger and more independent role of the Commission in the surveillance procedure. This concerns country specific assessments, monitoring, missions, recommendations, warnings and sanctions. The Commission should take decisions as regards the compliance with EU rules more independently from the Council.
- The decision making procedure based on reversed QMV in the Council should be introduced both in the preventive and corrective parts of the framework. There should be as little as possible room for political bargaining in the Council or between a Member State and the Commission, if the credibility of the system is to be ensured. However, the Commission and the Council shall base all decisions on both quantitative and qualitative analyses and judgement.
- Enhanced transparency and accountability, in order to strengthen peer support and peer pressure, should be an integral part of the economic governance framework: the Commission and the Council are expected to motivate and make public their positions and decisions at all appropriate stages of the procedure. During the first decade of the EMU discussions and decisions in the euro group and the Council have been mostly behind closed doors.
- A more independent role of the Commission in the decision-making procedure needs to be accompanied with stronger accountability of the Commission in order to make sure the Treaty and regulations are being applied correctly.
- The Parliament should have stronger role in the surveillance process, but not an executive role. This new role should include regular and systematic public debates and hearings in the EP, in particular on issues of cross-border relevance. The EP should also have the possibility to invite Member States in front of its competent committees in order to increase common understanding, peer support and peer pressure (i.e. reputational sanctions).

Furthermore, on this specific report, and taking into account the very stringent Treaty limits regarding the corrective arm of the Stability and Growth Pact (article 126), it was considered that to allow the most immediate action, the timeframe set for Council decisions must be shortened, as they were before 2005, since recent events have shown us that it is vital to act immediately and efficiently, avoiding the prolonging of the situation as well as the possible spillover effects to other Member States. Also it makes possible for Member States outside the euro area to freely comply with the provisions of this Regulation.