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

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

The main amendments are as follows:

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

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

Transparency and democratic legitimacy: the committee is of the opinion that strengthening economic governance should go hand in hand with reinforcing the democratic legitimacy of economic governance in the Union, which should be achieved through a closer and timelier involvement of the European Parliament and the national parliaments throughout the economic policy coordination procedures.

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

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

The Council and the Commission should make public and set out the reasons for their positions and decisions at the appropriate stages of the economic policy coordination procedures. It should be possible for the European Parliament to invite the Member State concerned to explain before its competent committee its decisions and policies. In additional The national budgetary frameworks should include the establishment and strengthening of the role of independent fiscal bodies and ensure the publication of transparent fiscal statistics.

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

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

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

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

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

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

- if the Council considers that the Member State has taken effective action, no variable component shall be applied. The decision not to apply the variable component shall be taken by qualified majority;
- if the Member State is considered not to have taken effective action, the variable component shall amount, as a rule, to one tenth of the difference between the deficit as a percentage of GDP in the preceding year and either the reference value for government deficit

or, if non compliance with budgetary discipline includes the debt criterion, the general government balance as a percentage of GDP that should have been achieved in the same year according to the notice issued under the TFEU.

Fines collected in accordance with this Regulation shall constitute other revenue and be allocated to a stability mechanism for Member States whose currency is the euro. Until the establishment of this mechanism the fines shall be allocated as provisioning for risk-sharing financial instruments for EU relevant projects financed by the European Investment Bank in conformity with provisions of the Protocol (n° 5) on the Statute of the European Investment Bank annexed to the Treaties.