**REPORT**

on the proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area

Committee on Economic and Monetary Affairs

Rapporteur: Carl Haglund
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


(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2010)0525),

– having regard to Article 294(2), Article 121(6) and Article 136 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0299/2010),

– having regard to the opinion of the Committee on Legal Affairs on the proposed legal basis,

– having regard to Article 294(3) of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the European Central Bank of 16 February 2011¹,

– having regard to Rules 55 and 37 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 (A7-0182/2011),

1. Adopts its position at first reading hereinafter set out;

2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;

3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

POSITION OF THE EUROPEAN PARLIAMENT

AT FIRST READING*

*Amendments: new or amended text is highlighted in bold italics; deletions are indicated by the symbol [ ].

¹ Not yet published in the Official Journal.

RR\865738EN.doc 5/37 PE454.574v02-00
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on enforcement measures to correct excessive macroeconomic imbalances in the euro area

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 136, in combination with Article 121(6) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

(-I) Experience gained and mistakes made 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 stronger national ownership of commonly agreed rules and policies and on a more robust surveillance framework at the Union level of national economic policies.

(-1a) 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, in particular a Union strategy for growth and jobs, with particular focus upon development and strengthening of the internal market, fostering international trade and competitiveness, 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, minimum requirements for national budgetary frameworks, enhanced financial market regulation and supervision, including macro-prudential supervision by the European Systemic Risk Board, and a credible permanent crisis resolution mechanism.

(-1b) The Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a Union strategy for growth and jobs.

(-1c) 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 more timely involvement of the European Parliament

¹ OJ C , , p. .
and the national parliaments throughout the economic policy coordination procedures.

(-1d) The Council and the Commission should make their positions and decisions public at the appropriate stages of the procedure, in order to ensure effective peer pressure and a Member State concerned may be invited to explain its decisions and policies before the competent committee of the European Parliament.

(-1e) Without prejudice to their rights and obligations under the Treaty on the Functioning of the European Union (TFEU), the Member States whose currency is not the euro should have the right to apply the economic governance legislation.

(-1f) This Regulation should enter in force as soon as possible after its adoption. The Commission should, however, when making proposals for measures to implement these new rules take into account the current economic situation of the concerned Member States and all relevant provisions included in this legal act in this respect.

(-1g) The Commission should have a stronger and more independent role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, missions, recommendations and warnings. In particular, the role of the Council should be limited in the steps leading to potential sanctions and the reversed qualified majority voting in the Council should be used wherever possible under the TFEU.

(-1h) To enhance trust in European Statistics and ensure the professional independence of national statistical authorities, Member States should remain fully committed to implementing Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics, in particular the statistical principles as set out in the European statistics Code of Practice, endorsed by the Commission in its Recommendation of 25 May 2005 on the independence, integrity and accountability of the national and Community statistical authorities. Member States should also ensure national statistical authorities are given the necessary autonomy over budgetary allocations, publication of statistical information and a transparent procedure for appointing and dismissing senior management. In addition, national courts of auditors should also enjoy the same level of professional independence, in order to ensure full confidence in reporting at a European level.

1 The coordination of the economic policies of the Member States within the Union should be developed in the context of the broad economic and employment guidelines with a view to contributing to the achievement of the objectives of the Union defined in Article 3 of the Treaty on European Union and the fulfilment of the requirements provided in Article 9 TFEU, and should entail compliance with the guiding principles of stable prices, sound and sustainable public finances and monetary conditions and a sustainable balance of payments.

(1a) In order to develop a coordinated strategy for employment, as provided for by the TFEU, Member States and the Union should work in compliance with the guiding principles.

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principles of promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change.

(1b) The TFEU provides that in defining and implementing its policies and activities, the Union should take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection and the fight against social exclusion.

(1c) The European Council, meeting on 17 June 2010, adopted a new strategy for jobs and growth to enable the Union to emerge stronger from the crisis, and to turn its economy towards smart, sustainable and inclusive growth, accompanied by high level employment, productivity and social cohesion. The European Council also decided to launch, on 1 January 2011, the European Semester for policy coordination to allow Member States to benefit from early coordination at Union level and to enable enhanced surveillance and a simultaneous assessment of both budgetary measures and structural reforms fostering growth and employment.

(1d) The European semester for economic policy coordination (Semester) should play a vital role in implementing the requirement under Article 121(1) TFEU that Member States regard their economic policies as a matter of common concern and coordinate them accordingly and the requirement under Article 146(2) TFEU that Member States regard promoting employment as a matter of common concern and coordinate their action in this respect within the Council. Transparency and independent oversight are an integral part of enhanced economic governance. The Council and the Commission should make public and state the reasons for their positions and decisions at the appropriate stages of the economic policy coordination procedures.

(2) There is a need to build upon the experience gained during the first decade of functioning of economic and monetary union.

(2a) Achieving and maintaining a dynamic Single Market shall be considered an element of the proper and smooth functioning of the economic and monetary union.

(3) In particular, surveillance of the economic policies of the Member States should be broadened beyond budgetary surveillance to prevent excessive macroeconomic imbalances and help the Member States affected devise corrective plans before divergences become entrenched and before economic and financial processes take a durable turn in an excessively unfavourable direction. This broadening should go in step with deepening of fiscal surveillance.

(3a) Given the deep trade and financial inter-linkages between Member States, be they in the euro area or not, and the spillover effects of national economic policies on the Union and the euro area as a whole, this Regulation should also apply to Member States whose currency is not the euro in order to encourage them to internalise at the earliest stage possible the potential significant impacts of their national economic policies on one or more Member State.

(4) To help address such imbalances, a procedure laid down in legislation is necessary.
(5) It is appropriate to supplement the multilateral surveillance referred to in Article 121(3) and (4) TFEU with specific rules for detection, prevention and correction of macroeconomic imbalances. It is essential that the procedure should be embedded in the annual multilateral surveillance cycle.

(5a) In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission on the one hand, and the national parliaments, national governments and regional parliaments with legislative competences and fiscal powers on the other, and to ensure greater transparency and accountability, the competent committee of the European Parliament may organise public debates on macroeconomic and budgetary surveillance undertaken by the Council and the Commission.

(6) Enforcement of Regulation (EU) No …/2011, setting out the framework for the prevention and correction of macroeconomic imbalances and based on a scoreboard as a tool for early detection of developing imbalances, economic analysis and in-depth reviews should be strengthened by establishing interest-bearing deposits or fines for Member States whose currency is the euro in case of non-compliance with the recommendations or the obligation to draw up an adequate corrective action plan to address excessive macroeconomic imbalances.

(6a) Sovereign debt in a currency union has differing dynamics to those of independent currencies. Maintenance of the preferential treatment of euro area sovereign debt should therefore be reviewed and where there is an instance of non-compliance with the Stability and Growth Pact under Regulation (EC) No 1466/97 and Regulation (EC) No 1467/97 restricted or withdrawn, as a disciplinary measure to address excessive macroeconomic imbalances and observance of the Stability and Growth Pact. This is a mechanism appropriate to prevent future crises rather than for immediate application in circumstances that would be procyclical.

(7) Macroeconomic imbalances are likely to generate undue fluctuations in public revenues and spending throughout the economic cycle, affecting headline figures and distorting the picture for fiscal planning and decision-making. Inappropriate fiscal policy choices based on distorted trends could weaken, and possibly compromise, the sustainability of public finances. If unchecked, fiscal and other macroeconomic imbalances have the potential to reinforce each other and possibly to jeopardise the proper functioning of economic and monetary union. For these reasons a system of correction of macroeconomic imbalances should contribute to avoiding the emergence of asymmetric shocks and contribute to sustainable growth as well as both short and long-term fiscal and budgetary discipline of the Member States whose currency is the euro.

(8) Failure to comply with Council recommendations in accordance with Article 10(4) of Regulation (EU) No …/2011 to address excessive macroeconomic imbalances should, as a rule, be subject to an interest-bearing deposit which will be converted into a yearly fine if the Member State does not take corrective action and the Council adopts a second recommendation within the same imbalance procedure,
until the Council establishes that the Member State has taken corrective action to comply with its recommendations.

(9) Moreover, failure of the Member State to draw up a corrective action plan in accordance with the Council recommendations of Article 8 (2) of that regulation, stating that the Member State has submitted an insufficient corrective action plan, even after the first Council recommendation on amending its corrective action plan, should be equally subject to a yearly fine as a rule, until the Council establishes that the Member State has provided a corrective action plan that sufficiently addresses its recommendations.

(9a) A one-off fine should be imposed if a Member State manipulates financial data, falsifies statistics or deliberately provides misleading information as a consequence of misconduct. A Member State should not be fined twice for the same deliberate violation.

(10) To ensure equal treatment between Member States, the interest-bearing deposit and the fine should be identical for all Member States whose currency is the euro and equal to 0.1% of the gross domestic product (GDP) of the Member State concerned in the preceding year. In case of deliberate and severe non-compliance with Council or Commission recommendations the fine can be raised up to 0.3% of GDP.

(11) The procedure for the application of the sanctions on the Member States which fail to take effective measures to correct macroeconomic imbalances should be construed in such a way that the application of the sanction on those Member States would be the rule and not the exception.

(11a) The fine should be based on failure to comply with recommendations, to take corrective action within the foreseen deadlines or to provide adequate corrective action plans. A fine should therefore not be imposed as a consequence of the mere existence of excessive macroeconomic imbalances nor as a consequence of the recommended actions undertaken not reducing, in practice, the excessive imbalances.

(12) The collected fines should be allocated to the stability mechanism for Member States whose currency is the euro. Until the establishment of this mechanism the interest and the fines shall be allocated as guarantees for EU relevant projects financed by the European Investment Bank in conformity with provisions of Protocol (N°5) on the Statute of the European Investment Bank annexed to the Treaties.

(13) The power to adopt individual decisions for the application of the sanction provided for in this Regulation should be conferred on the Council. As part of the coordination of the economic policies of the Member States conducted within the Council as specified in Article 121(1) TFEU, these individual decisions are an integral follow-up to the measures adopted by the Council in accordance with Article 121 TFEU and Regulation (EU) No […/…].

(14) Since this Regulation contains general rules for effective enforcement of Regulation (EU) No […/…], it should be adopted in accordance with the ordinary legislative procedure referred to in Article 121(6) TFEU.
Since an effective framework for detection and prevention of macroeconomic imbalances cannot be sufficiently achieved by the Member States because of the deep trade and financial inter-linkages between Member States and the spillover effects of national economic policies on the Union and the euro area as a whole and can be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity, as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in the same Article, this Regulation does not go beyond what is necessary to achieve those objectives.

(15a) The provisions of this Regulation are fully consistent with Article 3 of the Treaty on European Union and horizontal clauses of the TFEU, namely Articles 7, 8, 9, 10 and 11 TFEU, the Charter of Fundamental Rights as well as provisions of Protocol (No 26) on services of general interest annexed to the Treaties and Article 153(5) TFEU.

(15b) This Regulation does not affect the exercise of fundamental rights as recognized in the Member States and by Union law. Nor does it affect the right to negotiate, conclude and enforce collective agreements and to take industrial action in accordance with national law and practices which respect Union law.

(15c) In order to foster accountability and national ownership, the Council should convene and deliberate publicly when it discusses and adopts conclusions and recommendations on these important issues that affect the interests of the European Union and its citizens.

HAVE ADOPTED THIS REGULATION:

Article 1
Subject matter and scope

1. This Regulation lays down a system of sanctions for effective correction of excessive macroeconomic imbalances in the euro area.

2. This Regulation shall apply to Member States whose currency is the euro.

2a. This Regulation shall also apply to a Member State whose currency is not the euro and which has notified the Commission of its willingness to apply this Regulation. Such a notification shall be published in the Official Journal of the European Union. This Regulation shall apply to such a Member State from the day after such publication.

Article 2
Definitions

For the purposes of this Regulation, the definitions set out in Article 2 of Regulation (EU) No […] shall apply.

In addition, the following definition shall apply:
‘exceptional economic circumstances’ means circumstances where an excess of a government deficit over the reference value is considered exceptional within the meaning of the second indent of Article 126(2)(a) TFEU and as specified in Council Regulation (EC) No 1467/97\(^1\).

Article 3
Sanctions

1. An interest-bearing deposit shall be imposed by the Council, acting on a proposal by the Commission, if a Council recommendation on corrective action is adopted in accordance with Article 10(4) of Regulation (EU) No …/2011, where the Council concludes that the Member State concerned has not taken the recommended corrective action following a recommendation.

1a. A yearly fine shall be imposed by the Council, acting on a proposal by the Commission, if:

(a) a second Council recommendation in the same imbalance procedure is adopted in accordance with Article 8(2) of Regulation (EU) No …/2011 where the Council concludes that the Member State has submitted an insufficient corrective action plan, even after the first Council recommendation on amending its corrective action plan or if,

(b) a second Council recommendation in the same imbalance procedure is adopted in accordance with Article 10(4) of Regulation (EU) No …/2011 where the Council concludes that the Member State has not taken the recommended corrective action even after the first Council recommendation on corrective action. The fine shall be imposed by means of converting the interest-bearing deposit imposed into a yearly fine in accordance with Article 3(1).

The decision shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the proposal within ten days of the Commission adopting it. The Council may amend the proposal in accordance with Article 293(1) TFEU. The Member State concerned may request that an extraordinary meeting of the Council be convened to take a vote on the decision.

2. The interest-bearing deposit or the yearly fine to be proposed by the Commission shall be 0.1% of the GDP of the Member State concerned in the preceding year. In the case of deliberate and severe non-compliance with Council or Commission recommendations the fine may be raised up to 0.3% of GDP.

3. By derogation from paragraph 2, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission or in order to take into account any cumulative effect of sanctions imposed in accordance with Regulation (EU) No …/2011 on speeding up and clarifying the implementation of the excessive deficit procedure and Regulation (EU) No

\(^1\) OJ L 209, 2.8.1997, p. 6.
…/2011 on the effective enforcement of budgetary surveillance in the euro area, within ten days of adoption of the Council conclusions referred to in paragraph 1, propose to reduce the amount of the fine.

4. If a Member State has constituted an interest-bearing deposit or has paid a yearly fine for a given calendar year and the Council thereafter concludes, in accordance with Article 10(1) of Regulation (EU) No …/2011 that the Member State has taken the recommended corrective action in the course of that given year, the deposit paid for the given year together with the accrued interest or the fine paid for the given year shall be returned to the Member State pro rata temporis.

4a. In the event that a Member State manipulates financial data, falsifies statistics or deliberately provides misleading information, in particular resulting in a violation of the European statistical rules, on which decisions in Regulation (EU) No …/2011 [on the prevention and correction of macroeconomic imbalances] are based, the Council, acting on a proposal from the Commission, may adopt a decision requiring the Member State to pay a fine. Such a fine shall be a one-off payment of 0.5% of the GDP of the Member State concerned in the preceding year. The decision shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the proposal within ten days of adoption by the Commission. The Council may amend the Commission’s proposal in accordance with Article 293(1) TFEU.

4b. The total yearly amount of the cumulative fines imposed on a Member State, excluding the fine referred to in paragraph 4a, shall not exceed 0.5% of its GDP.

Article 4
Allocation of the fines

Fines collected in accordance with Article 3 of this Regulation shall constitute other revenue, as referred to in Article 311 TFEU, and shall be allocated to the stability mechanism for Member States whose currency is the euro. Until the establishment of this mechanism the interest and the fines shall be allocated as guarantees for EU relevant projects financed by the European Investment Bank in conformity with provisions of Protocol (N°5) on the Statute of the European Investment Bank annexed to the Treaties.

Article 5
Voting within the Council

For the measures referred to in Article 3, only members of the Council representing Member States whose currency is the euro and Member States applying this Regulation on a voluntary basis shall vote. The Council shall act without taking into account the vote of the member of the Council representing the Member State concerned.

A qualified majority of the members of the Council mentioned in the first paragraph shall be defined in accordance with Article 238(3)(a) TFEU.

In order to increase public scrutiny, accountability and national ownership, when

Article 5a
Economic dialogue

In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission on the one hand, and the national parliaments, governments and other relevant bodies of the Member States on the other, and to ensure greater transparency and accountability, the competent committee of the European Parliament may conduct hearings and organise public debates on macro-economic and budgetary surveillance undertaken by the Council and the Commission.

Article 5b
Review

1. By ... * and every three years thereafter the Commission shall publish a report on the application of this Regulation. That report shall evaluate, inter alia:

(a) whether the enforcement system has contributed to the compliance of Member States to the guiding principles of stable prices, sound public finances and monetary conditions and a sustainable balance of payments in the Union;

(b) whether the fines are effective, appropriate and proportional;

(c) whether the system of fines needs to be amended.

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 provisions in the Treaties governing economic and monetary union, particularly with regard to enforcement measures, it shall make the necessary recommendations to the European Council.

Article 6
Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

* OJ please insert date: xxx years after the date of entry into force of this Regulation.
Done at
For the European Parliament For the Council
The President The President
EXPLANATORY STATEMENT

The Commission proposals for improved economic governance are of major importance for the future of the EU and economic growth, in particular in the euro area. The rapporteurs of the European Parliament have therefore decided to work intensively on the Commission proposals as a package and improve them in order to establish a strong and coherent framework for the next decades. The rapporteurs have taken the Commission proposals as a starting point. This is the first time the parliament is co-deciding with the Council on macroeconomic developments of the Union. The rapporteurs are aware that these new powers given by the Lisbon Treaty bring with them also new responsibilities. The Council may take no final decision without the agreement of the European Parliament on the whole package. The aim is to within this procedure guarantee coherence and timely adoption of all parts of the package.

Experience gained during the first decade of the Economic and Monetary Union shows a clear need for an improved economic governance framework, which should be built on 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.

It is necessary to learn from past mistakes; therefore it is particularly important to broaden the surveillance to prevent harmful macroeconomic imbalances. There is an urgent need to ensure that the surveillance in the future goes beyond fiscal policy, as the build-up of macroeconomic imbalances has proved harmful and has lead to increased vulnerability. The framework on the prevention and correction of macroeconomic imbalances needs to emphasise early detection and prevention of potentially harmful macroeconomic imbalances. The macroeconomic surveillance cannot be based on a static and simplistic framework. It is crucial to ensure that the procedure is based on thorough economic analysis through in-depth reviews investigating a broad range of economic factors while taking country-specific circumstances duly into account.

In order to ensure a credible and efficient surveillance framework, it must be strengthened by establishing yearly fines for non-compliance with recommendations or the obligation to draw up a sufficient corrective action plan. This enforcement mechanism will come into effect only if the preventive measures fail on grounds of the inability of a Member State to take necessary action with regards to recommendations, or fails to provide a sufficient corrective action plan. Fines cannot be imposed on a Member State simply because of the existence of macroeconomic imbalances, it is the action and measures taken that are decisive on whether to impose fines or not.

The fines can only be an effective deterrence if the application of the fines is the rule, not the exemption. There is therefore a clear need for a higher degree of automaticity, without giving room for political bargaining. The decisions on the imposition of fines shall therefore be deemed adopted by the Council unless it decides, by qualified majority, to reject the proposal.
within ten days of the Commission adopting it. The Member State concerned should have the right to request the Council to convene in order to take this decision. This is necessary in order to ensure that all Member States will be treated equally. As the emphasis in the macroeconomic surveillance is to be on the preventive and corrective action with several phases, failure for a Member State subject to an excessive deficit procedure to take the necessary measures or provide a sufficient corrective action plan should in itself a reason for imposing fines.

The yearly fine should be minimum 0.1% and maximum 0.5% of the GDP of the Member State concerned in the preceding year, depending on the severity of non-compliance with Commission and Council recommendations. This is needed to ensure that the fines are seen as an effective deterrent. In particular, it needs to be made clear that fraud of any kind will not be tolerated. Therefore fines of 0.5% GDP should be imposed on Member States manipulating financial data, falsifying statistics or providing misleading information. As an exception to the general rule of yearly fines, this fine is to be imposed only once as a sanction for misconduct.

In deciding upon the sanctions, the overall level of sanctions with regards to other parts of the multilateral surveillance needs to be taken into account. In order to ensure that the fines will not have a pro-cyclical effect, it is necessary to have a ceiling on the total amount of yearly fines. As an exception to this rule, fines imposed because of fraud should not be taken into account when considering the overall amount of fines.

The fines should in the future be allocated to the permanent crisis resolution mechanism and as such contribute to the crisis buffer needed. Until the establishment of the fund, the fines should be allocated to the European Financial Stability Facility.

The effort to broaden the scope of the surveillance to the macroeconomic imbalances is a necessary step. Seeing as this is a new framework and mechanism, it is essential to ensure that the functioning of the system is reviewed thoroughly after 3 years. In particular, it must be evaluated whether the decision-making numerous stages in the preventive and corrective stages could be made more automatic.

With regards to the other proposals in the package, the rapporteurs 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 additions 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:

- A stronger focus on prevention of unsustainable fiscal and macroeconomic policies.
  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 should 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 been 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.

Dear Mrs Bowles,

By letter of 4 March 2011 you asked the Committee on Legal Affairs pursuant to Rule 37(2) of the Rules of Procedure, to give its opinion on the appropriate legal basis of various proposals for legislation, on which amendments to change the legal basis have been tabled in your committee as the lead committee and/or in the Committee on Employment and Social Affairs.

The committee considered this question at its meeting of 12 April 2011.

The economic governance package aims at responding to the need for greater coordination and closer surveillance of economic policies in the Economic and Monetary Union.

The package consists of six proposals for legislation.

The proposals are analysed separately in the annex. For the sake of convenience, the committee's conclusions as to the appropriate legal basis in each case are set out below:


The sole purpose of the proposal for a Regulation is to broaden the economic surveillance procedure, as allowed by Article 121(6) TFUE. This legal basis thus seems to be the appropriate one.


The main purpose of this proposal is to encourage fiscal responsibility by setting minimum requirements for national frameworks and to ensure the effectiveness of the excessive deficit procedure. Therefore, the legal basis proposed by the Commission, namely the third subparagraph of Article 126(14) TFEU, seems to be appropriate.
This proposal aims at securing strengthened coordination of Member States' economic policies. It therefore seems that **Article 121(6) TFEU** is the appropriate legal basis for this proposal.

In view of the fact that the main objective of this proposal is to fix the detailed rules to be followed when applying the excessive deficit procedure, the sole appropriate legal basis is **Article 126(14) TFEU**.

It is considered that **Article 121(6) in conjunction with Article 136 TFEU** constitutes the appropriate legal basis.

Considering the purpose of the proposal, which aims at reinforcing the effective correction of macroeconomic imbalances in the euro area, **Article 121(6) in conjunction with Article 136 TFEU** constitutes the appropriate legal basis.

At its meeting of 12 April 2011 the Committee on Legal Affairs decided on the above recommendations, unanimously¹.

Yours sincerely,

Klaus-Heiner Lehne

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¹ The following were present for the final vote: Klaus-Heiner Lehne (Chair), Evelyn Regner (Vice-Chair), Piotr Borys, Sergio Gaetano Cofferati, Christian Engström, Lidia Joanna Geringer de Oedenberg, Sajjad Karim, Kurt Lechner, Eva Lichtenberger, Antonio López-Istúriz White, Arlene McCarthy, Antonio Masip Hidalgo, Alajos Mészáros, Angelika Niebler, Bernhard Rapkay, Alexandra Thein, Diana Wallis, Rainer Wieland, Cecilia Wikström, Tadeusz Zwiefka.
Annex

Subject: Legal basis of the proposal for a Regulation of the Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area ((COM (2010) 525, 2010/0279 (COD)).

The economic governance package consists of six proposals aiming to reinforce the coordination and the surveillance of economic policies in the economic and monetary union (EMU) in the context of the Europe 2020 Strategy and the European semester, a new surveillance cycle which will bring together processes under the SGP (The Stability and Growth Pact\(^1\)) and the Broad Economic Policy Guidelines.

These proposals come as a response to the weaknesses of the current system as revealed by the global economic and financial crisis. Two proposals are concerned with the excessive deficit procedure, both being based on Article 126 (14) TFEU. The other four are concerned with the multilateral surveillance procedure and are based on Article 121(6); two of them are based on Article 121(6) in combination with Article 136 TFEU.

The proposals follow two communications\(^2\) of the Commission and an agreement of the European Council of June 2010 on the need to reinforce the coordination of the Member States’ economic policies. The economic governance package was submitted on 29 September 2010.

The proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area (hereinafter the proposal) extends the economic surveillance process, partially set out in the Stability and Growth Pact. Consequently, budgetary surveillance and fiscal surveillance are supplemented by a mechanism apt to identify, prevent and correct macroeconomic imbalances. This proposal should be analysed as accompanying the regulation on the excessive imbalance procedure\(^3\) (EIP Regulation).

The legislative procedure is in the course of first reading in the Committee on Economic and Monetary Affairs, where the rapporteur is Carl Haglund. The Committee on Employment and Social Affairs is giving an opinion (rapporteur: Pervenche Berès).

Amendments tabled in the lead committee (ECON) seek to change the legal basis from the double basis of Article 136 in combination with Article 121(6) to a multiple basis of Article 136 in combination with Articles 121(6), 121(2) and 148(2) TFEU.


Background

As the Commission emphasises in its Explanatory Memorandum\(^1\), the EU needs a stronger economic surveillance, which should cover all relevant economic areas. Thus, "macroeconomic imbalances should be looked at jointly with fiscal policy and growth-enhancing reforms".

The mechanism for the prevention and the correction of macroeconomic imbalances is made up of two sets of draft proposals.

The first set of measures is outlined by the proposal for a regulation on the excessive imbalance procedure (EIP), which sets out to provide a framework for identifying and addressing macroeconomic imbalances. The second draft proposal focuses on enforcement of measures to correct excessive macroeconomic imbalances. It concerns only euro-area Member States and constitutes an incentive for Member States to address macroeconomic imbalances at an early stage and to ensure appropriate corrective measures where necessary.

The legal bases proposed

Article 121(6)

6. The European Parliament and the Council, acting by means of regulations in accordance with the ordinary legislative procedure, may adopt detailed rules for the multilateral surveillance procedure referred to in paragraphs 3 and 4\(^2\).

Article 136

1. In order to ensure the proper functioning of economic and monetary union, and in accordance with the relevant provisions of the Treaties, the Council shall, in accordance with the relevant procedure from among those referred to in Articles 121 and 126, with the

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\(^1\) Explanatory Memorandum.

\(^2\) Article 121 3. In order to ensure closer coordination of economic policies and sustained convergence of the economic performances of the Member States, the Council shall, on the basis of reports submitted by the Commission, monitor economic developments in each of the Member States and in the Union as well as the consistency of economic policies with the broad guidelines referred to in paragraph 2, and regularly carry out an overall assessment. For the purpose of this multilateral surveillance, Member States shall forward information to the Commission about important measures taken by them in the field of their economic policy and such other information as they deem necessary.

4. Where it is established, under the procedure referred to in paragraph 3, that the economic policies of a Member State are not consistent with the broad guidelines referred to in paragraph 2 or that they risk jeopardising the proper functioning of economic and monetary union, the Commission may address a warning to the Member State concerned. The Council, on a recommendation from the Commission, may address the necessary recommendations to the Member State concerned. The Council may, on a proposal from the Commission, decide to make its recommendations public.

Within the scope of this paragraph, the Council shall act without taking into account the vote of the member of the Council representing the Member-State concerned.

A qualified majority of the other members of the Council shall be defined in accordance with Article 238(3)(a).
exception of the procedure set out in Article 126(14), adopt measures specific to those Member States whose currency is the euro:
(a) to strengthen the coordination and surveillance of their budgetary discipline;
(b) to set out economic policy guidelines for them, while ensuring that they are compatible with those adopted for the whole of the Union and are kept under surveillance.

2. For those measures set out in paragraph 1, only members of the Council representing Member States whose currency is the euro shall take part in the vote.
A qualified majority of the said members shall be defined in accordance with Article 238(3) (a).

Article 148 (2)
2. On the basis of the conclusions of the European Council, the Council, on a proposal from the Commission and after consulting the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Employment Committee referred to in Article 150, shall each year draw up guidelines which the Member States shall take into account in their employment policies. These guidelines shall be consistent with the broad guidelines adopted pursuant to Article 121(2).

Article 121 (2)
The Council shall, on a recommendation from the Commission, formulate a draft for the broad guidelines of the economic policies of the Member States and of the Union, and shall report its findings to the European Council.
The European Council shall, acting on the basis of the report from the Council, discuss a conclusion on the broad guidelines of the economic policies of the Member States and of the Union.
On the basis of this conclusion, the Council shall adopt a recommendation setting out these broad guidelines. The Council shall inform the European Parliament of its recommendation.

Approach of the Court of Justice

It is a settled case-law that, in principle, a measure is to be founded on only one legal basis. If examination of the aim and the content of a Union measure reveals that it pursues a twofold purpose or that it has a twofold component, falling within the scope of different bases, and if one is identifiable as the main or predominant purpose or component, whereas the other is merely incidental, the measure must be based on a single basis, namely that required by the main or predominant purpose or component.1

Only if, exceptionally, it is established that the measure simultaneously pursues a number of objectives or has several components that are indissociably linked, without one being secondary and indirect in relation to the other, will that measure have to be founded on the various corresponding legal bases2.

Analysis of the legal bases proposed

The proposal on enforcement measures to correct excessive macroeconomic imbalances lays down measures in order to ensure an effective and credible surveillance framework.

To this effect it provides for "a system of fines for effective correction of macroeconomic imbalances in the euro area" (Article 1 of the proposal). This mechanism will come into effect if the preventive measures fail on grounds of incapacity of the Member State to take necessary action in regard to the Council recommendation or in case of non-compliance with the obligation to provide a sufficient corrective action plan (Article 3 of the proposal). The fine is to be equal to 0.1% of the GDP of the Member State concerned in the preceding year. Furthermore Article 4 establishes that the fines collected constitute other revenue, as referred to Article 311 of the Treaty, and should be distributed between Member States whose currency is the euro and which are not the subject of an excessive imbalance procedure.

All these measures aim at strengthening the enforcement of the regulation on the prevention and correction of macroeconomic imbalances.

Having identified the main purposes of the proposal, it is necessary to determine which of the proposed legal bases is the appropriate one.

**Article 121 TFEU** concentrates on coordinating the economic policies of the Member States. Thus it enables the Council to establish the broad guidelines of the economic policies of the Member States and to put in place a multilateral surveillance procedure, based on the Commission’s reports (paragraphs 3 and 4). **Paragraph 6** allows measures to be adopted under the ordinary legislative procedure in order to set out detailed provisions for the implementation of the multilateral surveillance procedure.

It may be considered that the system of fines provided for in Articles 3-5 of the proposal represent detailed rules for the multilateral surveillance procedure as allowed by Article 121 (6). It therefore seems that Article 121(6) is an appropriate legal basis for this proposal.

**Article 136 TFEU** is part of Title VIII, Chapter 4 Provisions specific to Member States whose currency is the euro. This provision allows the Council to adopt in accordance with procedures set out in Articles 121 and/or 126, measures to strengthen the surveillance of Member States’ budgetary discipline.

This article seems to be an appropriate legal basis for the proposal under examination if the system of fines set out by in the proposal is to be seen as measures which strengthen the macroeconomic surveillance mechanism.

**Article 148** is part of Title IX, Employment. This provision allows the Council, on a proposal from the Commission and after consulting the European Parliament, to adopt guidelines which Member States are obliged to take into account in their employment policies. Article 148(3) and (4) allow the Council to examine "the implementation of the employment policies of the Member States in the light of the guidelines for employment" and to make recommendations to Member States. It does not constitute a legal basis for the adoption of legislation stricto sensu.
Article 121(2) TFEU sets out the procedure to be followed by the European institutions when establishing the broad economic guidelines. This article does not constitute an appropriate legal basis for legislation.

Conclusion and recommendation

In the light of the above considerations it seems that Article 121(6) in conjunction with Article 136 TFEU constitute the appropriate legal basis for this proposal.
18.3.2011

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Economic and Monetary Affairs


Rapporteur: Pervenche Berès

SHORT JUSTIFICATION

Background

On 29 September 2010, the Commission presented a legislative package aimed at reinforcing the economic governance in the EU and the euro area. The package is made up of six proposals: four of them deal with fiscal issues, including a reform of the Stability and Growth Pact (SGP), while two new regulations aim at detecting and addressing emerging macroeconomic imbalances within the EU and the euro area.

In the later two proposals, and with a view to broaden the EU’s economic surveillance to non-fiscal areas, the Commission proposes a series of new elements relating to the surveillance and correction of macroeconomic imbalances. The ‘preventive part’ of these elements comprises a regular assessment of the risks of imbalances based on a scoreboard of indicators and carrying out in-depth country analyses. When necessary, country-specific recommendations could be addressed by the Council to a Member State with severe imbalances or imbalances that put at risk the functioning of the EMU. Moreover, the ‘corrective part’ as presented in the proposal on "enforcement measures to correct excessive macroeconomic imbalances", envisages that euro area Member States which show insufficient compliance with their respective recommendations may become subject of an excessive deficit procedure and, ultimately, could face sanctions in the form of a yearly fine.

Observations

The Commission’s proposals contain many sound ideas. In general, your rapporteur shares the Commission’s view that it is necessary to develop a new structured procedure for prevention
and correction of adverse macroeconomic imbalances in every Member State. Your rapporteur recalls that the Commission's EMU@10 communication already pointed to the increase of divergences between Member States before the crisis and that the European Parliament resolution on EMU@10 thoroughly addressed this point. A mechanism to monitor and prevent such divergences and imbalances is thus more than welcome. However, your rapporteur considers that a number of modifications are necessary in order to ensure that imbalances and diversions between Member States are detected, prevented or ultimately corrected in an efficient manner. Your rapporteur therefore introduces a series of amendments to the Commission proposals on "prevention and correction of macroeconomic imbalances" and on "enforcement measures to correct excessive macroeconomic imbalances in the euro area", addressing the following main aspects:

- The EU’s surveillance framework should include employment and social aspects, in addition to those of general economic and financial nature. Article 148 of the Treaty on the Functioning of the European Union (TFEU) should therefore be added as a legal base in the preventive part of the surveillance framework, and the relevant Regulation should address the prevention and correction of macroeconomic as well as of social imbalances on an equal basis. This way, a more integrated economic and social approach will be ensured.

- Linked to the above, the instruments based on Article 148 TFEU, in particular the guidelines for the employment policies of the Member States should be taken into account when assessing imbalances, and supplemented with specific tools for detection and prevention of social imbalances. The Employment Committee (EMCO) and the Social Protection Committee (SPC) should thus be actively involved in all relevant surveillance procedures.

- The scoreboard of indicators to serve as a tool for early detection and monitoring of imbalances should be adopted and updated regularly by the Commission in the form of delegated acts in accordance with Article 290 TFEU. The main indicators should include relevant employment, unemployment, poverty and taxation aspects.

- The system of correction of imbalances should not only contribute to the budgetary discipline of the euro area Member States. Equally important, it should be designed in such a way so as to avoid the emergence of asymmetric shocks and to contribute also to sustainable growth and job creation. The system should thus work in support of achieving the EU’s growth and jobs objectives, such as those adopted under the Europe 2020 strategy.

- Furthermore, the correction system, including when it comes to the correction of excessive imbalances, should be composed not only of fines (sanctions) but also incentives. Any decision to impose a sanction or a fine on a Member State should be subject to a social impact assessment.

- Fines collected from the Member States which fail to comply with their respective recommendations should be used in support of the EU’s long term investment and job targets and not distributed only to the Member States that are not subject of any excessive procedure as the Commission proposes.

Finally, your rapporteur considers it of utmost importance that the role of the European Parliament be strengthened in the whole surveillance process. In addition, regular consultation of the social partners and a stronger involvement of National Parliaments are necessary.
preconditions of a credible and transparent surveillance framework.

**AMENDMENTS**

The Committee on Employment and Social Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following amendments in its report:

**Amendment 1**

Proposal for a regulation
Recital 1 a (new)

*Text proposed by the Commission*  
*(1a) In order to develop a coordinated strategy for employment, as provided for by the Treaty on the Functioning of the European Union (TFEU), Member States and the Union should work in compliance with the guiding principles of promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change.*

**Amendment 2**

Proposal for a regulation
Recital 1 b (new)

*Text proposed by the Commission*  
*(1b) The TFEU provides that in defining and implementing its policies and activities, the Union should take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection and the fight against social exclusion.*

**Amendment 3**
Proposal for a regulation
Recital 1 c (new)

Text proposed by the Commission

(1c) 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, convergence and solidarity.

Amendment 4

Proposal for a regulation
Recital 1 d (new)

Text proposed by the Commission

(1d) The European Council, meeting on 17 June 2010, adopted a new strategy for jobs and growth to enable the Union to emerge stronger from the crisis, and to turn its economy towards smart, sustainable and inclusive growth, accompanied by high level employment, productivity and social cohesion. The European Council also decided to launch, on 1 January 2011, the European Semester for policy coordination to allow Member States to benefit from early coordination at Union level and to enable enhanced surveillance and a simultaneous assessment of both budgetary measures and structural reforms fostering growth and employment.

Amendment 5

Proposal for a regulation
Recital 1 e (new)
Text proposed by the Commission

(1e) The European semester for economic policy coordination should play a vital role in implementing Article 121(1) and Article 146(2) of TFEU. Transparency and independent oversight are an integral part of enhanced economic governance. The Council and the Commission should make public and state the reasons for their positions and decisions at the appropriate stages of the economic policy coordination procedures.

Amendment

Proposal for a regulation
Recital 2

Text proposed by the Commission

(2) There is a need to build upon the experience gained during the first decade of functioning of economic and monetary union.

Amendment

(2) There is a need to build upon the experience gained during the first decade of functioning of economic and monetary union regarding macroeconomic and social imbalances.

Amendment

Proposal for a regulation
Recital 3

Text proposed by the Commission

(3) In particular, surveillance of the economic policies of the Member States should be broadened beyond budgetary surveillance to prevent excessive macroeconomic imbalances and help the Member States affected devise corrective plans before divergences become entrenched. This broadening should go in step with deepening of fiscal surveillance.

Amendment

(3) In particular, surveillance of the economic policies of the Member States should be broadened beyond budgetary surveillance to prevent excessive macroeconomic and social imbalances, help the Member States affected devise corrective plans before divergences become entrenched, promote mutually reinforcing development strategies and facilitate monitoring the progress towards the Union’s growth and jobs objectives.
This broadening should go in step with deepening of fiscal surveillance.

Amendment 8
Proposal for a regulation
Recital 4

**Text proposed by the Commission**
(4) To help address such imbalances, a procedure laid down in legislation is necessary.

**Amendment**
(4) To help address such imbalances, a more integrated economic and social approach and a procedure laid down in legislation is necessary.

Amendment 9
Proposal for a regulation
Recital 5

**Text proposed by the Commission**
(5) It is appropriate to supplement the multilateral surveillance referred to in Article 121(3) and (4) of the Treaty with specific rules for detection, prevention and correction of macroeconomic imbalances. The procedure should be embedded in the annual multilateral surveillance cycle.

**Amendment**
(5) It is appropriate to complement the multilateral surveillance referred to in Article 121(3) and (4) TFEU with specific rules for detection, prevention and correction of macroeconomic imbalances that include incentives as well as fines. The procedure should be embedded in the annual multilateral surveillance cycle.

Amendment 10
Proposal for a regulation
Recital 6

**Text proposed by the Commission**
(6) Enforcement of Regulation (EU) No […]/[…] should be strengthened by establishing fines for Member States whose currency is the euro in case of repetitive non-compliance with the recommendations to address excessive macroeconomic imbalances.

**Amendment**
(6) Enforcement of Regulation (EU) No […]/[…] should be strengthened by establishing incentives as well as fines for Member States whose currency is the euro in case of repetitive non-compliance with the recommendations to address excessive macroeconomic imbalances.
Amendment 11
Proposal for a regulation
Recital 6 a (new)

Text proposed by the Commission
(6a) The measures adopted under this Regulation should be fully consistent with the horizontal provisions of the TFEU, namely Articles 7, 8, 9, 10 and 11 TFEU, with Article 153(5) TFEU, and with the Protocol (No 26) on services of general interest annexed to the Treaty on European Union and to the TFEU.

Amendment 12
Proposal for a regulation
Recital 11

Text proposed by the Commission
(11) The procedure for the application of the fines on the Member States which fail to take effective measures to correct macroeconomic imbalances should be construed in such a way that the application of the fine on those Member States would be the rule and not the exception.

Amendment
(11) The procedure for the application of the fines on the Member States which fail to take effective measures to correct macroeconomic imbalances should be construed in such a way that the application of the fine on those Member States would be fair and efficient.

Amendment 13
Proposal for a regulation
Recital 12

Text proposed by the Commission
(12) The collected fines should be distributed between Member States whose currency is the euro which are neither the subject of an excessive imbalance

Amendment
(12) The collected fines should be used in support of achieving the Union’s long-term investment and jobs objectives through a Union's financial stability.
procedure nor have an excessive deficit. mechanism, in order to support the adjustment process of Member States by providing finance strictly linked to economically viable, socially and environmentally sustainable investment.

Amendment 14

Proposal for a regulation
Recital 13

Text proposed by the Commission

(13) The power to adopt individual decisions for the application of the fine provided for in this Regulation should be conferred on the Council. As part of the coordination of the economic policies of the Member States conducted within the Council as specified in Article 121(1) of the Treaty, these individual decisions are an integral follow-up to the measures adopted by the Council in accordance with Article 121 of the Treaty and Regulation (EU) No [...]…].

Amendment

(13) The power to adopt individual decisions for the application of the fine provided for in this Regulation should be conferred on the Council, after consulting the European Parliament. As part of the coordination of the economic policies of the Member States conducted within the Council as specified in Article 121(1) TFEU, these individual decisions are an integral follow-up to the measures adopted by the Council in accordance with Article 121 and 148 TFEU and Regulation (EU) No […]…].

Amendment 15

Proposal for a regulation
Article 1 – paragraph 1

Text proposed by the Commission

1. This Regulation sets out a system of fines for effective correction of macroeconomic imbalances in the euro area.

Amendment

1. This Regulation sets out a system of incentives and fines for effective correction of macroeconomic imbalances in the euro area.
Proposal for a regulation
Article 3 – title

Text proposed by the Commission

Fines

Amendment

Incentives and fines

Amendment 17

Proposal for a regulation
Article 3 – paragraph 3

Text proposed by the Commission

3. By derogation from paragraph 2, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council conclusions referred to in paragraph 1, propose to reduce the amount of the fine or to cancel it.

Amendment

3. By derogation from paragraph 2, the Commission may, on grounds of exceptional economic or social circumstances, major environmental disasters or following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council conclusions referred to in paragraph 1, propose to reduce the amount of the fine or to cancel it.

Amendment 18

Proposal for a regulation
Article 4

Text proposed by the Commission

Fines collected in accordance with Article 3 of this Regulation shall constitute other revenue, as referred to in Article 311 of the Treaty, and shall be distributed, in proportion to their share in the total gross national income (GNI) of the eligible Member States, between Member States whose currency is the euro and which are not the subject of an excessive imbalance procedure within the meaning of Regulation (EU) No […] and do not have an excessive deficit as determined in accordance with Article 126(6) of the Treaty.

Amendment

Fines collected in accordance with Article 3 of this Regulation shall constitute other revenue, as referred to in Article 311 TFEU, and shall be used in support of achieving the Union’s long-term investment and jobs objectives through a Union's financial stability mechanism, in order to support the adjustment process of Member States by providing finance strictly linked to economically viable, socially and environmentally sustainable investment.
Treaty.
### PROCEDURE

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<th><strong>Title</strong></th>
<th>Enforcement measures to correct excessive macroeconomic imbalances in the euro area</th>
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<td>EMPL 21.10.2010</td>
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<td><strong>Rapporteur</strong></td>
<td>Pervenche Berès 21.10.2010</td>
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<tr>
<td><strong>Discussed in committee</strong></td>
<td>1.12.2010 25.1.2011</td>
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<tr>
<td><strong>Date adopted</strong></td>
<td>16.3.2011</td>
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| **Result of final vote** | +: 37  
| | -: 4  
<p>| | 0: 6 |
| <strong>Members present for the final vote</strong> | Regina Bastos, Edit Bauer, Jean-Luc Bennahmias, Pervenche Berès, Mara Bizzotto, Philippe Boulland, David Casa, Alejandro Cercas, Marije Cornelissen, Frédéric Daeiden, Karima Delli, Proinsias De Rossa, Frank Engel, Sari Essayah, Richard Falbr, Ilda Figueiredo, Thomas Händel, Nadja Hirsch, Stephen Hughes, Liisa Jaakonsaari, Danuta Jazłowiecka, Martin Kastler, Ádám Kósa, Patrick Le Hyaric, Veronica Lope Fontagné, Olle Ludvigsson, Elizabeth Lynne, Thomas Mann, Elisabeth Morin-Chartier, Csaba Öry, Rovana Plumb, Konstantinos Poupakis, Sylvana Rapti, Licia Ronzulli, Elisabeth Schroedter, Jutta Steinruck, Traian Ungureanu |
| <strong>Substitute(s) present for the final vote</strong> | Georges Bach, Sven Giegold, Julie Girling, Gesine Meissner, Ria Oomen-Ruijten, Antigoni Papadopoulou, Evelyn Regner |
| <strong>Substitute(s) under Rule 187(2) present for the final vote</strong> | Liam Aylward, Fiona Hall, Jacek Włosowicz |</p>
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