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*Committee on Economic and Monetary Affairs*

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**2010/0278(COD)**

11.1.2011

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## **DRAFT REPORT**

on the proposal for a regulation of the European Parliament and of the Council  
on the effective enforcement of budgetary surveillance in the euro area  
(COM(2010)0524 – C7-0298/2010 – 2010/0278(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Sylvie Goulard

### ***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 regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area  
(COM(2010)0524 – C7-0298/2010 – 2010/0278(COD))

**(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2010)0524),
  - having regard to Article 294(2) and Articles 121 and 126 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0298/2010),
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to Rule 55 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A7-0000/2010),
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.

### **Amendment 1**

#### **Proposal for a regulation**

##### **Citation 1**

*Text proposed by the Commission*

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

*Amendment*

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 136, in combination with Article 121(6), **Article 122(2) and Article 3(1)(c)** thereof,

Or. en

## Amendment 2

### Proposal for a regulation Recital 2 a (new)

*Text proposed by the Commission*

*Amendment*

***(2a) 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 3

### Proposal for a regulation Recital 2 b (new)

*Text proposed by the Commission*

*Amendment*

***(2b) 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, 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) and a credible permanent crisis resolution mechanism.***

Or. en

#### **Amendment 4**

##### **Proposal for a regulation Recital 2 c (new)**

*Text proposed by the Commission*

*Amendment*

***(2c) 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 5**

##### **Proposal for a regulation Recital 2 d (new)**

*Text proposed by the Commission*

*Amendment*

***(2d) 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 a more timely involvement of the European Parliament and the national parliaments throughout the economic policy coordination procedures.***

Or. en

#### **Amendment 6**

##### **Proposal for a regulation Recital 2 e (new)**

*Text proposed by the Commission*

*Amendment*

***(2e) The European semester for economic policy coordination 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 that they coordinate them in that respect. 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 the appropriate stages of the economic policy coordination procedures.*

Or. en

## **Amendment 7**

### **Proposal for a regulation Recital 2 f (new)**

*Text proposed by the Commission*

*Amendment*

*(2f) Transparency as well as effectiveness of peer support and peer pressure is an integral part of enhanced economic governance in the Union in the spirit of the "specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of Stability and Convergence Programmes" endorsed by the Council on 7 September 2010.*

Or. en

## **Amendment 8**

### **Proposal for a regulation Recital 2 g (new)**

*Text proposed by the Commission*

*Amendment*

*(2g) 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 9**

### **Proposal for a regulation Recital 2 h (new)**

*Text proposed by the Commission*

*Amendment*

*(2h) 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 10**

### **Proposal for a regulation Recital 2 i (new)**

*Text proposed by the Commission*

*Amendment*

*(2i) 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. 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 in accordance with the TFEU.*

Or. en

## Amendment 11

### Proposal for a regulation Recital 2 j (new)

*Text proposed by the Commission*

*Amendment*

***(2j) This Regulation should enter into force as soon as possible after 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 Recital 3

*Text proposed by the Commission*

*Amendment*

(3) Additional sanctions are necessary to make the enforcement of budgetary surveillance more effective in the euro area. Those sanctions should enhance the credibility of the fiscal surveillance framework of the Union.

***(3) Incentives and*** additional sanctions are necessary to make the enforcement of budgetary surveillance more effective in the euro area. Those sanctions should enhance the credibility of the fiscal surveillance framework of the Union ***and the incentives should reinforce compliance.***

Or. en

## Amendment 13

### Proposal for a regulation Recital 4 a (new)

*Text proposed by the Commission*

*Amendment*

***(4a) The European Parliament in its resolution of 20 October 2010 with***

*recommendations to the Commission on improving the economic governance and stability framework of the Union, in particular in the euro area<sup>1</sup>, calls to "establish a robust and credible excessive debt prevention and resolution mechanism for the euro area" and asks, in that context, for an impact assessment and feasibility study to be undertaken within the following year, with the aim of putting in place a permanent mechanism or body (a European Monetary Fund) to avoid moral hazard and act as a mechanism of last resort.*

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<sup>1</sup> Texts adopted, P7\_TA(2010)0377.

Or. en

#### **Amendment 14**

##### **Proposal for a regulation Recital 4 b (new)**

*Text proposed by the Commission*

*Amendment*

*(4b) Since the adoption of that European Parliament resolution, the European Council has called, in its conclusions following its meeting on 28 to 29 October 2010, to "establish a permanent crisis mechanism to safeguard the financial stability of the euro area as a whole".*

Or. en

## Amendment 15

### Proposal for a regulation Recital 4 c (new)

*Text proposed by the Commission*

*Amendment*

***(4c) The Euro Group, in its statement of 28 November 2010, stressed that the permanent crisis mechanism (European Stability Mechanism) "will complement the new framework of reinforced economic governance aiming at an effective and rigorous economic surveillance".***

Or. en

## Amendment 16

### Proposal for a regulation Recital 4 d (new)

*Text proposed by the Commission*

*Amendment*

***(4d) The volatility of the markets and the levels of the government bond spreads of certain Member States whose currency is the euro are calling for a resolute action to defend the stability of the euro.***

Or. en

## Amendment 17

### Proposal for a regulation Recital 4 e (new)

*Text proposed by the Commission*

*Amendment*

***(4e) A European Monetary Fund, managed under Union rules and financed in particular with the revenues of the fines, should be established in compliance with Article 3(1)(c) and Article 122(2)***

*TFEU in order to safeguard financial stability of the euro area as whole. That fund should be based on the decisions taken by the Council of 9 to 10 May 2010 and the Statement by the Euro Group of 28 November 2010.*

Or. en

## **Amendment 18**

### **Proposal for a regulation Recital 4 f (new)**

*Text proposed by the Commission*

*Amendment*

*(4f) In its resolution of 20 October 2010 on improving the economic governance and stability framework of the Union, in particular in the euro area, the European Parliament called for "[the production of] a feasibility assessment within one year concerning the establishment, in the long run, of a system under which Member States may participate in the issuance of common European bonds and dealing with the nature, risks and advantages thereof".*

Or. en

## **Amendment 19**

### **Proposal for a regulation Recital 4 g (new)**

*Text proposed by the Commission*

*Amendment*

*(4g) Common eurobonds in the euro area should be established, in compliance with Article 3(1)c and Article 122(2) TFEU, based on the Community method, with the aim of reinforcing compliance with the Stability and Growth Pact.*

## Amendment 20

### Proposal for a regulation

#### Recital 4 h (new)

*Text proposed by the Commission*

*Amendment*

***(4h) Increasing liquidity on a new global eurobonds market could reduce the financial costs for Member States.***

Or. en

## Amendment 21

### Proposal for a regulation

#### Recital 4 i (new)

*Text proposed by the Commission*

*Amendment*

***(4i) The Union priorities for growth and jobs in Member States respecting the Stability and Growth Pact or having taken corrective measures should be funded through revenues from unused payments appropriations in the Union budget.***

Or. en

## Amendment 22

### Proposal for a regulation

#### Recital 5

*Text proposed by the Commission*

*Amendment*

(5) Sanctions for Member States whose currency is the euro in the preventive part of the Stability and Growth Pact should provide incentives for ***prudent*** fiscal policy-making. Such policy-making should

(5) Sanctions for Member States whose currency is the euro in the preventive part of the Stability and Growth Pact should provide incentives for ***sustainable*** fiscal policy-making. Such policy-making should

ensure that *the growth rate of government expenditure does not normally exceed a prudent medium-term growth rate of gross domestic product (GDP), unless the excess is matched by increases in government revenues or discretionary revenue reductions are compensated by reductions in expenditure.*

ensure that *expenditure and public revenue are balanced without prejudice to future generations.*

Or. en

### Amendment 23

#### Proposal for a regulation Recital 5 a (new)

*Text proposed by the Commission*

*Amendment*

*(5a) A one-off fine should be imposed if a Member State manipulates financial data, falsifies statistics or provides misleading information as a consequence of misconduct.*

Or. en

### Amendment 24

#### Proposal for a regulation Recital 6

*Text proposed by the Commission*

*Amendment*

(6) **Prudent** fiscal policy-making should effectively achieve and maintain the medium-term budgetary objective. Adherence to the medium-term objective for budgetary positions should allow Member States to have a safety margin with respect to the 3% of GDP reference value for the government deficit, to ensure rapid progress towards sustainability, and at the same time to have room for budgetary manoeuvre, in particular taking

(6) **Sustainable** fiscal policy-making should effectively achieve and maintain the medium-term budgetary objective. Adherence to the medium-term objective for budgetary positions should allow Member States to have a safety margin with respect to the 3% of GDP reference value for the government deficit, to ensure rapid progress towards sustainability, and at the same time to have room for budgetary manoeuvre, in particular taking

into account the needs for public investment.

into account the needs for public investment.

Or. en

## Amendment 25

### Proposal for a regulation

#### Recital 7

*Text proposed by the Commission*

(7) In the preventive part of the Stability and Growth Pact, the incentive for **prudent** fiscal policy-making should consist of an obligation to lodge an interest-bearing deposit temporarily imposed on a Member State whose currency is the euro that is making insufficient progress with budgetary consolidation. This should be the case when, following an initial warning from the Commission, a Member State persists in conduct which, while not amounting to a violation of the ban on excessive deficits, is imprudent and potentially detrimental to the smooth functioning of economic and monetary union, and the Council therefore issues a recommendation in accordance with Article 121(4) *of the Treaty*.

*Amendment*

(7) In the preventive part of the Stability and Growth Pact, the incentive for **sustainable** fiscal policy-making should consist of an obligation to lodge an interest-bearing deposit temporarily imposed on a Member State whose currency is the euro that is making insufficient progress with budgetary consolidation. This should be the case when, following an initial warning from the Commission, a Member State persists in conduct which, while not amounting to a violation of the ban on excessive deficits, is imprudent and potentially detrimental to the smooth functioning of economic and monetary union, and the Council therefore issues a recommendation in accordance with Article 121(4) *TFEU*.

Or. en

## Amendment 26

### Proposal for a regulation

#### Recital 11

*Text proposed by the Commission*

(11) ***A possibility should be provided for the Council to reduce or to cancel the sanctions imposed on Member States whose currency is the euro on the basis of***

*Amendment*

(11) ***As an exception***, the Commission should also be able to propose to reduce the size of a *fine* or to cancel it on grounds of exceptional economic circumstances



*a Commission proposal following a reasoned request by the Member State concerned. In the corrective part of the Stability and Growth Pact, the Commission should also be able to propose to reduce the size of a sanction or to cancel it on grounds of exceptional economic circumstances.*

*after a debate within the competent committee of the European Parliament.*

Or. en

## **Amendment 27**

### **Proposal for a regulation Recital 11 a (new)**

*Text proposed by the Commission*

*Amendment*

*(11a) By derogation from the amount of the fine resulting from the standard calculation, the Commission should be able to propose to reduce or cancel the fine in order to take into account any cumulative effect of any sanction imposed pursuant to Regulation (EU) No .../2010 on enforcement measures to correct excessive macroeconomic imbalances in the euro area and Regulation (EU) No .../2010 on speeding up and clarifying the implementation of the excessive deficit procedure.*

Or. en

## **Amendment 28**

### **Proposal for a regulation Recital 12**

*Text proposed by the Commission*

*Amendment*

(12) The non-interest-bearing deposit should be released upon correction of the excessive deficit while the interest on such

(12) The non-interest-bearing deposit should be released upon correction of the excessive deficit while the interest on such

deposits and the fines collected should be *distributed among Member States whose currency is the euro which do not have an excessive deficit and which are not the subject of an excessive imbalance procedure either.*

deposits and the fines collected should be *allocated to the European Monetary Fund.*

Or. en

## **Amendment 29**

### **Proposal for a regulation Recital 15 a (new)**

*Text proposed by the Commission*

*Amendment*

*(15a) The monetary policy for the Member States whose currency is the euro being an exclusive competence of the Union, the Commission should be entrusted with emergency intervention powers when the euro is put at risk.*

Or. en

## **Amendment 30**

### **Proposal for a regulation Recital 15 b (new)**

*Text proposed by the Commission*

*Amendment*

*(15b) In order to ensure a permanent dialogue with the Member States aiming at achieving the objectives of this Regulation, the Commission should carry out dialogue visits and surveillance visits.*

Or. en

## Amendment 31

### Proposal for a regulation Recital 15 c (new)

*Text proposed by the Commission*

*Amendment*

***(15c) A broad evaluation of the economic governance system and in particular of the effectiveness and adequacy of the incentives and sanctions should be undertaken by the Commission at regular intervals. Such evaluations should be complemented by relevant proposals if necessary.***

Or. en

## Amendment 32

### Proposal for a regulation Article 1 – paragraph 1

*Text proposed by the Commission*

*Amendment*

1. This Regulation sets out ***a system of*** sanctions for enhancing the enforcement of the preventive and corrective parts of the Stability and Growth Pact in the euro area.

1. This Regulation sets out ***incentives and*** sanctions for enhancing the enforcement of the preventive and corrective parts of the Stability and Growth Pact in the euro area.

Or. en

## Amendment 33

### Proposal for a regulation Article 1 – paragraph 1 a (new)

*Text proposed by the Commission*

*Amendment*

***1a. In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and the parliaments, governments and other relevant bodies of the Member States, and***

*to ensure greater transparency and accountability, the competent committee of the European Parliament may organise public debates on macro-economic and budgetary surveillance undertaken by the Council and the Commission.*

Or. en

#### **Amendment 34**

##### **Proposal for a regulation Article 1 – paragraph 2 a (new)**

*Text proposed by the Commission*

*Amendment*

*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.*

Or. en

#### **Amendment 35**

##### **Proposal for a regulation Chapter I a – title (after Article 2) (new)**

*Text proposed by the Commission*

*Amendment*

**CHAPTER Ia  
Incentives**

Or. en

## Amendment 36

### Proposal for a regulation Article 2 a (new)

*Text proposed by the Commission*

*Amendment*

#### *Article 2a*

##### *[European Monetary Fund]*

*A [European Monetary Fund] shall be established with the aim of safeguarding financial stability of the euro area as a whole and reinforce budgetary discipline among Member States.*

*The interest earned by the Commission on deposits lodged and fines collected in accordance with [Articles 3, 4 and 5 of this Regulation, Article 12 of Regulation (EC) No 1467/97 and Article 3 of Regulation (EU) No .../2010 on enforcement measures to correct excessive microeconomic imbalances in the euro area] shall be credited to the European Monetary Fund, and shall be:*

- (a) managed under Union rules; and*
- (b) used for the purposes of the current EFSF and ESM and any future structure that will take on their responsibilities.*

*The [EMF] may have additional financial resources through contributions from Member States in accordance with their compliance with the Stability and Growth Pact.*

Or. en

## Amendment 37

### Proposal for a regulation Article 2 b (new)

*Text proposed by the Commission*

*Amendment*

#### *Article 2b*

##### *Common eurobonds*

***1. Common eurobonds in the euro area shall be established with the aim of reinforcing discipline and compliance with the Stability and Growth Pact. Eurobonds shall be introduced only once the criteria in this Article have been met, including a comprehensive impact assessment. Eurobonds shall be established and shall function in accordance with the relevant provisions of the TFEU.***

***Eurobonds shall not increase the quantity of debt.***

***They shall be issued in exchange, at market price, of existing national bonds or in place of national bonds issuance.***

***2. The participation for the issuance of eurobonds shall be subject to compliance with the Stability and Growth Pact and shall be decided upon by the Council on a recommendation of the Commission. Member States shall participate only if they fulfil the criteria on debt and deficit levels as laid down in the Stability and Growth Pact.***

***The Council may, on a recommendation of the Commission, on a case-by-case basis decide that a Member State facing exceptional circumstances can participate or continue its participation.***

***3. Eurobonds may pool up to [40] % of GDP of national debt of each Member State. Common debt shall be senior debt and shall take priority to all other debts issued by the Member States.***

**4. Member States with a derogation may participate.**

**5. The issue of eurobonds shall be subject to robust institutional and administrative supervision in accordance with the highest standards and best practices of agencies currently managing sovereign debt in the Member States.**

Or. en

## **Amendment 38**

### **Proposal for a regulation Article 2 c (new)**

*Text proposed by the Commission*

*Amendment*

#### **Article 2c**

#### **Revenues from unused payments appropriations**

**Revenues arising from unused payments appropriations in the Union budget may be used for Member States that comply with the Stability and Growth Pact or that have taken corrective measures, with the aim of helping them achieve the Union's priorities for growth and jobs, thereby boosting their economy.**

Or. en

## **Amendment 39**

### **Proposal for a regulation Article 3 – paragraph 1**

*Text proposed by the Commission*

*Amendment*

1. If the Council addresses to a Member State a recommendation in accordance with Article 121(4) *of the Treaty* to take the necessary adjustment measures in the event

1. If the Council addresses to a Member State a recommendation in accordance with Article 121(4) *TFEU* to take the necessary adjustment measures in the event of

of persisting or particularly serious and significant deviations from *prudent* fiscal policy-making as laid down in Article 6(3) of Regulation (EC) No 1466/97, the lodging of an interest bearing deposit shall be imposed by the Council, acting on a proposal from the Commission. The decision shall be deemed to be 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) *of the Treaty*.

persisting or particularly serious and significant deviations from *sustainable* fiscal policy-making as laid down in Article 6(3) of Regulation (EC) No 1466/97, the lodging of an interest bearing deposit shall be imposed by the Council, acting on a proposal from the Commission. The decision shall be deemed to be 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*.

Or. en

## Amendment 40

### Proposal for a regulation Article 3 – paragraph 1 a (new)

*Text proposed by the Commission*

*Amendment*

***1a. The Member State concerned may ask the European Parliament to organise a public debate in its competent committee. That debate shall allow the government of the Member State concerned to make its case in the presence of the Commission and the President of the Euro Group. It will take place within the 10-day deadline referred to in paragraph 1. Representatives, at an appropriate level, of the European Central Bank shall be invited.***

Or. en



## Amendment 41

### Proposal for a regulation Article 3 – paragraph 2

*Text proposed by the Commission*

2. The interest-bearing deposit to be proposed by the Commission shall amount to 0.2% of the gross domestic product (GDP) of the Member State concerned *in* the preceding year.

*Amendment*

2. The interest-bearing deposit to be proposed by the Commission shall amount to 0,2% of the gross domestic product (GDP) of the Member State concerned ***using the latest available figures collected by Eurostat for*** the preceding year.

Or. en

## Amendment 42

### Proposal for a regulation Article 3 – paragraph 4

*Text proposed by the Commission*

4. By derogation from paragraph 2, the Commission, ***following a reasoned request by the Member State concerned addressed to the Commission*** within ten days of adoption of the Council recommendation referred to on paragraph 1, may propose to reduce the amount of the interest-bearing deposit or to cancel it.

*Amendment*

4. By derogation from paragraph 2, the Commission, within ten days of adoption of the Council recommendation referred to on paragraph 1, may propose to reduce the amount of the interest-bearing deposit or to cancel it ***in order to take into account any cumulative effect of any sanction imposed in regard of Regulation (EU) No .../2010 on enforcement measures to correct excessive macroeconomic imbalances in the euro area and Regulation (EU) No .../2010 on speeding up and clarifying the implementation of the excessive deficit procedure.***

Or. en

## Amendment 43

### Proposal for a regulation

#### Article 3 – paragraph 5 a (new)

*Text proposed by the Commission*

*Amendment*

***5a. If the Council refuses to consider that the situation has ceased to subsist, the Member State concerned may ask the competent committee in the European Parliament to organise a public debate.***

Or. en

## Amendment 44

### Proposal for a regulation

#### Article 4 – paragraph 2

*Text proposed by the Commission*

*Amendment*

2. The non-interest-bearing deposit to be proposed by the Commission shall amount to 0.2% of the GDP of the Member State concerned ***in*** the preceding year.

2. The non-interest-bearing deposit to be proposed by the Commission shall amount to 0,2% of the GDP of the Member State concerned ***using the latest available figures collected by Eurostat for*** the preceding year.

Or. en

## Amendment 45

### Proposal for a regulation

#### Article 4 – paragraph 4

*Text proposed by the Commission*

*Amendment*

4. By derogation from paragraph 2 of this Article, 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 decision in accordance with

4. By derogation from paragraph 2 of this Article, the Commission, may, within ten days of adoption of the Council decision in accordance with Article 126(6) of the Treaty, propose to reduce the amount of the non-interest-bearing deposit or to

Article 126(6) of the Treaty, propose to reduce the amount of the non-interest-bearing deposit or to cancel it.

cancel it:

*(a) on grounds of exceptional economic circumstances;*

*(b) in order to take into account any cumulative effect of any sanction imposed in regard of Regulation (EU) No .../2010 on enforcement measures to correct excessive macroeconomic imbalances in the euro area and Regulation (EU) No .../2010 on speeding up and clarifying the implementation of the excessive deficit procedure.*

Or. en

#### **Amendment 46**

##### **Proposal for a regulation**

##### **Article 5 – paragraph 1 a (new)**

*Text proposed by the Commission*

*Amendment*

*1a. In the event that a Member State manipulates financial data, falsifies statistics or provides misleading information, the Council, acting on a proposal from the Commission, may adopt a decision requiring the Member State to pay a fine. That 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 Commission's proposal in accordance with Article 293(1) TFEU.*

Or. en

## Amendment 47

### Proposal for a regulation Article 5 – paragraph 2

*Text proposed by the Commission*

2. The fine to be proposed by the Commission shall amount to 0.2% of the GDP of the Member State concerned **in** the preceding year.

*Amendment*

2. The fine to be proposed by the Commission shall amount to 0,2% of the GDP of the Member State concerned **using the latest available figures collected by Eurostat for** the preceding year.

Or. en

## Amendment 48

### Proposal for a regulation Article 5 – paragraph 4

*Text proposed by the Commission*

4. By derogation from paragraph 2 of this Article, 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 decision in accordance with Article 126(8) of the Treaty, propose to cancel or to reduce the amount of the fine.

*Amendment*

4. By derogation from paragraph 2 of this Article, the Commission, may, within ten days of adoption of the Council decision in accordance with Article 126(8) of the Treaty, propose to cancel or to reduce the amount of the fine:

***(a) on grounds of exceptional economic circumstances;***  
***(b) in order to take into account any cumulative effect of any sanction imposed in regard of Regulation (EU) No .../2010 on enforcement measures to correct excessive macroeconomic imbalances in the euro area and Regulation (EU) No .../2010 on speeding up and clarifying the implementation of the excessive deficit procedure.***

Or. en

## Amendment 49

### Proposal for a regulation Article 7 – paragraph 1

*Text proposed by the Commission*

The interest earned by the Commission on deposits lodged in accordance with Article 4 and the fines collected in accordance with Article 5 ***shall constitute other revenue referred to in Article 311 of the Treaty, and shall be distributed, in proportion to their share in the gross national income of the eligible Member States, among Member States whose currency is the euro which do not have an 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 [.../...].***

*Amendment*

The interest earned by the Commission on deposits lodged in accordance with Article 4 and the fines collected in accordance with Article 5 ***shall be credited to the fund referred to in Article [2b].***

Or. en

## Amendment 50

### Proposal for a regulation Article 8 – paragraph 1

*Text proposed by the Commission*

For the measures referred to in Articles 3, 4 ***and 5***, only members of the Council representing Member States whose currency is the euro shall vote and the Council shall act without taking into account the vote of hte member of the Council representing the MemberState concerned.

*Amendment*

For the measures referred to in Articles 3, 4, 5 ***and -8a***, only members of the Council representing Member States whose currency is the euro shall vote and the Council shall act without taking into account the vote of hte member of the Council representing the MemberState concerned.

Or. en

## Amendment 51

### Proposal for a regulation Article -8 (new)

*Text proposed by the Commission*

*Amendment*

#### **Article -8**

##### ***Dialogue and surveillance visits***

- 1. The Commission shall ensure a permanent dialogue with the authorities of the 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 purpose 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 State concerned for comments.***
- 3. The Commission shall, in 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 shall, in the context of surveillance visits, 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 participate in surveillance visits.***
- 5. The Commission shall inform the Economic and Financial Committee of the reasons for the surveillance visits.***

*6. Member States shall take all necessary measures to facilitate the 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 the dialogue and surveillance visits.*

Or. en

## **Amendment 52**

### **Proposal for a regulation Article -8 a (new)**

*Text proposed by the Commission*

*Amendment*

#### *Article -8a*

#### *Emergency intervention*

*In the event that a Member State puts the stability of the euro at risk by, in particular, persistently refusing to act in accordance with the Commission's recommendations or notices, the Commission, on the basis of Article 3(1)(c) TFEU, shall be granted an emergency intervention power unless a qualified majority in the Council votes against such a power within three days of the Commission's notification to the Council of the need to use such emergency intervention power.*

Or. en

## **Amendment 53**

### **Proposal for a regulation Article -8 b (new)**

*Text proposed by the Commission*

*Amendment*

*Article -8b*

*Transparency*

***The Council and the Commission shall make public and set out the reasons for all their decisions and recommendations unless provided for otherwise in the TFEU.***

Or. en

## **Amendment 54**

### **Proposal for a regulation Article 8 a (new)**

*Text proposed by the Commission*

*Amendment*

*Article 8a*

*Review*

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

***(a) whether the incentives ensure compliance with the Stability and Growth Pact;***

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

***(c) whether the system of incentives and sanctions 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 by the Commission identifies obstacles to the proper***



***functioning of the provisions in the Treaties governing economic and monetary union, particularly with regard to enforcement measures, the European Council, after consulting the European Parliament, shall adopt a decision amending the relevant provisions of the Treaties.***

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

Or. en

## EXPLANATORY STATEMENT

1. The European Parliament (EP) is, for the first time, co-legislator for a reform of European economic governance, just as the Union is suffering from a crisis of exceptional severity. This is a heavy responsibility as **no texts under co-decision can be adopted by the Council without Parliament's consent**.

2. The Commission proposes a package of six texts which aim to strengthen compliance with the Stability and Growth Pact (SGP), to monitor macroeconomic imbalances more systematically and to align national budgetary frameworks. The six rapporteurs from across the political spectrum decided to work together and consider these proposals as a whole, for the sake of consistency.

3. Up until now, governments had simply set a common rule on curbing deficits and public debt, but each Member State remained in charge of its own economic, fiscal, social and budgetary policy. It was thought that this 'sum of virtues' would be enough to ensure the stability of the euro. The shortcomings of this approach could already be seen before the onset of the crisis:

3.1. **The common rules (the GSP) have been infringed:** the mutual surveillance conducted by the ECOFIN Council and the Eurogroup, on recommendations by the Commission, was too lax. Debt surveillance fell by the wayside.

3.2. **The common rules were incomplete:** the EU relativised the impact of private debt (particularly the property bubbles). Structural reforms were not undertaken, which had serious consequences for competitiveness and employment. The EU also suffered from the absence of European financial supervision. No provisions were made in advance for a (banking or sovereign debt) crisis management mechanism.

Thus, even though they shared a single currency, national governments continued to ignore their interdependences. They wanted the advantages of the single currency without assuming any of the responsibilities.

3.3. **Markets did not play the role expected of them.** They were supposed to reward sound management and punish profligacy. For years, they largely obscured these differences.

3.4. Finally, whilst globalisation was speeding up, the eurozone had no form of **common external representation** (particularly at the IMF or G-20); nor did it create a common market in **the issuance of bonds**. To the outside world, the euro remains an ambiguous construction.

These flaws that were there from the outset and the crisis mean that reform is necessary, but this calls for both immediate solutions and longer lasting improvements. The Commission proposals have been devised under the Treaty as it stands in the context of the ordinary legislative procedure, but at the end of October the European Council floated the idea of a limited revision of the Treaties.

Your rapporteur is fully aware of the high stakes involved; lurking behind a technical reform

lies one of the key questions concerning European integration: the sharing of powers between the European level and the national authorities on budgetary, economic and social matters. Intellectually, the only fully satisfactory solution would be a political union that is not afraid to call itself such.

The pressing urgency of the situation could speed up the revision of the Treaties sought by the European Council and provide an opportunity to conduct such a reform, notably of Article 136 TFEU, relating to governance of the eurozone. As the prospects of this are currently uncertain, the rapporteurs worked within the framework proposed by the Commission, but did propose radical changes.

**4. The innovations proposed by the Commission are a step in the right direction**, but they should be fleshed out with the following objectives:

**4.1. Greater public finance discipline:** the Commission proposals to strengthen the Pact (on controlling deficits and debt) are absolutely essential; the euro will lose credibility and public management will not be sustainable unless there is rigorous management of public finances and full compliance with all mutual commitments; the debt burden already exceeds expenditure on education in many Member States. Haggling in the Council to evade rules that have been agreed in common should be banned, and this requires the use of reverse qualified majority voting wherever possible.

The greatest possible coherence should of course be sought between the application of the reformed Stability and Growth Pact and European policies targeting growth and employment, in particular the Europe 2020 Strategy which still suffers from being left to the goodwill of the Member States (as is the Lisbon Strategy).

**4.2. Steps towards genuine macroeconomic convergence:** the EP wants specific indicators (that can be amended by delegated acts) to be used to conduct an in-depth analysis of the macroeconomic situation in each country. This is a major step forward that involves checking elements such as private debt, productivity, wage levels or the balance of payments in a Member State and looking at 'spillover' effects on partners and the eurozone as a whole. Mutual surveillance would be introduced.

**4.3. The introduction of greater transparency and democratic scrutiny:** With tighter discipline and common 'steering' being extended throughout the macroeconomy, the democratisation of European governance is no longer a luxury, but a necessity: the previous shortcomings, which were exacerbated by the crisis, have had catastrophic consequences for millions of Europeans. In the 'virtuous' Member States, public opinion feels cheated. These different forms of resentment should be taken seriously, and the EP would therefore like to work on two ideas:

- **In future, economic decisions should be debated publicly: decision-makers should take responsibility for the consequences of their decisions at European level.** At present, each national government is responsible to its own Parliament, but the national debates are held along national lines. Similarly, the sanction and control procedure should be more transparent, with peer pressure playing a stronger role.

- A ‘European semester’ should become an integral part of legislative texts in order to ensure better upstream cooperation each year between the European institutions and national administrations and Parliaments. The Commission should be able to go to the Member States on dialogue and monitoring missions.

If the detailed aspects of national political and budgetary choices are to be decided more and more in common, the system will need to have greater legitimacy. Neither the Commission nor the Council alone can ensure that unavoidable, but potentially intrusive, measures gain acceptance.

## 5. Incentives as well as penalties

In the text for which he assumes responsibility, your rapporteur has retained the sliding scale of sanctions foreseen by the Commission (an interest-bearing deposit, followed by a non-interest-bearing deposit and then a fine). This is the price to be paid for credible discipline. Whilst the financial penalties may seem pro-cyclical, their aim is dissuasive.

Your rapporteur proposes adding incentives, particularly **the issue of common Eurobonds**, for four reasons.

- **It is not healthy for the debate on Eurobonds to be held everywhere – in the press, in the Council and in the Member States – but to be banned at the EP.** This option needs to be analysed at a legal and technical level and to be democratically debated.
- The aim is to **restore market discipline** and not – a point which is well worth reiterating – to encourage excessive debt. The proposal has thus been designed to cut the cost of financing for only a portion of each country’s debt, and the remainder above a 40% threshold would still need to be financed on the market in line with the quality of each country’s signature. These Eurobonds could thus have a positive effect on the markets by sending out a signal of solidarity, but without loosening discipline.
- This would result in a more liquid **global Eurobond market**. The rest of the world would see this as a sign of our determination to consolidate the euro. The debt levels of ‘virtuous’ countries would be no greater, particularly if the Eurobond market became sufficiently large.
- Finally, the ECB would no longer have to take on the role it has been required to play during the crisis of buying the bonds of countries in difficulty on the secondary market at inflated prices.

Other incentives can of course be envisaged; the report mentions, for example, the recovery of unused payments appropriations from the Community budget.

The draft report’s final proposal is to set up a **European Monetary Fund** (EMF) in order to collect the fines and interest on deposits instead of returning these to virtuous countries as the Commission proposed; this fund could be used as a Community instrument if the provisional crisis management mechanisms were to expire. It is worth remembering that in May the

national governments set up an ad hoc crisis resolution mechanism, made up of a Community dimension (the European Financial Stabilisation Mechanism with 60 billion guaranteed by the European budget) and an intergovernmental dimension (the European Financial Stability Facility (EFSF) amounting to 440 billion), supplemented by IMF funds. At the end of October, the European Council considered it necessary to set up a permanent mechanism in order to safeguard the financial stability of the eurozone as a whole and, to this end, envisages a minor revision of the Treaties. Following the problems in Ireland, the Eurogroup decided on 28 November to create a 'European Stability Mechanism' which 'will complement the new framework of reinforced economic governance', thus establishing a link between the package we are examining and the broader area of reflection in the Council.

\*

It is not the technical arguments that will convince European citizens. They need to understand exactly why rigorous management of the single currency is in their interests and in the interests of their children. At the same time, the EU has to offer a positive outlook.

The crisis hit a eurozone whose organisation was far from optimal. It requires a thorough overhaul, but proposals to switch back to national currencies or to divide the eurozone in two are completely irresponsible. All they would do is exacerbate the situation, resulting in a fatal downturn. The euro and Europe deserve better.