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NOTE

From: General Secretariat of the Council

To: Permanent Representatives Committee (part 2)/Council

Subject: Economic Governance Reform:

- Proposal for a Regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97
 - Proposal for a Council Regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure
 - Proposal for a Council Directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States
 - General Approach
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Delegations will find attached a revised note from the Presidency, taking into account discussions at the Financial Counsellors working party meeting of 5 December 2023.

I. INTRODUCTION

1. On 26 April 2023, the Commission adopted an “Economic Governance Reform package” comprising of three proposals: (i) a legislative proposal for a regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97^{1, 2} (ii) a legislative proposal for a regulation of the European Parliament and the Council on speeding up and clarifying the implementation of the excessive deficit procedure; and (iii) a proposal for a Council Directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States³.
2. The proposal for a regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 is based on Article 121(6) of the Treaty on the functioning of the European Union and is hence subject to the ordinary legislative procedure. The proposal for a Council Regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure is based on Article 126(14) second subparagraph of the Treaty on the functioning of the European Union and is hence subject to the special legislative procedure. The proposal for a Council Directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States is based on Article 126(14) third subparagraph of the Treaty on the functioning of the European Union and is based on a *sui generis* procedure.

¹ Doc. 8776/23 + ADD1

² Doc. 8777/23

³ Doc.8778/23

3. Backward-looking assessments of the EU economic governance framework were published in February 2020⁴ and October 2021⁵. The Commission launched a public consultation that closed on 31 December 2021 and received 225 valid contributions from respondents in 25 different countries, including 21 EU Member States and four non-EU countries⁶.

II. MAIN ELEMENTS

4. The proposals aim at reinforcing fiscal sustainability and sustainable growth by moving to a risk-based EU surveillance framework that differentiates between Member States by taking into account their public debt and economic challenges. National medium-term fiscal-structural plans would be the cornerstone of the proposed framework. They would integrate fiscal, reform and investment objectives. Member States would have greater leeway in setting their fiscal net expenditure trajectory, strengthening the national ownership of their fiscal trajectories. At the same time, it would be crucial that those plans are anchored in a common Union framework given the potential spillovers that exist among the members of an economic and monetary union. This would also ensure equal treatment of Member States and consistency with common priorities of the Union.

⁴ Communication COM (2020) 55 final of 5 February 2020 from the Commission ‘Economic governance review, Report on the application of Regulations (EU) No 1173/2011, 1174/2011, 1175/2011, 1176/2011, 1177/2011, 472/2013 and 473/2013 and on the suitability of Council Directive 2011/85/EU’.

⁵ Communication COM (2021) 662 final of 19 October 2021 from the Commission ‘The EU economy after COVID-19: implications for economic governance’.

⁶ SWD(2022) 104 final

5. The target to conclude legislative work by the end of the year has been affirmed in the 14 March 2023 Council Conclusions on “Orientations for a reform of the EU economic governance framework”⁷ and subsequently endorsed in the conclusions of the European Council of 23 March 2023⁸, 29-30 June 2023⁹ and 27 October 2023¹⁰.
6. The Financial Counsellors Working Party has examined the proposals in 29 meetings from 2 May to 1 December 2023 under the Swedish and Spanish Presidencies. After a first round of deliberations during the first semester, the Spanish presidency has discussed article by article all the texts. In particular, in July, the Financial Counsellors Working Party examined within the Preventive Arm the following related provisions: European Semester, common provisions, Delegated Acts, methodology, institutional, Medium-Term Fiscal-Structural Plans, Progress Report, Escape Clauses, and process and calendar. In August, the Financial Counsellors Working Party examined the Directive and in September the Corrective Arm as well as common provisions on Independent Fiscal Institutions in the three legal texts, Surveillance Missions provisions in the Corrective Arm and Macroeconomic Imbalance Procedure provisions in the Preventive Arm. By the end of September a revised proposal on the Preventive Arm was presented for 70% of the text. At the start of the month of October a revised version of the 70% of the Corrective Arm and a full version of the Directive were presented in the Financial Counsellors Working Party. Finally, in the month of November the three full texts were reviewed at the Financial Counsellors Working Party. The Economic Governance Review has been on the agenda of all the Ecofin Councils under Spanish Presidency and the Economic and Financial Committee has exchanged views at length.

⁷ Doc.6995/1/23

⁸ EUCO 4/23

⁹ EUCO 7/23

¹⁰ EUCO 14/23

7. Based on the discussions in those meetings, as well on the written comments received, the Spanish Presidency has prepared the compromise texts as set out in documents 15874/23 + ADD1, 15876/23, and 15396/23.
8. During the working party meeting held on 5.12.2023, the Presidency presented to the Member States the compromise texts, and Delegations expressed their support for the intentions of the Presidency of moving the file forward and inviting the Council on 8 December 2023 to agree on a general approach.
9. The European Parliament's position at first reading on the proposal for a regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 is pending. The European Central Bank published its opinion on all three proposals on 5 July 2023 (OJ C 290, 18.8.2023, p. 17–25.).
10. Unless objected by the Permanent Representatives Committee, documents 15874/23 + ADD1, 15876/23, and 15396/23 will be made public by the General Secretariat of the Council ahead of the Council deliberations.

III. CONCLUSION

11. In view of the above, it is suggested that the Committee of Permanent Representatives:
- a. Examine the texts set out in documents 15874/23 + ADD1, 15876/23, and 15396/23 in view to a general approach.
 - b. Recommend to the Council to reach a general approach as set out in documents 15874/23 + ADD1, 15876/23, and 15396/23, and to invite the Presidency to start negotiations with the European Parliament on this basis with a view to reaching an agreement at first reading.
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