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WORKING DOCUMENT

From: General Secretariat of the Council
To: Financial Counsellors - ECOFIN preparation

Subject: EGR - Presidency issues note on procedural matters

Delegates will find attached an issues note from the Presidency on procedural matters.

PRESIDENCY ISSUES NOTE

Economic Governance Review

Progress on the economic governance review has continued at a good pace during the first semester of 2023 under the captaincy of the Swedish Presidency. Council Conclusions agreed at the 14 March ECOFIN highlighted areas of convergence of views as well as elements requiring further clarifications and discussions with a view to concluding legislative work in 2023. The European Council reiterated on 28-29 June its call on the ECOFIN to take work forward on the Economic Governance Review, aiming at finalizing legislative work in 2023.

On the basis of the legislative proposal published by the Commission on 26 April, the Working Party of Financial Counsellors has met 12 times. Technical discussions have clarified certain dimensions of the reform and identified key issues that can form the building blocks of a package political compromise in the coming months:

- A. Institutional balance.** An efficient allocation of tasks and decision-making powers between all institutions involved in the renewed economic governance framework will be key for its success. The precise interaction between the Council, the Commission, the European Parliament, Member States and other stakeholders, such as independent fiscal institutions, should preserve a rules-based multilateral system, while retaining the capacity and flexibility to adapt to newly-emerging challenges and reinforcing national and European ownership.
- B. Common safeguards.** Discussions will continue on the appropriateness and design of common safeguards to ensure sufficient debt reduction and avoid the backloading of fiscal efforts, while preserving key principles and objectives of the reform.
- C. Fiscal space for investments and incentives for reform.** Further work is also warranted to ensure appropriate incentives for reforms and investment as well as on the principles and mechanisms for an extension of the adjustment period, including measures addressing EU strategic priorities.
- D. Credible enforcement and ownership.** There are converging views that national ownership in the design phase, while key to ensure compliance, needs to be complemented with greater transparency and credible enforcement. Further discussions are warranted on the relevant factors for opening Excessive Deficit Procedures and the control account.

Bearing in mind the interlinkages across open items, a final agreement will require a balanced package approach. It is important, however, to narrow down pending issues to their core elements, in order to make progress and facilitate the convergence of views.

Question for discussion:

Do Member States agree with the key issues identified, which will require further work at technical level with a view to preparing a comprehensive political discussion and finalizing legislative work in 2023?

