

The 'Six Pack' and 'Two Pack'



Dr. Nellie Munin



Timetable

- **25 March 2011 - Amendment of Art. 136 TFEU.**
- **2 February 2012 – Conclusion of ESM Treaty.**
- **27 September 2012 – Ratification crosses threshold.**
- **8 October 2012 – Start of ESM operation.**
- **13 December 2011 - the ‘Six Pack’ come into force.**
- **30 May 2013 the ‘Two Pack’ comes into force.**



The 'Six Pack' Components

- Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure. OJ L 306, 33.
- Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States. OJ L 306, 41.
- Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area, OJ L 306, 1.
- Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area. OJ L 306, 8.
- Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies. OJ L 306, 12.
- Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances. OJ L 306, 25.



Council Regulation (EU) No 1177/2011

Aim: speeding up and clarifying the implementation of the excessive deficit procedure (amends regulation (EC) No 1467/97).

- **Defines the circumstances for exceptional government's deficit access over the reference value (Art. 126(2) TFEU)**
- **Defines the terms for 'sufficient diminishing' the deficit**
- **Guides the Commission with regard to the factors considered in its report under Art. 126(3) TFEU.**
- **Reference to multi-pillar pension system (para. 5) and to the cost of pension reform (para.7).**
- **Considerations for establishing a deadline for the correction of the excessive deficit (para. 6).**
- **Enhancement of dialogue in particular among the European Parliament, the Council and the Commission.**
- **Procedure: Commission's opinion – Council "shall" establish a maximum deadline: effective action - six months/3 months in sever cases. Correction: usually one year – country report during the period.**

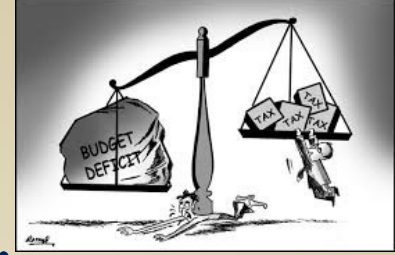
No effective action – deadline expiry – "immediate" Council reaction. With 2 months: Council notice Art. 126(9) – country reporting – revised notice.

Art. 126(11) conditions fulfilled – Council "shall" impose sanctions (usually within 16 months).

Timetable for intensifying sanctions/abrogating its decisions.

- **Provisions with regard to imposition of fines.**
- **Commission will ensure permanent dialogue with the country at stake, reporting Council.**
- **Commission report every 5 years on the regulation's application.**

Council Directive 2011/85/EU



Aim: this Directive lays down detailed rules concerning the characteristics of the budgetary frameworks of the Member States, necessary to ensure Member States' compliance with obligations under the TFEU with regard to avoiding excessive government deficits:

- **National public accounting systems + internal control + independent audits.**
- **Public availability of fiscal data.**
- **Fiscal/budget planning based on realistic macroeconomic and budgetary forecasts using up-to-date information (+publication+Commission assistance).**
- **Numerical country-specific fiscal rules**
 - **to ensure compliance with TFEU deficit & debt standards and adopt a multiannual fiscal planning horizon.**
 - **Rules will contain: target definition and scope of rules, effective and timely monitoring, the consequences in the event of non-compliance.**
 - **Annual budget should reflect the numerical rules.**
- **Medium term budgetary frameworks.**
- **Transparency of government's finances**
- **Domestic legislation in force by 31 December 2013.**



Regulation (EU) No 1173/2011

Aim: Providing for the effective enforcement of budgetary surveillance in the euro area: the system of sanctions.

- **Enhancing dialogue among EU institutions, particularly the European Parliament, the Council and the Commission.**
- **Council decision – within 20 days – Commission ‘shall recommend the Council’ to require the country to lodge within the Commission an **interest-bearing deposit** of 0.2% of its GDP.**
- **Council decision deemed to be adopted unless rejected/ammended by qualified majority within 10 days.**
- **Interest rate reflects the Commission’s credit risk and period.**
- **Upon justified request by the relevant country, Commission may recommend deposit reduction.**
- **Excessive deficit continues – Commission recommendation – Council decision – **non-interest-bearing deposit** of 0.2% of its GDP.**
- **Council: a country did not take effective action to correct effective deficit – Commission imposes **a fine** of 0.2% of its GDP.**
- **Manipulation of statistics – Council discretion upon Commission recommendation – **fine up to 0.2%** of a country’s GDP.**

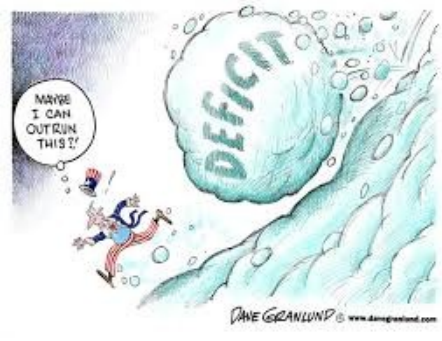


Regulation (EU) No 1174/2011

Aim: Specifying enforcement measures to correct excessive macroeconomic imbalances in the euro area: sanctions.

Commission recommendation – Council decision:

- **Interest bearing deposit 0.1% of GDP-** non-compliance is adopted in accordance with Article 10(4) of Regulation (EU) No 1176/2011+no corrective action.
- **Annual fine 0.1% of GDP–** 2 successive Council recommendations + insufficient corrective action or non-compliance.
- Council may reject/amend Commission recommendation by qualified majority.
- Upon country request, Commission may recommend to reduce fine.
- If a country took corrective action fine/deposit will be returned.
- Fines are assigned to the ESM.
- Voting only by EMU Members, without the Members at stake.
- Commission report every 5 years.



Regulation (EU) No 1175/2011

Aim: Strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

This Regulation sets out the rules covering the content, the submission, the examination and the monitoring of stability programs and convergence programs.

- **‘European Semester for Economic Policy Coordination’**
- **Economic Dialogue**
- **Statistical Independence**



Regulation (EU) No 1175/2011 (cont.)

‘European Semester for Economic Policy Coordination’:

- **Formulation and multilateral surveillance by the Council of the implementation of the Broad Economic Policy Guidelines. Art.121(2) TFEU.**
- **Formulation, and examination of the implementation, of the employment guidelines Art. 148(2) TFEU.**
- **Submission and assessment of Member States' stability or convergence programs under this regulation.**
- **Submission and assessment of Member States' national reform programs for the enhancement of growth and jobs.**
- **Surveillance to prevent and correct macroeconomic imbalances under Regulation (EU) No 1176/2011.**
- **Council guidance to the Member States (Art. 148 TFEU + reg. 1176/2011)**
- **Member's failure to act upon guidance: recommendation-warning-measures – reg. 1467/97+1176/2011.**



Regulation (EU) No 1175/2011 (cont.)

Economic Dialogue

- **EU Parliament involvement in the economic dialogue (+stakeholders) (Art. 2-ab of the regulation specifies its terms).**
- **The president of the Council, the Commission and where appropriate the President of the Eurogroup ‘shall report annually’ to the Parliament.**
- **Each Member State shall have a differentiated medium term objective for its budgetary position (within a defined range).**
- **Medium term objectives revised every 3 years.**
- **Obligation of Members to submit relevant information to EU bodies. (The necessary information specified).**
- **Stability programs submitted and published annually.**
- **Council & Commission assessment of budgetary programs, evaluating sufficient progress towards the medium-term budgetary objective (temporary deviation may be allowed) – within up to 3 months (Council consultation with the Parliament’s Economic and Financial Committee).**
- **Expenditure limit is determined for Members in different financial statuses.**
- **Definition of significant deviation threshold (relief for pension schemes, unusual events).**



Regulation (EU) No 1175/2011 (cont.)

Council & Commission monitor stability program implementation – deviation – Commission warning - 1 month: Council examination – deadline of up to 5 months (3 months in particularly serious situations) to address deviation – failure – Commission recommends Council decision (by qualified majority)/revised recommendation. If the Council does not decide – 1 month – second Commission recommendation – Council decision by simple majority within 10 days/revised recommendation.

- **Council surveillance of medium term Members' budgetary objectives – based on assessments by the Commission and the Economic and Financial Committee.**
 - Efforts in good times.
 - Government's expenditure items.
 - Relief for pension reforms.
- **Commission and Council examination of non-EMU countries' programs in light of convergence program, to ensure stability.**

Principle of statistical independence

Member States shall ensure the professional independence of national statistical authorities – minimum requirements.



Regulation (EU) No 1176/2011

Aim: Detailed rules for prevention and correction of macroeconomic imbalances – applied in the context of the ‘European Semester’.

- **Alert mechanism**

- Annual Commission report – identifying MS at imbalance risk.
- Transmitted to: European Parliament, the Council and the European Economic and Social Committee.
- Council discussion and overall assessment of report (EMU Members).
- The scoreboard – an assessment tool.
- As a result of discussions or unexpected events: Commission in-depth review, reported to Council and Parliament and made public.
- Any Member State for which an excessive imbalance procedure is opened submits a corrective action plan to the Council and the Commission.
- Council assessment (subject to Commission recommendation) within 2 months: endorsement of the plan or requirement to submit corrections within 2 months.
- Commission monitors implementation of the action plan (by States’ progress reports, made public by Commission).
- Council assessment whether recommendations have been fulfilled (deadline determined by the Council).



Regulation (EU) No 1176/2011

- **Council decision that a country is no longer affected by excessive imbalances (subject to Commission recommendation). Published.**
- **The Member concerned is not taken into account for council voting.**
- **The Commission may undertake enhanced surveillance missions for Member States which are the subject of a recommendation as to the existence of an excessive imbalance.**
- **EMU Member+ERM II Member – the ECB may participate in such missions.**
- **Commission reports to Council and may decide to publish findings.**
- **Economic dialogue (Commission, Council, Parliament, MS).**
- **Annual Commission report on the application of this regulation. Review report every 5 years.**

The 'Two Pack'

- **Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability. OJ L 140, 1.**
- **Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area. OJ L 140, 11.**

Regulation (EU) No 473/2013

- **Applies to all Member States uncovered by regulation 472/2013.**
- **These Member states will submit their draft fiscal budget for the upcoming year to the European Commission no later than 15 October; and they shall then await receiving the Commission's opinion before it is debated and voted for in the national parliament.**
- **The Commission does not have veto right but may issue warnings to national parliaments whose draft budget seems to compromise the European Fiscal Compact.**
- **Reporting intervals of 6 and 3 months for Eurozone Members subject to Excessive Deficit Procedure or do not comply to it, respectively.**

Regulation (EU) No 472/2013

- **Applies to Eurozone Members subject to an ongoing Excessive Imbalance Procedure or being involved in a financial assistance program from EFSF, EFSM, ESM, IMF or other bilateral basis.**
- **For them, “status reports for corrective action” needs to be published on a quarterly basis.**
- **The Commission on that basis will be allowed to send warnings to the national parliament of the member state concerned, about a likely missed compliance with program targets and/or the fiscal adjustment path to comply with EDP deadlines, at such an early stage in the process, that the affected member state still have sufficient time to implement needed counter-measures to prevent the possible delay of the required compliance.**

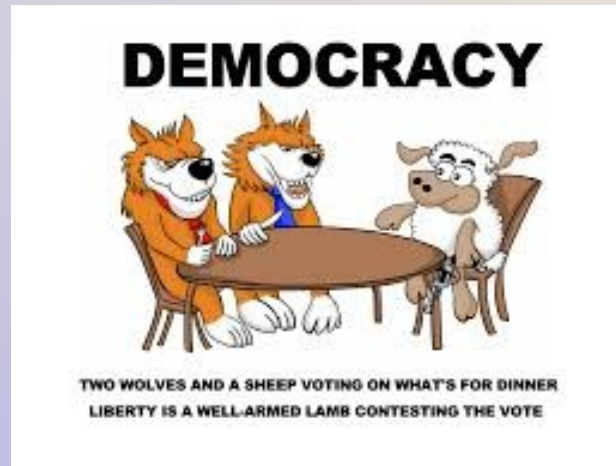


Conclusion

- **The ‘Six Pack’ is a group of six EU legislation measures, 5 regulations and one directive.**
- **It was enacted following the conclusion of the ESM and FC Treaties and complements them.**
- **The general aim of the ‘Six Pack’ is to support these treaties by ensuring domestic legislation and enforcement.**
- **The ‘Six Pack’ offers detailed guidance to the Member States and EU institutions with regard to the steps they should take.**
- **It establishes some circles of monitoring: peer public pressure (publication), professional monitoring and recommendation (Commission) and political decision making (Council, sometimes in consultation with Parliament Economic and Financial Committee).**
- **The ‘Two Pack’ complements the ‘Six Pack’ by adding more instructions to strengthen surveillance on national budgets.**
- **As all EU legislation, application and interpretation of this legislation is subject to EU monitoring (by the CJEU).**

Question for Class Discussion

Is it **legitimate** to argue that since domestic decision-makers, democratically elected, signed the FCT and ESM (a public international law agreement) and EU legislators enacted the ‘Six Pack’ and ‘Two Pack’ the Member States must obey these legal instruments?





Thank You

E-mail:

Nelliemunin@gmail.com