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COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Subject:	REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the exercise of the power to adopt delegated acts conferred on the Commission pursuant to 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

Delegations will find attached document COM(2016) 281 final.

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1. INTRODUCTION

Regulation (EU) No 473/2013 of the European Parliament and of the Council *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*¹ is one of the two legal acts of the economic governance package called ‘the two-pack’, which was designed to enhance surveillance and monitoring in the euro area. In particular, it allows for a strengthened surveillance of euro area Member States which are subject to an excessive deficit procedure (EDP), by means of additional reporting requirements, aiming at ensuring prevention and early correction of any deviations from the Council recommendations or decisions to give notice to correct the excessive deficit.

Article 10(3) of Regulation (EU) No 473/2013 empowers the Commission to adopt delegated acts in order to specify the content of the additional reporting that Member States in excessive deficit procedure shall submit to the Commission and to the Economic and Financial Committee of the Council. Those powers delegated to the Commission reflected a move towards continuous surveillance, in order to monitor more closely whether concerned Member States are on track to correct excessive deficit.

2. LEGAL BASIS

This report is required under Article 14(2) of Regulation (EU) No 473/2013. Pursuant to that provision, the power to adopt delegated acts is conferred on the Commission for a period of three years from 30 May 2013 and the Commission is required to prepare a report in respect of the delegation of power.

3. EXERCISE OF THE DELEGATION

The power to adopt delegated acts was exercised to ensure a binding, harmonized framework for the information to be reported by Member States, as described under Article 10 of Regulation (EU) No 473/2013.

In accordance with Article 10(3) of Regulation (EU) No 473/2013, the Member State – whose currency is the euro and which is in EDP – shall report regularly to the Commission and to the Economic and Financial Committee, for the general government and its subsectors, the in-year budgetary execution, the budgetary impact of discretionary measures taken on both the expenditure and the revenue side, targets for the government expenditure and

¹ OJ L 140, 27.5.2013, p. 11.

revenues, and information on the measures adopted and the nature of those envisaged to achieve the targets. Those reports must be submitted every six months by Member States subject to a recommendation under Article 126(7) TFEU or every three months by Member States subject to a notice under Article 126(9) TFEU. That regular reporting complements the reporting obligations set out in Article 3(4)(a) and Article 5(1)(a) of Regulation (EC) No 1467/97², pursuant to which a Member State in EDP must report on action taken to correct the excessive deficit.

Under Article 10(3) of Regulation (EU) No 473/2013, the Commission is empowered to adopt delegated acts specifying the content of the regular reporting.

The Commission has used that power with restraint, by adopting a single delegated regulation to lay down specifications for the content of the regular reports: Commission Delegated Regulation (EU) No 877/2013 of 27 June 2013 supplementing Regulation (EU) No 473/2013³. No further use of the empowerment under Article 10(3) currently is envisaged by the Commission.

The Commission Delegated Regulation (EU) No 877/2013 gives the structure and content of the reports. It includes in particular a set of template tables, to be found in the Annex of the Delegated Regulation, covering the key budgetary and macroeconomic data that allow the correction of the excessive deficit to be monitored, as required by Regulation (EU) No 473/2013. In order to allow a better understanding of the dynamics of the budgetary situation, Member States concerned are expected to report annual and quarterly data, while data on the in-year budgetary execution must be reported on a cash and accrual basis (according to the European System of National Accounts (ESA)). In addition, a detailed reporting on measures taken or planned to address the excessive deficit, with their budgetary impact, supports a well-informed assessment of the actions taken by the Member States. The reporting established by the Delegated Regulation is meant to provide a structured view of the budgetary situation and strategy of the Member State concerned, ensuring an appropriate follow-up of the correction of their excessive deficit.

In line with the common understanding on delegated acts, the Commission, when preparing and drawing up the draft Delegated Regulation, ensured a simultaneous, timely and appropriate transmission of the relevant documents at expert level, to the European Parliament (Committee on Economic and Monetary Affairs, whose Chair Sharon Bowles provided comments via a letter sent on 18 June 2013 to Vice-President Rehn) and to the Council (Alternates of the Economic and Financial Committee, which discussed it on 24 April and 5 June 2013). Those informal consultations allowed the Commission to take into account resulting comments in the draft Delegated Regulation.

The Commission adopted the Delegated Regulation on 27 June 2013 and notified the European Parliament and the Council. Neither the European Parliament nor the Council issued any objection to the Delegated Regulation within the two-month objection period provided for in Article 14(5) of Regulation (EU) No 473/2013. After the expiry of the two-month period, the Delegated Regulation was published in the *Official Journal of the European Union* and entered into force on 16 September 2013.

² Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

³ OJ L 244, 13.9.2013, p. 23.

4. CONCLUSION

The Commission has exercised its delegated powers correctly and invites the European Parliament and the Council to take note of this Report.