## Economic governance: requirements for budgetary frameworks of the Member States. 'Six pack'

2010/0277(NLE) - 19/04/2011

The Committee on Economic and Monetary Affairs adopted the report drafted by Vicky FORD (ECR, UK) amending the proposal for a Council directive on requirements for budgetary frameworks of the Member States.

The main amendments are as follows:

**Scope**: Members state that this proposed Directive is a part of the **economic governance legislation** which is aimed at long term economic stability in the Union. It sets out detailed rules concerning the characteristics of the budgetary frameworks of the Member States that are necessary to ensure compliance with the obligation of the Member States with regard to excessive government deficits.

A Member State with a derogation (non-participating Member States in the euro) may apply the rules applicable to participating Member States laid down in this Directive and, if so, shall notify the Commission accordingly.

Accounting and statistics: to enhance trust in European Statistics and ensure the professional independence of national statistical authorities, the committee stresses that Member States should remain fully committed to implementing Regulation (EC) No 223/2009, in particular the statistical principles as set out in the European statistics Code of Practice, endorsed by the Commission in its Recommendation of 25 May 2005 on the independence, integrity and accountability of the national and Community statistical authorities.

Member States should also ensure national statistical authorities are given the **necessary autonomy** over budgetary allocations, publication of statistical information and a **transparent procedure** for appointing and dismissing senior management. In addition, national courts of auditors should also enjoy the same level of professional independence, in order to ensure full confidence in reporting at a European level.

**Forecasts**: Member States shall ensure that fiscal planning is based on **realistic macroeconomic and budgetary forecasts using the most up-to-date information**, including national forecasts where they are more up to date than Commission forecasts.

## Members make the following recommendations:

- a comparison will be undertaken with respect to the Commission forecast and significant divergences between the chosen macro-fiscal scenario and the Commission forecast shall be explained, in particular if the level or growth of exogenous variables with significant cross-border macroeconomic effects departs significantly from the values retained in the Commission's forecasts;
- in order to support a Member State in preparing its budgetary forecasts, the Commission shall provide forecasts for EU expenditure and revenues for the equivalent time period;
- participating Member States shall ensure auditing of their own past forecast record is done on an independent basis, such as by an independent public body. The auditing shall be conducted once a year. The result of this independent auditing shall be made public;

- Member States' debt and deficit levels and their evolution shall be published by Eurostat at least every three months;
- if, over the course of three consecutive years, the Commission's forecasts provide a significantly more accurate reflection of actual economic activity than those of participating Member States, then those Member States shall be required, subject to a Council decision to that effect, to base their budgetary planning on the Commission's forecasts or to use the forecasts of independent national bodies.

National numerical fiscal rules: Members suggest that national numerical fiscal rules for participating Member States shall contain specifications that address the following elements: (a) the target definition and scope of the rules; (b) effective and timely monitoring of compliance with the rules by independent bodies or institutions acting in the field of budgetary policy; (c) consequences in the event of noncompliance that involve a clear political and financial cost for the authorities responsible for noncompliance, such as fines for the authorities carrying out the tasks.

**Medium-term budgetary framework**: an amendment stipulates that this Directive shall not prohibit any **newly-elected government** to update the medium-term budgetary framework to reflect its new policy priorities provided: (a) its debt-to-GDP ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace; (b) its budgetary position remains on the path to reach the medium-term budgetary objectives set in accordance with Regulation (EC) No 1466/97.

**Transparency of general government finances**: the text states that numerical fiscal rules shall be designed in order to ensure that fiscal targets cover all sub-sectors of general government and are in line with Member States' obligations under the Stability and Growth Pact.

**Specific measures for participating Member States**: participating Member States shall incorporate into their budgetary frameworks an independent body or institution acting in the field of budgetary policy whose task is to provide independent monitoring, analysis, assessments and forecasts in all areas of domestic fiscal policy which may have an impact in the compliance by the euro area Member State with its obligations.

**Report**: three years after the transposition date, the Commission shall publish a report assessing the implementation of provisions necessary to comply with this Directive.