

Economic governance: requirements for budgetary frameworks of the Member States.

'Six pack'

2010/0277(NLE) - 23/06/2011 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament amended by 468 votes to 156, with 43 abstentions, the proposal for a Council directive on requirements for budgetary frameworks of the Member States.

The vote on the legislative resolution was postponed until a later plenary session.

The main amendments are as follows:

Scope: Members clarify that this Directive sets out detailed rules concerning the characteristics of the budgetary frameworks of the Member States that are necessary to ensure compliance with the Treaty obligations of the Member States with regard to the avoidance of excessive government deficits.

Accounting and statistics: the amended text states that as concerns national systems of public accounting, Member States shall have in place public accounting systems comprehensively and consistently covering all subsectors of general government and containing the information needed to generate accrual data with a view to preparing ESA 95-based data. Those public accounting systems shall be subject to internal control and **independent audit**.

Forecasts: Members consider that the macroeconomic and budgetary forecasts shall be compared with the most updated Commission forecasts and, if appropriate, those of other independent bodies. Significant differences between the chosen macro-fiscal scenario and the Commission forecast shall be described with reasoning.

- The Commission shall make public the methodologies, assumptions, and relevant parameters that underpin its macroeconomic and budgetary forecasts.
- In order to support Member States in preparing their budgetary forecasts, the Commission shall provide forecasts for EU expenditure based on the level of expenditure programmed within the multiannual financial framework.
- In the framework of a sensitivity analysis, the macroeconomic and budgetary forecasts shall examine paths of main fiscal variables under different growth and interest rates assumptions. The range of alternative assumptions used in macroeconomic and budgetary forecasts shall be guided by past forecast performance and shall endeavour to take into account relevant risk scenarios.
- Member States shall specify which institution is responsible for producing macroeconomic and budgetary forecasts and shall make public the official macroeconomic and budgetary forecasts prepared for fiscal planning, including the methodologies, assumptions, and relevant parameters underpinning those forecasts. At least every year Member States and the Commission shall engage in a technical dialogue on the assumptions underpinning the preparation of macroeconomic and budgetary forecasts.

Members call for the macroeconomic and budgetary forecasts for fiscal planning shall be subject to **regular, unbiased and comprehensive evaluation** based on objective criteria, including ex post evaluation. The result of this evaluation shall be made public and taken into account appropriately in

future macroeconomic and budgetary forecasts. If the evaluation detects a significant bias affecting macroeconomic forecasts over a period of at least four consecutive years, the concerned Member State shall take the necessary action and make it public.

Member States' quarterly debt and deficit levels shall be published by the Commission (Eurostat) every three months.

Numerical fiscal rules: Members suggest that Member States have in place **country-specific numerical fiscal rules** that effectively promote compliance over a multi-annual framework for the general government as a whole with their respective obligations deriving from the Treaty in the area of budgetary policy.

If numerical fiscal rules contain **escape clauses**, these shall set out a limited number of specific circumstances consistent with the Member State's obligations deriving from the Treaty in the area of budgetary policy and stringent procedures in which temporary non-compliance with the rule is permitted. The provisions concerning the numerical fiscal rules shall not apply to the United Kingdom.

Medium-term budgetary frameworks: medium-term budgetary frameworks should contain, inter alia, projections of each major expenditure and revenue item for the budget year and beyond based on unchanged policies. Each Member State should be able to appropriately define unchanged policies and the definition should be made public together with the involved assumptions, methodologies and relevant parameters.

An amendment stipulates that this Directive shall not prohibit a Member State's new government to update its medium-term budgetary framework to reflect its new policy priorities provided the Member State highlights the differences with the previous medium-term budgetary framework.

Transparency of general government finances: Members call on all general government bodies and funds which do not form part of the regular budgets at subsector level shall be identified and presented, together with other relevant information in the framework of the annual budgetary processes. Their combined impact on general government balances and debts shall be presented in the framework of the annual budgetary processes and the medium-term budgetary plans. Member States shall publish detailed information on the impact of tax expenditures on revenues.

Implementation: the Council encourages the Member States to draw up, for themselves and in the interests of the Union, their own correlation tables which will, as far as possible, illustrate the correlation between this Directive and the transposition measures and to make them public.

The Commission shall provide an interim progress report on the implementation of the main provisions of this Directive on the basis of relevant information from Member States, which shall be submitted no later than one year after the date of entry into force of the Directive.

Report: five years after the transposition date, the Commission shall publish a review of the suitability of the Directive provisions. The review shall assess, inter alia, the suitability of: (a) statistical requirements for all subsectors of government; (b) the design and effectiveness of numerical fiscal rules in Member States; (c) the general level of transparency of public finances in Member States.

The Commission shall conduct no later than the end of 2012 an assessment of the suitability of the International Public Sector Accounting Standards for Member States.