

Strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies

2005/0064(SYN) - 09/06/2005 - Council position

The Council, in its common position, did not insert in the Regulation provisions reflecting the amendments adopted by the European Parliament. These include amendments underlying the importance of reliable fiscal statistics – including the possibility for the Commission to undertake financial audit missions; proposing to compare data provided by Member States with the one of national central banks and of the European Central Bank; reinforcing the monitoring of the achievement of the medium-term budgetary objectives (MTOs), and giving more emphasis on government debt dynamics in the assessment of stability and convergence programmes.

However, it should be noted that the changes adopted by the Council with respect to the Commission proposal go in the direction of further clarifying the implementation of the preventive part of the Stability and Growth Pact (SGP), thereby are in line with the overall thrust of the amendments tabled by Parliament. Other changes envisaged by Parliament, namely those concerning the statistical field, have been considered by the Council in the finalisation of the legal acts more directly linked to public finance statistics.

Besides a number of mainly drafting changes, the Common Position differs from the Commission Proposal on the following issues:

The procedure for setting the country-specific medium-term objectives: the agreement on the SGP reform foresees that MTOs will be differentiated across countries. Setting differentiated MTOs requires economic judgement, and consistent application of agreed principles. The latter can only be achieved if the MTOs are discussed in the context of a common procedure. The Commission had proposed that the country-specific MTOs should be set in the context of the procedure referred to in Article 99 (2) of the Treaty. While agreeing on the need for a common procedure, the Council considered that the latter could be achieved if each Member State presents the MTO in its Stability or Convergence Programme, following a discussion in the Economic and Financial Committee. In their assessment and opinion on the programmes, the Commission and the Council would assess whether the MTOs presented by Member States are appropriate.

Taking into account pension reforms introducing a multi-pillar system that includes a mandatory, fully funded pillar: the Council introduced clarifying provisions on this issue in the Regulation, specifying that Member States implementing such reforms should be allowed to deviate from the adjustment path to their medium-term budgetary objective or from the objective itself, with the deviation reflecting the net cost of the reform to the publicly managed pillar, under the condition that the deviation remains temporary and that an appropriate safety margin with respect to the

deficit reference value is preserved.

Insertion of a numerical value for the fiscal adjustment of countries in euro-area and ERM II Member States which have not reached the MTO: the Commission had proposed to insert in the Regulation the principle of a minimum annual fiscal effort for countries which have not yet achieved the MTO, without specifying a value for this effort. The Council went further by inserting in the Regulation the numerical value of 0.5% of GDP as the benchmark for the annual improvement of cyclically-adjusted

balance, net of one-offs and other temporary measures, to be pursued by euro-area and ERM II Member States which have not reached the MTO.

The range for the MTOs of euro-area and ERM II Member States: the Commission proposal did not include any reference to a range for the MTOs. The Council decided to insert provisions in the Regulation stating that, for euro-area and ERM II Member States, the country-specific MTO should be specified within a defined range between –1% of GDP and balance or surplus, in cyclically adjusted terms, net of one-offs and other temporary measures.