



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Economic and Monetary Affairs

2010/0277(NLE)

16.12.2010

DRAFT REPORT

on the proposal for a Council directive on requirements for budgetary
frameworks of the Member States
(COM(2010)0523 – C7-0397/2010 – 2010/0277(NLE))

Committee on Economic and Monetary Affairs

Rapporteur: Vicky Ford

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: [...].

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council directive on requirements for budgetary frameworks of the Member States

(COM(2010)0523 – C7-0397/2010 – 2010/0277(NLE))

(Consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2010)0523),
 - having regard to Article 126(14), second subparagraph, of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C7-0397/2010),
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Employment and Social Affairs and the Committee on the Internal Market and Consumer Protection (A7-0000/2010),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, in accordance with Article 293(2) of the Treaty on the Functioning of the European Union;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the Commission proposal;
 5. Instructs its President to forward its position to the Council and the Commission.

Amendment 1

Proposal for a directive

Recital -1 (new)

Text proposed by the Commission

Amendment

(-1) Experience gained during the first decade of functioning of the economic and monetary union shows a need for an improved economic governance framework in the Union, which should be built on a stronger national ownership of commonly agreed rules and policies and on a more robust surveillance framework

at the Union level of national economic policies.

Or. en

Amendment 2

Proposal for a directive Recital 1 a (new)

Text proposed by the Commission

Amendment

(1a) The Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a Union strategy for growth and jobs which aims at boosting the Union's competitiveness and social stability.

Or. en

Amendment 3

Proposal for a directive Recital 1 b (new)

Text proposed by the Commission

Amendment

(1b) The European semester for economic policy coordination should play a vital role in implementing the requirement under Article 121(1) TFEU that Member States regard their economic policies as a matter of common concern and that they coordinate them accordingly. Transparency and independent oversight are an integral part of enhanced economic governance. The Council and the Commission should make public and set out the reasons for their positions and decisions at the appropriate stages of the economic policy coordination procedures.

Amendment 4

Proposal for a directive

Recital 8

Text proposed by the Commission

(8) A crucial element in ensuring the use of realistic forecasts for the conduct of budgetary policy is transparency, which must entail public availability of the methodologies, assumptions and parameters on which the official macroeconomic and budgetary forecasts are based.

Amendment

(8) A crucial element in ensuring the use of realistic forecasts for the conduct of budgetary policy is transparency, which must entail public availability of the methodologies, assumptions and parameters on which the official macroeconomic and budgetary forecasts are based. ***This will also assist the Commission in examining significant divergences between its own forecasts and those of the Member States.***

Amendment 5

Proposal for a directive

Recital 10

Text proposed by the Commission

(10) Commission forecasts provide Member States with a useful benchmark for their central scenario, ***enhancing*** the validity of the forecasts used for budgetary planning, although the extent to which Member States can be expected to take the Commission forecasts into consideration will vary according to the timing of forecast preparation and the comparability of the forecast methodologies and assumptions.

Amendment

(10) Commission forecasts ***can*** provide Member States with a useful benchmark for their central scenario ***and it is possible that they enhance*** the validity of the forecasts used for budgetary planning, although the extent to which Member States can be expected to take the Commission forecasts into consideration will vary according to the timing of forecast preparation and the comparability of the forecast methodologies and assumptions. ***Forecasts from other independent bodies, at national or international level (such as the International Monetary Fund or the***

Organisation for Economic Co-operation and Development), can provide useful benchmarks.

Or. en

Amendment 6

Proposal for a directive Recital 10 a (new)

Text proposed by the Commission

Amendment

(10a) If the Commission's forecasts provide a significantly more accurate reflection of actual economic activity than those of Member States whose currency is the euro, then those Member States should be required to use the Commission forecasts as the basis for their budgetary planning.

Or. en

Amendment 7

Proposal for a directive Recital 10 b (new)

Text proposed by the Commission

Amendment

(10b) Significant divergences between the forecasts of the Member States and those of the Commission should be explained in some detail in the stability and convergence programmes drawn up in accordance with Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies¹.

¹ OJ L 209, 2.8.1997, p. 1.

Or. en

Amendment 8

Proposal for a directive Recital 10 c (new)

Text proposed by the Commission

Amendment

(10c) Given the interdependence between Member States' budgets and receipts and payments in respect of the Union's budget, in particular as regards co-financing of projects, that forecasts of the Union's budget should be prepared in accordance with a similar level of transparency to that required of the Member States. In this regard, the Union's budget should be analysed alongside those of the Member States during the European semester for economic policy coordination.

Or. en

Amendment 9

Proposal for a directive Recital 12

Text proposed by the Commission

Amendment

(12) Considering the documented effectiveness of rules-based budgetary frameworks of the Member States in promoting budgetary discipline, strong national fiscal rules that are consistent with the budgetary objectives at the level of the Union must be a cornerstone of the strengthened budgetary surveillance framework of the Union. Strong fiscal rules should be equipped with well-specified target definitions together with mechanisms for effective and timely monitoring. In addition, policy experience has shown that for numerical rules to work

(12) Considering the documented effectiveness of rules-based budgetary frameworks of the Member States in promoting budgetary discipline, strong national fiscal rules that are consistent with the budgetary objectives at the level of the Union must be a cornerstone of the strengthened budgetary surveillance framework of the Union. ***Fiscal rules are more likely to be effective if set at a national level, so as to take account of national considerations and ensure ownership. Best practices suggest that fiscal rules should avoid a backwards-***

effectively, consequences must be attached to non-compliance, where the costs involved may be simply reputational.

looking perspective, which may not properly account for 'one-off' payments, or receipts, and therefore may not necessarily give an accurate indication of future behaviour. Strong fiscal rules should be equipped with well-specified target definitions together with mechanisms for effective and timely monitoring. In addition, policy experience has shown that for numerical rules to work effectively, consequences must be attached to non-compliance, where the costs involved may be simply reputational.

Or. en

Amendment 10

Proposal for a directive Recital 12 a (new)

Text proposed by the Commission

Amendment

(12a) Independent fiscal institutes can have a valuable role to play in relation to the conduct of fiscal policy by offering expertise and ensuring transparency and credibility. Such independent public bodies can, inter alia, provide and audit macro-economic and budgetary forecasts, assess the Member State government's fiscal policy stance as well as the achievement of announced fiscal policy objectives, including by monitoring the respect of any national numerical fiscal rules.

Or. en

Amendment 11

Proposal for a directive Recital 12 b (new)

Text proposed by the Commission

Amendment

(12b) Member States whose currency is the euro should ensure that they have a fiscal institute in place which, inter alia, monitors compliance with their national fiscal rules, including any activation of an escape clause.

Or. en

Amendment 12

Proposal for a directive Recital 18 a (new)

Text proposed by the Commission

Amendment

(18a) The Commission should continually assess the implementation of this Directive. Best practices should be identified and shared, especially as regards the design and role of independent fiscal institutes.

Or. en

Amendment 13

Proposal for a directive Recital 18 b (new)

Text proposed by the Commission

Amendment

(18b) Without prejudice to their rights and obligations under the TFEU, the Member States whose currency is not the euro should have the right to apply the economic governance legislation.

Amendment 14

Proposal for a directive

Article 2 – paragraphs 2 a and 2 b (new)

Text proposed by the Commission

Amendment

'participating Member States' means Member States whose currency is the euro.

'Member States with a derogation' means Member States that are not participating Member States.

Or. en

Amendment 15

Proposal for a directive

Article 2 a (new)

Text proposed by the Commission

Amendment

Article 2a

Member States with a derogation

A Member State with a derogation may apply the rules applicable to participating Member States laid down in this Directive and, if so, shall notify the Commission accordingly. Such a notification shall be published in the Official Journal of the European Union. The Member State concerned shall be considered to be a participating Member State for the purposes of this Directive from the day after such publication.

Or. en

Amendment 16

Proposal for a directive

Article 2 – paragraph 3 – point c

Text proposed by the Commission

(c) numerical fiscal rules, which ***establish a permanent constraint on*** the conduct of fiscal policy expressed in terms of a summary indicator of budgetary performance, such as the government budget deficit, borrowing, debt, or a major component thereof;

Amendment

(c) ***national*** numerical fiscal rules, which ***align*** the conduct of fiscal policy with ***the Member State's respective obligations under the TFEU*** expressed in terms of a summary indicator of budgetary performance, such as the government budget deficit, borrowing, debt or a major component thereof;

Or. en

Amendment 17

Proposal for a directive

Article 2 – paragraph 3 – point d

Text proposed by the Commission

(d) budgetary procedures comprising procedural rules ***that regulate*** the budget process at all stages;

Amendment

(d) budgetary procedures comprising procedural rules ***to underpin*** the budget process at all stages;

Or. en

Amendment 18

Proposal for a directive

Article 3 – paragraph 2 – point a

Text proposed by the Commission

(a) cash-based fiscal data ***at a monthly frequency, covering*** government with each sub-sector thereof separately identified, before the end of the following month,

Amendment

(a) cash-based fiscal data ***(or an equivalent figure from public accounting if cash-based data is not available) at the following frequencies:***

– monthly, ***for central*** government, ***state government and social security funds,***

with each sub-sector thereof separately identified, before the end of the following **relevant** month, **and**

– **quarterly, for local government, within one month of the end of the relevant quarter;**

Or. en

Justification

The Commission has proposed a temporary compromise to account for the fact that it may not be economical to extend these requirements to all levels of government. It may be particularly costly, on a monthly basis, especially for local government, whose aggregate weight in the economy tends to be small and is thus less likely to provide a source of significant fiscal imbalances. The proposed amendments to this Directive facilitate a transition phase until the full cost-benefit impact of extending the coverage can be assessed.

Amendment 19

Proposal for a directive Article 4 – paragraph 1

Text proposed by the Commission

1. Member States shall ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information. Budgetary planning shall be based on the most likely macro-fiscal scenario or on a more prudent scenario that highlights in detail deviations from the most likely macro-fiscal scenario. The macroeconomic and budgetary forecasts shall be prepared taking into account the Commission forecasts as appropriate. **Differences** between the chosen macro-fiscal scenario and the Commission forecast shall be explained.

Amendment

1. Member States shall ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information. Budgetary planning shall be based on the most likely macro-fiscal scenario or on a more prudent scenario that highlights in detail deviations from the most likely macro-fiscal scenario. The macroeconomic and budgetary forecasts shall be prepared taking into account the Commission forecasts **and those of other independent bodies** as appropriate. **Significant divergences** between the chosen macro-fiscal scenario and the Commission forecast shall be explained.

Or. en

Amendment 20

Proposal for a directive

Article 4 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

1a. In order to assist a Member State in preparing its budgetary forecasts, the Commission shall provide budgetary forecasts for the Union budget in accordance with a similar procedure.

Or. en

Amendment 21

Proposal for a directive

Article 4 – paragraph 2

Text proposed by the Commission

Amendment

2. Macroeconomic and budgetary forecasts for fiscal planning shall comprise alternative macroeconomic scenarios to examine the path of fiscal variables under different economic conditions. The range of alternative scenarios used in macroeconomic and budgetary forecasts shall be guided by past forecast performance.

2. Macroeconomic and budgetary forecasts for fiscal planning shall comprise alternative macroeconomic scenarios to examine the path of fiscal variables under different economic conditions. The range of alternative scenarios used in macroeconomic and budgetary forecasts shall be guided by past forecast performance ***and shall endeavour to take into account the impacts of macro-economic imbalances, where those have been highlighted.***

Or. en

Amendment 22

Proposal for a directive

Article 4 – paragraph 3

Text proposed by the Commission

Amendment

3. Member States shall make public the

3. Member States shall make public the

official macroeconomic and budgetary forecasts prepared for fiscal planning, including the methodologies, assumptions, and parameters *used*.

official macroeconomic and budgetary forecasts prepared for fiscal planning, including the methodologies, assumptions, and parameters, *underpinning those forecasts*.

Or. en

Amendment 23

Proposal for a directive Article 4 – paragraph 4

Text proposed by the Commission

4. Member States shall have the macroeconomic and budgetary forecasts for fiscal planning regularly audited, including ex post evaluation. The result of this auditing shall be made public.

Amendment

4. Member States shall have the macroeconomic and budgetary forecasts for fiscal planning regularly audited, including ex post evaluation *of their own forecasting record*. The result of this auditing shall be made public.

Or. en

Amendment 24

Proposal for a directive Article 4 – paragraph 4 a (new)

Text proposed by the Commission

Amendment

4a. 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.

The Council shall monitor the situation and shall repeal any decision adopted under the first subparagraph where it deems that the Member State is producing

forecasts adequate to meeting the requirements of this Article.

Or. en

Amendment 25

Proposal for a directive Chapter IV - title

Text proposed by the Commission

Amendment

Numerical fiscal rules

National ownership – **National** numerical fiscal rules

Or. en

Justification

This amendment looks to clarify the intention that numerical fiscal rules should not necessarily be the same as the reference values in Protocol 12 of the Treaty, but should be compatible and complementary to them.

Amendment 26

Proposal for a directive Article 5 – introductory part

Text proposed by the Commission

Amendment

Member States shall have in place numerical fiscal rules that effectively promote compliance with their respective obligations deriving from the Treaty in the area of budgetary policy. Such rules shall include in particular:

Member States shall have in place **national** numerical fiscal rules that effectively promote compliance with their respective obligations deriving from the Treaty in the area of budgetary policy. Such rules shall include in particular:

Or. en

Justification

This amendment looks to clarify the intention that numerical fiscal rules should not necessarily be the same as the reference values in Protocol 12 of the Treaty, but should be compatible and complementary to them.

Amendment 27

Proposal for a directive Article 5 – point a

Text proposed by the Commission

(a) compliance with the **reference values** on deficit and debt set in accordance with the *Treaty*;

Amendment

(a) compliance with **the principles** on deficit and debt set in accordance with the *TFEU*;

Or. en

Justification

This amendment looks to clarify the intention that numerical fiscal rules should not necessarily be the same as the reference values in Protocol 12 of the Treaty, but should be compatible and complementary to them.

Amendment 28

Proposal for a directive Article 5 – point b

Text proposed by the Commission

(b) the adoption of a multi-annual fiscal planning horizon, including respect of the medium-term budgetary objectives.

Amendment

(b) the adoption of a multi-annual fiscal planning horizon, including respect of the **differentiated** medium-term budgetary objectives.

Or. en

Justification

This amendment looks to clarify the intention that numerical fiscal rules should not necessarily be the same as the reference values in Protocol 12 of the Treaty, but should be compatible and complementary to them.

Amendment 29

Proposal for a directive Article 6 – introductory part

Text proposed by the Commission

Without prejudice to the Treaty provisions of the budgetary surveillance framework of the Union, numerical fiscal rules shall

Amendment

Without prejudice to the Treaty provisions of the budgetary surveillance framework of the Union, **national** numerical fiscal rules

contain specifications *on* the following elements:

for Member States with a derogation shall contain specifications *that address* the following elements:

Or. en

Amendment 30

Proposal for a directive Article 6 – point c

Text proposed by the Commission

(c) consequences in the event of non-compliance;

Amendment

(c) consequences in the event of non-compliance, *such as stricter public disclosure and public justifications*;

Or. en

Amendment 31

Proposal for a directive Article 6 – point d

Text proposed by the Commission

(d) escape clauses, setting out a limited number of specific circumstances in which temporary non-compliance with the rule is permitted.

Amendment

(d) escape clauses, setting out a limited number of specific *and exceptional* circumstances in which temporary non-compliance with the rule is permitted.

Or. en

Amendment 32

Proposal for a directive Article 6 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

The activation of escape clauses referred to in point (d) shall be disclosed and

justified in a transparent and timely manner.

Or. en

Amendment 33

Proposal for a directive Article 6 a (new)

Text proposed by the Commission

Amendment

Article 6a

Without prejudice to the provisions of the TFEU on the budgetary surveillance framework of the Union, 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 national budget offices or institutions acting in the field of budgetary policy;

(c) consequences in the event of non-compliance, including stricter public disclosure and public justifications;

(d) escape clauses, setting out a limited number of specific and exceptional circumstances in which temporary non-compliance with the rule is permitted.

The activation of escape clauses referred to in point (d) is to be disclosed and justified in a transparent and timely manner.

Or. en

Amendment 34

Proposal for a directive Article 7

Text proposed by the Commission

The annual budget legislation of the Member States shall reflect the constraints imposed by their numerical fiscal rules in force.

Amendment

The annual budget legislation of the Member States shall reflect the constraints imposed by their ***national*** numerical fiscal rules in force.

Or. en

Amendment 35

Proposal for a directive Article 8 – paragraph 2 – point c

Text proposed by the Commission

(c) a statement of the government's medium-term priorities ***broken down by major revenue and expenditure item and by general government sub-sector,*** showing how the adjustment towards the medium-term budgetary objective is achieved compared to projections under unchanged policies.

Amendment

(c) a statement of the government's medium-term priorities showing how the adjustment towards the medium-term budgetary objective is achieved compared to projections under unchanged policies.

Or. en

Justification

Detailed projections per major revenue and expenditure item are already required as per Article 8, paragraph 2, point (b).

Amendment 36

Proposal for a directive Article 12 – paragraph 1

Text proposed by the Commission

All sub-sectors of general government

Amendment

National numerical fiscal rules shall cover all sub-sectors of general

shall be covered by numerical fiscal rules. government.

Or. en

Justification

All sub-sectors of government should be covered by the same fiscal rule, not adopt various, different ones. This amendment looks to clarify the text in this regard.

Amendment 37

Proposal for a directive

Article 14 – paragraph 1 –subparagraph 1

Text proposed by the Commission

1. Member States shall bring into force the provisions necessary to comply with this Directive by **31 December 2013 at the latest**. They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.

Amendment

1. Member States **with a derogation** shall bring into force the provisions necessary to comply with this Directive by **31 December 2012. Participating Member States shall bring into force the requirements of this Directive by introducing or amending relevant national legislation by 31 December 2013. All Member States** shall forthwith communicate to the Commission the text of those provisions and **shall provide** a correlation table between those provisions and this Directive.

Or. en

Justification

Euro area colleagues have suggested that Participating Member States should enforce specific legislative provisions in order to best ensure compliance with the requirements of this Directive.

Amendment 38

Proposal for a directive

Article 14 a (new)

Text proposed by the Commission

Amendment

Article 14a

Three years after the transposition date referred to in Article 14 the Commission shall publish a general report assessing the implementation of provisions necessary to comply with this Directive.

The report shall evaluate, inter alia, the effectiveness of:

(a) the requirement for cash-based fiscal data to all sub-sectors of government;

(b) the accuracy of macro-economic forecasts following ex-post evaluation;

(c) the design and effectiveness of numerical fiscal rules;

(d) the design and effectiveness of fiscal institutes;

(e) the general level of transparency of government finances.

Or. en

EXPLANATORY STATEMENT

Experience gained during the first decade of the functioning of the Economic and Monetary Union shows a need for an improved Economic Governance framework within the Union which should be built on a stronger national ownership of commonly agreed rules and policies and on a more robust surveillance framework, at the European level, between Member States and at a national level of national economic policies.

The Rapporteur respects the concerns of euro area Rapporteurs of the Economic Governance package who would like to see tighter requirements for euro area countries.

Under the Treaty, Member States already have respective obligations with regard to debt and deficit levels. In addition the Council's Opinion¹, agreed by Member States on 10th September, 2010 sets out detailed guidelines for preparing macro-economic forecast scenarios upon which those obligations can be measured. The Council's task-force report² agreed to develop effective medium-term budgetary frameworks with a view to preparing medium-term budgetary objectives under Regulation XXXX of the SGP.

This Directive enables a robust and transparent manner for these agreements to be reflected by Member States when deciding and enabling their own budgetary procedures. It encourages transparency of information within Member States, between Member States, within the European Community and for the public at large.

Accounting and Statistics

Your Rapporteur understands that cash-based reporting is critical to good fiscal planning, especially for spotting fiscal slippages. However, it may be impractical and costly to expect this at a local government level, and on a monthly basis, in certain Member States. The proposed amendments to this Directive facilitate a transition phase until the full cost-benefit impact of extending the coverage can be assessed.

Transparency of forecasts

At the heart of good budgetary and fiscal planning lies robust and transparent macro-economic forecasts.

Your Rapporteur believes that the full transparency of forecasting assumptions and methodologies is of paramount importance. She welcomes in particular a fuller disclosure of contingent liabilities and extra- budgetary funds, as well as multi-annual fiscal planning procedures.

The European Commission forecasts should be taken into consideration by Member States as well as forecasts from other relevant independent bodies, both nationally and internationally, including,

¹ "Specifications on the implementation of the Stability and Growth Pact, and, Guidelines on the format and content of Stability and Convergence Programmes", endorsed by the ECOFIN Council on 7th September 2010

² "Strengthening Economic Governance in the EU, Report of the Task Force to the European Council", Brussels 21st October 2010.

where appropriate, the IMF at an early, and thus preventative stage. The Commission should ensure that its forecasts prove pertinent, matching the 3-year horizon and are produced at an appropriate time in the budgetary cycle of the Member State concerned. Significant divergences from the European Commission's forecasts will be explained in the Stability and Convergence Programmes, in detail, as already agreed by the Council.

Your Rapporteur recommends that Member States publicly audit their forecasts and regularly evaluate, on an ex-post basis, *their own forecasting record* in order to ascertain whether their forecasting processes have proven to be robust.

Euro area Rapporteurs have suggested a methodology whereby if Participating Member States' own forecasts consistently prove less accurate than those of the European Commission they will be obliged to use the Commission's forecasts as the “base-case” for budgetary planning.

Independent fiscal institutes

Your Rapporteur understands and values the benefit that independent fiscal institutes acting in the field of budgetary responsibility have played in certain Member States.

Many Member States already have different (and successful) procedures in this area. There is a suggestion that they be mandatory within the euro area, in specific regard to monitoring compliance with fiscal rules. She would be interested in the views of MEPs and the Council in this area.

National numerical fiscal rules

The Directive recognises that different Member States have different, country-specific considerations and that there are various ways in which Member States can ensure that their own procedures adhere to the principles they have agreed to under the Treaty.

Most Member States already have numerical rules in place and in many circumstances these have proved effective in encouraging sustainable budgetary and fiscal planning through ownership of those rules by both National Governments and the wider public.

However, backward-looking numerical rules have, in some cases, not accounted for “one-off” impacts and thereby given a false perspective of stability.

Your Rapporteur understands the need for strict, pre-determined, consequences for non-compliance, such as automatic public justifications to the National Parliament. There may be a role for increased disclosure and/or justifications over and beyond the National level, particularly within the euro area. For example, for some Member States, inviting Members of the European Parliament to partake in explanations to National Parliaments may be a stronger National “deterrent” than inviting a National Parliamentarian to give evidence to the European Parliament. For others, a requirement to justify at an EU-level may well be a stronger deterrent.

There is some debate regarding escape-clauses. On the one hand, the current crisis demonstrates that there are exceptional circumstances where flexibility is required, on the other hand escape-clauses must not be used inappropriately. The Rapporteur's amendments look to ensure that escape-clauses should be limited, exceptional and specific, whilst their use is fully disclosed and explained.

Macro-economic Imbalances

Your Rapporteur recognises that macro-economic imbalances were underestimated in various Member States in the years preceding the economic crisis. She welcomes the suggestion that Member States provide alternative macro-economic scenarios (article 4.2) and can see the benefits of providing alternative scenarios that seek to take into account the potential impacts of macro-economic imbalances (for example credit or asset inflation bubbles) on national budgets and fiscal forecasts, where these have been highlighted.

Transition

The Commission has informed the Rapporteur that certain Member States already comply with all the requirements of this Directive. She understands and respects the recommendation from the Commission that Member States would not necessarily need to introduce national legislation to comply with the Directive, but should ensure they have provisions in place to meet the requirements laid down here.

However, given the concerns of euro area Rapporteurs on the Economic Governance Package she has submitted an amendment to the effect that euro area Member States will have to ensure that they legislate for the provisions of this Directive.

Finally, the Rapporteur recognises the vital aspirations of the EU 2020 Strategy and the challenges that Member States may have in fulfilling them (given the current economic circumstances), as well as the importance of the effective use of the EU budget in this regard. There is a clear inter-relationship between spending in the Member States' own budget, and the EU budget, especially as regards the co-financing of projects. The Rapporteur recommends that, without prejudice to the EU's Medium-Term Financial Perspectives, the European Commission should prepare a similar level of transparency on a rolling multi-annual basis for the EU budget, and should allow for the impact of the EU's budget to be discussed alongside those of national budgets in the EU Semester.