



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Employment and Social Affairs

2010/0277(NLE)

6.1.2011

DRAFT OPINION

of the Committee on Employment and Social Affairs

for the Committee on Economic and Monetary Affairs

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))

Rapporteur: David Casa

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SHORT JUSTIFICATION

Background

On 29 September 2010, the Commission presented a legislative package aimed at reinforcing the economic governance in the EU and the euro area. The package is made up of six proposals: four of them deal with fiscal issues, including a reform of the Stability and Growth Pact (SGP), while two new regulations aim at detecting and addressing emerging macroeconomic imbalances within the EU and the euro area.

The Commission proposes to reinforce Member States' compliance with the SGP and to deepen fiscal policy coordination. Under the so-called preventive arm of the SGP, the existing Regulation (EC) No 1466/97 on "strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies" is amended in order to ensure that Member States follow "prudent" fiscal policies in good times to build up the necessary buffer for bad times. In addition, under the so-called corrective arm, amendments to Regulation 1467/97 concerning the "implementation of the excessive deficit procedure" are proposed to ensure that debt developments are followed more closely and put on an equal footing with deficit developments.

Furthermore, a Directive introducing requirements for budgetary frameworks of the Member States is proposed to encourage fiscal responsibility by setting minimum requirements for national fiscal frameworks and ensuring they are in line with Treaty obligations. To back up the changes in the preventive and corrective arms of the SGP, the Commission also proposed strengthening the enforcement mechanisms for the euro area Member States.

Observations

This draft opinion concerns the Commission's proposal for a directive on requirements for budgetary frameworks of the Member States. Generally, your rapporteur welcomes the proposals put forward to ensure improvements in national fiscal frameworks and to encourage Member States to make better fiscal decisions in the future. In particular, proposals for improved statistical reporting of fiscal data are required in order to avoid a repeat of recent experience in some Member States. Likewise, proposals for independent budgetary offices, national fiscal rules, and mandatory multi-year budgeting should also help provide greater fiscal stability.

However, your rapporteur considers certain clarifications and modifications to be necessary and therefore proposes amendments to address the following main aspects:

- The general aim of this proposal should be clearly linked to the overarching objectives of the EU, and in particular to the requirements of Article 9 TFEU related to the promotion of a high level of employment, the guarantee of adequate social protection and the fight against social exclusion. Equally important, the rules put forward to ensure improvements in national fiscal frameworks should be established in the context of the European Semester of policy coordination.
- The requirements for national budgetary frameworks should not only ensure that fiscal

planning of Member States is based on realistic forecasts, but should also ensure that appropriate attention is given to the sustainability of their respective social protection systems, including pension and health care systems.

- The requirements for national budgetary frameworks should also be designed in such a way so as to encourage Member States, and leave them room for manoeuvre for development-oriented public investments, such as in education and training, contributing to the achievement of the EU's growth and jobs objectives.

AMENDMENTS

The Committee on Employment and Social Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following amendments in its report:

Amendment 1

Proposal for a directive

Recital 1 a (new)

Text proposed by the Commission

Amendment

(1a) The Treaty on the Functioning of the European Union (TFEU) provides that in defining and implementing its policies and activities, the Union should take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection and the fight against social exclusion.

Or. en

Amendment 2

Proposal for a directive

Recital 1 b (new)

Text proposed by the Commission

Amendment

(1b) The European Council of 17 June 2010 adopted a new strategy for jobs and growth, the Europe 2020 strategy, to enable the Union to emerge stronger from the crisis, and to turn its economy towards smart, sustainable and inclusive growth, accompanied by high level employment,

productivity and social cohesion. The European Council also decided to launch, on 1 January 2011, the European semester for policy coordination to allow Member States to benefit from early coordination at Union level and to enable enhanced surveillance and a simultaneous assessment of both budgetary measures and structural reforms fostering growth and employment.

Or. en

Amendment 3

Proposal for a directive Recital 13

Text proposed by the Commission

(13) Member States should avoid pro-cyclical fiscal policies and fiscal consolidation efforts should be greater in good times. Well-specified numerical fiscal rules are conducive to these objectives.

Amendment

(13) Member States should avoid pro-cyclical fiscal policies and fiscal consolidation efforts should be greater in good times. ***Fiscal consolidation efforts should also allow room for manoeuvre, in particular for public investment conducive to the achievement of the Union's growth and jobs objectives.*** Well-specified numerical fiscal rules are conducive to these objectives.

Or. en

Amendment 4

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

Amendment

1. Member States shall ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information ***and taking due account of the sustainability of their social protection systems, including pension and health care systems.***

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.

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.

Or. en

Amendment 5

Proposal for a directive Article 5 – introductory part

Text proposed by the Commission

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:

Amendment

Member States shall have in place numerical fiscal rules that effectively promote compliance with their respective obligations deriving from the *TFEU* in the area of budgetary policy, ***while allowing room for manoeuvre, in particular for public investment conducive to the achievement of the Union's growth and jobs objectives.*** Such rules shall include in particular:

Or. en

Amendment 6

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 medium-term budgetary objectives, ***while taking account of Article 9 TFEU, in particular with regard to the promotion of a high level of employment, the guarantee of adequate social protection and the fight***

*against social exclusion and of the
Union's growth and jobs objectives.*

Or. en