

Background memo, Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU, 17 February 2016, session II

Budgetary Policy – the effectiveness of budgetary coordination

General introduction

Title III of The [Treaty on Stability, Economic Coordination and Governance in the EU](#) mentions the provisions of the Fiscal Compact. The second session of the Interparliamentary conference focuses on the mechanisms and procedures that are being applied in the various Member States to ensure budgetary coordination and examines what the role of national parliaments is in that realm. Equally, it will examine what possible improvements can be made. In that respect, attention will be paid to the role of Fiscal Councils and the possibility to set up a fiscal stabilisation function for the euro area, as mentioned in the Five Presidents' report 'Completing Europe's Economic and Monetary Union'.

Background

The Treaty on Stability, Economic Coordination and Governance in the EU sets, for example in Article 3 and 4, specific rules on budgetary positions of governments, while clarifying several elements of underlying criteria, such as on the limit of structural deficits.

Currently the European Commission is carrying out an assessment of the experience with implementation of the Treaty, this in relation to Article 16 where it is mentioned that within five years, at most, of the date of entry into force of the Treaty, the necessary steps should be taken to examine the incorporation of the substance of the Treaty into the legal framework of the European Union. Preliminary results of this assessment are not yet publicly available.

Meanwhile the European University Institute published an overview on how Member States have dealt with the '[fiscal compact](#)' so far. This research is part of the research project called '[Constitutional change through Euro crisis law](#)' that presents for each Member State a report.

The research group has also published a number of articles, of which '[Taking budgetary powers away from national parliaments?](#)' may be of particular interest to this session of the conference. In the section on 'The (unexploited) potential of fiscal councils' (pp. 23-25), it is argued that the advice of these independent institutions may actually strengthen the position of national parliaments vis-à-vis governments. The need to set up Fiscal Councils, in the capacity of an independent budget authority, stems from a number of recent legal texts concerning European economic governance and is equally suggested in Article 3.2 of the SCEG.

With regard to the possible role of Fiscal Councils, the set-up of an independent advisory [European Fiscal Board](#), comprised of five external experts, by the Commission is equally of interest. Its aim is to: 1) evaluate the implementation of the EU fiscal framework; 2) advise on the fiscal stance appropriate for the euro area as a whole; 3) cooperate with the national Fiscal Councils of the Member States; and 4) provide ad-hoc advice on the request of the president.

Furthermore, in its [resolution](#) on Completing Europe's Economic and Monetary Union of 17 December 2015, the EP has stressed that the European Fiscal Board should be accountable to Parliament and that, in this context, its assessments should be public and transparent.



On the request of the Italian parliament, the national representatives of parliaments in Brussels have compiled an overview of how national parliaments have dealt with the Commission's decision to set up a European Fiscal Board. This shows that few parliaments have discussed the Commission's decision.

The Treaty states that Contracting Parties may temporarily deviate from their respective medium-term objective, or the adjustment path towards it, only in exceptional circumstances. "Exceptional circumstances" refers to the case of an unusual event outside the control of the Member States concerned which has a major impact on the financial position of the general government or to periods of severe economic downturn as set out in the revised Stability and Growth Pact (SGP).

Consequently, attention has turned to the issue of flexibility within the existing rules of the SGP. In January 2015, the European Commission has published a communication on the issue. In its conclusions of the Ecofin meeting of 8 December 2015, the Council has approved the agreement on flexibility in applying the rules of the SGP at the level of the Economic and Financial Committee, one of the Council's preparatory working groups. In April 2015, the Network of EU Independent Fiscal Institutions (IFIs) of the EU, which was formally established on 15 September 2015, had already reached an agreement on the identification of one-off and temporary measures in 'Common principles for the EU IFI's'. This raises the question by whom and what procedures flexibility may be determined and allowed.

Finally, while reviewing the experience of the Member States with budgetary coordination, the possibility of a fiscal stabilisation function can be reflected upon. The Five Presidents' Report, that was published in June 2015, addresses in its fourth chapter 'Towards Fiscal Union – an Integrated Framework for Sound and Integrated Fiscal Policies' the possibility of a fiscal stabilisation function for the euro area. According to the report this may develop as a consequence of the culmination of a process of convergence and further pooling of decision-making on national budgets. Its role should be to improve the overall economic resilience of EMU and individual euro area countries and as such help prevent crisis and crisis measures.

Points for discussion

- Have the timing, procedures or scope of influence of budgetary procedures in the Member States changed as a result of budgetary coordination?
- What, if any, are the differences between Eurozone and non-Eurozone countries, as well as between programme and post-programme countries, and between countries in the preventive or corrective arm of the Stability and Growth Pact in this respect?
- How has the "balanced budget" rule of the Fiscal compact been implemented in practise by Member States?
- How could the transparency of the implementation of the fiscal rules be improved. What role could the Commission and the Council play in this regard?
- What improvements are viable and desirable to improve the effectiveness of budgetary coordination and to safeguard parliamentary scrutiny of European budgetary coordination in the future?
- Which role can Fiscal Councils play, and what can be expected from a fiscal stabilisation function for the euro area?



Contributions

[Mr. Pierre Moscovici](#), European Commissioner for Economic and Financial Affairs, Taxation and Customs, will share some of the Commission's preliminary findings on the progress Member States have made towards stronger national fiscal frameworks, which are key to achieving and maintaining appropriate fiscal policies.

[Mr. Francesco Boccia](#), Chair of the Budget, Treasury and Planning Committee of the Italian Chamber of Deputies, will share some experiences of the way budgetary procedures in Italy have changed as a result of enhanced European economic coordination. Equally, he will suggest possible procedural improvements and reflect on the Commission's decision to set up a European Fiscal Board.

On 17 December 2016, the European Parliament has adopted a [resolution](#) on Completing Europe's Economic and Monetary Union in which it emphasises the need for stronger parliamentary scrutiny. Furthermore the European Parliament has started working on a report on a fiscal capacity for the euro area. [Mr. Reimer Böge](#) (DE, EPP) and [Ms. Pervenche Berès](#) (FR, S&D), the co-rapporteurs on this report, will discuss with representatives from national Parliaments what this report could cover.