



Procedure file

Basic information	
NLE - Non-legislative enactments Directive	2010/0277(NLE) Procedure completed
Economic governance: requirements for budgetary frameworks of the Member States. 'Six pack'	
See also 2010/0276(CNS)	
See also 2010/0278(COD)	
See also 2010/0279(COD)	
See also 2010/0280(COD)	
See also 2010/0281(COD)	
Subject	
5.10.01 Convergence of economic policies, public deficit, interest rates	
5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU)	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		14/09/2010
		ECR FORD Vicky	
	Committee for opinion	Rapporteur for opinion	Appointed
	EMPL Employment and Social Affairs		21/10/2010
		PPE CASA David	
	BUDG Budgets	The committee decided not to give an opinion.	
	IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
	Committee for opinion on the legal basis	Rapporteur for opinion	Appointed
	JURI Legal Affairs		04/03/2011
	S&D GERINGER DE OEDENBERG Lidia Joanna		
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	3122	08/11/2011
	Economic and Financial Affairs ECOFIN	3100	20/06/2011
	Economic and Financial Affairs ECOFIN	3088	17/05/2011
	Economic and Financial Affairs ECOFIN	3076	15/03/2011
	Economic and Financial Affairs ECOFIN	3067	14/02/2011
	Economic and Financial Affairs ECOFIN	3062	18/01/2011
	European Commission	Commission DG	Commissioner
Economic and Financial Affairs		REHN Olli	

Key events			
07/10/2010	Legislative proposal published	COM(2010)0523	Summary
13/12/2010	Committee referral announced in Parliament		

18/01/2011	Debate in Council	3062	Summary
14/02/2011	Debate in Council	3067	Summary
19/04/2011	Vote in committee		Summary
05/05/2011	Committee report tabled for plenary, 1st reading/single reading	A7-0184/2011	
17/05/2011	Debate in Council	3088	Summary
20/06/2011	Debate in Council	3100	Summary
22/06/2011	Debate in Parliament		
23/06/2011	Results of vote in Parliament		
23/06/2011	Decision by Parliament	T7-0289/2011	Summary
28/09/2011	Decision by Parliament	T7-0426/2011	Summary
08/11/2011	Act adopted by Council after consultation of Parliament		
08/11/2011	End of procedure in Parliament		
23/11/2011	Final act published in Official Journal		

Technical information

Procedure reference	2010/0277(NLE)
Procedure type	NLE - Non-legislative enactments
Procedure subtype	Consultation of Parliament
Legislative instrument	Directive
	See also 2010/0276(CNS) See also 2010/0278(COD) See also 2010/0279(COD) See also 2010/0280(COD) See also 2010/0281(COD)
Legal basis	Treaty on the Functioning of the EU TFEU 126-p14-a3
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/04127

Documentation gateway

Legislative proposal		COM(2010)0523	07/10/2010	EC	Summary
Committee draft report		PE454.691	16/12/2010	EP	
Amendments tabled in committee		PE458.663	16/02/2011	EP	
European Central Bank: opinion, guideline, report		CON/2011/0013 OJ C 150 20.05.2011, p. 0001	16/02/2011	ECB	Summary
Committee opinion	EMPL	PE454.660	21/03/2011	EP	
Specific opinion	JURI	PE462.802	12/04/2011	EP	

Committee report tabled for plenary, 1st reading/single reading	A7-0184/2011	06/05/2011	EP	
Text adopted by Parliament, partial vote at 1st reading/single reading	T7-0289/2011	23/06/2011	EP	Summary
Text adopted by Parliament, 1st reading/single reading	T7-0426/2011	28/09/2011	EP	Summary
Commission response to text adopted in plenary	SP(2011)8584	09/11/2011	EC	
Follow-up document	COM(2012)0761	14/12/2012	EC	Summary
Follow-up document	SWD(2012)0433	14/12/2012	EC	
Follow-up document	COM(2013)0114	06/03/2013	EC	Summary
Follow-up document	SWD(2013)0057	06/03/2013	EC	
Follow-up document	COM(2015)0314	30/06/2015	EC	Summary
Follow-up document	COM(2020)0055	05/02/2020	EC	
Follow-up document	SWD(2020)0210	06/02/2020	EC	
For information	SWD(2020)0211	06/02/2020	EC	

Additional information

National parliaments	IPEX
European Commission	EUR-Lex

Final act

[Directive 2011/85](#)
[OJ L 306 23.11.2011, p. 0041](#) Summary

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

PURPOSE: to complement the reform of the Stability and Growth Pact by setting out detailed rules concerning the characteristics of the budgetary frameworks of the Member States that are necessary to ensure the effectiveness of the excessive deficit procedure.

PROPOSED ACT: Council Directive.

BACKGROUND: the global economic and financial crisis revealed gaps and weaknesses in the existing instruments and methods of co-ordination and surveillance of economic policies in the Economic and Monetary Union (EMU). There is broad agreement that the framework for EMU should be urgently strengthened in order to anchor macroeconomic stability and the sustainability of public finances.

The key instrument for fiscal policy co-ordination and surveillance is the Stability and Growth Pact (SGP), which implements the Treaty provisions on budgetary discipline. Strengthening the Pact is important for both increasing the credibility of the agreed co-ordinated fiscal exit strategy and avoiding a repetition of past mistakes.

This proposal is part of legislative package comprising six texts which seeks to strengthen the pact by improving its provisions in the light of experience, not least of the crisis:

- 1) A [Regulation](#) amending the legislative underpinning of the preventive part of the Stability and Growth Pact (Regulation 1466/97);
- 2) A [Regulation](#) amending the legislative underpinning of the corrective part of the Stability and Growth Pact (Regulation 1467/97);
- 3) A [Regulation](#) on the effective enforcement of budgetary surveillance in the euro area;
- 4) A new Council Directive on requirements for the budgetary framework of the Member States;
- 5) A [new Regulation](#) on the prevention and correction of macroeconomic imbalances;
- 6) A [Regulation](#) on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

The outlines of these proposals were announced by the Commission in two communications on economic governance: [?Reinforcing economic policy coordination?](#) (12 May 2010) and [?Enhancing economic policy coordination for stability, growth and jobs ? Tools for stronger EU](#)

In June 2010, the European Council agreed on the urgent need to reinforce the coordination of economic policies. In particular, it agreed on:

- strengthening both the preventive and corrective parts of the SGP, including with sanctions and taking due account of the particular situation of euro-area Member States;
- giving, in budgetary surveillance, a much more prominent role to levels and evolutions of debt and overall sustainability;
- ensuring that all Member States have national budgetary rules and medium term budgetary frameworks in line with the SGP;
- ensuring the quality of statistical data.

IMPACT ASSESSMENT: no impact assessment was undertaken.

LEGAL BASE: the third subparagraph of Article 126(14) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the particular decentralised nature of fiscal policy-making in the EU and the general need for national ownership of EU rules make it essential that the objectives of the EMU budgetary coordination framework are reflected in the national budgetary frameworks. A national budgetary framework is the set of elements that form the basis of national fiscal governance, i.e. the country-specific institutional policy setting that shapes fiscal policy-making at national level. This includes public accounting systems, statistics, forecasting practices, numerical fiscal rules, budgetary procedures governing all stages of the budget process and medium term budgetary frameworks in particular, and fiscal relations across government sub-sectors.

While Member States' specific needs and preferences must be respected, a number of features stand out as being needed in terms of ensuring minimum quality and consistency with the EMU budgetary framework.

These are the subject of this Directive on national budgetary frameworks that is being proposed to complement the reform of the SGP. To this end:

- it must be ensured that the most primary elements of national budgetary frameworks, namely accounting and statistical issues and forecasting practices, work in line with minimum European standards to facilitate transparency and the monitoring of fiscal developments;
- domestic budgetary frameworks need also to adopt a multi-annual fiscal planning perspective so as to ensure the achievement of the medium-term objectives set at EU level;
- in addition, Member States must have in place numerical fiscal rules conducive to compliance with the deficit and debt thresholds. They must ensure that these features apply to all general government sub-sectors;
- national authorities must also guarantee the transparency of the budget process by providing detailed information on existing extra-budgetary funds, tax expenditures and contingent liabilities.

BUDGETARY IMPLICATION: the proposal has no implication for the EU budget.

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

The Council discussed draft national reform programmes (NRPs) presented by the Member States. Ministers committed themselves to rectifying identified difficulties with the draft NRPs.

The programmes are required, under the EU's economic governance arrangements, to enable multilateral surveillance of the Member States' economic policies.

They should contain:

- a macroeconomic scenario for the medium term,
- national targets for translating headline targets set under the "Europe 2020" strategy for jobs and growth,
- identification of the main obstacles to creating growth and jobs,
- measures for concentrating growth-enhancing initiatives in an early period.

Review of the draft programmes constitutes, along with the annual growth survey, first steps in implementation of the so-called "European semester", which involves simultaneous monitoring of the Member States' budgetary policies and structural reforms, in accordance with common rules, during a six-month period every year.

At its meeting on 24 and 25 March, the European Council is due to provide guidance to the Member States for finalisation of their stability and convergence programmes (budgetary policies) and national reform programmes (structural reforms).

The European semester is implemented for the first time this year as part of a reform of EU economic governance.

Concerning the excessive deficit procedure: the Council discussed a Commission communication assessing the action taken by Malta in response to the Council recommendation of 16 February 2010 based on article 126(7) to bring to an end the situation of excessive deficit at the latest by 2011. The Council shares the Commission's view that, based on current information, Malta has taken action representing adequate progress towards the correction of the excessive deficit within the time limit set by the Council. In particular, the Maltese authorities have taken fiscal consolidation measures to correct the excessive deficit by 2011, while ensuring an adequate fiscal effort in 2011.

Against this background, the Council considers that at present no further steps under the excessive deficit procedure are necessary.

At the same time, the Council notes that in spite of a better macroeconomic environment than expected in the Council recommendations, there was no acceleration in the reduction of the deficit in 2010. In addition, considerable downside risks exist to the achievement of the 2011 deficit target. In this context, the Council calls for rigorous execution of the budget and close monitoring of budgetary developments in order to take corrective measures if needed to ensure that the deficit target of 2.8% of GDP is reached in 2011. Furthermore, further steps should be taken to strengthen the binding nature of the medium-term budgetary framework and improve the long-term sustainability of public finances, as requested by the Council in its recommendations and invitations.

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

The Council held a policy debate on a package of measures intended to strengthen economic governance in the EU, and more specifically in the euro area, in order to address the challenges highlighted by recent difficulties on sovereign debt markets.

The package consists of:

- a [draft regulation](#) amending regulation 1466/97 on the surveillance of Member States budgetary and economic policies;
- a [draft regulation](#) amending regulation 1467/97 on the EU's excessive deficit procedure;
- a [draft regulation](#) on the enforcement of budgetary surveillance in the euro area;
- a [draft regulation](#) on the prevention and correction of macroeconomic imbalances;
- a [draft regulation](#) on enforcement measures to correct excessive macroeconomic imbalances in the euro area;
- a [draft directive](#) on requirements for the member states' budgetary frameworks.

Four of the propositions deal with reform of the EU's Stability and Growth Pact. They are aimed at enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant member states more consistently and at an earlier stage.

In particular, a so-called reverse majority rule, whereby the Commission's proposal for imposing a fine will be considered adopted unless the Council turns it down by qualified majority, will trigger the sanction more automatically than at present.

Moreover, greater emphasis will also be placed on the debt criterion of the Stability and Growth Pact, with member states whose debt exceeds 60% of GDP required to take steps to reduce their debt at a pre-defined pace, even if their deficit is below the 3% of GDP threshold.

The other two proposals target macroeconomic imbalances within the EU. Here, the aim is to broaden the surveillance of economic policies, introducing the possibility of fines on Member States found to be in an "excessive imbalances position". Risks of macroeconomic imbalances will be assessed using a "scoreboard" of economic indicators.

The Council asked the Permanent Representatives Committee to oversee further work on the package, in the light of its discussion. The presidency's aim ? in accordance with the deadlines set by the European Council on 4 February ? is for the Council to agree on a general approach on all six proposals at its meeting on 15 March 2011, with a view to reaching an agreement with the European Parliament in June 2011.

As regards the excessive deficit procedure, the Council took note of a communication from the Commission assessing action taken by Bulgaria, Denmark, Cyprus and Finland in order to bring their government deficits below 3% of GDP, the reference value set by the EU treaty.

It shared the Commission's view that, on the basis of current information, all four countries have taken action representing adequate progress towards correcting their deficits within the time limits set in its recommendations, and that no further steps under the EU's excessive deficit procedure are required at present.

Bulgaria, Denmark, Cyprus and Finland have been subject to excessive deficit procedures since July 2010, when the Council issued its recommendations. The Council called on Bulgaria and Finland to reduce their deficits below the threshold of 3 % of GDP by 2011, Cyprus by 2012 and Denmark by 2013.

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

The Committee on Economic and Monetary Affairs adopted the report drafted by Vicky FORD (ECR, UK) amending the proposal for a Council directive on requirements for budgetary frameworks of the Member States.

The main amendments are as follows:

Scope: Members state that this proposed Directive is a part of the economic governance legislation which is aimed at long term economic stability in the Union. It sets out detailed rules concerning the characteristics of the budgetary frameworks of the Member States that are necessary to ensure compliance with the obligation of the Member States with regard to excessive government deficits.

A Member State with a derogation (non-participating Member States in the euro) may apply the rules applicable to participating Member States laid down in this Directive and, if so, shall notify the Commission accordingly.

Accounting and statistics: to enhance trust in European Statistics and ensure the professional independence of national statistical authorities, the committee stresses that Member States should remain fully committed to implementing Regulation (EC) No 223/2009, in particular the statistical principles as set out in the European statistics Code of Practice, endorsed by the Commission in its Recommendation of 25 May 2005 on the independence, integrity and accountability of the national and Community statistical authorities.

Member States should also ensure national statistical authorities are given the necessary autonomy over budgetary allocations, publication of statistical information and a transparent procedure for appointing and dismissing senior management. In addition, national courts of auditors should also enjoy the same level of professional independence, in order to ensure full confidence in reporting at a European level.

Forecasts: Member States shall ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information, including national forecasts where they are more up to date than Commission forecasts.

Members make the following recommendations:

- a comparison will be undertaken with respect to the Commission forecast and significant divergences between the chosen macro-fiscal scenario and the Commission forecast shall be explained, in particular if the level or growth of exogenous variables with significant cross-border macroeconomic effects departs significantly from the values retained in the Commission's forecasts;
- in order to support a Member State in preparing its budgetary forecasts, the Commission shall provide forecasts for EU expenditure and revenues for the equivalent time period;

- participating Member States shall ensure auditing of their own past forecast record is done on an independent basis, such as by an independent public body. The auditing shall be conducted once a year. The result of this independent auditing shall be made public;
- Member States' debt and deficit levels and their evolution shall be published by Eurostat at least every three months;
- 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 or to use the forecasts of independent national bodies.

National numerical fiscal rules: Members suggest that 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 bodies or institutions acting in the field of budgetary policy; (c) consequences in the event of non-compliance that involve a clear political and financial cost for the authorities responsible for non-compliance, such as fines for the authorities carrying out the tasks.

Medium-term budgetary framework: an amendment stipulates that this Directive shall not prohibit any newly-elected government to update the medium-term budgetary framework to reflect its new policy priorities provided: (a) its debt-to-GDP ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace; (b) its budgetary position remains on the path to reach the medium-term budgetary objectives set in accordance with Regulation (EC) No 1466/97.

Transparency of general government finances: the text states that numerical fiscal rules shall be designed in order to ensure that fiscal targets cover all sub-sectors of general government and are in line with Member States' obligations under the Stability and Growth Pact.

Specific measures for participating Member States: participating Member States shall incorporate into their budgetary frameworks an independent body or institution acting in the field of budgetary policy whose task is to provide independent monitoring, analysis, assessments and forecasts in all areas of domestic fiscal policy which may have an impact in the compliance by the euro area Member State with its obligations.

Report: three years after the transposition date, the Commission shall publish a report assessing the implementation of provisions necessary to comply with this Directive.

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

The Council took note of a report from the presidency on progress in negotiations with the European Parliament on a package of legislative proposals on economic governance.

Taking note of the views expressed by delegations, the presidency called on all parties to remain constructive and show the degree of flexibility that will be necessary to enable an agreement to be reached in June, as called for by the European Council.

The proposals set out:

- to strengthen economic governance in the EU ? and more specifically within the euro area ? as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets. The Council reached agreement on a general approach in March, opening the way for the negotiations with the Parliament;
- to enhance budgetary discipline in the Member States and broaden the surveillance of their economic policies, thus implementing the recommendations of a task force chaired by the President of the European Council, Herman Van Rompuy.

The package consists of:

- a [draft regulation](#) amending Regulation (EC) No 1466/97 on the surveillance and coordination of Member States' budgetary and economic policies;
- a [draft regulation](#) amending Regulation (EC) No 1467/97 on the excessive deficit procedure;
- a [draft regulation](#) on the enforcement of budgetary surveillance in the euro area;
- a [draft regulation](#) on the prevention and correction of macroeconomic imbalances;
- a [draft regulation](#) on enforcement measures to correct excessive macroeconomic imbalances in the euro area;
- a [draft directive](#) on requirements for the Member States' budgetary frameworks.

Four of the proposals deal with reform of the EU's Stability and Growth Pact, enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant Member States more consistently and at an earlier stage. The other two proposals target macroeconomic imbalances within the EU.

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

The Council agreed unanimously an updated general approach on a package of legislative proposals on economic governance, with the aim of enabling negotiations with the European Parliament to be concluded in time for the European Council meeting on 23 and 24 June.

It will inform the Parliament of its compromise text by a letter to be sent by the chairman of the Permanent Representatives Committee on 21 June.

The proposals set out to strengthen economic governance in the EU ? and more specifically within the euro area ? as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets.

The Council reached agreement on a general approach on 15 March, opening the way for the negotiations with the Parliament.

Recognising that existing EU instruments have not generated a satisfactory decline in public debt levels and have catered insufficiently for macroeconomic imbalances, the proposals are aimed at enhancing budgetary discipline in the Member States and broadening the surveillance of their economic policies. They implement the recommendations of a task force, chaired by the President of the European Council, Herman

Van Rompuy, which concluded that the EU's monetary union will not be able to function properly in the long term without increased economic policy coordination.

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

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.

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

The European Parliament adopted by 442 votes to 185, with 40 abstentions, a legislative resolution on the proposal for a Council directive on requirements for budgetary frameworks of the Member States.

The report had been sent back to be re-examined by the competent committee on 23 June 2011.

The European Parliament approved the Commission proposal as amended on 23 June 2011 (please refer to the summary concerning the partial vote dated 23 June 2011).

The European Parliament also approved a statement on correlation tables, annexed to the resolution and took note of the Council and Commission statements on the same subject.

As regards the proposal for a Council Directive on requirements for budgetary frameworks of the Member States, Parliament declared that the agreement reached between the European Parliament and the Council, in the context of the global agreement on the economic governance package and the fact of the specific legislative act being a Council Directive, does not prejudice the outcome of inter-institutional negotiations on correlation tables.

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

PURPOSE: to strengthen economic governance in the EU and more specifically in the euro area as part of the EU's response to the current difficulties on sovereign debt markets (budgetary frameworks of the Member States).

LEGISLATIVE ACT: Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States.

CONTENT: on the basis of a compromise reached with the European Parliament, the Council adopted a package of six legislative proposals (six-pack) aiming to strengthen economic governance in the EU and more specifically in the euro area.

The measures set out to ensure the degree of coordination necessary to avoid the accumulation of excessive imbalances and to ensure sustainable public finances. This will help the EU's monetary union to function properly in the long term.

They consist of:

- a [regulation](#) amending regulation 1466/97 on the surveillance of Member States budgetary and economic policies;
- a [regulation](#) amending regulation 1467/97 on the EU's excessive deficit procedure;
- a [regulation](#) on the enforcement of budgetary surveillance in the euro area;
- a [regulation](#) on the prevention and correction of macroeconomic imbalances;
- a [regulation](#) on enforcement measures to correct excessive macroeconomic imbalances in the euro area;
- a directive on requirements for the Member States' budgetary frameworks.

Alongside the reform of the Stability and Growth Pact, this directive sets out to ensure that the objectives of EU budgetary coordination are reflected in the Member States' budgetary frameworks. Accounting, statistical and forecasting practices are brought into line with EU standards. Member states must adopt multi-annual fiscal planning to ensure that medium-term budgetary objectives set at EU level are achieved. They must also introduce rules to promote compliance with the deficit and debt thresholds.

Its main elements are the following:

Accounting and statistics: as concerns national systems of public accounting, Member States shall have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government and containing the information needed to generate accrual data with a view to preparing data based on the ESA 95 standard. Those public accounting systems shall be subject to internal control and independent audits. Member States shall ensure timely and regular public availability of fiscal data for all sub-sectors of general government.

Forecasts: 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 macrofiscal scenario or on a more prudent scenario. The macroeconomic and budgetary forecasts shall be compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies. Significant differences between the chosen macrofiscal scenario and the Commissions forecast shall be described with reasoning, in particular if the level or growth of variables in external assumptions departs significantly from the values contained in the Commissions forecasts.

The Commission shall make public the methodologies, assumptions and relevant parameters that underpin its macroeconomic and budgetary forecasts.

Numerical fiscal rules: each Member State shall have in place numerical fiscal rules which are specific to it and which effectively promote compliance with its obligations deriving from the TFEU in the area of budgetary policy over a multiannual horizon for the general government as a whole. Such rules shall promote in particular: (a) compliance with the reference values on deficit and debt set in accordance with the TFEU; (b) the adoption of a multiannual fiscal planning horizon, including adherence to the Member States medium-term budgetary objective.

Medium-term budgetary frameworks: Member States shall establish a credible, effective medium-term budgetary framework providing for the adoption of a fiscal planning horizon of at least 3 years, to ensure that national fiscal planning follows a multiannual fiscal planning perspective.

Transparency of general government finances: Member States shall establish appropriate mechanisms of coordination across sub-sectors of general government to provide for comprehensive and consistent coverage of all sub-sectors of general government in fiscal planning, country-specific numerical fiscal rules, and in the preparation of budgetary forecasts and setting-up of multiannual planning as laid down, in particular, in the multiannual budgetary framework.

In order to promote fiscal accountability, the budgetary responsibilities of public authorities in the various sub-sectors of general government shall be clearly laid down.

For all sub-sectors of general government, Member States shall publish relevant information on contingent liabilities with potentially large impacts on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof.

Member States shall also publish information on the participation of general government in the capital of private and public corporations in respect of economically significant amounts.

Report: by 14 December 2018 the Commission shall publish a review of the suitability of this Directive. By 31 December 2012, the Commission shall assess the suitability of the International Public Sector Accounting Standards for the Member States.

ENTRY INTO FORCE: 13/12/2011.

TRANSPOSITION: 31/12/2013.

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

The Commission presents an interim progress report on the implementation of Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States.

The Directive entered into force in December 2011. It is an important component of the legislative package on the strengthening of economic governance (the six-pack), and provided the first opportunity for the European Union to set minimum requirements for budgetary frameworks, ensuring legal certainty, on top of the country-specific recommendations issued under the European semester process.

Overall, Member States reported substantial but uneven progress in transposing the Directive.

Statistical coverage: (Chapter II): with regard to Chapter II of the Directive, the report states that Member States have still some way to go to ensure timely and comprehensive statistical coverage for all general government sub-sectors. Reported forecasting provisions lack detail in quite a few Member States. The report recalls that the Directive provides a major opportunity to harmonise accounting conventions within general government, streamline reporting lines, and ensure an effective data feed to decision-makers and external observers.

Almost all reporting Member States make monthly data for the central government bodies available in cash or in other accounting basis. However, fiscal data availability in compliance with the Directive is markedly lower for social security entities and on-going reforms are not yet completed for State government entities in three Member States. At the local level, for which the Directive requires relatively lower standards (quarterly reporting on a cash basis or equivalent), only eleven Member States report some data. Consequently, there is still a great deal to be done in most Member States for non-central government sub-sectors. This is especially topical given the sizeable share they represent in total public expenditure, especially in highly decentralised states.

National numerical fiscal rules (Chapter IV of the Directive): progress is somewhat more advanced regarding numerical fiscal rules as specified in Chapter IV of the Directive: a wide array of national instruments is being prepared to buttress national fiscal policy-making. The mutually-reinforcing nature of all pieces of legislation contained in the six-pack that relate to the reform of the Stability and Growth Pact, combined with the additional impetus brought by the intergovernmental Treaty on Stability, Coordination and Governance (TSCG), has helped to place these issues high on the Member States reform agenda.

Major reforms leading to an overhaul of fiscal rules have been unveiled or are reportedly already completed in twenty Member States. Including proposed legislation, new budget balance rules have been unveiled in eleven Member States. Furthermore, budget-balance rules are being updated with a view to strengthening them in five Member States. Some budget-balance rules will fully enter in force only after a transitional period. This is the case for Germany (2016 for the federal government, 2020 for the Länder), Austria (2017), and Spain (2020). Expenditure rules are being established in ten Member States and reformed in five other Member States. The creation or strengthening of national debt rules is a new development in twelve Member States. In addition, Member States under an adjustment programme are subject to a multi-annual, multi-target framework constraining their fiscal policy as a de facto fiscal rule with enhanced features for monitoring and enforcement.

Many Member States declare that the new or updated rules will have features in line with the Directives requirements. In particular, several Member States report that monitoring institutions will be tasked with assessing the implementation of fiscal rules. Escape clauses have been defined in several Member States. The scope of fiscal rules is being expanded to include other sub-sectors of general government outside central government. Local or regional government is being subjected to fiscal rules, whether budget-balance rules, debt rules, or expenditure rules. Overall, the establishment of national numerical fiscal rules appears to be on the right track. However, their specific features and overall consistency would eventually have to be assessed against the requirements of the Directives Articles 5 and 6.

Medium-Term Budgetary Frameworks (Chapter V of the Directive): while many Member States report that MTBFs in the sense of Chapter V of the Directive are in place or planned, the details given are sometimes scarce and do not provide enough evidence that they will fully comply with the Directives specifications. Only a few Member States report that multi-annual projections are presented under a no-policy change basis, although it is crucial to establish a baseline scenario in combination with policy measures to ensure achievement of the policy targets or values implied by existing fiscal rules.

The report notes that it is important not to see the drafting of a national MTBF in isolation. The timing of the preparation of the MTBF and its integration within the annual budget cycle have to be carefully considered so that it can fully serve as a strategic document for the state, functioning in tandem with regular annual budget documents. Wherever necessary, the MTBF should replace existing planning documents or consolidate them into a single, well-identified, strategic document.

Mechanisms of coordination across government sub-sectors (Articles 12 and 13 of the Directive): work on effective coordination arrangements for sub-national governments is being carried out in many Member States, but the positive intentions reported need to be turned into concrete and enforceable arrangements. A number of Member States considered good fiscal performers have reported fewer completed reforms at this stage, but are considering formalising part of their currently informal framework for increased efficiency.

The Commission will continue implementing the Directive for the sections it is responsible for and, after the transposition deadline, will conduct a full-fledged compliance assessment in accordance with standard EU procedures.

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

This report from the Commission entitled Towards implementing harmonised public sector accounting standards in Member States fulfils the Commission's obligation, under [Council Directive 2011/85/EU](#) on requirements for budgetary frameworks of the Member States, to assess the suitability of the International Public Sector Accounting Standards (IPSAS) for the Member States by 31 December 2012. IPSAS is currently the only internationally recognised set of public-sector accounting standards.

Background: the sovereign debt crisis has underlined the need for governments to clearly demonstrate their financial stability and for more rigorous and more transparent reporting of fiscal data. This report discusses one of the tools for building this trust and for better measuring and forecasting the fiscal situation, i.e. harmonised public sector accruals-based accounting standards. Accruals accounting is the only generally accepted information system that provides a complete and reliable picture of the financial and economic position and performance of a government.

Legal framework: Council Directive 2011/85/EU requires Member States to have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government and containing the information needed to generate accrual data with a view to preparing data based on the European System of Accounts (ESA) 95 standard. It thereby acknowledges the essential incoherence between public sector accounts, which only record cash flows, and the fact that EU budgetary surveillance is based on ESA 95 accruals data. This means that cash data have to be converted into accruals through approximations and adjustments involving macro-based estimates.

It is founded on the international financial reporting standards (IFRS) widely applied by the private sector and at this point consists of a set of 32 accruals accounting standards, plus one cash-based standard.

Current situation with regard to accruals accounting in EU Member States: the majority of Member States have already implemented accruals accounting according to national standards across the government sector, or are in the process of doing so. Eleven have mixed systems, in that they have implemented different accounting practices at different levels of government. The accounting framework and accounting systems of the European Commission and the other EU institutions and bodies are accruals based and inspired by IPSAS. This is also the case for several other international organisations. Acceptance is growing (but is not unanimous) of the need for accruals accounting for government throughout the EU and its Member States, but a harmonised approach is currently lacking.

Macro-accounting framework: the ESA provides the macro-level statistical accounting framework for the government and non-government sectors in the EU and is accruals based. ESA-based government debt and deficit data for Excessive Deficit Procedure (EDP) purposes are the result of consolidating the individual accounts of general government entities in the Member States and are defined by EU legislation.

The existence and quality of comparable and coherent upstream accruals data (i.e. the primary accounting data for government entities) at micro-accounting level are preconditions for the high quality of debt and deficit data at accruals-based macro-accounting level. Micro public-sector accounting in the Member States has many variants, making comparisons difficult both within and between Member States. The current approach of reconciling non-harmonised micro-level public-sector accounting data for EDP purposes is reaching its limits.

Need for harmonisation: for the compilation of macroeconomic statistics on government and with reference to Article 338 TFEU, the requisite statistical data would be considerably improved if all government entities used harmonised accounting standards. This would allow for the use of common bridge tables to compile the entity accounts into ESA accounts, thus greatly facilitating the statistical verification processes. Harmonised standards for public sector accounting would enhance transparency, comparability and cost efficiency, and provide the basis for improved governance in the public sector. Harmonised accruals-based public-sector accounting would provide a firmer basis for understanding the economic position and performance of governments and government entities at all levels.

Future EU governance of budgetary policies: according to the report, the EU's new governance framework (the Six Pack, the Treaty on Stability, Coordination and Governance and the Two Pack currently under negotiation) will provide for ample ex ante coordination of annual budgets of euro area Member States and enhance the surveillance of those experiencing financial difficulties.

Many of the principle objectives advocated at the Council Directive 2011/85/EU, such as the greater transparency and accountability of the public sector, as well as more reliable, timely and more comparable fiscal statistics, necessitate a common, harmonised and detailed accounting and reporting tool.

Potential costs of harmonisation: the information made available by countries which have moved to accruals accounting allows only a very broad estimate to be made of what the costs for the Member States might be, although they are likely to be significant. Costs are strongly influenced by the scale and pace of accruals implementation, the size and complexity of the government sector, and the completeness and reliability of existing systems. It is expected that harmonisation will bring about a reduction in bureaucracy and costs which, in the medium to longer term, would far outweigh the expected investment.

International Public Sector Accounting Standards (IPSAS): IPSAS stems from the idea that modern public sector management depends on management information systems that provide timely, accurate and reliable information on the financial and economic position and performance of a government.

Eurostat carried out a public consultation between February and May 2012 to collect views on the suitability of IPSAS. The overall conclusion is twofold: (i) it seems clear that IPSAS cannot easily be implemented in EU Member States as it stands currently; and (ii) the IPSAS standards represent an indisputable reference for potential EU harmonised public sector accounts.

The following concerns will need to be addressed: (i) the IPSAS standards do not describe sufficiently precisely the accounting practices to be followed, which would limit harmonisation in practice; (ii) the suite of standards is not complete in terms of coverage or its practical applicability to some important types of government flows, such as taxes and social benefits; (iii) IPSAS can also be regarded as insufficiently stable, since it is expected that some standards will need to be updated once work is completed on the current project of completing the IPSAS conceptual framework, expected in 2014; and (iv) the governance of IPSAS suffers from insufficient participation from EU public-sector accounting authorities.

Nevertheless, most stakeholders agree that IPSAS would be suitable as a reference framework for the future development of a set of European Public Sector Accounting Standards (EPSAS).

EPSAS a way forward: the Commission considers that, before deciding on the actual project of creating EPSAS and implementing it in the Member States, some further preparatory steps are necessary. There remain several important questions concerning issues outside the scope

of this report, such as establishing the EPSAS framework and specifying a first set of core EPSAS standards, as well as the planning of the implementation. The Commission would need moreover to describe the necessary milestones for the future project, and take into account impact assessment considerations. A decision can be made only on the basis of an ex-ante review of pros and cons, and likely costs and benefits.

The process could take place in three stages:

1. A preparatory stage to gather more information and points of view, and to develop a roadmap. This stage would begin in 2013 and would involve further consultations, a high-level conference and the preparation of further more detailed proposals;
2. A stage to develop and put in place the practical arrangements, addressing issues such as finance, governance, possible synergies and the concerns of smaller government entities. This stage should culminate in the publication of a proposal for a Framework Regulation which would require the application of the accruals principle and set out plans to develop further specific accounting standards over time; and
3. The implementation stage: this should be gradual, and allow more time where a Member States existing accounting standards differ greatly from EPSAS. It could be envisaged that implementation should be achieved in all Member States in the medium term.

The next steps, to be started in 2013, will take into account impact considerations and include a road map setting out in more detail the steps to be taken, including legislative initiatives, to achieve harmonised public-sector accounting standards across the Union.