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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party of Financial Counsellors
Subject:	EGR - Issues for discussion from the Presidency on IFIs, reputational sanctions and the interaction with the MIP

Delegations will find enclosed issues for discussion from the Presidency pertaining to Independent Fiscal Institutions, reputational sanctions and the interaction with the MIP.

Economic Governance Review

Issues for discussion for FiCo 5 September

This document includes some issues for discussion and drafting suggestions to be considered by delegates in the FiCo Working Party session of 5 September. For the purpose of readability, the proposed Regulation repealing Regulation 1466/97 will be referred to as the Preventive Arm. Similarly, Regulations 1467/97 and Directive 2011/85EU will be referred to as the Corrective Arm and the Directive, respectively.

	Legal text		Articles
National Independent Fiscal Institutions	Preventive Arm	22	Role of IFI
	Corrective Arm	3(5)	Opinion of IFI following a Council Recommendation under 126(7) TFEU
	Directive	8	Requirements and tasks of IFIs
Surveillance Missions	Corrective Arm	10a(2)	Surveillance Missions following a Council Recommendation under 126(9) TFEU
Macroeconomic Imbalance Procedure	Preventive Arm	30	Interaction of the Preventive Arm with the MIP (Regulation 1176/2011)

1. Role of *national* Independent Fiscal Institutions (IFIs).

In relation to Article 22 of the Preventive Arm:

- Do delegates consider that independent fiscal institutions should provide an assessment of **compliance of the budgetary outturns data reported in the progress report with the net expenditure path** and where applicable **analyse the factors underlying a deviation**?

With regards Article 3(5) of the proposed amended Corrective Arm:

- Do Delegates consider that independent fiscal institutions should issue an **opinion on the adequacy of measures** taken and envisaged by Member States in response to a Council recommendation under Article 126(7) TFEU?

In relation to Article 8 of the proposed amended Directive:

A. Functions of the IFIs – Article 8(4), points (a)-(f)

- Do delegates consider that the IFI's role foreseen in the Commission proposal is consistent with the **March Council Conclusions** as regards IFIs not playing a role in the design phase of the national plans?
- Do delegates think that the current role of IFIs enshrined in Regulation 473/2013 for euro area countries preparing and endorsing **macroeconomic forecasts** should be extended to all Member States as proposed in 8(4) and adapted to medium term plans?
- Do delegates agree on IFIs having the following **tasks** as reflected in the proposal or do they go beyond the March Council Conclusions to adapt the current role to the new medium term approach?
 - Producing or endorsing **budgetary forecasts**
 - Producing or endorsing **debt sustainability assessments** underlying the government's medium-term planning.
 - Producing or endorsing **impact assessments** of policies on fiscal sustainability and sustainable and inclusive growth
 - **Monitoring compliance with the EU fiscal framework** in accordance with the Preventive and Corrective Arm Regulations.
 - **Conducting regular reviews of national budgetary frameworks.**

B. Governance Arrangements – Articles 8(1)-(3), 8(4g), 8(5)

- Do delegates agree with Commission proposal of articles 8(1), 8(2) and 8(3)?
- Do delegates think the tasks referred to in article 8(4) would require a substantial increase in **capacity** of IFIs in their Member State?
- Do delegates see merit in IFIs participating in regular **hearings at the national Parliament**, or should involvement be more ad-hoc upon invitation?
- What are Delegates' views with regard to Member States being bound by the **comply or explain principle** of article 8(5) with regards to the opinions of IFIs on the aforementioned tasks?

2. Reputational Sanctions

With regards Article 10a(2) of the proposed amended Corrective Arm:

2. Following the adoption by the Council of a notice under Article 126(9) TFEU, the Commission shall carry out a dedicated surveillance mission to the Member State concerned to discuss the measures that the Member State intends to take in response to the measures judged necessary following the notice under Article 126(9) TFEU. Upon invitation by the parliament of the Member State concerned, the Commission may present its assessment of the economic and fiscal situation in the Member State. Enhanced surveillance may be undertaken for Member States which are the subject of recommendations and notices issued following a decision pursuant to Article 126(8) TFEU and decisions under Article 126(11) TFEU for the purposes of on-site monitoring. The Member States concerned shall provide all necessary information for the preparation and the conduct of the **surveillance** mission.

- What are delegates' views on the introduction of a **dedicated surveillance mission** of the Commission?
- How do delegates see the **involvement of national parliaments** foreseen in this article?

3. Interaction of the preventive arm with the Macro-Economic Imbalance Procedure (Regulation (EU) No 1176/2011)

The Presidency would like delegates to consider the following technical draft suggestions in relation to **article 30** of the proposal for a Regulation replacing Regulation (EC) No 1466/97.

~~1. The implementation of relevant reform and investment commitments included in the Member State's national medium term fiscal-structural that are relevant for macroeconomic imbalances shall be considered (i) by the Commission when undertaking in-depth reviews in accordance with Article 5 (2) of Regulation (EU) No 1176/2011, and (ii) by the Council, and the Commission for its recommendation, when considering whether to establish the existence of an excessive imbalance and recommend that the Member State take correction action in accordance with Article 7(2) of that Regulation. The Commission shall take into account any information that the Member State considers relevant. Where a Member State fails to implement the reform and investment commitments included in its national medium-term fiscal-structural plan to address the country-specific recommendations that are relevant for the Macroeconomic Imbalance Procedure established by Regulation (EU) No 1176/2011, and where the Commission considers that the Member State concerned is affected by excessive imbalances in accordance with Article 7(1) of that Regulation, the procedure laid down in Article 7(2) of Regulation (EU) No 1176/2011 shall apply.~~

2. ~~In that case,~~ The Member State for which an excessive imbalance procedure is opened in accordance with Article 7(2) of Regulation (EU) No 1176/2011, it shall submit a revised plan in accordance with Article 14 of this Regulation. The

revised plan shall follow the Council recommendation adopted in accordance with Article 7(2) of Regulation (EU) No 1176/2011. The submission of the revised plan shall be subject to the endorsement by the Council in accordance with Articles 16 to 19 of this Regulation. The revised plan shall be assessed in accordance with Article 15 of this Regulation.

3. Where a Member State submits a revised medium-term fiscal-structural plan pursuant to paragraph 2, that revised plan shall serve as the corrective action plan required under Article 8(1) of Regulation (EU) No 1176/2011 and shall set out the specific policy actions the Member State concerned has implemented or intends to implement and shall include a timetable for those actions.

In that case, in accordance with Article 8(2) of Regulation (EU) No 1176/2011, the Council, on the basis of a Commission assessment, shall assess the revised plan within 2 months of its submission. The monitoring and assessment of the implementation of the revised plan shall be made in accordance with Article 21 of this Regulation and Articles 9 and 10 of Regulation (EU) No 1176/2011

- *Do the delegates think that this article should include a **provision to increase transparency** when a Member State presents excessive imbalances according to the In-Depth Review assessment and the Commission does not recommend pursuing an Excessive Imbalance Procedure?*