



**COUNCIL OF
THE EUROPEAN UNION**



**Council Conclusions on fiscal rules and institutions
(2753rd ECONOMIC AND FINANCIAL AFFAIRS Council meeting
Luxembourg, 10 Octobre 2006)**

The Council adopted the following conclusions:

"The revised Stability and Growth Pact (SGP) underlines the important role that national fiscal rules and institutions can play in the attainment of sound budgetary positions and in the respect of the provisions of the Treaty and stresses that "national budgetary rules should be complementary to the Member States' commitments under the Stability and Growth Pact" and that "national institutions could play a more prominent role in budgetary surveillance".

The Council welcomes the report on national fiscal rules and independent institutions prepared by the Economic Policy Committee and the Commission. It acknowledges the role that national fiscal rules and institutions can play in meeting budgetary targets and supporting fiscal consolidation while help avoiding pro-cyclical policies. Coupled with appropriate structural reforms, they can also contribute to improving the efficiency of public expenditure. It also acknowledges that their desirable characteristics depend on domestic circumstances, such as the institutional and political setting and the nature of fiscal problems.

The Council notes that an increasing number of Member States have implemented national fiscal rules, with a positive impact on budgetary outcomes. The analyses conducted by the Commission and the EPC have also shown that the design of fiscal rules varies widely depending on the national context and on the level of government to which they are applied.

P R E S S

Whilst emphasising that there is no "one-size-fits-all" solution, the Council notes a number of general features which may support the effectiveness of national fiscal rules and contribute positively to budgetary outcomes. The Council notably agrees that, to be effective, fiscal rules should benefit from strong national ownership as well as from a clear political commitment by all levels of governments and parliaments. The Council also concurs on the benefits of medium-term budgetary frameworks, and on the fact that the characteristics of fiscal rules matter for their influence on budgetary outcomes. Well-designed fiscal rules, with pre-defined enforcement mechanisms and transparent and credible monitoring procedures which stimulate the public debate, seem to be more effective.

The Council notes that reputable and credible fiscal institutions can make an important contribution to sound and sustainable fiscal policies. In some Member States independent fiscal institutions have played an important role in this respect, for example by providing analysis on fiscal policy issues or preparing macroeconomic forecasts and assumptions which can inform the preparation of the budget. This issue could be considered further at national level.

The Council:

- agrees, in line with the Guidelines on the Format and Content of Stability and Convergence Programmes, that Member States should provide relevant information on their national fiscal frameworks, including on implementation and envisaged changes, in the forthcoming Stability and Convergence Programmes. The Council encourages the Commission to continue to take these elements into account when preparing its assessment on the programmes, as far as relevant for the respect of EU budgetary rules.

- also invites the Commission to develop further in co-operation with the EFC and EPC its analysis of the quality of public finances, including the efficiency and composition of public expenditure, and to provide an overview of the implementation of the existing rules based on the 2007 updates of the SCPs."