



Council of the
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From: General Secretariat of the Council
To: Permanent Representatives Committee (part 2)/Council

Subject: European Court of Auditors' Special Report No 10/2016: "Further improvements needed to ensure effective implementation of the excessive deficit procedure"
- Draft Council Conclusions

1. On 11 May 2016, the Permanent Representatives Committee assigned the examination of the European Court of Auditors' Special Report No 10/2016 entitled "Further improvements needed to ensure effective implementation of the excessive deficit procedure" to the Economic and Financial Committee.
2. The Economic and Financial Committee examined the report at its meeting on 9-10 June. At the same meeting, the Committee also examined the draft conclusions and agreed on the attached text.
3. The Permanent Representatives Committee is therefore invited to approve these draft Council conclusions and to submit them to Council for adoption.

DRAFT COUNCIL CONCLUSIONS

European Court of Auditors' Special Report No 10/2016: "Further improvements needed to ensure effective implementation of the excessive deficit procedure"

THE COUNCIL OF THE EUROPEAN UNION

1. WELCOMES the European Court of Auditors' Special Report No 10/2016: "Further improvements needed to ensure effective implementation of the excessive deficit procedure";
2. UNDERLINES the Court's findings and recommendations regarding the Commission's management of the implementation of the Excessive Deficit Procedure (EDP) between 2008 and 2015 and NOTES that the audit looked at the procedures as applied to six Member States;
3. TAKES NOTE of the Court's conclusion that the legislative basis is sound and is generally supported by clear internal rules and guidelines but that what has been lacking is consistency and transparency in the application of those rules;
4. WELCOMES the Commission's detailed reply to the Special Report;
5. RECALLS that the Stability and Growth Pact (SGP), which consists of both preventive and corrective (EDP) arms, is a rules-based framework that aims at safeguarding the sustainability of public finances and promoting macroeconomic stability in the EU;
6. STRESSES that the quality of data used to calculate the level of the deficit and debt is critical for the effective implementation of the EDP. ACKNOWLEDGES the importance for national statistical institutes to have robust own control systems;

7. INVITES the Commission (Eurostat) to enhance its direct verifications and to make full use of its powers to enforce action in the areas of completeness, methodological responsibility and delivery of documents, while fully respecting the principle of cost effectiveness and taking into account the national authorities' time requirements for quality-assessed implementation;
8. AGREES on the importance of transparent and objective criteria on setting reservations or amending the data, and WELCOMES the Commission's (Eurostat's) efforts to enhance the transparency of its decision-making process when making decisions or providing guidance on the interpretation of national account rules. ENCOURAGES a process of *ex-ante* dialogue and coordination encompassing the Commission (Eurostat) and the relevant national statistical authorities in case of potential reservations and amendments to the data. WELCOMES the decision by Eurostat to include information on non-published advice in its latest report to the EFC;
9. HIGHLIGHTS the importance of transparency regarding the Commission's methodologies, its data assumptions and parameters, and its understanding of key concepts, while RECOGNISING the significant improvement in the Commission's disclosure of information over the years;
10. AGREES on the need to focus closely on debt developments, thereby contributing to the long-term sustainability of public finances. RECALLS that, following the amendments to the SGP in 2011, the debt requirement has been put on an equal footing with the deficit requirement;
11. EMPHASISES that a predictable, transparent and consistent application of the EDP by the Commission, including through a methodical assessment of the relevant factors, is key to fully enforce commitments, to ensure that all Member States are treated equally and to preserve the credibility of the SGP;

12. RECOGNISES that the consideration of structural reforms as one of the relevant factors to avoid an excessive deficit situation should inter alia seek to assess the effectiveness of the implemented reforms. WELCOMES that the Commission has strengthened its monitoring of the implementation of agreed structural reforms;
13. AGREES that when a Member State does not implement effective action in response to the recommendations of the Council and does not fulfil the nominal targets, the Commission should make a recommendation to the Council to step up the procedure, and, as a general rule, in accordance with the relevant provisions of the SGP, to initiate the imposition of sanctions;
14. WELCOMES the Court's conclusion that the Commission has taken significant steps towards rationalizing and simplifying its use of the EDP as a tool for better economic governance throughout the EU in a context of increasing complexity. CONCURS on the need to examine options for improving the predictability and transparency of the SGP, with the ultimate aim of improving the effectiveness and credibility of the European Union's fiscal framework;
15. WELCOMES that the Commission accepts a majority of the Court of Auditors' recommendations and INVITES the Commission to report back to the Council within two years on how it has taken forward these recommendations.
