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OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council

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To: Delegations

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Subject: European Court of Auditors' Special Report No 3/2018: "Audit of the Macroeconomic Imbalance Procedure (MIP)"
- Council Conclusions (13 March 2018)

Delegations will find in the annex the Council conclusions on the European Court of Auditors' Special Report No 3/2018: "Audit of the Macroeconomic Imbalance Procedure (MIP)" adopted by the Council (ECOFIN) at its 3605th meeting held on 13 March 2018 in Brussels.

COUNCIL CONCLUSIONS

European Court of Auditors' Special Report No 3/2018: "Audit of the Macroeconomic Imbalance Procedure (MIP)"

THE COUNCIL OF THE EUROPEAN UNION

1. WELCOMES the European Court of Auditors' Special Report No 03/2018: "Audit of the Macroeconomic Imbalance Procedure (MIP)";
2. TAKES NOTE of the Court's findings and recommendations regarding the Commission's implementation of the MIP during the period from 2012 to 2017 and certain elements of the procedure's design and NOTES that the audit looked in detail at the procedure as applied to four Member States, covering other Member States, where appropriate, to a lesser degree;
3. TAKES NOTE of the Court's conclusion that the legislative basis for the MIP is generally well-designed but that implementation of the procedure, while based on good quality analysis, has not been effective and that the communication on and the visibility of the MIP should be enhanced;
4. RECALLS that the MIP is a framework that aims at detecting, preventing, and correcting the emergence of potentially harmful macroeconomic developments that affect or could adversely affect the proper functioning of the economy of a particular Member State, of the economic and monetary union or of the EU as a whole; HIGHLIGHTS that the MIP surveillance has filled an important gap in the EU economic governance framework to mitigate and cope with economic risks;

5. NOTES that the MIP was introduced in the middle of the economic and financial crisis with the implementation of the MIP in the first years mainly supporting and monitoring the correction of existing imbalances in Member States in order to make the adjustment effective and durable; CONSIDERS that the adjustment and rebalancing made over these years have been considerable, though uneven; CONSIDERS that the MIP scoreboard is a useful tool in the detection of macroeconomic imbalances;
6. RECOGNISES that the MIP has been subject to incremental learning between the Commission and Member States that is reinforced by a continuous dialogue; CONSIDERS that the experience with the application of the MIP has helped raise awareness of macroeconomic challenges and created the basis for a dialogue on policy responses; NOTES that the success of the MIP ultimately relies on Member States fully implementing the necessary corrective actions;
7. EMPHASISES that a predictable, transparent and consistent application across time and Member States of the MIP by the Commission, including through good analysis and judgement based on a broad set of common high-quality analytical tools and sound economic principles, is key to an effective implementation of the procedure, to ensure that similar situations are treated equally and to preserve the credibility of the MIP; HIGHLIGHTS the importance of transparency regarding the Commission's methodologies, analyses and decisions, notably on the link between the economic assessment and the categorisation of imbalances, while RECOGNISING the improvement in the Commission's disclosure of information over the years, including through the publication of the MIP Compendium;

8. AGREES on the need to further reinforce and improve aspects of the MIP implementation including by making the links between imbalances and country-specific recommendations clearer while maintaining sufficient discretion for Member States on how to implement the recommendations, by clearer characterisation of the severity of imbalances (BG), by analysing further the impact of fiscal policy on external imbalances and competitiveness where appropriate while keeping the focus of MIP surveillance, by carrying out, where possible, further assessment of the impact of the policy actions set out in the MIP-related country-specific recommendations, and by giving adequate consideration to cross-country spill-overs; WELCOMES that the Commission has already made a number of efforts in this regard;

9. REITERATES that the MIP should be used to its full potential and in a comprehensible way, including with the excessive imbalance procedure applied where found appropriate by the Commission and the Council; AGREES that, unless there are specific circumstances, whilst concluding on the existence of excessive imbalances, the Commission decides not to propose to the Council the opening of the excessive imbalance procedure, it should clearly and publicly explain its reasons;

10. WELCOMES that the Commission accepts most of the Court of Auditors' recommendations and INVITES the Commission to report back to the Council within the context of forthcoming review of the MIP in 2019 on how it responded to these recommendations.
