



**THE SENATE
OF THE PARLIAMENT OF THE CZECH REPUBLIC
8TH TERM**

76TH

RESOLUTION OF THE SENATE

Delivered on the 4th session held on 26 January 2011

**on the Proposal for a Council Regulation amending Regulation (EC) No 1467/97
on speeding up and clarifying the implementation of the excessive deficit
procedure**

(Senate Press no. N 135/07)

**on the Proposal for a Council Directive on requirements for budgetary
frameworks of the Member States**

(Senate Press no. N 136/07)

**on the Proposal for a Regulation on the effective enforcement of budgetary
surveillance in the euro area**

(Senate Press no. N 137/07)

**on the Proposal for a Regulation amending Regulation (EC) No 1466/97 on the
strengthening of the surveillance of budgetary positions and the surveillance
and coordination of economic policies**

(Senate Press no. N 138/07)

**on the Proposal for a Regulation of the European Parliament and of the Council
on the prevention and correction of macroeconomic imbalances**

(Senate Press no. N 139/07)

**on the Proposal for a Regulation on enforcement measures to correct excessive
macroeconomic imbalances in the euro area**

The Senate

I.

Expresses,

in accordance with its long-term position, formulated for example in the Resolution No. 591 of 3rd November 2010 on the Communication from the Commission Reinforcing economic policy coordination, or in the Resolution No. 465 of 22nd April 2010 on the Communication from the Commission on the Strategy EU2020, its general support for strengthening the Stability and Growth Pact, setting requirements for national fiscal frameworks and putting in place a system of surveillance over macroeconomic stability in Member States together with a corrective mechanism in case of adverse imbalances threatening the functioning of the monetary union;

II.

1. Agrees

with the graduated approach towards sanctions ranging from interest-bearing deposits to financial sanctions, as well as with their imposition in an early stage of discovering fiscal problems, and emphasizes that the system of sanctions must function above all preventively and encourage fiscal discipline of Member States;

2. Supports

giving a more prominent role to the criterion of overall public debt under the excessive deficit procedure and producing a definition of the satisfactory pace of diminishing government debt, whose absence was one of the key shortcomings of the Stability and Growth Pact;

3. Takes a reserved stand

on comparing the pace of expenditure growth with the so called prudent medium-term rate of growth of GDP because it believes that the explanatory value of this indicator, which is supposed to be assessed on the basis of projections over a ten-year horizon and updated at regular intervals, is considerably limited;

4. Prefers

a simpler fiscal rule that has been proposed by the Government's National Economic Council and that is based on the inequation according to which the GDP growth rate plus the budget deficit in the given year should be smaller than or equal to 4 %, which would ensure fiscal discipline during periods of economic growth and, by the same token, deficit financing could be used to stimulate economic activity during recessions;

5. Believes,

in accordance with the Government, that requirements for national fiscal frameworks should be set, rather than by a directive, in the form of a recommendation or a codex of standards from which Member States could draw guidelines corresponding to specific national features of their respective budgetary processes, but should a directive be adopted, the Senate supports prolongation of the implementation period;

6. Considers

introducing the surveillance mechanism over macroeconomic stability in the EU to be an appropriate tool for preventing macroeconomic divergences that may disrupt smooth functioning of the economic and monetary union;

7. Believes,

however, that the level of integration into the economic and monetary union as well as the level of real convergence of a given economy towards the EU average must be taken into account when drawing up the scoreboard and assessing the threshold levels of indicators;

8. Disagrees strongly

with the application of symmetric approach to certain indicators such as the balance of the current account of the balance of payments because surpluses of the current account would, according to this approach, be viewed as the same economic sin as deficits, which is unfounded;

9. States

with regret that the set of indicators is not included in the proposed package and, thus, the National Parliaments are not able to fully assess the effectiveness of the envisaged surveillance mechanism for macroeconomic stability;

10. Points out

the fact that the Government, through its measures aimed at boosting competitiveness, has only indirect influence on the development of macroeconomic indicators such as the real effective exchange rate or the balance of the current account of the balance of payments, and these measures tend to yield results only with a substantial time delay;

III.

1. Requests

the Government to inform the Senate about the way this position was taken into account and to provide the Senate with further information on the proceeding of negotiations;

2. Authorises

the President of the Senate to forward this resolution to the European Commission.

Milan Štěch
sign manual
President of the Senate

Petr Šilar
sign manual
Senate Verifier