



EUROPEAN COMMISSION

*Brussels, 7.11.2018
C(2018) 7317 final*

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the proposal for a Council Directive laying down provisions for strengthening fiscal responsibility and the medium-term budgetary orientation in the Member States {COM(2017) 824 final}.

As the Bundesrat rightly notes, the Commission is giving high priority to ensuring fiscal stability in the Member States. The proposal takes into account the Commission's experience in monitoring fiscal policies in the Member States and the impact of domestic fiscal frameworks on the quality of those policies. In that context, there is substantial international evidence that independent domestic fiscal institutions, if well designed and endowed with sufficient resources, can be an important element in improving the functioning of fiscal frameworks.

The Bundesrat rightly notes that the text of the proposal is not identical to the Fiscal Compact and contains several differences. The Commission would like to reassure the Bundesrat that the proposal is the result of careful consideration and takes into account the underlying objective of the Fiscal Compact, ensuring convergence to prudent levels of public debt. Moreover, some of those differences are caused by the need to take into account the evolution of multilateral budgetary surveillance since the adoption of the Fiscal Compact. That evolution has been reflected inter alia also in the common position on flexibility within the Stability and Growth Pact, reached by the Council and the Commission in February 2016. The Commission is firmly convinced that the proposal contains all the main elements of the Fiscal Compact and is consistent with the commitment of the Contracting Parties to incorporate in the Union's law the substance of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.

The points made above are based on the initial proposal presented by the Commission, which is currently being discussed in the Council.

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The Commission hopes that the above clarifications address the issues raised by the Bundesrat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Valdis Dombrovskis
Vice-President*