

Interim Progress Report on the implementation of Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States

Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States entered into force in December 2011. It is an important component of the legislative package on the strengthening of economic governance (also known as the 'six-pack'). This Directive provided the first opportunity for the European Union to set minimum requirements for budgetary frameworks, providing legal certainty on top of the country-specific recommendations issued under the European semester process. Under Article 15(3) of the Directive, the Commission was asked '*to prepare an interim progress report on the implementation of the main provisions of this Directive on the basis of relevant information from Member States, which shall be submitted to the European Parliament and the Council by 14 December 2012.*' The purpose of the Interim Progress Report (IPR) is to inform the Council, the European Parliament and the public of the progress made in transposing the Directive. It should therefore not be construed as a full-fledged assessment of the conformity of national provisions with the Directive, which will be performed following expiry of the transposition deadline in accordance with EU law. To that end, the Commission submitted to the Economic Policy Committee in May 2012 a questionnaire giving Member States the opportunity to report on measures in place, reforms already launched or concrete plans. Accordingly, this report is primarily based on the information reported by the Member States. Most Member States have delivered their contributions in September 2012.

Overall, the report showed that substantial but uneven progress has been made in transposing the Directive. With regard to Chapter II of the Directive, Member States have still some way to go to ensure timely and comprehensive statistical coverage for all general government sub-sectors. In parallel with the Member States' efforts, Eurostat has established a Task Force on the implications of the Directive on the collection and dissemination of fiscal data. The Task Force is expected to release a set of methodological templates and related notes to guide the efforts of national statistical institutes. Moreover, the Commission will assess the suitability of the International Public Sector Accounting Standards (IPSAS) for the Member States before the end of 2012. The assessment will cover the importance and usefulness of accrual accounting, the current use of accrual accounting in Member States, a summary and assessment of the suitability of IPSAS, the links and differences between IPSAS and statistical accounting, the potential cost of implementing new accounting standards and governance-related issues. As to Chapter III of the Directive, reported forecasting provisions lack detail in quite a few Member States. Progress is somewhat more advanced regarding numerical fiscal rules as specified in Chapter IV of the Directive: a wide array of national instruments is being prepared to buttress national fiscal policy-making. The mutually-reinforcing nature of all pieces of legislation contained in the 'six-pack' that relate to the reform of the Stability and Growth

Pact, combined with the additional impetus brought by the TSCG, has helped to place these issues high on the Member States' reform agenda. While many Member States report that MTBFs in the sense of Chapter V of the Directive are in place or planned, the details given are sometimes scarce and do not provide enough evidence that they will fully comply with the Directive's specifications. Finally, work on effective coordination arrangements for sub-national governments is being carried out in many Member States, but the positive intentions reported need to be turned into concrete and enforceable arrangements. A number of Member States considered good fiscal performers have reported fewer completed reforms at this stage, but are considering formalising part of their currently informal framework for increased efficiency. After the transposition deadline, a full-fledged compliance assessment will be conducted in accordance with standard EU procedures.