EU fiscal framework

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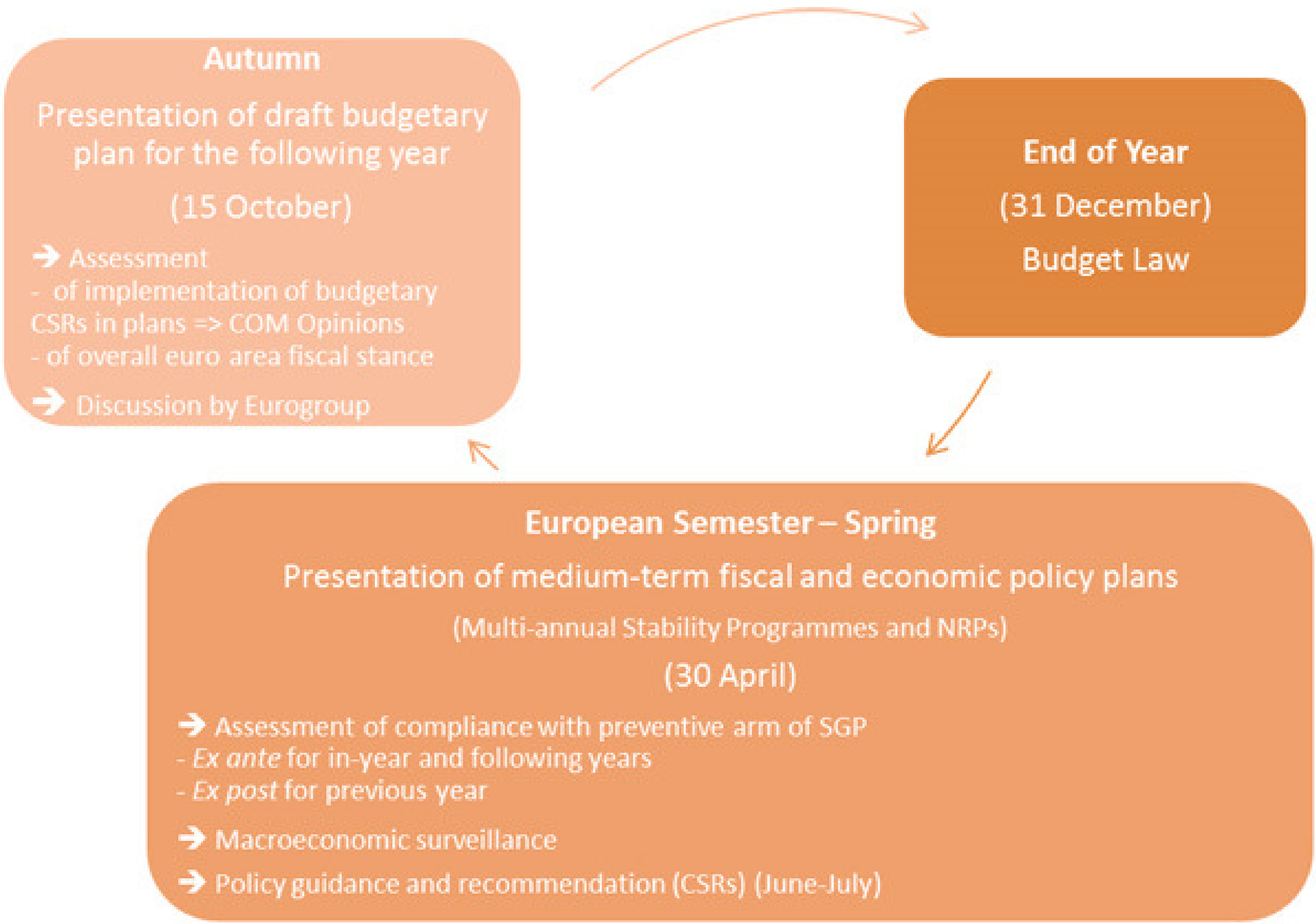
2016

Annual cycle of surveillance



Source: EC.

Stability Programmes and Convergence Programmes contain:

• **A Medium-Term Objective (MTO),** is a budgetary target set for each Member State which is defined in structural terms. Member States must also set out yearly targets on the way towards the MTO and forecast the expected path of their debt-to-GDP ratios.

• **Underlying economic assumptions** about growth, employment, inflation and other important economic variables.

• **A description and assessment of policy measures** to achieve the programme objectives.

• **An analysis of how changes in the main economic assumptions** would affect the budgetary and debt position.

• **Information covering several years** including: one year of budgetary execution, the current budgetary year, and plans for the three following years.

• **If applicable, an explanation for why targets are not being met.**

Case study: Italy, EDP procedure

2009 – 2013		
Article	EDP step	Date
126(12)	**Council decision abrogating the decision on the existence of an excessive deficit**	21.06.2013
126(12)	Commission recommendation for a Council decision abrogating the decision on the existence of an excessive deficit	29.05.2013
	Commission communication to the Council on action taken	15.06.2010
126(6)	Council decision on the existence of an excessive deficit	02.12.2009
126(7)	Council recommendation to end the excessive deficit situation	02.12.2009
104(5)	Commission opinion on the existence of an excessive deficit	11.11.2009
104(6)	Commission recommendation for a Council decision on the existence of an excessive deficit	11.11.2009
104(7)	**Commission recommendation for a Council recommendation to end the excessive deficit situation**	11.11.2009
104(3)	Commission report	07.10.2009

EDP (2/6)

Case study: Italy, EDP procedure

Commission recommendation for a Council recommendation to end the excessive deficit situation (Brussels, 11.11.2009)

- The Italian authorities should bring the general government deficit below 3% of GDP in a credible and sustainable manner by taking action in a medium-term framework. Specifically, to this end, the Italian authorities should:

(a) implement the budgetary measures in 2010 as planned in the three-year fiscal package for 2009-2011 approved in summer 2008 and confirmed in the DPEF 2010-2013;

(b) ensure an average annual structural budgetary adjustment of ½pp. of GDP over the period 2010-2012, which should also contribute to bringing the government gross debt ratio back on a declining path that approaches the 60% of GDP reference value at a satisfactory pace by restoring an adequate level of the primary surplus;

(c) specify the measures that are necessary to achieve the correction of the excessive deficit by 2012 cyclical conditions permitting and accelerate the reduction of the deficit if economic or budgetary conditions turn out better than currently expected.

Case study: Italy, EDP procedure

Commission recommendation for a Council recommendation to end the excessive deficit situation (Brussels, 11.11.2009)

- In addition, the Italian authorities should seize any opportunity beyond the structural adjustment to accelerate the reduction of the gross debt ratio towards the 60% of GDP reference value.

- The Council establishes the deadline of [2 June 2010] for the Italian government to take effective action to implement the fiscal measures in 2010 as planned and to outline the measures that will be necessary to progress towards the correction of the excessive deficit. The assessment of effective action will take into account economic developments compared to the economic outlook in the Commission services' autumn 2009 forecast.

Case study: Italy, EDP procedure

COUNCIL DECISION of 19 January 2010 on the existence of an excessive deficit in Italy

“According to data notified by the Italian authorities in October 2009, general government gross debt has been well above the 60 % of GDP reference value since before the start of stage III of the economic and monetary union and is planned to stand at 115,1 % of GDP in 2009. The Commission services’ autumn 2009 forecast projects the debt ratio to rise further, to 117,8 % in 2011. The debt ratio cannot be considered as diminishing sufficiently and approaching the reference value at a satisfactory pace within the meaning of the Treaty and the Stability and Growth Pact. The debt criterion in the Treaty is not fulfilled.”

EDP (5/6)

Case study: Italy, EDP procedure

COUNCIL DECISION of 19 January 2010 on the existence of an excessive deficit in Italy

“According to data notified by the Italian authorities in October 2009, the general government deficit in Italy is planned to reach 5,3 % of GDP in 2009, thus exceeding and not close to the 3 % of GDP reference value” (…) “The deficit criterion in the Treaty is not fulfilled. ”

THE COUNCIL HAS ADOPTED THIS DECISION:

Article 1 From an overall assessment it follows that an excessive deficit exists in Italy.

Article 2 This Decision is addressed to the Italian Republic.

Case study: Italy, EDP procedure

COUNCIL DECISION of 21 June 2013, abrogating Decision 2010/286/EU on the existence of an excessive deficit in Italy

"After peaking at 5,5 % of GDP in 2009, Italy's general government deficit was steadily brought down and reached 3,0 % of GDP in 2012, which was the deadline set by the Council. The improvement was driven by significant fiscal consolidation, while in 2012 interest expenditure was 0,8 percentage point of GDP higher than in 2009 and the composition of economic activity was tax poorer."

THE COUNCIL HAS ADOPTED THIS DECISION:

Article 1 From an overall assessment it follows that the excessive deficit situation in Italy has been corrected.

Article 2 Decision 2010/286/EU is hereby abrogated.

Article 3 This Decision is addressed to the Italian Republic.

CASE STUDY:
Italy's STABILITY PROGRAMME 2016

- Briefing assessment
    - Macro projections (GDP, HICP)
    - Fiscal developments (budget deficit, debt path)
    - Fiscal stance, CAPB, structural balance
    - MTO
    - Main spending and revenue measures
    - Sensitivity analysis
    - Compliance with the Stability and Growth Pact?
    - Contingent liabilities
    - Risks to the projections
    - Long-term implications of ageing