

## **AIREF PUBLISHES ITS CONTRIBUTION TO THE EUROPEAN COMMISSION'S PUBLIC CONSULTATION ON THE REFORM OF THE EUROPEAN FISCAL FRAMEWORK**

In December, the Independent Authority for Fiscal Responsibility (AIReF) presented the European Commission (EC) its contribution to the public consultation on the reform of the European fiscal framework. In its contribution, AIReF supports a fiscal framework adapted to the specific conditions of each country and built around a debt anchor, an expenditure rule, an escape clause, and an enhanced role for national Independent Fiscal Institutions (IFIs).

AIReF's document literally reflects the response to the European Commission's consultation on the European fiscal framework and its reform. Each section includes the question asked, the length limit of the answer and the final answer submitted.

AIReF puts forward a series of considerations with the aim of making the system of fiscal rules a core element for achieving the sustainability of public finances and sustainable growth. Firstly, it highlights the importance of clarifying the rules that will be applied to Member States as from 2023 so that the budgetary strategy implemented that year will be consistent with those requirements.

AIReF stresses the need for the new fiscal framework to provide better guidance for fiscal policy, based on simpler rules and designed on the basis of less volatile and more medium-term oriented variables.

In addition, AIReF considers that the fiscal framework should allow for more country-specific considerations with a stronger role for national IFIs, as the heterogeneity of the position of public finances in the different Member States has widened over time, especially as a result of the last two crises. In particular, some of the tasks that IFIs could take on include participation in debt sustainability analyses at a national level and a more prominent role in the ongoing assessment of compliance with the fiscal framework. This last aspect could be implemented, among other elements, by providing medium-term projections under no-policy change scenarios that would serve as a starting point for national governments to plan their fiscal policies on a multi-year basis.

This enhanced role of IFIs would have to go hand-in-hand with at least two elements: strengthening minimum institutional requirements to be able to perform their functions independently; and regular monitoring at EU level to ensure that national IFIs are effectively protected from political interference and can properly fulfil their mandate.

## PRESS RELEASE

14/01/2022

Regarding the design of the future framework, AIReF supports the consensus that is emerging among experts that involves building the fiscal framework around a long-term debt anchor, an operational expenditure rule and an escape clause whose activation would allow for a stabilising fiscal policy in the short term.

AIReF indicates that medium-term fiscal plans should reflect the political commitments of the legislature in terms of net primary expenditure. These commitments should be established following an overall assessment of the underlying public finance situation, the cyclical position, future sustainability challenges and reforms or investments with a clear fiscal link. According to AIReF, the synergies between the search for sustainability, on the one hand, and an adequate composition of public finances, on the other, are clear. It therefore supports the performance of public spending reviews and regular evaluation of the quality of public finances.

AIReF also notes that there is ample scope for strengthening national fiscal frameworks and improving their interaction with the EU fiscal framework.