

**EGOV**

ECONOMIC GOVERNANCE AND EMU SCRUTINY UNIT



ECONOMIC GOVERNANCE

The role for the Advisory European Fiscal Board

This note provides an overview of the main features and recent developments regarding the advisory [European Fiscal Board](#). It also includes some reflections on a stronger role of the EU level fiscal board in the light of the revised EU economic governance framework.

1. The role of the European Fiscal Board

In June 2015, the Five Presidents' Report on [Completing Europe's Economic and Monetary Union \(EMU\)](#) set up a roadmap towards a deep, genuine and fair EMU.

One of the planned immediate initiatives was the creation of an advisory European Fiscal Board (EFB), aimed at providing a **public and independent** assessment of the budgetary policies of the Member States and the fiscal stance of the Euro area.

On 21 October 2015, the European Commission (Commission) presented a **Commission Decision** establishing an independent advisory EFB.

The European Fiscal Board's (EFB) role and mandate have recently been formally established within the [revised EU economic governance framework](#), as outlined in [Regulation \(EU\) 2024/1263](#).

Article 24 of this regulation delineates the EFB's primary functions:

- **Conducting timely post-hoc assessments** of the EU's fiscal governance framework implementation;

The Five Presidents' EMU-report

In accordance with the Guiding Principles of the Five Presidents' report, the EFB should:

Coordinate the network of national fiscal councils;

Advise the Commission and provide an economic judgement on the appropriate fiscal stance at the Euro Area and national level, on the basis of the rules of the SGP;

Issue opinions in connection with the assessment of Stability Programmes and Draft Budget Plans; and

Provide an *ex post* evaluation on the implementation of the economic governance framework.



- **Providing guidance on the appropriate fiscal stance for the euro area as a whole**, and recommending compatible national fiscal positions within the Stability and Growth Pact's guidelines;
- **Offering insights, when requested by the Commission or Council, on the Stability and Growth Pact's application**, including potential extensions of the general escape clause as per Article 25 of Regulation (EU) 2024/1263;
- **Fostering close collaboration with national independent fiscal institutions**, as defined in Article 8a of Directive 2011/85/EU;
- **Proposing potential improvements to the fiscal framework.**

Furthermore, Article 25(3) of Regulation 2024/1263 requires the **EFB to provide its expert opinion on any proposed extensions of the general escape clause.**

In preparation for these changes, the **Commission issued a new Decision on 1 August 2024**, published in the Official Journal, which establishes the framework for an independent European Fiscal Board. This Decision supersedes the previous Decision (EU) 2015/1937.

2. Composition of the European Fiscal Board

The EFB consists of a Chairperson and four Board Members. Under the new 'preventive arm' Regulation, the selection and appointment process for these positions involves the Commission, with input from the European Parliament and Council. The selection criteria emphasise demonstrated expertise in public finance analysis and macroeconomics. Appointments are for a three-year term, with the possibility of a single renewal.

The tenure of the current EFB Chair, Niels Thygesen, is set to conclude on 19 October 2024, following two prior extensions. Concurrently, the terms of the four existing Board members – Roel Beetsma, Massimo Bordignon, Mateusz Szczurek, and Xavier Debrun – will also end. The new Decision establishing the EFB of 1 August 2024 outlines a process where **the Commission will present a list of potential appointees to the Parliament and Council for their consideration** within a one-month timeframe.

Subsequently, on 7 August, the Official Journal published a call for expressions of interest for the new Board positions. This call specifies a 45-working-day application period, though the Commission retains the right to extend this deadline. The selection process is expected to include interviews, tentatively scheduled for October 2024.

The Members of the EFB are assisted by a Secretariat, administratively attached to the Commission's Secretariat-General and led by the Head of the Secretariat, appointed for three years, renewable once¹.

In accordance with the decision establishing the EFB, *"In the performance of their tasks, the members of the Board shall act independently and shall neither seek nor take instructions from the Union's institutions or bodies, from any government of a Member State or from any other public or private body. The members of the secretariat shall take instructions only from the Board"*².

Since 2017, the EFB publishes **two regular documents per year**³:

¹ Following [an amendment of the Commission Decision](#) adopted by the College of Commissioners in February 2016, the Head of Secretariat is appointed by the Commission, after having consulted the EFB Chair. In the original version of the Commission Decision, the function of Head of Secretariat was exercised by the Chief Economic Analyst of the Commission.

² The Five Presidents' Report (its Annex 3), read *"the EFB should conform to the same standard of independence"* as the national fiscal councils. The national fiscal councils are established by [Directive 2011/85/EU](#) and [Regulation 473/2013](#).

³ One may note that the Secretariat of the EFB has also been [publishing publications](#) in their own name.

- > an [Annual report](#), with a review of the implementation of the EU fiscal framework in the previous year;
- > an [Assessment of the fiscal stance appropriate for the euro area](#) for the next year, with an overview of the general orientation of fiscal policy in the euro area (based on the latest forecast by the Commission) and an advice on the Euro area fiscal stance.

These are, by rule, been presented to the ECON Committee of the European Parliament (EP).

One may note that in its [resolution of 17 December 2015 on completing Europe's EMU](#), the EP stressed that "*the European Fiscal Board, as the advisory board of the Commission, should be accountable to Parliament and that, in this context, its assessment should be public and transparent*".

The new preventive arm regulation mandates the EFB to annual report on its activities to the European Parliament and the Council. With a view of fostering transparency, it further specifies that all its opinions and reports shall be made public.

3. Some reflections on the evolving role of the EFB

The new economic governance framework, as outlined in Regulation (EU) 2024/1263, marks a significant shift in the EU's approach to fiscal policy coordination and surveillance. **This reform introduces several key changes that shape the context in which the European Fiscal Board (EFB) operates.**

At the heart of the new framework is a more risk-based, country-specific approach to EU surveillance. Member States are now required to submit national medium-term fiscal-structural plans, encompassing fiscal strategies, reforms, and investments. This approach is underpinned by an enhanced focus on debt sustainability, with debt sustainability analyses (DSA) playing a crucial role in determining fiscal adjustment requirements. The increased complexity of the system, involving multiple safeguards and allowing for flexibility based on reform and investment commitments, adds depth to the fiscal governance landscape. The new framework also aims to simplify EU fiscal surveillance by introducing one country-specific operational target (the net expenditure path) for each Member States.⁴

A notable aspect of the new framework is the strengthened role of national independent fiscal institutions (IFIs). These bodies are now expected to play a more significant part in assessing and monitoring fiscal plans, contributing to the overall robustness of the fiscal framework.

Within this evolving context, the EFB's mandate, as defined in Article 24 of Regulation (EU) 2024/1263, remains focused on providing valuable advisory services. The Board is tasked with delivering timely ex-post evaluations of the Union fiscal governance framework's implementation. It continues to advise on the appropriate fiscal stance for the euro area as a whole, as well as on consistent national fiscal stances. Upon request, the EFB offers guidance on the implementation of the Stability and Growth Pact, including matters related to the extension of the general escape clause. Importantly, the Board is mandated to collaborate closely with independent fiscal institutions in Member States and to make suggestions for the future evolution of the fiscal framework.

Operating within this defined role, the EFB has the potential to make significant contributions to the new economic governance framework. Its independent perspective provides assessments of the fiscal framework's implementation, with a view to enhance transparency and credibility. By advising on the overall euro area fiscal stance, the EFB helps maintain a broader perspective on fiscal policy coordination, complementing the more country-specific approach of the new framework.

⁴ See EGOV paper on [the new Eu fiscal framework](#).

Against the backdrop of strengthening the role of the EFB, the reformed preventive arm calls for the improvements in the independence and in the access of information of the Board to boost its capacity to provide meaningful economic advice on the implementation of the framework. Additionally, while the **definition of methodological changes to the DSA** remains in the hands of an expert group comprising of the Commission, Member States and the ECB, the EFB is now given the possibility to participate to its works **as an observer**.

The EFB's evaluations and advice also aim to contribute to ensuring consistent application of the new framework across Member States, promoting methodological consistency in the actual application.

Furthermore, the Board's role in suggesting future evolutions of the framework allows for continuous improvement and adaptation to changing economic conditions, providing a long-term vision for fiscal governance in the EU.

A crucial aspect of the EFB's role is its cooperation with national IFIs. This function becomes particularly significant in light of the [recent study by the Secretariat of the EFB](#), which highlights the variation in independence and capabilities of IFIs across EU Member States. The study reveals that countries with higher quality governance tend to have less codified IFI operations, while those with weaker institutions opt for stronger legal structures. **Many IFIs face challenges related to resource adequacy and timely access to information.** The new framework addresses some of these issues by introducing additional safeguards for IFIs, including requirements for transparent appointment procedures, stable resources, and timely access to information.

In this context, the EFB's role as a bridge between the national and EU levels becomes crucial. By facilitating knowledge sharing and best practices among national IFIs, the Board can help address common challenges and promote potential solutions. It offers an EU-level perspective that complements the work of national IFIs and supports the development of consistent methodologies across Member States. **This cooperation has the potential to create a more cohesive and effective network of fiscal institutions across the EU, while respecting the independence and national specifics of each IFI.** A main objective in the spirit of the reform would be to give timely and independent assessments on how the governance framework is applied, notably in view of avoiding pro-cyclical fiscal policies by the national governments.

The network of EU Independent Fiscal Institutions

On 17 October 2022, the network of **EU Independent Fiscal Institutions (IFI)** published a [report](#) including recommendations that the role of national IFIs in the future EU fiscal framework should be strengthened, considering that they can reinforce national ownership of fiscal policies, ensure greater transparency in the use of public funds and also inform the use of discretionary power at EU level in the application of fiscal rules.

In this context, the it identified a number of tasks where the expertise of the IFIs could be used more systematically, such as assessments of macroeconomic or budgetary forecasts made in particular by Member States' finance ministries. The paper reiterates a call for minimum standards for IFIs, notably with regard to their resources, good and timely access to information, and adequate safeguard to their independence and the possibility to make their assessments public.

Some institutional positions on the independence of the EFB

Already at the time of establishment of the EFB, the ECB and the IMF took the following positions:

In its July 2015 [Bulletin](#), the **ECB** regretted that the EFB was not given the right to "provide and publish assessments of the Commission's SGP-related decisions in real time", nor the right to "make submissions in the European Parliament and at the relevant Council/Eurogroup meetings". In addition, the ECB underlined that the "comply-or-explain" principle foreseen in the Five Presidents' Report was not included in the Commission Decision. In its [Bulletin](#) of June 2016, the ECB stated that "the EFB will not be equipped with policy tools to actively influence the setting of fiscal policies and ... Given the envisaged institutional set-up, it is unclear how effectively the European Fiscal Board will be able to carry out its role."

In its [report](#) of July 2016, the **IMF** stated: "To enhance enforcement and monitoring, the EFB... should be made fully independent in assessing the aggregate fiscal stance and implementation of SGP fiscal rules. This could be achieved by separating the EFB from the European Commission which is in charge of enforcing the rules and by ensuring strong ties with national fiscal councils through the EU Network of Independent Fiscal Institutions (EUNIFI)."

Disclaimer and Copyright

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2024. Contact: egov@ep.europa.eu

This document is available on the Internet at: www.europarl.europa.eu/supporting-analyses