

# LAW ON FISCAL COUNCIL AND AUTOMATIC CORRECTION MECHANISMS

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## Chapter One

### GENERAL PROVISIONS

**Article 1.** This law regulates the establishment, the functions and the composition of the Fiscal Council as well as the establishment and the implementation of the automatic correction mechanisms within the meaning of Article 23, para.3 of the Law on Public Finance.

**Article 2.** The purpose of this Law is to create conditions for compliance with the fiscal rules provided for in the Law on Public Finance with a view to preserving sustainable public finances.

## Chapter Two

### FISCAL COUNCIL

#### Section I

#### OBJECTIVES AND PRINCIPLES

**Article 3.** A Fiscal Council, hereinafter referred to as “the Council”, shall be set up as an independent advisory body on fiscal governance issues.

**Article 4.** The Fiscal Council shall have the objective to:

1. independently monitor and analyse the budgetary framework with a view to preserving sustainable public finances;
2. increase the quality of official macroeconomic and budgetary forecasts by performing unbiased and comprehensive evaluation based on objective criteria.
3. improve transparency and public awareness of the fiscal governance of the country.

**Article 5.** The Council shall perform its activities based on the principles of:

1. independence and publicity;
2. objectivity and transparency;
3. equality of its members.

#### Section II

#### FUNCTIONS

**Article 6.** (1) The Council shall:

## Translated by the Ministry of Finance

1. monitor the compliance with the numerical fiscal rules provided for in the Law on Public Finance relevant to the general government sector and the consolidated fiscal programme;

2. prepare a reasoned opinion and recommendations regarding the spring and autumn macroeconomic forecasts of the Minister of Finance within ten days following their publication on the Ministry of Finance website;

3. prepare a reasoned opinion and recommendations on the Draft State Budget Law and on the draft laws on the public social insurance budget and the National Health Insurance Fund budget, on the draft laws amending them, as well as on the draft medium term budgetary framework and on other strategic documents of the government related to the compliance with the fiscal rules under item 1, within the procedure for agreement and tabling drafts of acts for consideration by the Council of Ministers;

4. prepare a reasoned opinion on the reports on the execution of the state budget, the budgets of the public social insurance and the other social insurance funds administered by the National Social Security Institute, and the National Health Insurance Fund budget, within the procedure for agreement and tabling drafts of acts for consideration by the Council of Ministers;

5. prepare and submit to the President of the National Assembly a reasoned opinion and recommendations on the approved by the Council of Ministers draft laws under item 3 and the reports under item 4 not later than 14 days after their tabling in the National Assembly;

6. recommend to the Minister of Finance to take necessary actions in case it detects significant bias affecting macroeconomic forecasts from the reported data over a period of at least 4 consecutive years.

7. monitor the implementation of the automatic correction mechanisms under Article 23(3) of the Law on Public Finance by preparing a reasoned opinion on:

a) the existence of significant deviation from the medium-term objective for the structural deficit or from the adjustment path towards it and the need for triggering the correction mechanisms, within the timeframe set under items 2-5.

b) the corrective plan, within the procedure for agreement and tabling drafts of acts for consideration by the Council of Ministers, and its implementation.

8. prepare a reasoned opinion on the existence of exceptional circumstances under Article 24 of the Law on Public Finance and inform the Minister of Finance.

9. prepare reasoned opinions on the risks to the sustainability of public finances and inform the Minister of Finance and other institutions concerned about its findings.

(2) The reasoned opinions and recommendations of the Council shall not be binding. In case the Council of Ministers disagrees with any of them relevant to the government, it shall provide the reasons therefor in writing. The reasons shall be published on the websites of the Council of Ministers and of the Ministry of Finance.

(3) The reasoned opinions and recommendations of the Council shall be published on its website.

(4) When performing their functions under this Law the Council Chairperson and members shall use their own expertise. They shall have the right to request and receive information from state bodies. The state bodies shall provide the information in compliance with the relevant laws according to the type of information.

(5) The Council Chairperson and members shall not have the right to request or receive guidance from the Council of Ministers or from other bodies or institutions.

(6) The Fiscal Council shall elaborate and adopt a methodology containing unbiased criteria for the purposes of its opinions on official macroeconomic and budgetary forecasts, as well as criteria for the detection of any significant bias affecting macroeconomic forecasts from the reported data. The methodology shall be published on the website of the Council.

### **Section III**

#### **COMPOSITION**

**Article 7.** (1) The Council shall comprise 5 members, including a Chairperson, to be elected by the National Assembly after a public procedure.

(2) The term of office of the members of the Council shall be 6 years. Any member of the Council may not be elected for more than two consecutive terms of office.

(3) New members of the Council shall be elected by the National Assembly not earlier than three months and not later than one month prior to the expiration of their term of office. After the expiration of the members' term of office the members shall continue to fulfil their functions until the new members are elected.

(4) The term of office of a Council member shall be terminated prior to the expiry:

1. upon his/her request;
2. in case of a sustained inability to discharge his/her duties in the course of more than six months;
3. in case of death;
4. upon ascertainment that the person does not satisfy the requirements of Article 8(1) herein or upon occurrence of incompatibility under Article 8(2) and (4) herein;
5. in case he/she failed to attend two or more successive meetings of the Council without reasonable grounds.
6. in case an act for conflict of interests under the Conflict of Interest Prevention and Ascertainment Act becomes effective.

(5) If circumstances under paragraph 4 occur the National Assembly shall be informed in order to elect a new member.

(6) In the cases under paragraph 4, item 1,3 and 6 the reasons shall be announced to the National Assembly by its President.

(7) In case of early termination of the term of office of a Council member, the National Assembly shall elect another person in his/her place for the rest of the term of office.

**Article 8.** (1) The members of the Council shall be persons of high morals with a Master's degree in Economics and with not less than 10 years of professional experience in the field of macroeconomic analysis and/or public finance management.

(2) The members of the Council may not be persons who:

1. have been punished for an intentional offence;
2. have been deprived of the right to take a certain government post or to practice a certain profession or activity;
3. have been members of an executive or supervisory body or have been partners of an unlimited liability company which was wound up due to insolvency, if unsatisfied creditors have remained;

4. in the last 5 years preceding the date of the decision to declare a bank in insolvency have been members of its management or supervisory body.

(3) The members of the Council may have foreign citizenship upon meeting the requirements of paragraph 1 and 2.

(4) Council members may not take a position at government or local government authorities or perform any political or other activities affecting their independence.

(5) After being elected, the members of the Council shall take the following oath before the National Assembly: “As a member of the Fiscal Council, I swear to observe and be governed by the Constitution and the laws of the Republic of Bulgaria and by the interests of the state and to be independent in all my actions. I have sworn.”

## **Section IV**

### **Operational Organization**

**Article 9.** The meetings of the Council shall be convened by its chair on his/her initiative or on the initiative of any of its members.

**Article 10.** The Chair of the Council shall:

1. represent the Council;
2. inform the public about the opinions and the recommendations of the Council;
3. convene and preside over the meetings of the Council;
4. administer the activities of the Council;
5. submit the opinions and/or recommendations referred to in Article 6, paragraph 1 hereunder to the relevant authorities;
6. deliver an annual report on Council activities to the National Assembly by end-February of the following year.

**Article 11.** (1) The Council shall render decisions.

(2) The decisions approving reasoned opinions and/or recommendations shall be published on the website of the Council within a 7-day period after their approval by the Council.

**Article 12.** (1) The Council shall meet when at least three of its members are present.

(2) The decisions of the Council shall be adopted by a majority of more than half of its members. The Council may not take decisions in absentia.

(3) Abstention from voting shall not be allowed.

(4) The Council meetings may be attended by guests upon invitation by its chair.

**Article 13.** (1) Every three years the Council may receive an assessment of its activity from similar independent bodies for fiscal surveillance in other countries.

(2) The assessment as per item 1 shall be published on the Council’s website and sent to the President of the National Assembly for information.

**Article 14.** The Council shall adopt rules of procedure which are published on its website.

**Article 15.** (1) The organizational, technical and expert support of the Council activities shall be provided by three experts within the administration of the National Assembly upon meeting the requirements laid down in the rules of procedure referred to in Article 14.

(2) The functioning of the Council shall be financed by the budget of the National Assembly. The resources needed for this purpose shall be indicated in a separate expenditure heading.

**Article 16.** (1) The Council chair and members shall receive a remuneration for participating in the Council meetings equal to three minimal monthly wages for one meeting, but for one month not more than three average monthly wages of the persons employed under labour and civil servant contracts in the public sector in accordance with the data provided by the National Statistics Institute.

(2) The remunerations referred to in paragraph 1 shall be provided from the budget of the National Assembly.

### **Chapter Three**

#### **AUTOMATIC CORRECTION MECHANISMS**

**Article 17.** (1) Automatic correction mechanisms within the meaning of Article 23, paragraph 3 of the Law on Public Finance shall include the establishment, adoption and implementation of a corrective plan.

(2) The mechanisms referred to in paragraph 1 are aimed at correcting deviations from the medium-term objective or the adjustment path towards it pursuant to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

**Article 18.** The existence of significant deviation from the medium-term budgetary objective or the adjustment path towards it shall be identified by one or more institutions as follows:

1. The European Commission in line with Council Regulation (EC) No 1466/97;
2. The Minister of Finance within the budgetary process;
3. The Fiscal Council in line with Article 6, paragraph 1, item 7.

**Art. 19** (1) In case of a significant deviation from the medium-term budgetary objective or the adjustment path towards it the Minister of Finance shall submit a corrective plan for approval to the Council of Ministers within two months after the identification of the deviation.

(2) In case the corrective plan provides for measure related to the competence of the National Assembly, the Council of Ministers shall submit the correction plan to the National Assembly for approval.

**Art. 20.** The corrective plan under Article 19 shall include:

1. The timeline of the correction that could comprise of up to 2 consecutive years following the year of occurrence of the deviation;

2. The average annual improvement of the structural balance of a size of at least 0.5 % of the GDP for the timeline of correction;
3. The nature and size of corrective measures on the revenue and expenditure side, as well as quantitative assessment of their impact on the general government sub-sectors.

**Art. 21.** The measures provided for in the corrective plan shall ensure achievement of the medium-term budgetary objective within the timeline set before the occurrence of the significant deviation.

**Art. 22.** The corrective plan shall be consistent with recommendations for correction of the significant deviation from the medium-term budgetary objective or the adjustment path towards it addressed to Bulgaria under Council Regulation (EC) No 1466/97.

**Чл. 23.** (1) The implementation of the corrective plan may be temporary suspended in case of exceptional circumstances within the meaning of Article 24, paragraph 3 of the Law on Public Finance, provided that the sustainability of public finances is not put at risk in the medium term.

(2) When the circumstances under paragraph 1 cease to exist the Minister of Finance, if necessary, shall submit to the Council of Ministers a revised corrective plan for approval. The Council of Ministers shall submit the revised corrective plan to the National Assembly in the cases under Article 19, paragraph 2.

## **SUPPLEMENTARY PROVISIONS**

**§ 1.** This law shall introduce the requirements of Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ, L 306/41 of 23 November 2011).

## **FINAL PROVISION**

**§ 2.** The law shall enter into force on the date of its promulgation in the State Gazette.

The Law was adopted by the 43<sup>rd</sup> National Assembly on 8 April 2015 and was stamped with the official seal of the National Assembly.