



Fiscal Surveillance in the EU Economic Governance Reform

Marco Buti

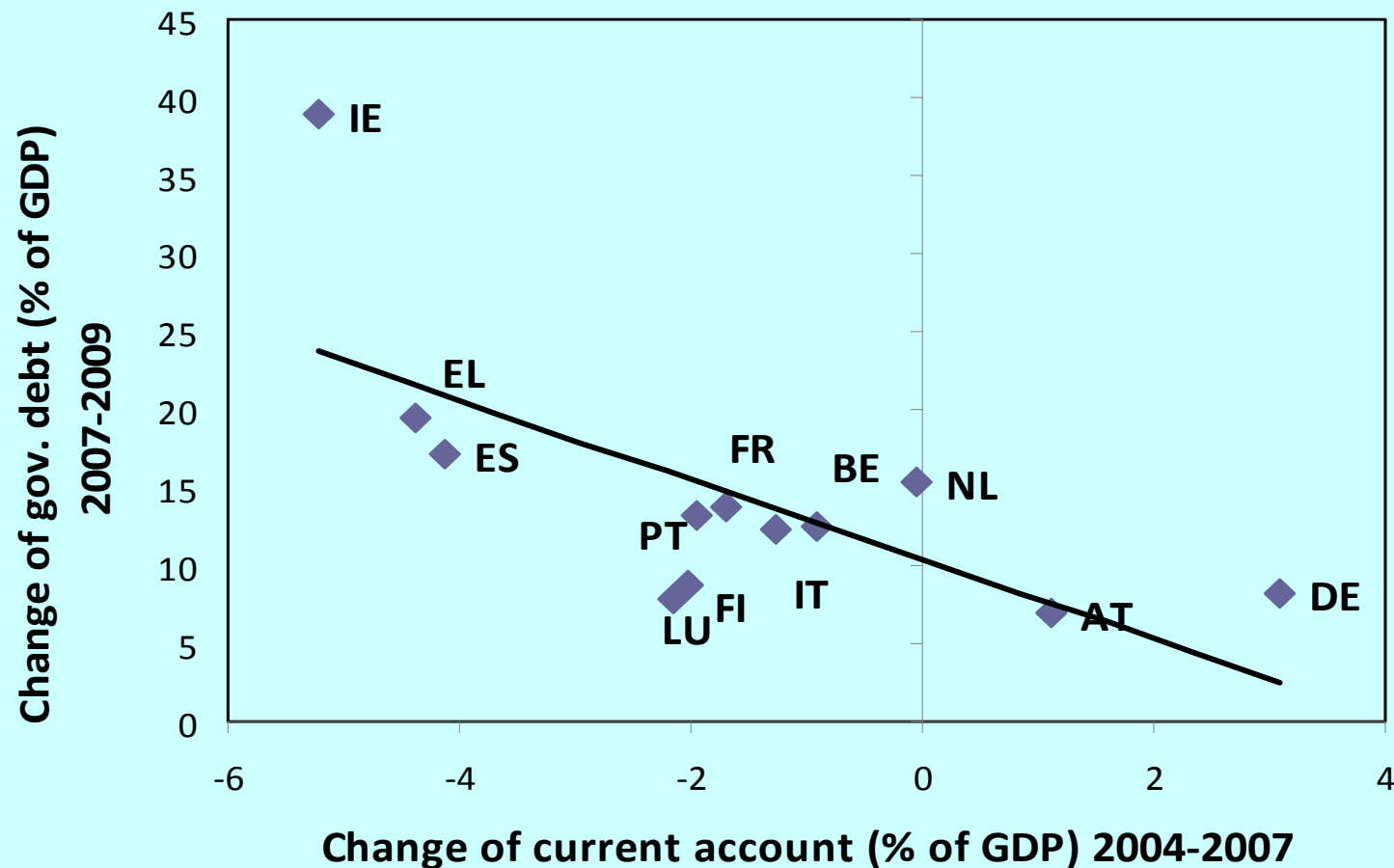
Director General Economic and Financial Affairs
European Commission

**Towards integrated economic governance in the EU:
The European Semester**

12 January 2011

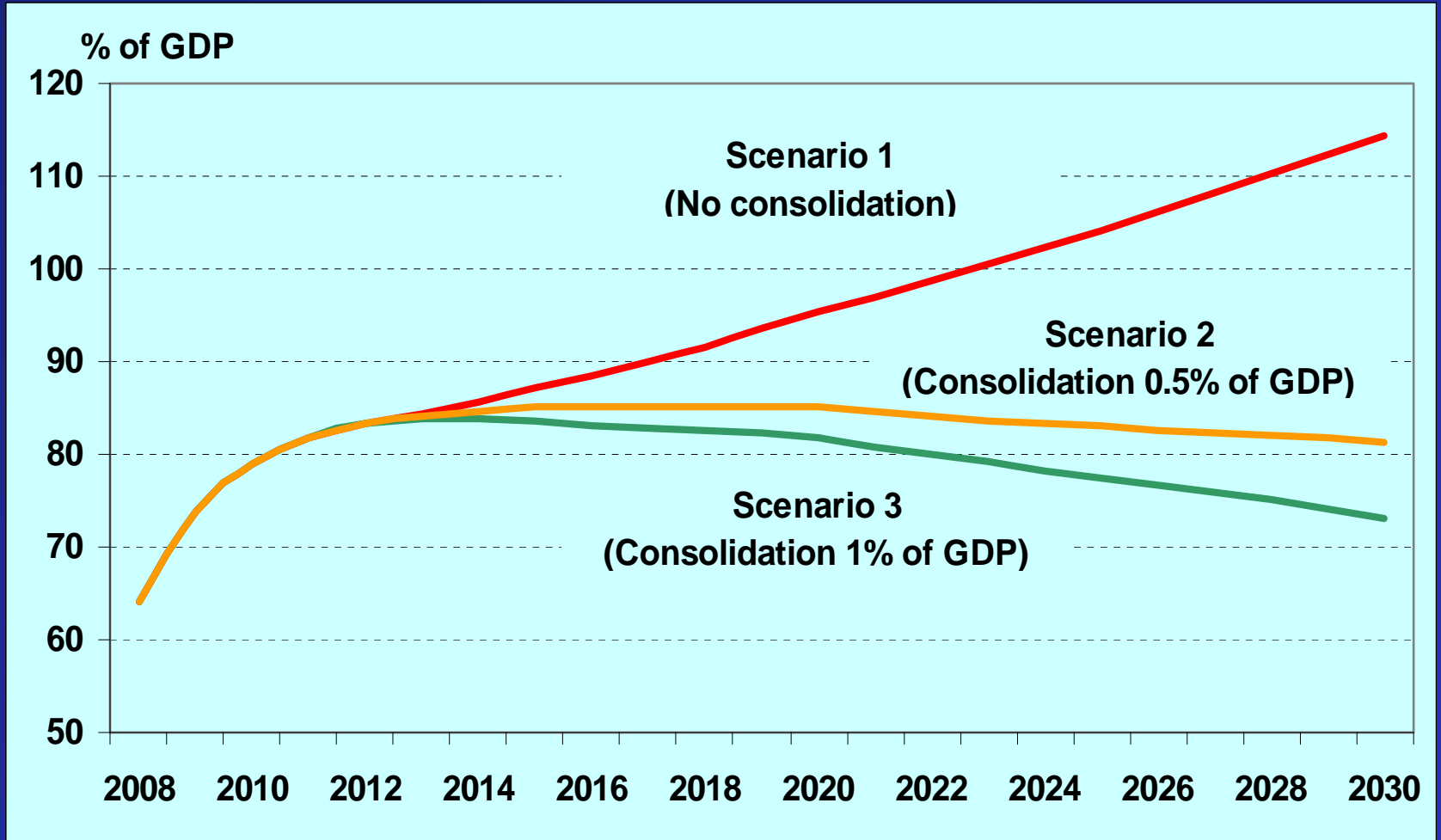
The legacy of the crisis: Macro imbalances spill over to public finances

External imbalances in pre-crisis years translated into government debt during the crisis



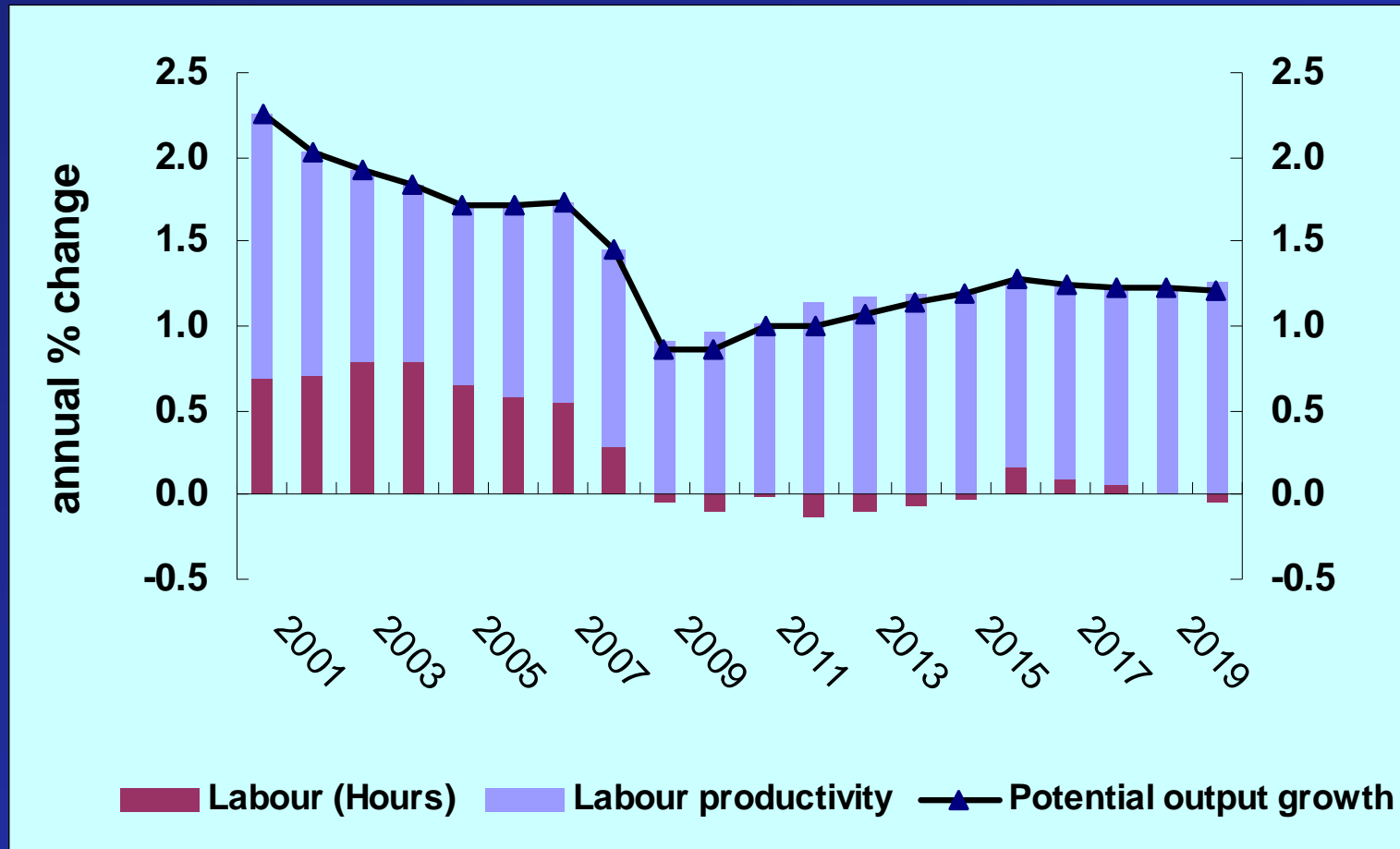
The legacy of the crisis: public debt dynamics in the EU

No-consolidation scenario is unsustainable. Significant efforts needed to restore sustainable public finances



The legacy of the crisis: The impact on potential output growth

In the absence of structural reforms, potential output growth in the EU27 is set to slow compared to pre-crisis years



Fiscal surveillance

- **Preventive arm of the SGP:** principles of prudent fiscal policy making (amendments to Reg. 1466/97 - ordinary legislative procedure)
- **Corrective arm of SGP:** benchmark for sufficiently diminishing debt ratio (amendments to Reg. 1467/97 - special legislative procedure; Parliament and ECB consulted)
- **Minimum requirements of national fiscal frameworks** (new draft directive - Council decides after consulting Parliament)

Macroeconomic surveillance

New procedures for monitoring, preventing and correcting **macro-economic imbalances** (new draft regulation - ordinary legislative procedure)

Enforcement

New disincentives/sanctions in case of non-compliance in preventive and corrective arm of SGP (new regulation - ordinary legislative procedure)

Enforcement

New disincentives/sanctions in the case of non-compliance with provisions of new macro surveillance (new draft regulation - ordinary legislative procedure)

The European Semester



Policy guidance to EU and euro area

Country-specific surveillance

