Commission presents review of EU economic governance and launches debate on its future

Brussels, 5 February 2020

The Commission today presents a review of the effectiveness of the economic surveillance framework and launches a public debate on its future.

The EU framework for economic surveillance has guided Member States in achieving their economic and fiscal policy objectives. It helped attain closer coordination of economic policies, address macroeconomic imbalances, reduce public deficits and debt levels. It created the conditions for sustainable growth and for achieving the Union’s strategy for growth and jobs. However, some vulnerabilities remain and the fiscal framework has grown increasingly complex, hampering its buy-in. Moreover, the EU faces an economic context that has significantly changed since the rules were established.

The start of a new political cycle in the Union is an opportune and appropriate moment to assess the effectiveness of the current framework for economic and fiscal surveillance, especially the six-pack and two-pack reforms, for which the Commission is required to report on their application.

Valdis Dombrovskis, Executive Vice-President for An Economy that Works for People said: "Our shared fiscal rules are essential for the stability of our economies and the euro area. Ensuring financial stability is a precondition for economic growth and job creation. They are also vital in terms of building trust among Member States for further progress on the deepening of the Economic and Monetary union. Our rules have evolved considerably since they were first established and they have yielded positive results. But they are today perceived as too complex and difficult to communicate. So we’re looking forward to an open discussion on what has worked, what has not, and how to build consensus for streamlining the rules and making them even more effective."

Paolo Gentiloni, Commissioner for Economy, said: “Economic policies in Europe must address the challenges we face today, which are clearly not the same as those of a decade ago. Stability remains a
key objective, but there is an equally pressing need to support growth and in particular to mobilise the immense investments required to tackle climate change. We also need to enable more anti-cyclical fiscal policies, given the increasing constraints faced by the ECB. Finally, the complexity of our rules makes it harder to explain to our citizens what 'Brussels' is saying, and that is something none of us should accept. I look forward to a genuine debate on these issues in the coming months.”

**A changing economic context and new challenges**

The economic governance framework has evolved over time, with changes introduced to respond to the emergence of new economic challenges.

The six-pack and two-pack legislation was introduced to address the vulnerabilities exposed by the economic and financial crisis. The economic context has evolved materially since then. The European economy has experienced seven years of consecutive growth. No Member State is now subject to the corrective arm of the Stability and Growth Pact, the so-called Excessive Deficit Procedure, down from 24 Member States in 2011. However, the growth potential of many Member States has not recovered to pre-crisis levels and public debt levels remain high in some. Reform momentum has faded and progress has become uneven across countries and policy areas.

Meanwhile, Europe is aiming to become the world's first climate-neutral continent and to seize the new opportunities of the digital age, as set out in the Annual Sustainable Growth Strategy.

**Assessing the European economic governance framework**

The review seeks to assess how effective the economic surveillance framework has been in achieving three key objectives:

- ensuring sustainable government finances and economic growth, as well as avoiding macroeconomic imbalances;
- enabling closer coordination of economic policies; and
- promoting convergence in Member States’ economic performance.

The review finds that the surveillance framework has supported the correction of existing macroeconomic imbalances and the reduction of public debt. This, in turn, has helped to create the conditions for sustainable growth, strengthened resilience and reduced vulnerabilities to economic shocks.

It has also promoted sustained convergence of Member States' economic performances and closer coordination of fiscal policies within the euro area.

At the same time, public debt remains high in some Member States and the fiscal stance at Member State-level has frequently been pro-cyclical. Moreover, the composition of public finances has not become more growth-friendly, with Member States consistently opting to increase current expenditure rather than to protect investment.

The review also finds that the fiscal framework has become excessively complex as a result of the need to cater for a wide variety of evolving circumstances while pursuing multiple objectives. This complexity means that the framework has become less transparent and predictable, which hampers communication and political ownership.

**An inclusive debate**

A high degree of consensus and trust amongst all key stakeholders is crucial for the effectiveness of economic surveillance in the EU. The Commission is therefore inviting stakeholders, including the other European institutions, national authorities, social partners and academia, to engage in a debate to provide their views on how the economic governance framework has functioned so far and on possible ways to enhance its effectiveness.

This engagement will take place through various means including dedicated meetings, workshops and an online consultation platform.

The Commission will take into consideration the views of stakeholders and the outcome of these consultations when it completes its reflections on possible future steps.

This process should be completed by the end of 2020.

**Background**

The EU took a series of measures to strengthen its economic governance and surveillance framework as a response to the vulnerabilities exposed by the economic and financial crisis in 2008-2009.

The six-pack and two-pack legislation was introduced to enhance the coordination of economic policy and promote sustained convergence of economic performance through strengthening budgetary surveillance under the Stability and Growth Pact (SGP).
The legislation also introduced requirements for national fiscal frameworks and broadened the scope of surveillance to include macroeconomic imbalances.

The revamped macroeconomic and budgetary surveillance was integrated into the European Semester, the framework for coordination of the economic policies, which was established in the same context.

For More Information

- Economic governance review: Questions and answers
- Communication on the economic governance review
- Online consultation platform
- Annual Sustainable Growth Strategy
- The European Semester
- Stability and Growth Pact
- Macroeconomic Imbalance Procedure
- Vade Mecum on the Stability and Growth Pact
- The Macroeconomic Imbalance Procedure Compendium

Follow Vice-President Dombrovskis on Twitter: @VDombrovskis
Follow Commissioner Gentiloni on Twitter: @PaoloGentiloni
Follow DG ECFIN on Twitter: @ecfin

Press contacts:
- Marta WIECZOREK (+32 2 295 81 97)
- Enda MCNAMARA (+32 2 296 49 76)

General public inquiries: Europe Direct by phone 00 800 67 89 10 11 or by email

Related documents
- Factsheet_Consultation.pdf
- Factsheet_Review.pdf