



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Camera Deputaților for its Opinion concerning the Commission Communication on 'Making the best use of the flexibility within the existing rules of the stability and growth pact' {COM(2015) 12 final}.

The Commission welcomes the Camera Deputaților's overall support for the increased transparency and tailoring to specific country and business cycle circumstances that the Communication reinforces. In this Communication, the Commission recognises that fiscal responsibility is a necessary but not a sufficient condition for jobs and growth. Structural reforms also need to be pursued and investment stepped up. The smarter application of the Stability and Growth Pact will contribute to more decisive progress on all three fronts

The Stability and Growth Pact is based on Treaty provisions which were agreed unanimously by all Member States. It is essential in particular to the functioning of the monetary union. The need for fiscal rules stems from the greater interdependencies and spillovers in terms of the impact of economic and budgetary policies that result from the monetary union. With this Communication, the Commission has presented new guidance on how to consider public investments under the Pact. This is done as part of a broader policy to promote investments, irrespective of whether they originate from the private or the public sector.

The Stability and Growth Pact allows for flexibility in several ways. More precisely, investments can be accommodated via the investment clause in the preventive arm and via the European Fund for Strategic Investments in the corrective arm; structural reforms can be encouraged via the structural reform clause in the preventive arm and via the choice of Excessive Deficit Procedure deadlines in the corrective arm; and it is clarified how the Stability and Growth Pact rules have room to cater for cyclical conditions.

The application of flexibility within the Stability and Growth Pact depends on an estimate of the output gaps to take the business cycle into account. The methodology used by the Commission to estimate potential growth and output gaps is commonly agreed by the Member

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States and then applied by the Commission in a fair and transparent manner. It is fine-tuned and developed further on an ongoing basis – jointly and in common agreement.

The early warning system of the Macroeconomic Imbalance Procedure aims at triggering in-depth studies to determine whether the potential imbalances identified in the early-warning system are benign or problematic. It draws on a scoreboard which consists of a set of eleven indicators covering the major sources of macroeconomic imbalances and its reading takes into account complementary additional indicators. Gross fixed capital formation is one of the auxiliary indicators, and covers both public and private investments levels. The composition of the scoreboard indicators may evolve over time. The list of 'scoreboard' and additional indicators was prepared in cooperation with the European Parliament and the Council. It is regularly reviewed with Member States and the ECB in the context of LIME, a working group of the Economic Policy Committee.

The Commission hopes that these clarifications address the issues raised by the Camera Deputaților and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Valdis Dombrovskis
Vice-President*