



Strengthening budgetary discipline in the EMU

From the Six-Pack to the Fiscal Compact

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Enhanced economic governance in the EU

The 1st step: the Six-Pack

- A major reform for the 27

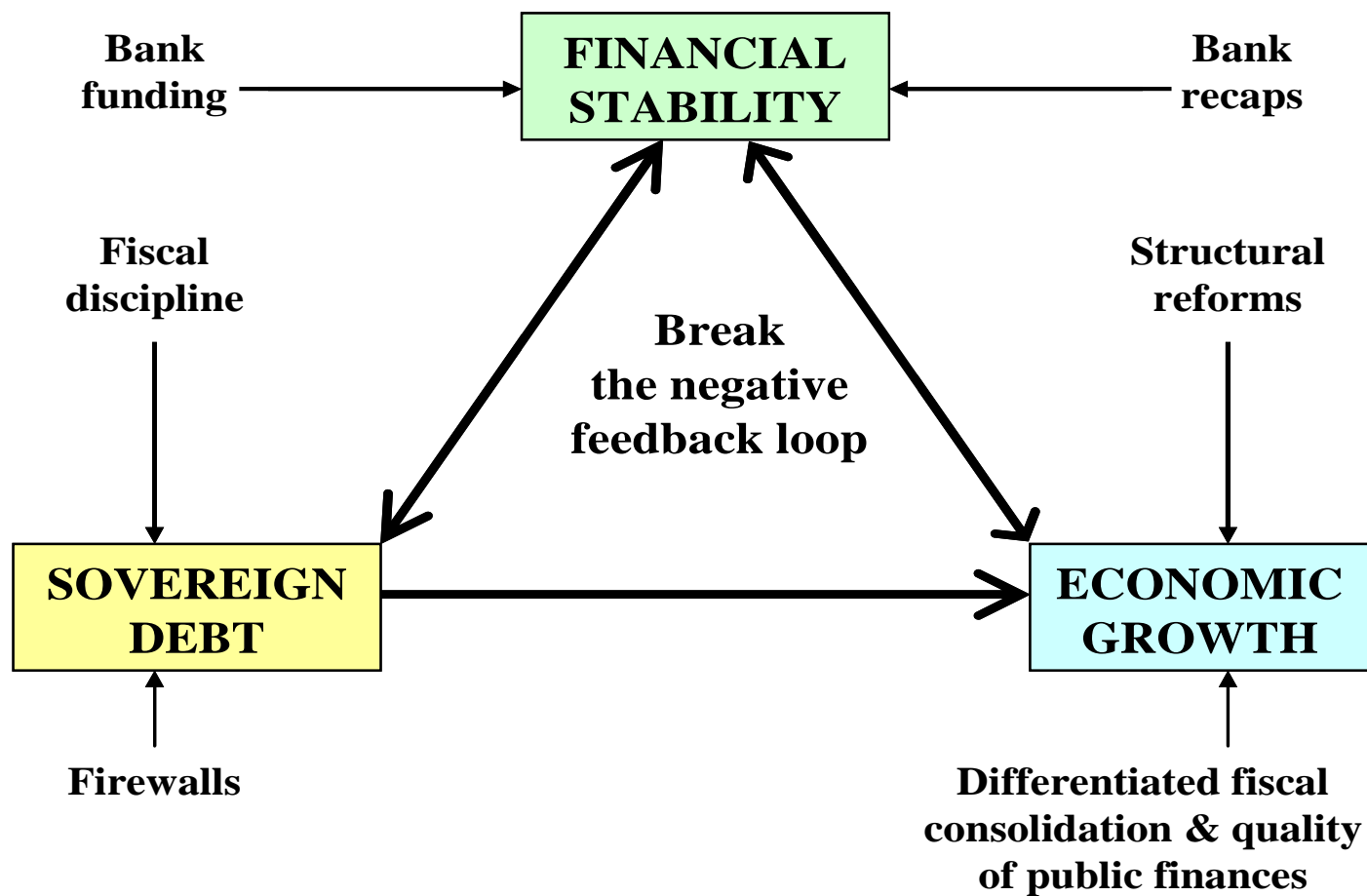
The 2nd step: the Two-Pack of 23 November

- Additional elements for the euro area

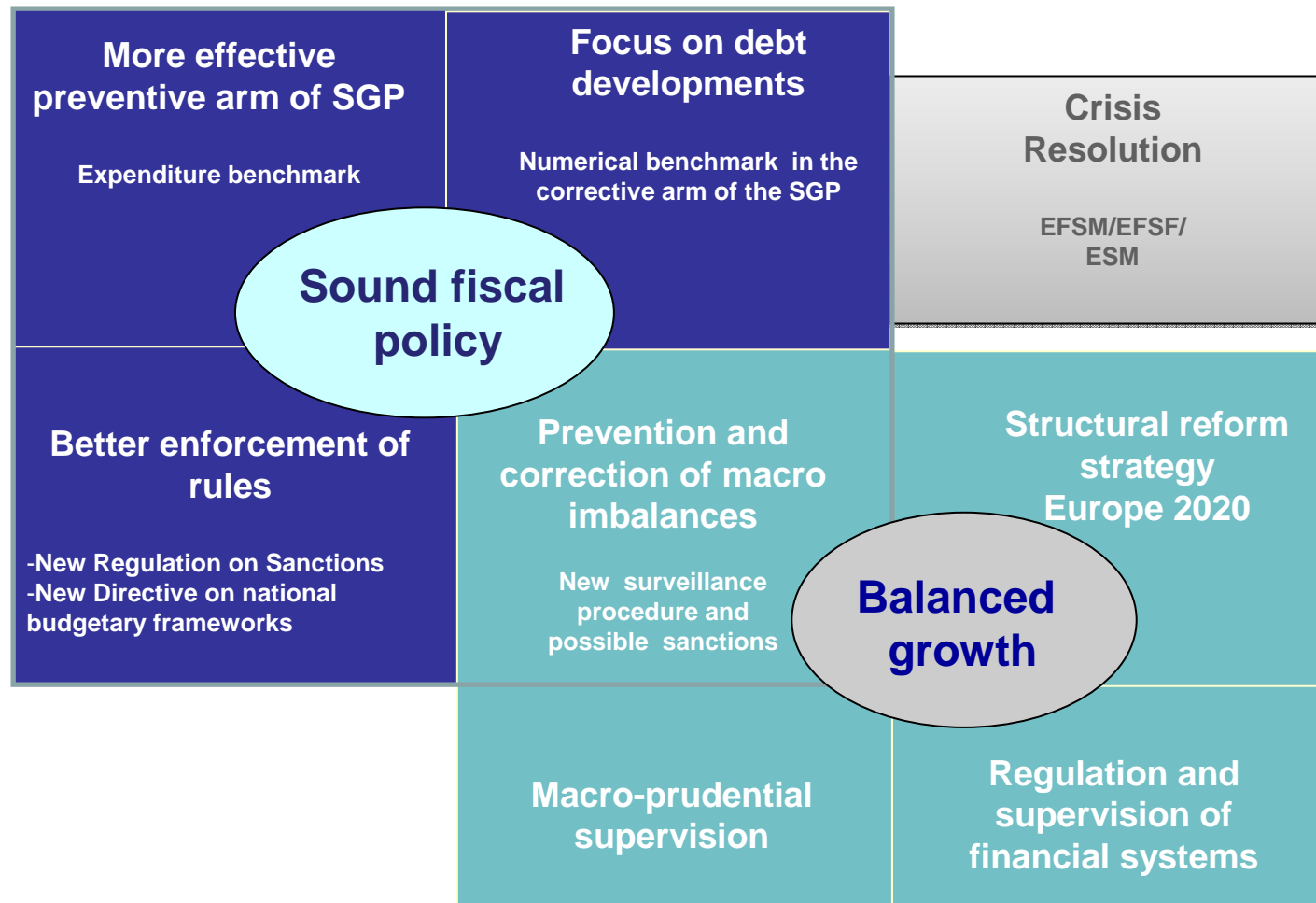
The latest step, the Intergovernmental Treaty

- Transposing European rules and concepts in a national setting

Breaking the negative feedback loop



1st step: the Six-Pack as part of a comprehensive EU response





The Directive on national fiscal frameworks

Where were we?

✓ EU budgetary framework insufficiently entrenched in national frameworks

→ **Need for strengthening national ownership**

✓ Considerable variation in quality of national fiscal frameworks

✓ Well-designed fiscal frameworks support sound fiscal policies

→ **Need for uniform requirements for national budgetary rules and procedures**

→ What has been agreed

Minimum requirements for national budgetary frameworks

- ✓ Country-specific numerical fiscal rules
- ✓ Medium-term budgetary frameworks
- ✓ Independent monitoring and analysis
- ✓ Budgetary procedures
- ✓ Rules for preparation of the forecasts for budgetary planning
- ✓ Accounting and statistical reporting
- ✓ Regulation of fiscal relationships between public authorities across sub-sectors of general government

- ✓ Transposition by end-2013

2nd step: the Two-Pack builds on the fiscal surveillance leg of the Six-Pack

In response to the enhanced spillovers of budgetary policies *within the euro area*

- Further strengthening of the framework for budgetary coordination and surveillance
- Additional monitoring requirements through two Regulations

Enhanced monitoring for all MS of the euro area

- *Common provisions for assessing draft national budgetary plans and*
- *A closer monitoring of the correction of excessive deficits in euro area Member States (only MS in EDP)*

Enhanced surveillance for financially fragile MS of the euro area

- *Codifying common practice of EU-IMF programmes*
- *Possibility to recommend a euro area Member State to ask for assistance*



The latest step: the intergovernmental Treaty

New intensified commitments by 25 MS. The *"missing part of the puzzle of the Stability and Growth Pact"*. To be integrated into the EU legal framework within 5 years and with an important role for the Commission and EU secondary legislation.

3 main chapters

Economic Policy Coordination

- Coordination of major economic policy reform plans in euro area MS

Reinforced Governance

- Euro Summits at least twice a year
- President of the Euro Summit appointed by Heads of State or Government of euro area MS
- Participation in Euro Summits of Heads of State or Government of non-euro area MS having ratified treaty is foreseen for certain discussions and at least once a year

...and the FISCAL COMPACT

The Fiscal Compact

Recalls main commitments of the SGP

- Country-specific medium-term objectives (MTOs)
- Numerical debt reduction benchmark under the EDP (= Six-Pack)

Complements the SGP's toolbox

- Ex ante* coordination of debt issuance plans
- Economic partnership programmes for Member States in EDP

Strengthens implementation of the SGP

- Implementation of MTOs at constitutional (or equivalent) level**
- Assorted with automatic correction mechanisms** (triggered in case of significant deviation... except if exceptional circumstance) **and monitoring by independent institutions**
- More stringent lower limit for MTOs (-0.5%),** with a calendar for convergence
- Behavioural commitment to support Commission proposals/recommendations for EDPs in the euro area



The Fiscal Compact (continued)

- Enforcement
 - National level
 - MS to implement rules in national law through provisions of "binding force and permanent character, preferably constitutional"
 - compliance monitored level by independent national institutions
 - Union level
 - COM presents report on the transposition of the agreed provisions
 - Matter can be brought to the Court of Justice by a MS to verify transposition
 - Court of Justice can impose financial sanction of up to 0.1% of GDP
- How to anchor these commitments into EU Law?
 - Swift implementation of key elements by legislative proposals, either currently under discussion or new texts
 - Contracting Parties committed to incorporation of Treaty within 5 years



A strengthened framework

		EU 27	25 Contracting Parties	Euro area
Six-Pack In force	Reinforced preventive arm of SGP	✓		
	Debt-reduction benchmark	✓		
	Financial sanctions			✓
	Directive on national fiscal frameworks	✓		
Two-Pack Proposed	<i>Enhanced budgetary monitoring</i>			✓
	<i>Enhanced surveillance for vulnerable euro area MS</i>			✓ (for MS with financial difficulties)
Fiscal Compact To be ratified	<i>National implementation of MTOs + transposition sanctions</i>		✓	
	<i>Economic partnership programme in the EDP</i>		✓	
	<i>Ex ante coordination of debt issuance</i>		✓	
	<i>rQMV in EDP</i>			✓
	<i>Ex ante coordination of economic reforms</i>		✓	



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Thank you