Common views on the future of the Stability and Growth Pact

The Corona crisis has left its mark on the public finances of EU countries. The public debt ratio in the EU has risen from 79 % of GDP in 2019 to a projected 94 % of GDP in 2021. This is an increase of 15 percentage points in the EU debt ratio in just two years. Unprecedented fiscal measures have helped to combat the substantial negative economic effects of the crisis but at the same time affected the sustainability of public finances in many EU countries. In particular, this is the case in countries where measures create a permanent burden on budgets and where public debt levels were already high before.

Sound public finances are a central pillar of EU-membership and a foundation for the economic and monetary union. Therefore, fiscal sustainability combined with reforms which support economic growth must continue to form the basis of a common EU economic and fiscal policy framework.

Sustainable public finances create confidence and fiscal space for political priorities and for dealing with future crises and challenges. Not least, they also provide the room for manoeuvre to support jobs and welfare for present as well as for future generations.

Thus, reducing excessive debt ratios has to remain a common goal, not only because the Treaty on the Functioning of the EU obliges all Member States to avoid and correct excessive deficits.

Whereas we do not consider the fiscal rules as an obstacle to efficient fiscal policy, we are open to a debate on improving economic and fiscal governance, including the Stability and Growth Pact. While sticking to a rules-based fiscal framework, improvements should be made. In particular, simplifications and adaptations that favour consistent, transparent and better application as well as enforcement of the rules are worth discussing, but only if new proposals do not jeopardise the fiscal sustainability of Member States, the Euro Area or the Union as a whole.

The deactivation of the General Escape Clause and a possible reform of the Stability and Growth Pact should not be linked. Discussions on improving the current economic governance framework need ample time and should be based on broad consultations by the Commission. Quality is more important than speed.

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