



NEW ECONOMIC GOVERNANCE RULES FIT FOR THE FUTURE

26 April 2023

The Commission has presented legislative proposals to implement a comprehensive reform of the EU economic governance framework.

The proposals seek to **respond to the significantly higher levels of public debt** in the aftermath of the pandemic and support reforms and investment. They **address shortcomings** in the current framework and **take into account the lessons** from the EU policy response to COVID-19.

They make EU economic governance **simpler**, improve **national ownership**, place a greater emphasis on the medium-term and strengthen **enforcement**.

Key principles and objectives

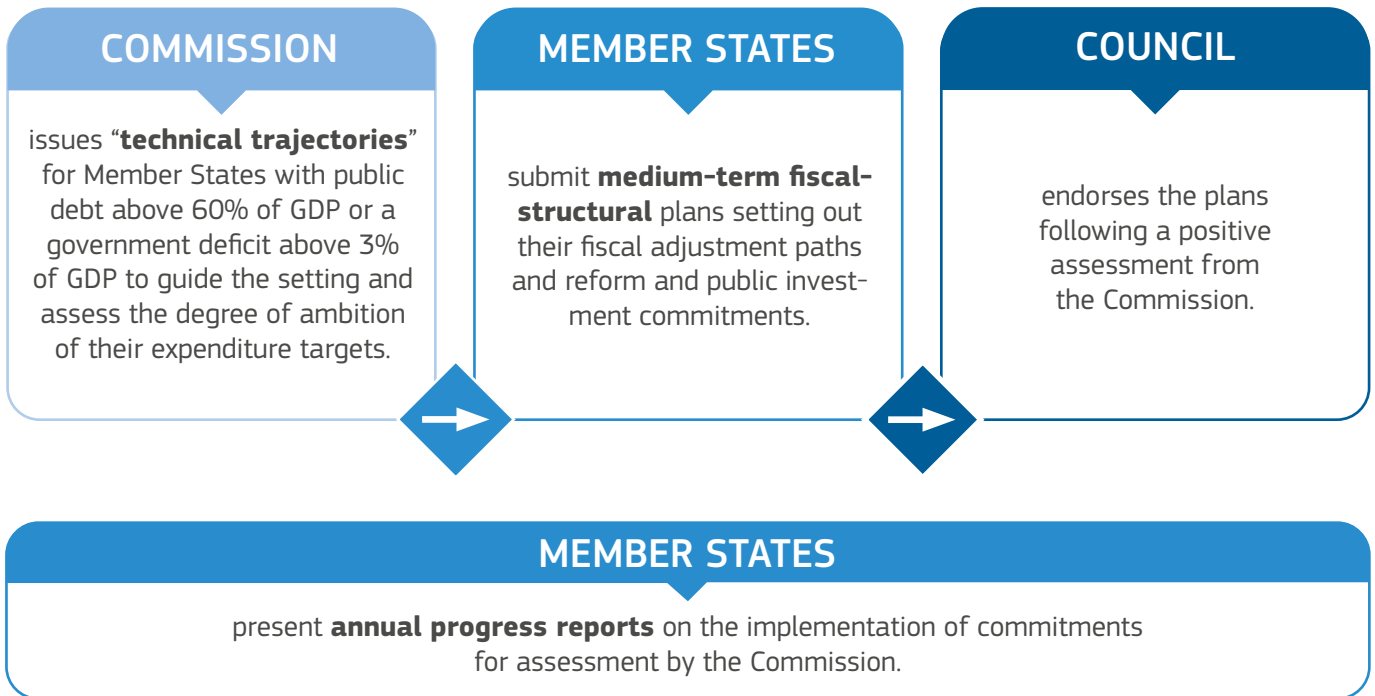
The key objective of the reform is to **strengthen debt sustainability** and **promote sustainable and inclusive growth** through reforms and investment. It includes:

- Stronger national ownership
- Simpler rules
- Facilitating reforms and investment for EU priorities
- Providing for effective enforcement



New fiscal surveillance process

The proposals introduce a new process based on Member States integrating fiscal, reform and investment commitments into a single medium-term plan.



Links with the European Semester

The new fiscal surveillance process will be **integrated in the European Semester**, which will remain central to policy coordination. It **monitors the delivery of investment and reform commitments** contained in Member States’ recovery and resilience plans and, in future, their medium-term fiscal-structural plans.

Timeline

The proposals are the result of an extended period of reflection and an extensive consultation process with a wide range of stakeholders.



Fiscal adjustment path

All Member States must prepare medium-term plans setting out their fiscal, reform and investment policies over the course of four years. These plans will form the basis of fiscal surveillance.

Member States with a deficit below 3% and debt below 60% of GDP

No fiscal adjustment required

These Member States must maintain:

- a government deficit below 3% of GDP and
- public debt below 60% of GDP over the medium term.

Member States with a deficit above 3% or debt above 60% of GDP

Fiscal adjustment spread over 4 years

These Member States must outline a fiscal adjustment path which ensures that:

- the deficit remains or is brought and maintained below 3% of GDP;
- debt is put on a plausibly downward path or stays at prudent levels by the end of the adjustment period;
- debt must be lower at the end of the period covered by the plan than at the start of that period;
- a minimum fiscal adjustment of 0.5% of GDP per year as a benchmark is to be implemented so long as the deficit remains above 3% of GDP.

Fiscal adjustment spread over 7 years

- Member States may benefit from a more gradual fiscal adjustment path of up to seven years to fulfil the criteria above if they commit to reforms and investment that support the adjustment.
- They will still need to deliver a sizeable adjustment during the four years covered by the plan.