

The European Council and the economic governance review

SUMMARY

The update of the EU's fiscal rules is almost complete – in time to be adopted ahead of the legislative break for the 2024 European elections. There has been a long-standing need to update the EU economic governance framework to make it better suited to the current and future challenges the EU is facing. The existing rules have formed over time since the 1992 Maastricht Treaty. The outbreak of the COVID-19 pandemic in March 2020 saw the activation of the 'general escape clause' in the rules, giving Member States flexibility with their national budgets at a time of crisis. The validity of the clause was extended owing to the start of the war in Ukraine, but it was finally deactivated at the end of 2023.

Since the beginning of 2023, the European Council had been calling for work on the economic governance review to be concluded by the end of 2023, so that the new rules could apply from the start of 2024 without transitional arrangements. The Commission published a package of legislative proposals in April 2023, which upheld the key reference values limiting government deficits to 3 % of gross domestic product (GDP), and debt levels to 60 % of GDP, as defined in the Maastricht Treaty. The Swedish, Spanish and Belgian Presidencies of the Council of the EU have taken the work forward. There have, however, been differences of views on the review process among the EU Member States. Germany, the largest EU Member State by population and one of the EU's key economic engines, has led a more fiscally prudent grouping, with proposals such as quantitative benchmarks and safeguards. The other approach, pushed by countries such as France, has been to stress the need for investment and flexibility.

The whole process was not finalised by the end of 2023, as the European Council had requested, but Parliament's Committee on Economic and Monetary Affairs (ECON) and the Council of the EU adopted their respective positions in December 2023, thus enabling interinstitutional negotiations to start in January, once Parliament had confirmed its negotiating mandate. A political agreement was reached in February 2024. The aim is to have the new framework in place before the European elections in June 2024 and to start applying the rules from 2025. The first national plans outlining expenditure, reforms and investment in line with these new rules are expected to be prepared by 20 September 2024.

This briefing looks at the process that led to the political agreement on the new rules, and at how the European Council has contributed to it through the guidance given in its conclusions.



Introduction

Enshrined in the Maastricht Treaty, the EU's [joint fiscal rules](#) have ensured the stability of the euro area and Member States' economies, while helping generate investment, growth and jobs in the EU. Over time, both the economic environment and the rules themselves [have evolved](#). As Jean Monnet stated: 'Europe will be forged in crises, and will be the sum of the solutions adopted for those crises'. This was particularly true of the financial crisis of 2008 to 2009, after which EU economic governance took significant steps forward, with solutions such as the [two pack and the six pack](#).

After the financial crisis, it appeared necessary to review the rules and make them more future-proof. The European Commission, in consultation with stakeholders, launched a debate on the future of the [economic governance framework](#) at the start of a new five-year policy cycle [in February 2020](#). The EU had enjoyed seven years of [uninterrupted growth](#), and there was new political momentum to modernise the economic governance framework. The focus was on [three main elements](#): (i) ensuring economic growth and sustainable budgets in the Member States, while lessening the risk of macroeconomic imbalances; (ii) improving the coordination of economic policies; and (iii) promoting convergence in the economic performances of the Member States. However, the outbreak of the COVID-19 pandemic in March 2020 put the work on hold for nearly two years.

Announced in the September 2021 [State of the Union speech](#), the review process was relaunched in [October 2021](#). At that point, following several waves of pandemic-related lockdowns, the economic situation and outlook were very different from what they had been in February 2020. In addition, more challenges were yet to come.

As the EU was only just starting to recover from the pandemic, Russia's full scale war of aggression on Ukraine, which began on 24 February 2022, triggered another external shock to the EU economy. With Russia using energy as a weapon, thus adding to a rise in energy prices, the war was a major factor in causing high inflation in the EU and elsewhere. It was in this new environment of polycrisis that the Commission adopted [orientations](#) for the reform of economic governance in November 2022. The aim was to ensure that the framework was 'simpler, more transparent and effective, with greater [national ownership](#) and better enforcement, while allowing for reform and investment and reducing high public debt ratios in a realistic, gradual and sustained manner'.

At the start of the pandemic in March 2020, the Commission had [activated](#) what was referred to as the [general escape clause](#), enabling Member States to depart temporarily from the usual stability and growth pact (SGP) requirements. The clause's validity was [extended](#) owing to the war in Ukraine but [deactivated](#) at the end of 2023, making the review and its timely conclusion all the more urgent.

While there is a high degree of consensus on the need for both economic coordination and a common fiscal framework, an intense debate has taken place on the increasing complexity of the rules and their [impact](#) on public investment and growth possibilities. Simplification has been at the heart of discussions on the reform of the framework. Divergent economic performance between the Member States and their differing abilities to make structural reforms to enhance competitiveness have also been mentioned. The robustness of the rules is a key factor, meanwhile; as seen in previous years, being able to respond to crisis situations in a quick and efficient way is essential.

The economic governance review first appeared in the European Council conclusions following its extraordinary meeting on [9 February 2023](#), although a statement following the [December 2020](#) Euro Summit meeting had already stated that 'The European Union needs a financial architecture that underpins the resilience of its economies, supports sustainable growth and jobs, and ensures adequate financing for its green and digital transformation'. Since February 2023, EU leaders have mentioned the topic at many of their regular meetings, and stressed the need to finish the legislative work in 2023. Ultimately, the review will only conclude in 2024, but in time for the European elections. The role of the European Council in this process has been to give political guidance and encourage the other EU institutions to take the work forward, so as to have the rules in place as soon as possible.

Building the current rules

The [Maastricht Treaty of 1992](#) is best known for establishing the European Union, including establishing the principle of EU citizenship. Another an equally important milestone for EU integration delivered by that Treaty were the building blocks for economic and monetary union (EMU). The [Treaty](#), which was signed in February 1992 and came into force in November 1993, [states that](#):

The Community shall have as its task, by establishing a common market and an economic and monetary union and by implementing the common policies or activities referred to in Articles 3 and 3a, to promote throughout the Community a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment, a high degree of convergence of economic performance, a high level of employment and of social protection, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.

The [next step](#) in building the EU economic governance framework was the establishment of the [stability and growth pact](#) in 1997. The aim was to coordinate EU Member States' economic policies, with the intention of preventing overspending, and ensuring no Member State would fall deep into debt. The Treaty set a deficits limit of 3 % of GDP and a public debt level limit of 60 % of GDP; these 'Maastricht criteria' were the guiding principles on which the SGP was built. The [main tools](#) designed for the SGP – to ensure it would be effective in fulfilling its tasks – were: i) the [preventive arm](#), which monitors the situation in Member States in the medium term and seeks to prevent excessive deficits before they happen; and ii) the [corrective arm](#), also known as the excessive deficit procedure, which is designed to correct excessive deficits. After the financial crisis hit the EU, the pact was [reinforced](#) with the two-pack and the six-pack. The [European Semester](#) process was also established in that context, in 2010, with strong impetus from the European Council, and the first [coordination cycle](#) took place the following year.

Protocol on the excessive deficit procedure

Article 1

The reference values referred to in Article 104c(2) of this Treaty are:

- 3 % for the ratio of the planned or actual government deficit to gross domestic product at market prices;
- 60 % for the ratio of government debt to gross domestic product at market prices.

Source: [Consolidated version of the Treaty on European Union](#).

In [February 2011](#), the European Council stated that:

Following their December 2010 statement, and reiterating their readiness to do whatever is required to ensure the stability of the euro area as a whole, the Heads of State or Government of the euro area and the EU institutions reviewed progress in the implementation of the comprehensive strategy to preserve financial stability and ensure that the euro area will emerge stronger from the crisis. This strategy includes the legislative package on economic governance, the stress tests and the financial sector repair, and the implementation of the European Semester.

The third main milestone in shaping the rules was the adoption of the 2013 [fiscal compact](#). Formally known as the intergovernmental Treaty on Stability, Coordination and Governance ([TSCG](#)), it was designed to strengthen euro-area governments' budget discipline.

EU institutions taking the work forward

The [European Council's role](#) in the economic governance process is to 'define the general political direction and priorities'. Often issues are solved at lower levels and only brought to EU leaders' table if the issue at hand is politically sensitive or exceptionally complex. In 2023, EU leaders [mentioned](#) the economic governance review four times – at the [February](#) special meeting, and at their regular meetings in [March](#), [June](#) and [October](#). Furthermore, Euro Summit statements mentioned economic governance following the [March](#) and [October](#) meetings. This shows the importance of the topic and the urgent need to finish the work as soon as possible.

After the special meeting of the European Council on 9 February 2023, [EU ministers discussed](#) the broad topics linked with the review, namely: i) the need to maintain the multilateral surveillance system based on common EU rules, while also ensuring that the fiscal adjustment is tailored to each country's situation; ii) the possibility of a stronger focus on medium-term planning; and iii) the potential use of risk-based analysis to identify challenges in public debt development.

The EU Heads of State or Government [endorsed](#) the Council's [orientations](#) at their meeting on 23 March 2023. To take the work forward, following that meeting, on 26 April 2023 the Commission published a [package](#) of new economic governance rules, consisting of [three proposals](#):

- a proposal on the [effective coordination](#) of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97;
- a proposal to amend Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the [excessive deficit procedure](#); and
- a proposal for amending Council Directive 2011/85/EU on requirements for [budgetary frameworks](#) of the Member States.

The [file](#) on effective coordination of economic policies and multilateral budgetary surveillance followed the ordinary legislative procedure, with the European Parliament as co-legislator, while the two others, on the implementation of the [excessive deficit procedure](#) and on the [requirements for budgetary frameworks](#), were decided by the Council, with the Parliament only being consulted on each. However, even though Parliament is not an official co-legislator for the latter two files, its views were taken into consideration by the Council in its work.

After the publication of the proposals, the co-legislators, the European Parliament and the Council of the EU, began work on the file on effective coordination of

European Council conclusions on the economic governance review in 2023

February: 'Taking into account the present conclusions, the European Council calls on the Council and the Commission to swiftly advance work on the economic governance review.'

March: 'The European Council endorses the Council [conclusions](#) of 14 March 2023 on the economic governance review.'

June: 'The European Council invites the Council to take work forward on the Economic Governance Review, with a view to concluding legislative work in 2023.'

October: 'The European Council invites the Council to take work forward on the Economic Governance Review, with a view to concluding legislative work in 2023.'

Source: [European Council conclusions](#).

Euro Summit statements on economic governance in 2023

March: 'The economic governance framework is a key pillar of the architecture of the Economic and Monetary Union, supporting the stability of the euro and the resilience of the euro area economy.'

October: 'Rules for the coordination of national fiscal policies are essential for effective policy coordination in our Economic and Monetary Union and for supporting the resilience and stability of the euro area economy and of the European Union as a whole.'

Source: [Euro Summit statements](#).

economic policies, and the Council began examining the other two files. EU leaders specifically asked the Council to make quick progress with the files, for example, in [October 2023](#), inviting the Council 'to take work forward on the Economic Governance Review, with a view to concluding legislative work in 2023'.

How the European Parliament sees the review

The European Parliament has formed positions on the EU fiscal rules update in different phases of the review process, ensuring the other EU institutions are aware of the Parliament's viewpoints throughout the exercise.

In its [resolution](#) entitled 'Review of the macroeconomic legislative framework' of July 2021, Parliament welcomed the activation of the general escape clause in the context of the pandemic. It also stated that the review was necessary and taking place in challenging circumstances.

Another [position](#), taken nearly two years later in the context of the European Semester for economic policy coordination 2023, highlighted the challenging circumstances caused by the war in Ukraine and the high debt-to-GDP ratios of Member States brought on by years of successive crises. Parliament agreed with the Commission that 'fiscal policies should aim to achieve prudent medium-term fiscal positions and ensure fiscal sustainability through gradual consolidation and investment and reforms which enhance sustainable growth'.

The European Parliament's Committee on Economic and Monetary Affairs (ECON) adopted its [position](#) on the economic governance reform on [11 December 2023](#). The negotiating mandate was confirmed in plenary on [17 January 2024](#). One of the key issues for the ECON committee members was the speed and scale of debt reduction; the ECON position considered that for countries having a 60 to 90 % debt-to-GDP ratio, the ratio should be reduced by at least 0.5 percentage points every year on average over the projected period, and by 1 percentage point for countries with debt levels over 90 % of GDP. Furthermore, among other proposals, the committee [report](#) gave Member States 10 additional years (adjustment period plus 10 years) to correct their fiscal situation.

Laying the foundations for a compromise

[Several](#) experts underlined that a compromise was in everyone's [interest](#), because, if there were no agreement on new rules, the old rules would have to be fully applied again in 2024. This might have implied heavy fiscal adjustments for many Member States.

While most Member States have followed their usual economic standpoints and views, there have been some unusual developments in the course of the process, notably the joint [Spanish-Dutch document](#) of April 2022, bringing together countries that often find themselves on opposite sides in EU economic policy debates. The paper highlighted the need for a spirit of cooperation in creating a future-proof fiscal framework. Additionally, the document called for completion of banking union and stronger capital markets union.

Often in EU affairs, it is a German-French compromise that paves the way for a larger joint understanding that all Member States can then agree on. The German and French finance ministers have met several times to discuss the EU fiscal rules review. In 2022, after the Commission published its orientations, the [ministers declared](#) that, based on the communication, 'we are determined to work jointly to ensure a common updated European fiscal and economic framework, suitable for the challenges we face' and that 'there is no long-term fiscal sustainability without resilient and sustainable growth and vice versa'. In October and November 2023, there were [hopes](#) that a Franco-German compromise proposal might emerge to unite Member States and bring forward a solution that could be agreed in early December. However, an unexpected [budget crisis in Germany](#) left insufficient time to finalise a common formal proposal ahead of the EU Council meetings.

In June 2023, the German finance minister Christian Lindner joined forces with 10 other finance ministers (Bulgaria, Czechia, Denmark, Estonia, Croatia, Latvia, Lithuania, Luxembourg, Austria and

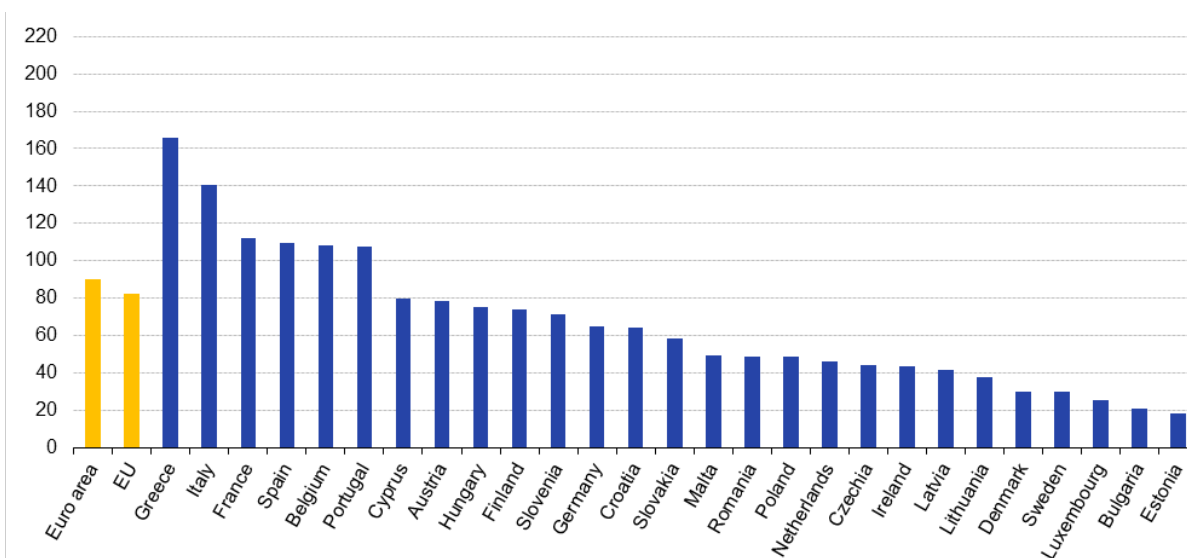
Slovenia) in [an op-ed](#) underlining the role of sustainable public finances in the EU economic governance review. They called for the building of buffers in good times to prepare for bad economic times, and stated: 'We cannot allow debt levels to rise indefinitely from crisis to crisis. This would permanently overload public finances, which is particularly costly in times of rising interest rates'. One of the main suggestions in the op-ed was to focus more on medium-term planning as, according to the finance ministers, this would 'allow for more gradual, but ambitious adjustments'.

The key role of the EU Member States

The EU Member States have a key role in shaping the new EU fiscal rules. As mentioned above, the Council of the EU is co-legislator on one of the three legislative files and has the lead on the other two. The Heads of State or Government meanwhile sit in the European Council, which sets the EU's key strategic lines, including with respect to the economic governance review process.

Even though there has been [general consensus](#) among the Member States on the need to reform the EU economic governance framework, they have had differing views on a number of issues concerning the substance of the review. Germany, one of the leading countries contributing to the discussions, and often considered as the leader of the more fiscally prudent, risk-averse countries, has been [advocating](#) common quantitative benchmarks and safeguards to ensure that the framework is fair for all countries and that debt is reduced in a sustainable manner. Some [other countries](#) – including Czechia, Latvia, Lithuania, the Netherlands, Austria, Portugal, Slovakia, Finland and Sweden – share Germany's concerns about debt sustainability. Many of these countries often align with Germany in their views on EU economic policy.

Figure 1 – General government gross debt 2023 Q3



Source: [Eurostat](#).

One of the main points of contention has been the speed at which debt exceeding the 60% limit should be reduced. In a technical non-paper, [Germany](#) proposed to decrease debt levels by at least 1 percentage point per year for Member States with high debt-to-GDP ratios, and by at least 0.5 percentage points for those with medium debt ratios. This approach was not supported by [France](#), which – like other countries in a similar budgetary situation – would have to make '[completely unrealistic adjustments](#)' to its annual budget if the German position were adopted as it stood. In the [third quarter of 2023](#), Greece (165.5 %), Italy (140.6 %), France (111.9 %), Spain (109.8 %), Belgium (108.0 %) and Portugal (107.5 %) had the highest levels of government debt in the EU (see Figure 1).

Another key issue in the review process concerns the way investments are taken into account in the calculations. Some countries have been asking for a '[golden rule](#)' meaning that certain types of public investment, especially those [regarding](#) the twin green and digital transitions, would be excluded from the debt calculations. Similarly, the [European Parliament](#) suggested that certain expenses linked to social investment and the implementation of the European Pillar of Social Rights should also be granted a special status. Additionally, in the context of Russia's on-going war on Ukraine, there have been voices requesting special treatment for [defence spending](#) in the new fiscal rules. However, some critics say that this would give unfair advantage to those Member States planning to increase their defence spending, as not all countries have that objective in mind.

The rotating presidencies of the Council of the EU have worked intensively on the review process. To bring Member States closer together in their views, in [autumn 2023](#) the Spanish Presidency produced '[landing zone](#)' documents, but did not secure the swift progress previously expected – the European Council having called for the review to be [finalised](#) by the end of 2023. Furthermore, Eurogroup President Paschal Donohoe stated in [his letter](#) to the October 2023 Euro Summit that 'a swift agreement on the fiscal rules is essential for our credibility and the smooth functioning of the Economic and Monetary Union (EMU)'.

On [7 December 2023](#), EU finance ministers had a working dinner to try to forge a political compromise on the new fiscal rules. In [preparation](#) for the dinner, German Chancellor Olaf Scholz and French President Emmanuel Macron discussed the reform over the phone the night before. Prior to the dinner, German finance minister [Christian Lindner](#) said that there had been bilateral talks with his French counterpart and that the countries had agreed on 90 % of the rules. However, French Finance Minister Bruno Le Maire stated that there were still some red lines for France.

On 8 December 2023, in a [public session](#) of the Economic and Financial Affairs Council, the Spanish Presidency, represented by finance minister Nadia Calviño, stated that a new compromise proposal had been circulated, with four goals: i) ensuring debt sustainability; ii) guaranteeing the necessary tax sphere; iii) contributing to the economic stability of the EU; and iv) ensuring the protection of investments and the necessary reforms. According to the minister, a final agreement between Member States on this 'Camino de Santiago', which had taken 40 multilateral meetings and innumerable other contacts, was expected before the Christmas break, with a view to finalisation with Parliament in spring 2024. The minister hoped that the [European Council](#) would reiterate its call for a deal before the end of the year. The German finance minister, however, expressed the view that the end goal had not yet been reached, and that there was a common understanding on 92 % of the rules after the working dinner, compared with 90 % before the dinner.

Finally, on 21 December 2023, the EU ambassadors were able to [agree on a compromise](#) on the new fiscal rules ahead of the end-of-year holidays. The Member States agreed to 'reducing debt ratios and deficits in a gradual, realistic, sustained and growth-friendly manner while protecting reforms and investment in strategic areas such as digital, green, social or defence'.

The final stretch

By mid-January 2024, both the Parliament and Council had agreed on their positions for the review, allowing interinstitutional negotiations to start. Although, officially, the European Parliament was co-legislator on only one of the files, its views on the whole package were taken into account in the Council. According to [one expert](#), ahead of the negotiations, two main questions remained to be solved between the co-legislators: i) the 'deficit resilience safeguard' inclusion, and ii) the extent to which and under what conditions a country could change course from its agreed path.

With the European elections approaching and the European Parliament due to hold its last plenary session before the election break in April, there was [a need](#) to make haste with the negotiations so that the deal could still be formally approved by both co-legislators before the end of the political cycle. Time was of the essence, as failing to reach a deal now would have meant that the revision would be delayed significantly.

A [political agreement](#) was reached quickly, on [10 February](#), sufficiently ahead of the end of the legislature. The new framework is, according to Parliament's co-rapporteurs Esther De Lange (EPP, the Netherlands) and Margarida Marques (S&D, Portugal), 'much needed' and will provide more room for investment. The [European Commission website](#) describes the review as 'the most ambitious and comprehensive reform of the EU's economic governance framework since the aftermath of the economic and financial crisis'. Both Parliament and the Council still need to formally approve the agreement.

When briefing the European Parliament's ECON committee on the Belgian Presidency's priorities, Belgian finance minister [Vincent Van Peteghem](#) said that finalising the economic governance review was one of the presidency's key areas of focus.

What changes

The main aim of the [new economic governance framework](#) is to make the EU more competitive and better equipped to handle future challenges. Promoting sustainable and inclusive growth in all Member States is also of the essence, and making national ownership of the rules stronger. According to the [Commission](#), the political agreement of 10 February should bring more clarity, simplicity and flexibility to the rules, as well as to promoting investment and providing a tailored solution for each Member State. More effective enforcement is also taken into account in the review.

[By 20 September 2024](#), all Member States should outline their medium-term plans for expenditure, investment and reform. If a country has high debt (over 60 % of GDP) or deficit (over 3 % of GDP) levels, they will receive tailored guidance and a reference trajectory from the Commission before preparing the plan, with the aim of embarking on a [sustainable downward path](#). There will be a special focus on climate and digital transitions, energy security, and defence spending. Member States will also need to identify investment gaps. Annual progress reports are envisaged, to monitor the paths the countries are on.

If a country has [debt of more](#) than 60 % of GDP, there are two scenarios for reducing the debt levels, depending on the size of the debt: i) if the debt level is 60 to 90 % of GDP, the country is expected to reduce the debt by 0.5 % percentage points per year, and ii) if it is over 90 % of GDP, the reduction goal reaches 1 percentage point per year. A target is also set for deficits (Article 6b – Deficit resilience safeguard): the agreed text states that 'fiscal adjustment continues, where needed, until the Member State reaches a deficit level that provides a common resilience margin in structural terms of 1.5% of GDP relative to the 3% of GDP deficit Treaty reference value'. The aim is to build an economic buffer for hard economic times.

As requested by the Parliament in its [March 2023 resolution](#), there will also be [a slightly stronger](#) focus on the social dimension in the European Semester process. Moreover, national investment in EU projects will be deducted from the fiscal targets.

Commission guidance for 2024

In parallel with the economic governance review process, the Commission launched the [European Semester cycle](#) for 2024 [on 21 November 2023](#). It builds on the [autumn estimates](#), which predict EU growth of 0.6 % in 2023 and 1.3 % in 2024. [Projections](#) by the Organisation for Economic Co-operation and Development, the International Monetary Fund and the European Central Bank (ECB) make similar assessments. The guidance was published before the political agreement was reached on the new fiscal rules. As predicted, the Commission stated that the general escape clause of the SGP would be [deactivated](#) in 2024. There was concern that this might create problems for several Member States if there was no deal on the fiscal rules reform before the end of 2023.

According to the Commission, euro-area Member States fall into [three categories](#) with regard to their budgetary plans for 2024:

- countries in line with Council recommendations (seven Member States: Ireland, Greece, Spain, Estonia, Cyprus, Lithuania and Slovenia);
- countries not fully in line with the recommendations (nine Member States: Germany, Italy, Latvia, Luxembourg, Malta, the Netherlands, Austria, Portugal and Slovakia);
- countries in risk of not being in line with the recommendations (four Member States: Belgium, France, Croatia and Finland).

In its [statement](#) of 7 December 2023, the Eurogroup welcomed the Commission guidance on Member States' draft budgetary plans, and encouraged EU countries that struggle to stay in line with the recommendations to take action as soon as possible. EU leaders are expected, in line with usual practise, to endorse the policy priorities of the annual sustainable growth survey during their [March 2024 meeting](#). The Eurogroup also stated that the good functioning of EMU was its key priority and that a revised economic governance framework was a 'key element in that regard'.

Outlook

The agreement on the new fiscal rules comes at a time of polycrisis, with [geopolitical tensions](#) and high [economic uncertainty](#) weighing on growth. The European Union needs economic growth, but at the moment the prospects do not look particularly good. According to the Commission's [winter estimates](#), the EU will grow by 0.9 % in 2024 and by 1.7 % in 2025. Inflation figures have come down from their October 2022 peak, but are still above the ECB's [2 % target](#). Additionally, interest rates have [risen](#) in recent years, generating additional [borrowing costs](#). Work on strengthening the EU's [competitiveness](#) is therefore ongoing, and at the same time, EU leaders are [charting](#) the future of the EU single market, the beating heart of the EU economy.

Provided that both the European Parliament and the Council are able to confirm the [political agreement](#) soon, the new fiscal rules should [start applying from 2025](#), and 2024 will be a transition year, with the former rules still in place '[applied](#)' in the spirit of the legislative revision'. By 20 September 2024, Member States are expected to finalise their multiannual macro-fiscal plans. For countries with debt levels of over 60 % or deficits of over 3 % of GDP, the plans should follow a tailored '[reference trajectory](#)', as mentioned above, with the Commission setting up a dialogue with the Member State concerned in spring 2024. The trajectory would seek to bring the debt and deficit levels gradually towards the Maastricht criteria values, and encourage reform and sustainable growth.

In February 2024, [European Parliamentary Week 2024](#) discussed 'EU economic governance from a parliamentary perspective'. Co-organised by the European Parliament on the one hand, and the Belgian Senate and House of Representatives on the other, the week brought together Members of the European Parliament and of national parliaments. According to the week's [background materials](#), the indebtedness of EU Member States remains high, with '12 countries expected to breach the 3 % deficit/GDP reference value'. The analysis goes on to say that 'the current review of the economic governance framework seeks to strike a balance between reigning in high debt levels resulting from the pandemic and the need to keep on investing in sustainable growth and EU priorities, such as the green transition.'

The role of the European Council in EU economic governance is expected to [remain the same](#) without major changes. Currently, EU leaders provide strategic and horizontal policy guidance in the process.

EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

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eprs@ep.europa.eu (contact)

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Annex – Main milestones of the economic governance review process

Event	Main message
Commission communication 5 February 2020	Commission presents the review of EU economic governance rules and launches a debate on their future
Commission communication 20 March 2020	COVID-19: Commission proposes to activate the fiscal framework's general escape clause to respond to the pandemic
European Parliament resolution 8 July 2021	Review of the macroeconomic legislative framework
State of the Union address 15 September 2021	'But, as we look ahead, we also need to reflect on how the crisis has affected the shape of our economy – from increased debt, to uneven impact on different sectors, or new ways of working. To do that, the Commission will relaunch the discussion on the Economic Governance Review in the coming weeks. The aim is to build a consensus on the way forward well in time for 2023.'
Commission communication (relaunch) 19 October 2021	Commission relaunches the review of EU economic governance. It organises a public consultation .
State of the Union address 14 September 2022	'We need fiscal rules that allow for strategic investment, while safeguarding fiscal sustainability. Rules that are fit for the challenges of this decade. In October, we will come forward with new ideas for our economic governance.'
Commission communication 9 November 2022	Building an economic governance framework fit for the challenges ahead
Special European Council meeting 9 February 2023 (conclusions)	'Taking into account the present conclusions, the European Council calls on the Council and the Commission to swiftly advance work on the economic governance review.'
Council orientations 14 March 2023	Economic governance framework: Council agrees on its orientations for a reform
European Parliament resolution 15 March 2023	European Semester for economic policy coordination 2023

<p>European Council meeting</p> <p>23 March 2023</p> <p>(conclusions)</p>	<p>'The European Council endorses the Council conclusions of 14 March 2023 on the economic governance review.'</p>
<p>Commission legislative proposals</p> <p>26 April 2023</p>	<p>Commission proposes new economic governance rules fit for the future.</p>
<p>European Council meeting</p> <p>29-30 June 2023</p> <p>(conclusions)</p>	<p>'The European Council invites the Council to take work forward on the Economic Governance Review, with a view to concluding legislative work in 2023.'</p>
<p>European Council meeting</p> <p>26-27 October 2023</p> <p>(conclusions)</p>	<p>'The European Council invites the Council to take work forward on the Economic Governance Review, with a view to concluding legislative work in 2023.'</p>
<p>ECON committee adopts position on new rules</p> <p>11 December 2023</p>	<p>Economic governance reform: improving credibility, ownership and scope for investment</p>
<p>Council agrees position on new rules</p> <p>21 December 2023</p>	<p>Economic governance review: Council agrees on reform of fiscal rules</p>
<p>European Parliament confirms ECON negotiating mandate</p> <p>17 January 2024</p>	
<p>Start of trilogue negotiations</p> <p>January 2024</p>	
<p>Political agreement</p> <p>10 February 2024</p>	<p>The co-legislators reach political agreement on the economic governance reform (European Parliament press release, Council press release, European Commission press release, provisional agreement text)</p>

 European Council,
  Council of the European Union,
  European Parliament,
  European Commission,
  other