



"WHY THE TASK FORCE PROPOSALS WILL MAKE THE EUROPEAN ECONOMIES MORE CRISIS PROOF"

FACTSHEET ON THE SURVEILLANCE PROCEDURES IN THE EU

Brussels, 21 October 2010

The Task Force delivered a set of recommendations in five areas aiming at:

- 1) reinforcing fiscal discipline, notably through a stronger Stability and Growth Pact (SGP)
- 2) broadening economic surveillance to encompass macro imbalances and competitiveness
- 3) deepening and broadening policy coordination
- 4) a robust framework for crisis management
- 5) strengthening institutions for more effective economic governance

The recommendations under the SGP, and in particular the enforcement measures proposed, have received particular attention. The table below compares the current rules with the Task Force recommendations for budgetary and macroeconomic surveillance. It reflects in a simplified manner the changes proposed.

In a nutshell, the new enforcement measures will apply earlier-- starting already in the preventive phase of the SGP-- will be more progressive and will be decided by reverse qualified majority.

[Remarks by President Van Rompuy following the last meeting of the Task Force on economic governance](#)

[Report of the Task Force on economic governance to the European Council](#)

P R E S S

Current rules	Recommendation by the Task Force
Sanctions under the preventive arm of the SGP	
<p>In case of deviation from the adjustment path:</p> <ul style="list-style-type: none"> • Early warning by the Commission • Council may address the necessary recommendations. The recommendation may be made public. 	<p>In case of deviation from the adjustment path:</p> <ul style="list-style-type: none"> • Early warning by the Commission • Council recommendation (within one month) setting a deadline for correcting the deviation. The recommendation may be made public.
	<ul style="list-style-type: none"> • Interest-bearing deposit applies if no appropriate action is taken within a maximum of five months (three months in serious cases) for euro area Member States.
Sanctions under the corrective arm of the SGP	
<p>When Member States are placed in Excessive Deficit Procedure (EDP), a deadline of 6 months is given to take effective action to correct the situation (article 126.6-7)</p>	<p>When Member States are placed in EDP, two possibilities:</p> <ul style="list-style-type: none"> • Non-interest bearing deposit will be applied immediately for Euro area Member States that have already been subject to financial sanctions under the preventive arm. • For those Euro area Member States that have not been sanctioned under the preventive arm, the Council will adopt a recommendation setting a deadline for effective action. However, in case of particularly serious slippages, sanctions could be applied immediately. <p>When warranted by the situation, the steps under the EDP should be accelerated (e.g. 3 months rather than 6 for effective action)</p>
<p>If no effective action has been taken within the given deadline, the Council may make its recommendation public (article 126.8). It may also give notice to the Member State concerned to take measures to reduce the deficit (article 126.9).</p>	<p>If no effective action is taken within the given deadline, Euro area Member States will be subject to a fine.</p>
<p>If the Member State persists in failing to comply with the Council recommendations, the Council may apply sanctions (article 126.11)</p>	<p>If a Euro area Member State persists in failing to put into practice the Council recommendation, the fine will be increased, including a variable component related to the level of the deficit.</p>
Decision making	
<p>All decisions are taken by the Council, on the basis of Commission recommendations, under a normal qualified majority rule.</p>	<p>Decisions foreseen in the Treaty are taken on the basis of current voting rules. All decisions on the new sanction regime for euro area Member States based on article 136 of the Treaty will be taken on the basis of reversed qualified majority rule.</p>

Current rules	Recommendation by the Task Force
Macroeconomic surveillance	
	An alert mechanism based on a scoreboard covering a number of indicators and economic analysis for monitoring and assessment of macroeconomic imbalances and vulnerabilities. Implementation of an enforcement framework with a corrective phase.
<p>In case the policies of a Member State are not in line with the broad economic policy guidelines, or may threaten the proper functioning of EMU:</p> <ul style="list-style-type: none"> • Early warning by the Commission Council may address the necessary recommendations. The recommendation may be made public. <p>(No agreed indicators to base the assessment)</p>	<p>In case the policies of a Member State are not in line with the broad economic policy guidelines, or may threaten the proper functioning of EMU:</p> <ul style="list-style-type: none"> • Early warning by the Commission • In case of particularly serious imbalances, the Council will place the country in "excessive imbalance position" with a recommendation to correct the imbalances • Increased reporting and monitoring
	<ul style="list-style-type: none"> • For euro area Member States, sanctions will ultimately be applied in case of repeated non-compliance