



**EUROPEAN COUNCIL  
THE PRESIDENT**

**Brussels, 22 October 2010**

**PCE 239/10**

**Herman VAN ROMPUY,  
President of the European Council,  
transmits to the Heads of State or Government  
the report of the Task Force on economic governance**

I am pleased to transmit to you the final report of the Task Force I chaired on the reform of economic governance in the EU.

The Task Force was mandated by the European Council of 25-26 March to "present to the Council, before the end of this year, the measures needed to reach the objective of an improved crisis resolution framework and better budgetary discipline, exploring all options to reinforce the legal framework". After sometimes intensive discussions, this report, which builds further on the conclusions adopted by the European Council in June 17, has been adopted by the Task Force.

The recommendations we make are aimed at strengthening fiscal discipline, introducing real macro-economic surveillance, and setting the principles for a robust crisis management framework. Clearly, compromises had to be made, but I am convinced that the implementation of these recommendations will induce a major improvement in the economic governance of the European Union and the Euro area. They will make our economies more crisis-proof. The attached table comparing the current rules and the recommendations of the TF shows the importance of the projected reforms.

The recommendations take into account the treaty framework in which we are operating. The report also identifies issues, such as the crisis mechanism for the euro area, which, depending on its specific features, may require some limited treaty change.

During our work, I was struck by the high degree of convergence of views on the overall objectives. Everybody agreed on the need to put in place a governance system robust enough to avoid the repetition of past mistakes. This implies strengthening the economic pillar of our Economic and Monetary Union and ensuring that the EU dimension is better taken into account in the national policy-making. The fact that economic decisions of one Member State affect all the others seemed just theoretical knowledge a year ago; now it is a practical experience and we must act upon it. It is the report's bottom-line.

**P R E S S**

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Without entering into the detail of all recommendations of the report, I would like to highlight a number of elements which I personally consider to be central in our conclusions and which have received a lot of attention in the last few days:

- first, the development of the new macro economic surveillance framework is key in our new system. We need to go beyond fiscal surveillance through the Stability and Growth Pact, and to ensure that imbalances and vulnerabilities are detected earlier and seriously addressed.
- second, concerning the sanction system under the Pact, we propose to enlarge the spectrum of sanctions, to apply them earlier and on a more automatic basis. These sanctions will be first applied to euro area Member States only. One very important innovation is that sanctions can already be applied in the preventive arm of the Pact (before a country reaches the 3% deficit). For the new sanctions that will be adopted in secondary legislation, we will move towards qualified reverse majority vote. There have been some misunderstandings about this issue. Of course, any measure taken must be anchored in the surveillance procedures defined in the Treaty, which are based on qualified majority rules. This is clearly recognized in the Commission's legislative proposals and in our recommendations.
- third, concerning the steps leading to sanctions, we tried to reach a balance between the need to act quickly, as a deterrent for bad fiscal behaviour, and the need to respect the institutional balance and procedures as set out in the Treaties.

Our recommendations are close to the Commission's legislative proposals, while taking into account two additional sets of considerations:

- in the preventive arm, early implication of the Council to set up a deadline for corrective action is important in terms of political support; in the corrective arm, when applying quasi-automatic sanctions to a Member State placed in the excessive deficit procedure, it is important to take into account its track record (and notably whether it has or has not been subject to sanctions before reaching the 3% deficit).
- We also included safeguards in both the preventive and corrective arm of the Pact to ensure a timely reaction, within a specific timeframe, of the Council, and the possibility to accelerate the procedures if warranted by the circumstances.

Recommendations regarding national fiscal frameworks, or statistical systems and the European Semester have drawn less public attention, but they obviously are, as experience has proven, of great importance for the credibility and the good functioning of our Union.

Of course, the full support of the European Council for the speedy implementation of these recommendations will be very important. I count on your active support in this regard.

I should like take this opportunity to thank again all the members of the Task Force, and their Sherpas, for their constructive and stimulating contributions to this report.

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[Factsheet on the surveillance procedures in the EU](#)