



# COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

#deepeningEMU



## AN ADVISORY EUROPEAN FISCAL BOARD

*"One of the main lessons of the crisis has been that fiscal policies are a matter of vital common interest in a Monetary Union. Even a strong Economic and Financial Union and a price stability-oriented common monetary policy are no guarantee for EMU to always function properly. (...) Responsible national fiscal policies are therefore essential."*

Five Presidents' Report "Completing Europe's Economic and Monetary Union", 22 June 2015

### WHY ARE SOUND FISCAL POLICIES IMPORTANT?

Public debt levels have risen substantially over the last years as a consequence of the economic and financial crisis. The average ratio of public debt to GDP in the euro area stands at over 90% today, compared with below 70% before the crisis. The graph shows the rise of debt levels in the past 20 years.

Public finances are expected to face significant pressures in the years to come as a result of demographic trends, including ageing populations. Among euro area Member States, healthy public finances and sound fiscal policies are essential as problems in one Member State can easily spill over to others. While each Member State needs to follow appropriate fiscal policies, it is also important that the overall direction of fiscal policy is suitable for the euro area as a whole.

Following the recommendations of the "Five Presidents' Report", the Commission proposes to set up an European Fiscal Board as an advisory body on the overall direction of fiscal policy in the euro area and in the Union and an independent evaluator of how the EU's fiscal framework is being implemented.



## WHAT WILL BE THE TASKS OF THE EUROPEAN FISCAL BOARD?

The European Fiscal Board will feed into the Commission's work of surveillance and enforcement of the Stability and Growth Pact (SGP). It will advise on the overall direction of fiscal policy of the euro area and evaluate how the fiscal governance framework was executed. The Board would neither replace national fiscal councils nor duplicate the Commission's work on applying the Stability and Growth Pact.

## HOW WILL THE BOARD WORK WITH THE COMMISSION AND NATIONAL FISCAL COUNCILS?

According to the so-called two-pack legislation on the strengthening of economic and budgetary surveillance, in force since May 2013, Member States are required to have in place an independent body, also known as fiscal councils, that assesses compliance with national fiscal rules.

The European Fiscal Board will cooperate closely with national fiscal councils and will benefit from their expertise in fiscal matters, as well as from their particular local knowledge. The cooperation is expected to benefit both the European Fiscal Board and the national fiscal councils by promoting exchange of best practices and common understanding on EU fiscal matters.

## HOW WILL THE BOARD BE DESIGNED?

The Commission competences related to EU budgetary surveillance are firmly anchored in the Treaties. The European Fiscal Board would support the Commission's work by contributing to more informed discussions and decision-making on budgetary matters relevant for the whole euro area as well as on reflections for future improvement of the EU fiscal framework.

The European Fiscal Board will provide advice and evaluation to the Commission. The board will be composed of five renowned international experts with credible competence and experience in macroeconomics and practical budgetary policy-making. In line with best practices, these experts will be nominated by the Commission in consultation with several key stakeholders such as the European Central Bank, the Eurogroup Working Group and the national fiscal councils. While necessarily linked to the Commission for practical administrative purposes, the European Fiscal Board will carry out its tasks autonomously.