WHAT ARE THE EU FISCAL RULES ALL ABOUT?

The EU fiscal rules are a set of rules to constrain the fiscal policies of Member States to reduce spillover effects from economic crises and ensure the stability of public finances and economic growth. They aim to prevent governments from overspending and piling up their debt.

Outdated

The rules were established back in the 1970s and have not been updated to reflect today’s realities.

Unable to prevent economic crises

The rules provide little guidance to Member States on how to prevent economic crises.

Unequal to the quality of spending

The rules do not take into account the quality of spending, which is key for encouraging a just transition.

Blind to fiscal impacts of climate change

The rules do not distinguish between harmful and transition-friendly investments and how they contribute to achieving environmental and social goals.

Complex

There are over 10 different rules and regulations, making the framework very complex and inaccessible for non-experts.

The rules are enshrined in the Stability and Growth Pact, which form the core of the EU fiscal framework. Failure to abide by these rules can be sanctioned with fines up to a maximum of 0.5% of GDP.

Why is the current framework unfit to respond to today’s challenges?

Long-term

- Replace the Sustainability and Growth Pact with a Sustainability and Wellbeing Pact for Europe
- Replace arbitrary rules with more flexible fiscal standards and introduce country-specific debt reduction pathways
- Put environmental, social and gender justice goals at the heart of EU economic governance instead of GDP growth at all costs; citizens’ money must be well-spent and serve democratically defined objectives
- Take a new approach to debt sustainability that takes into account both national contexts and (climate) related fiscal risks
- Avoid any return to austerity until new rules are agreed upon
- Exempt social and green investments from the deficit rules in the Stability and Growth Pact
- Improve transparency, participation and national ownership

Short-term

- Promote a progressive tax reform
- Green the European Semester
- Promote a high-quality recovery plan and social dividend
- Adopt a credible and comprehensive green recovery plan
- Ensure that recovery investments are aligned with the EU’s climate and social objective
- Adapt a recovery plan that is inclusive and supportive of a just transition

WHAT DO WE DEMAND?