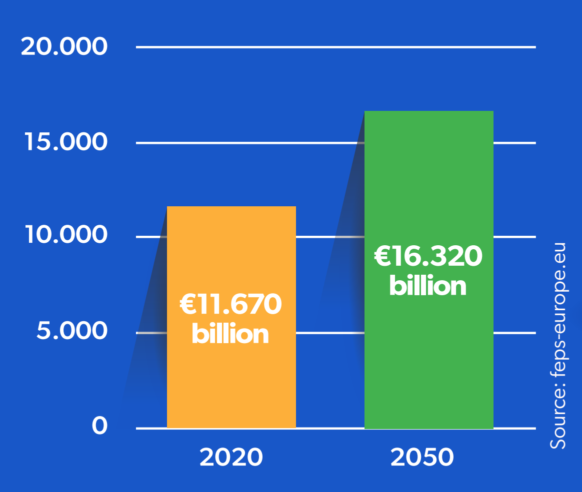
TIME FOR A SUSTAINABILITY AND WELLBEING PACT

€520 billion

per year is the European Commission's most recent estimate of the "green investment gap" with other estimations being much higher (see graph)



A deep reform of the EU fiscal rules is urgently needed

to tackle environmental and social crises and incentivize investments into a just and green transformation of our economies. The green investment gap cannot only be covered by the private sector as many of the investments needed don't have a business case.

WHAT ARE THE EU FISCAL RULES ALL ABOUT?

The EU fiscal framework is 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. It aims to prevent governments from overspending and piling up their debt.

3%

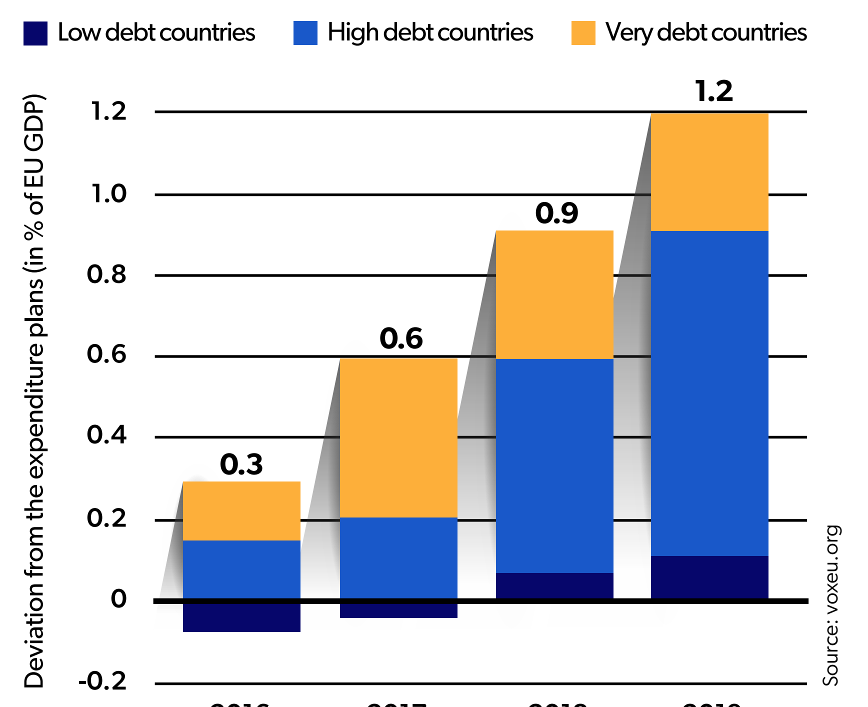
The deficit rule

the deficit of a country has to remain below 3% of the GDP

60%

The debt rule

the debt of a country has to stay below 60%



These rules are enshrined in the Stability and Growth Pact which forms the core of the fiscal framework. Failure to abide by these rules can be sanctioned with fines up to a maximum of 0,5% of GDP.

In addition, the European Commission and the Council of Minister's issue annual recommendations on policy measures and surveillance to Member States to keep each one compliant with budget regulations.

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

Outdated

The rules are outdated and based on flawed assumptions that have been disproven scientifically.

Indifferent to the quality of spending

The rules do not distinguish between harmful and transition-friendly investments and how they contribute to achieving environmental and social goals but the quality of spending is key for encouraging a just transition.

Blind to fiscal impacts of climate change

The rules prioritize debt sustainability ignoring financial risks related to climate threats and their impacts on the economy and public finance.

Unable to prevent economic crises

The rules limited Member States' ability to recover from the financial crises in 2008 through austerity measures imposed by the framework.

Complex

With over 10 different rules and regulations, the framework is very complex and inaccessible for non-experts making economic decision-making intransparent and exclusive.

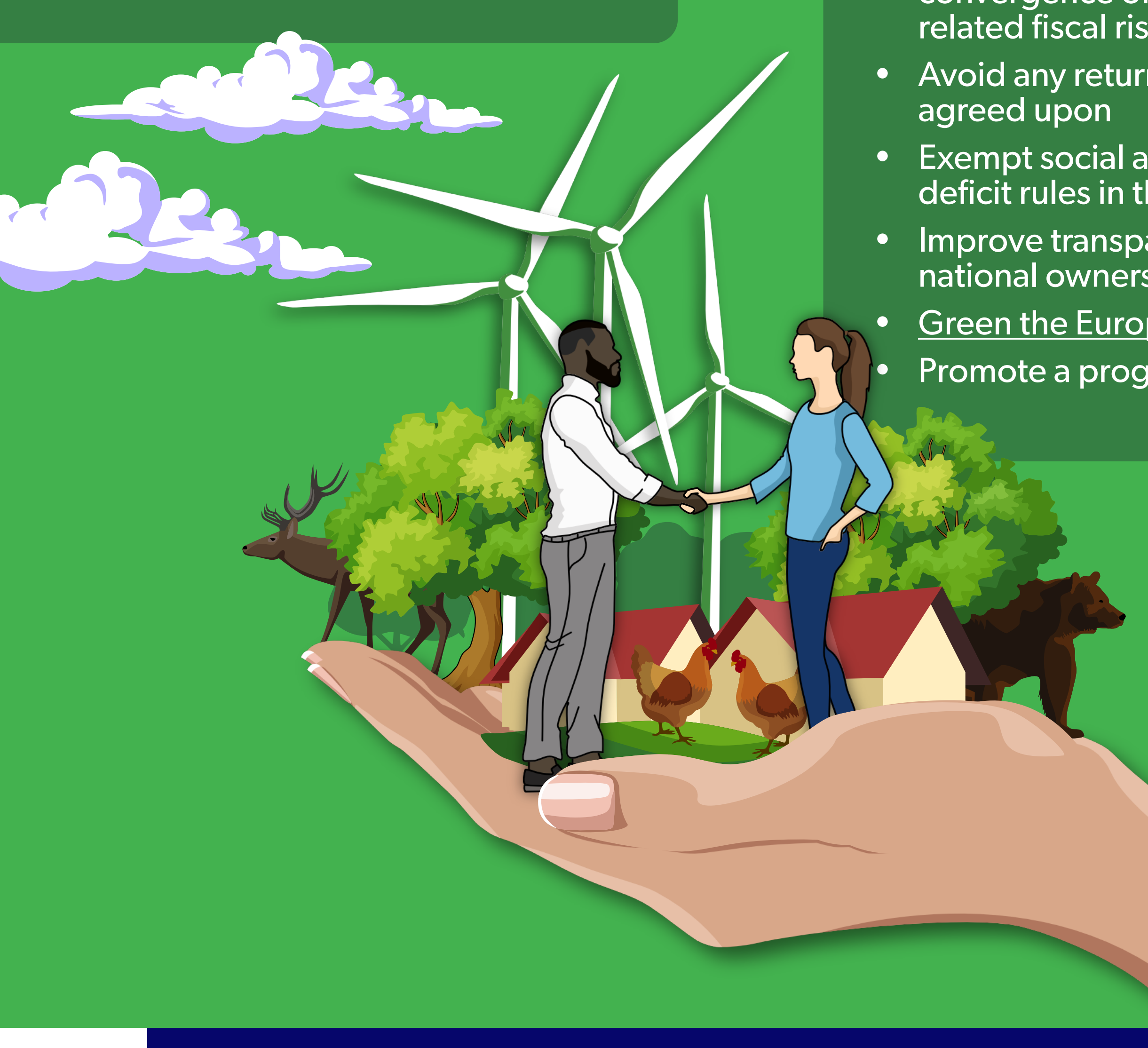
WHAT DO WE DEMAND?

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

Short-term

- 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 national contexts, the convergence of EU economies 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
- Green the European Semester
- Promote a progressive tax reform



EEB European Environmental Bureau

www.fiscalmatters.eu

For more information:
contact Katy Wiese (katharina.wiese@eeb.org)

and see: www.fiscalmatters.eu, eeb.org/library/eebs-submission-on-the-review-of-the-eu-economic-governance-framework/