

Strengthening of surveillance of budgetary positions and surveillance and coordination of economic policies

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On 3 May 2005, the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on a proposal for a Council regulation amending Regulation 1466/97/EC on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

Sound fiscal policies are fundamental to the success of economic and monetary union (EMU). They are prerequisites for macroeconomic stability, growth and cohesion in the euro area. The fiscal framework enshrined in the Treaty and in the Stability and Growth Pact is a cornerstone of EMU and thus key to anchoring expectations of fiscal discipline. This rules-based framework, which aims to secure sustainable public finances while allowing the smoothing of output fluctuations through the operation of automatic stabilisers, needs to remain clear, simple and enforceable. Compliance with these principles will also facilitate transparency and equal treatment in the implementation of the framework.

To recall, the objective of the proposed regulation is to reflect changes in the implementation of the Stability and Growth Pact that were agreed by the Council on 20 March 2005. The proposed regulation concerns the surveillance process and the setting of medium-term objectives for Member States' fiscal policies. While the ECB does not see a need to express an opinion on the specific provisions of the proposed regulation, it endorses the aim of improving the surveillance and coordination of economic policies so as to achieve and maintain medium-term objectives that ensure the sustainability of public finances. A rigorous and consistent implementation of the surveillance procedures would be conducive to prudent fiscal policies.