

The Stability and Growth Pact: Ensuring Fiscal Discipline and Stability Across the EU

Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union

Session II: The reform of the economic governance framework

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- Established in 1997 to coordinate national fiscal policies in the EU
- Aims:
 - to facilitate and maintain the stability of the EMU
 - by preventing excessive government deficits and debt of member states
- 2 council regulations:
 - "preventive arm" (on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies)
 - "dissuasive/corrective arm" (on speeding up and clarifying the implementation of the excessive deficit procedure)
- Ensures that no country's economic imbalance negatively impacts the broader EU economy.

Key objectives:

- ensure fiscal stability
- sustainable and inclusive growth

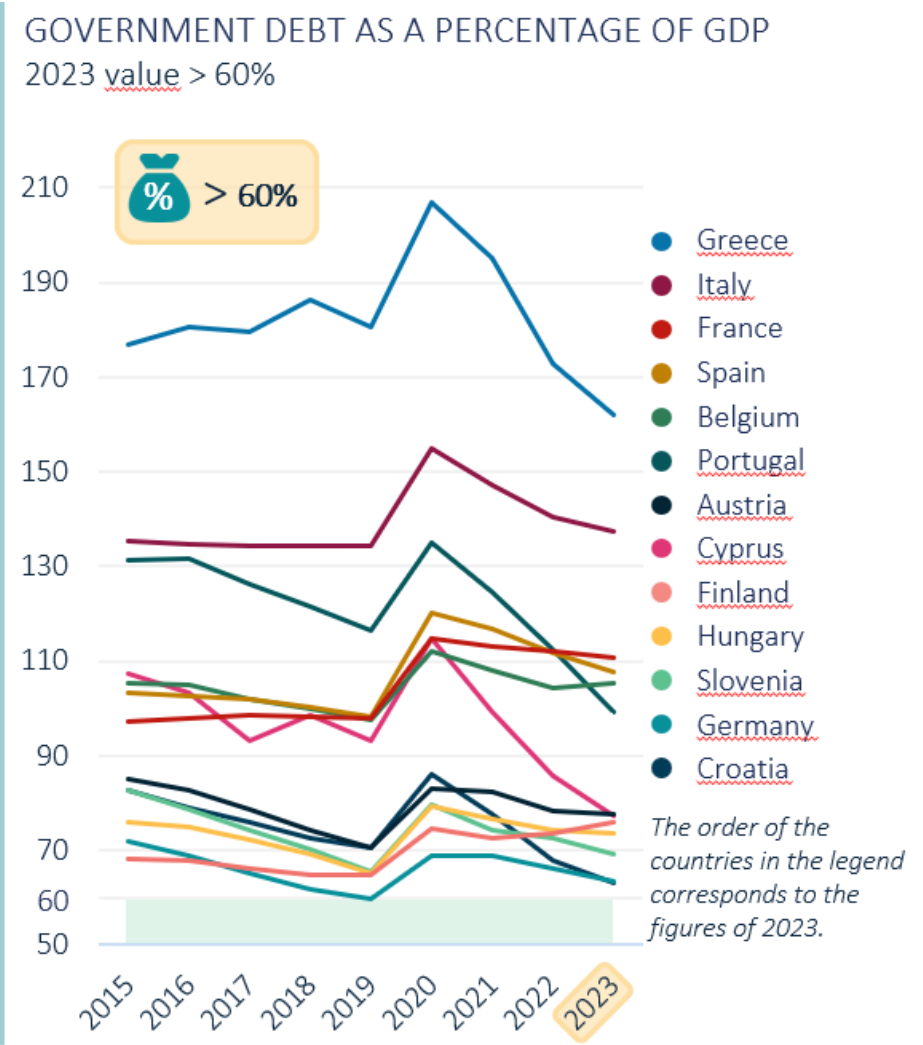
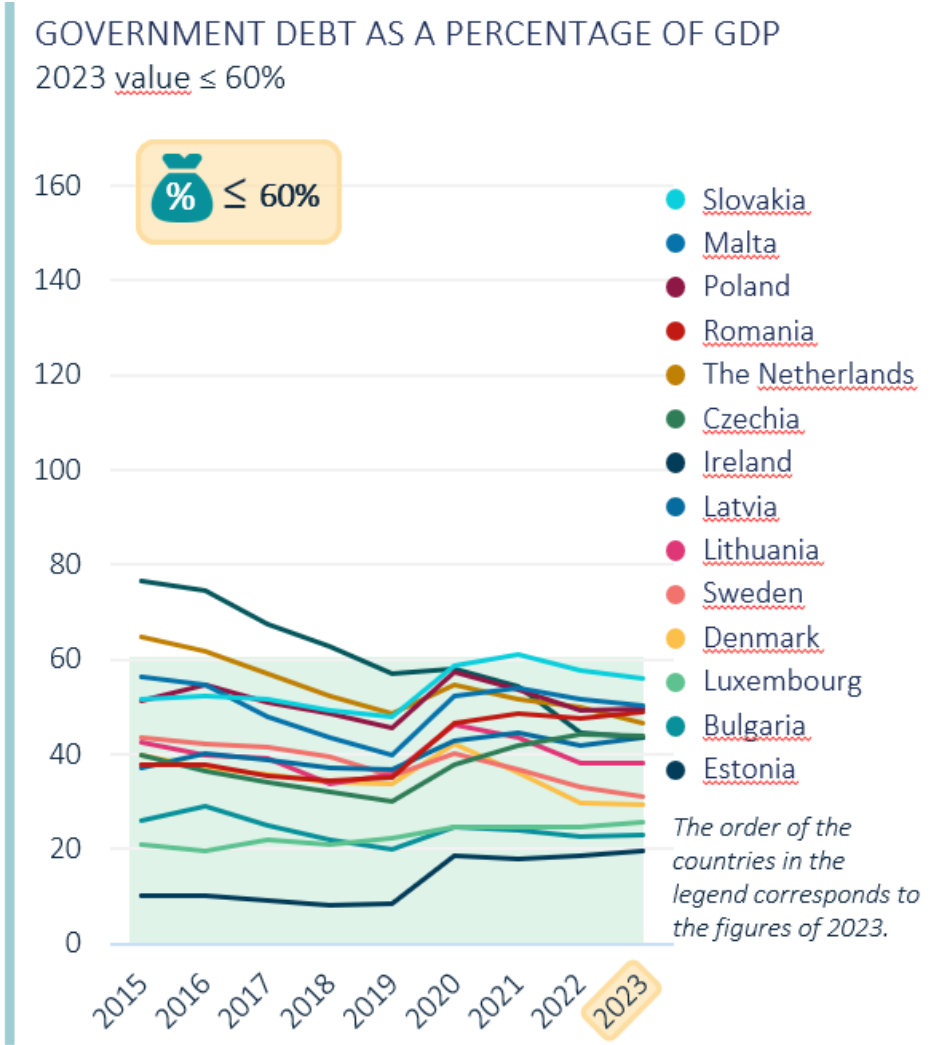
Further objectives:

- coordination
- crisis prevention

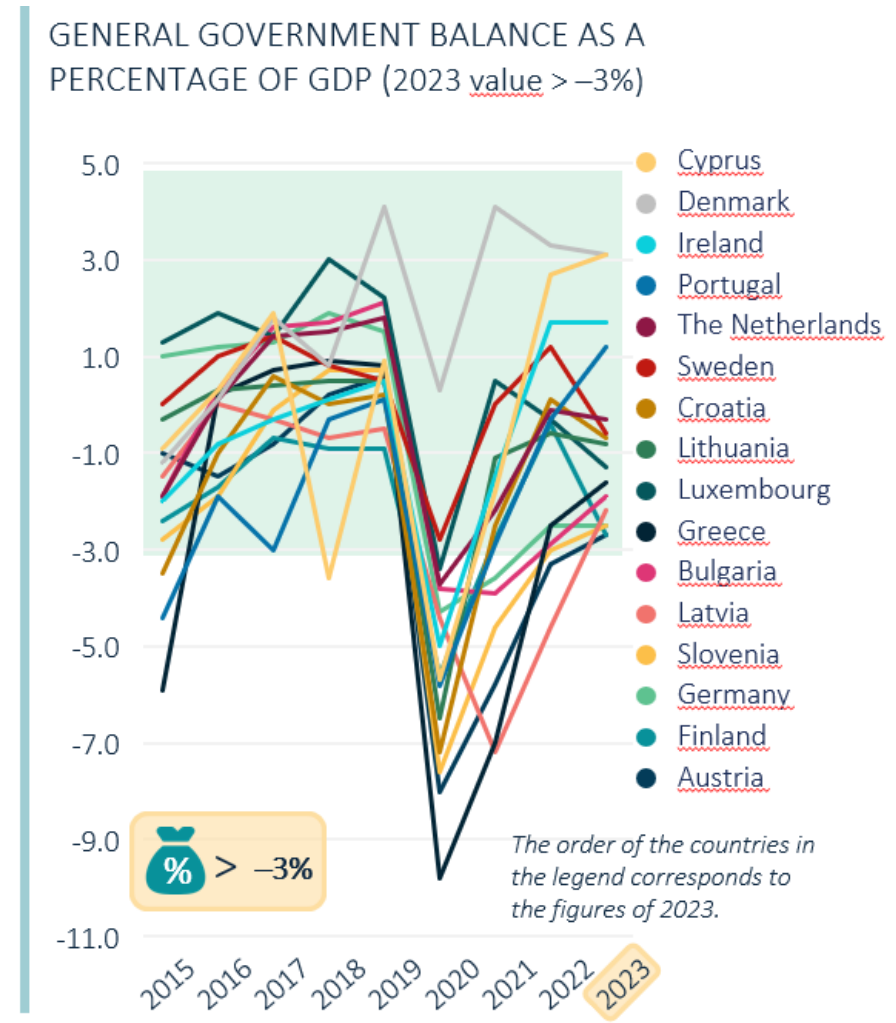
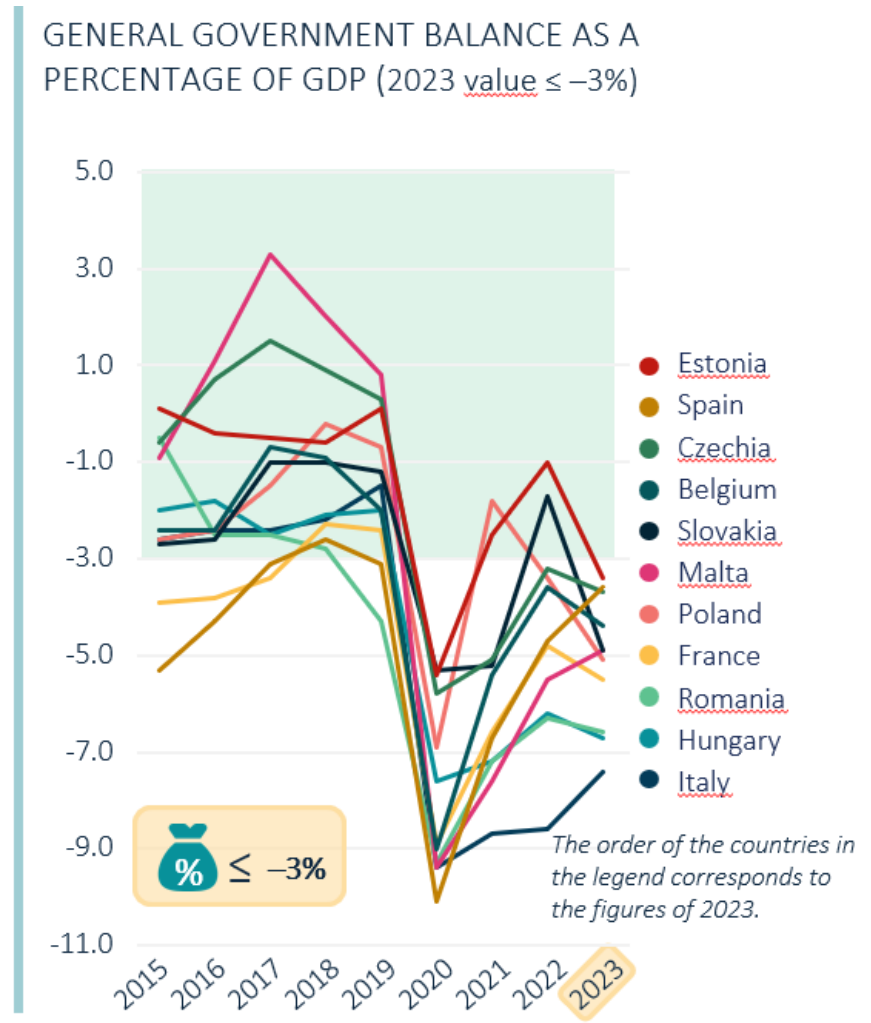
III. The fiscal rules to follow and their importance

- Debt Rule: National debt must be less than 60% of GDP.
- Deficit Rule: Government deficit must be below 3% of GDP.
- These criteria form the foundation for fiscal discipline in the EU.

IV. Debt as a percentage of GDP in EU countries (2015-2023)



V. Deficit as a percentage of GDP in EU countries (2015-2023)



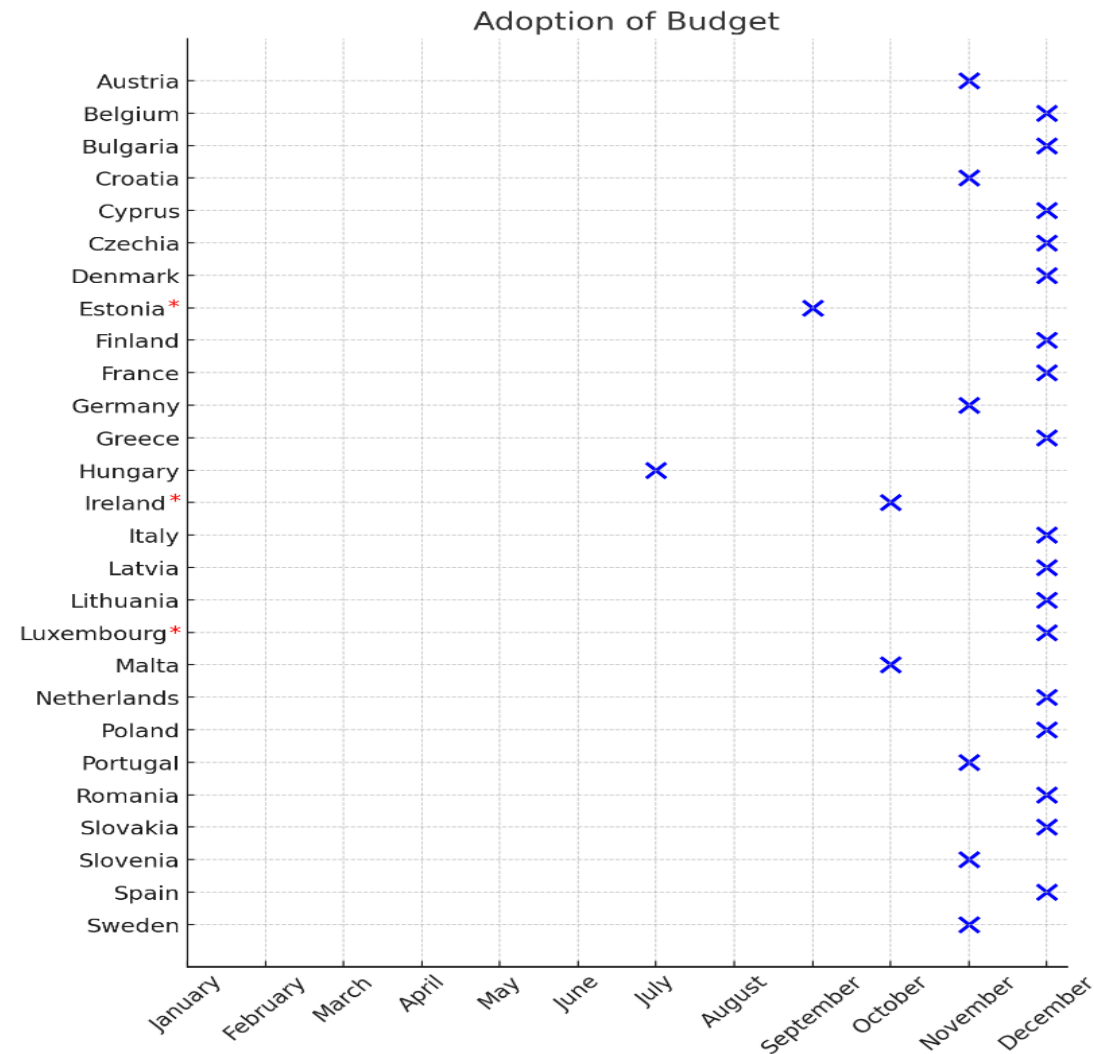
- Mechanism to enforce fiscal discipline.
- Activated when a member state exceeds the 3% deficit or 60% debt thresholds.
- The European Commission monitors and issues recommendations for corrective actions.

Countries currently under EDP:

- Italy (-7.4%)
- Hungary (-6.7%)
- France (-5.5%)
- Poland (-5.1%)
- Malta (-4.9%)
- Slovakia (-4.9%)
- Belgium (-4.4%)

- (+Romania (-6.6%))

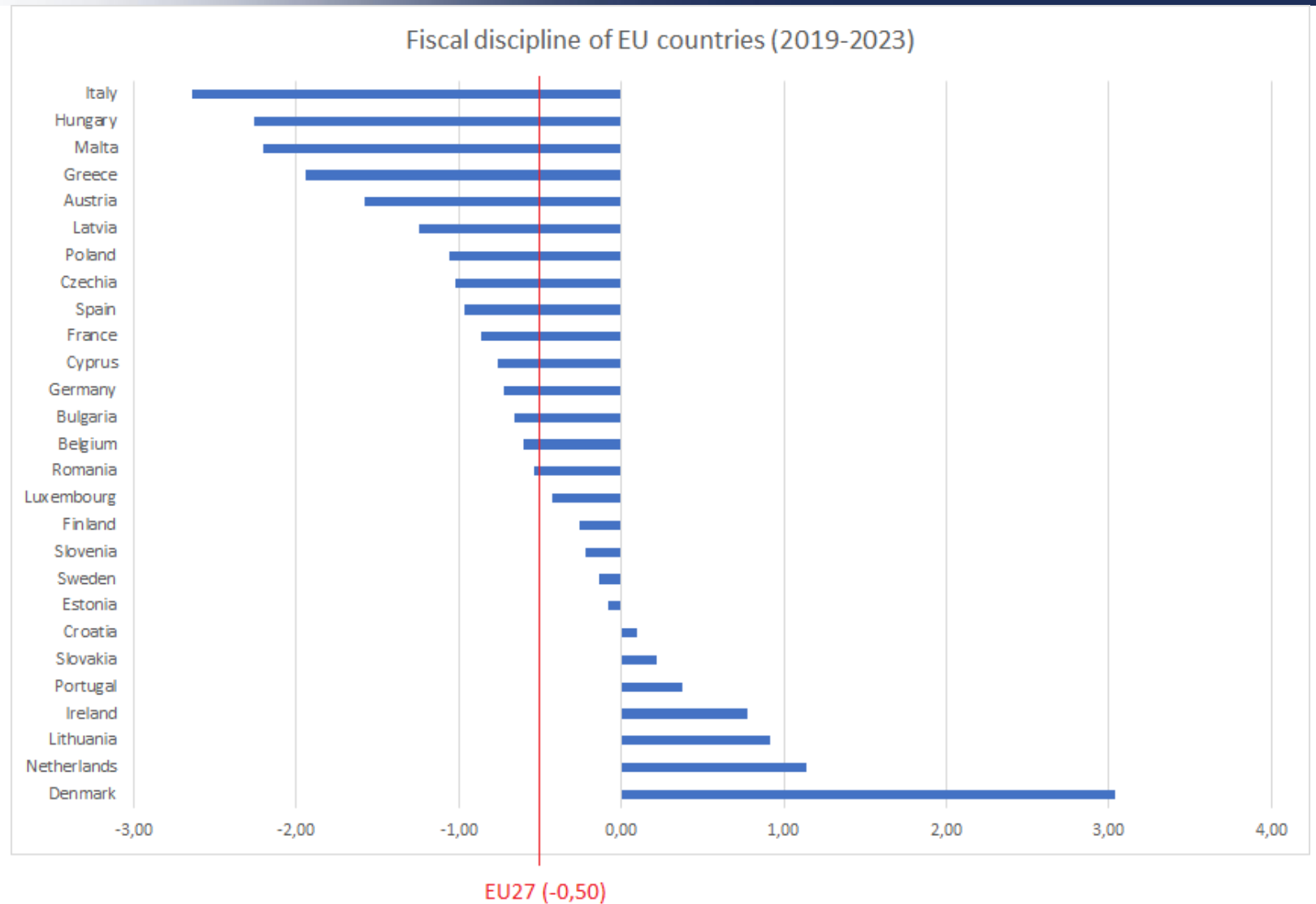
Actual dates of adoption of central budgets of member states:



Note: * Submission deadline was communicated instead of adoption

VIII. Fiscal discipline of EU countries (2019-2023 average)

An important aspect of the SGP is how member states plan their annual budgets and how they actually perform against these plans. Often there is significant discrepancy.



- **Economic Shocks:** Recessions, pandemics, or other global crises lead to higher spending and lower revenues.
- **Political Pressures:** Governments may overspend due to elections or populist policies.
- **Forecasting Errors:** Inaccurate projections of growth, inflation, and tax revenues.

- Adopted in April 2024 to modernize fiscal governance in the EU.
- Aim: strike a better balance between fiscal discipline and the need for sustainable, long-term growth
- Key reforms:
 - Emphasis on sustainable and inclusive growth.
 - Flexibility for governments to invest in green and digital transitions.
 - A new framework for monitoring national fiscal plans:
 - Stronger national ownership with medium-term plans
 - Simpler rules taking account of different fiscal challenges
 - Promoting reforms and investment
 - Enhancing enforcement

- The Stability and Growth Pact is essential for maintaining fiscal stability in the EU.
- By adhering to the 3% deficit and 60% debt criteria, member states contribute to a stable and prosperous European economy.
- Ongoing reforms will ensure that the SGP continues to support growth while promoting fiscal discipline.

Thank you for your attention!

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