

Working Group VI

Working document 04

Working group VI Economic governance

Members of Working Group VI will find attached a discussion paper resulting from the meeting of the group on 20 June. It is intended that this will provide the basis for the discussions at the next meeting on 24 June.

Discussion Paper

At its meeting on 20 June, the Working Group examined the issues set in Sections 5 and 6 of the group's mandate (document CONV 76/02). The purpose of this paper is to set out the main elements which emerged from the meeting, and to identify specific issues which will require further discussion. It is therefore intended as a guide for the next meeting of the group on 24 June .

Point 5

There was broad agreement that the current structure should be maintained, and that there should be no change in the existing attribution of competences.

Several members of the group suggested that the existing objectives of the ECB to maintain price stability might be widened to take into account additional factors such as ensuring economic growth and job creation. The US Federal Reserve was highlighted as a possible example.

There was a general view that, whilst the existing attribution of competences should not be called into question, there was scope for improved coordination between the economic policies of Member States, and that these should be defined more extensively.

There were a number of members who called in particular for a review of the mechanisms of the procedures for establishing the Broad Economic Policy Guidelines and their implementation. Several considered that amending the current procedures so as to give the Commission the right to make formal proposals would better take into account the common European interest, and that this should be accompanied by appropriate changes necessary to maintain the legitimacy of the system. Proposals included increasing the role of the European Parliament and providing for greater consultation of the social partners.

The issue of legitimacy within Member States was also raised. It was suggested that some of the proposed amendments to the procedures for the BEPG would not address the problem of lack of commitment by Member States to the current coordination mechanism. The issue of giving the public and national parliaments a stake in the process should be addressed.

Point 6

There was agreement that the Stability and Growth Pact should be maintained outside the Treaty framework, but it was felt that it was not functioning satisfactorily, in particular because insufficient emphasis had been put on achieving economic growth.

A number of members felt that the Pact was currently too rigid, and that flexibility could be achieved through taking greater account of specific national conditions and of the differences between structural and conjunctural deficits, as well as by regular review. It was suggested that the golden rule on public investment be recognised, and that due account would need to be taken of the costs of an ageing population. Several members considered that introducing flexibility into the Pact itself should be combined with its more rigorous application.

It was suggested that the system for determining the existence of an excessive deficit might be more independent if the decision to issue an early warning lay with the Commission rather than the

Council. It was also proposed that greater efficiency might be introduced into the procedures by excluding the Member State concerned from the decision-making process.

Several members suggested that a tightening of the procedures should be accompanied by efforts to ensure a greater stake from the public and national parliaments in respecting the requirements at a European level for budget discipline.

It was proposed that the effectiveness of the SGP depended also in part on the quality and availability of statistics, and that would become even more important with enlargement.

The Group is invited at its meeting on 24 June to look specifically at the following issues:

- **Should the Commission be given the right to make formal proposals (rather than recommendations) under the BEPG, and if so, what implications would that have on the role of the EP in the process?**
- **What measures might be envisaged to strengthen the commitment of Member States to the policy coordination process?**
- **How exactly could greater flexibility be introduced into the SGP? How can it be made more efficient? What changes might be made to the respective roles of the Council and Commission in the excessive deficit procedure?**
- **What specific measures might be taken to ensure greater Member State commitment to requirements at a European level for budgetary discipline?**