



## **Fiscal policy guidance for 2024: Promoting debt sustainability and sustainable and inclusive growth**

Brussels, 8 March 2023

The Commission is today providing [guidance](#) to Member States on the conduct and coordination of fiscal policy for next year. This guidance comes as discussions on the future economic governance framework are ongoing. Overall, fiscal policies in 2024 should ensure medium-term debt sustainability and promote sustainable and inclusive growth in all Member States.

### **Implications of deactivating the general escape clause and the ongoing economic governance review**

The general escape clause of the Stability and Growth Pact, which provides for a temporary deviation from the budgetary requirements that normally apply in the event of a severe economic downturn, will be deactivated at the end of 2023. Moving out of the period during which the general escape clause was in force will see a resumption of quantified and differentiated country-specific recommendations on fiscal policy.

Discussions on a revised economic governance framework, based on the Commission's [orientations](#) presented in November 2022, are ongoing. Until a new economic governance framework comes into operation and in view of the new post-pandemic reality, it is not appropriate to return to the sole implementation of the rules of the Stability and Growth Pact in force prior to the activation of the general escape clause in 2020.

Given that a new legal framework, based on the outcome of the ongoing economic governance review, is not yet in place, the current legal framework continues to apply. At the same time, to allow for an effective bridge to the future fiscal rules and to take into account current challenges, some elements of the Commission's reform orientations that are consistent with the current legislation could already be incorporated into the fiscal surveillance cycle.

The Commission, therefore, stands ready to propose country-specific recommendations on fiscal policy for 2024 that include a quantitative requirement as well as qualitative guidance on investment and energy measures. These recommendations will be consistent with the criteria proposed in the Commission's orientations, while also remaining consistent with the current legislation under the Stability and Growth Pact.

### **Guidance on the preparation of stability and convergence plans**

Member States are invited to set out fiscal targets in their stability and convergence programmes that comply with the fiscal adjustment criteria set out in the Commission's reform orientations. They are also invited to discuss how their reform and investment plans are expected to contribute to fiscal sustainability and sustainable and inclusive growth, including the green and digital transition and resilience objectives, in line with the criteria set out in the reform orientations.

The Commission, therefore, stands ready to propose country-specific recommendations on fiscal policy for 2024 that are:

- in line with the fiscal targets Member States set out in their stability and convergence programmes, so long as those targets are consistent with ensuring that the public debt ratio is put on a downward path or stays at a prudent level and that the budget deficit is below the 3% of GDP reference value over the medium term;
- quantified and differentiated on the basis of Member States' public debt challenges;
- formulated on the basis of net primary expenditure, as proposed in the Commission's reform orientations.

In addition, the Commission will continue to emphasise public investment in its country-specific recommendations on fiscal policy. All Member States should continue to protect nationally financed investment and ensure the effective use of funds under the Recovery and Resilience Facility and other EU funds, in particular for the green and digital transitions and resilience objectives.

The country-specific recommendations will also provide guidance regarding the fiscal cost of energy measures.

### **Implementing the excessive deficit procedure**

Given the persistently high uncertainty for the macroeconomic and budgetary outlook at this juncture, the Commission considers that a decision on whether to place Member States under the excessive deficit procedure should not be taken this spring. The Commission will propose to the Council to open deficit-based excessive deficit procedures in spring 2024 on the basis of the outturn data for 2023, in line with existing legal provisions.

Member States should take account of this in the execution of their 2023 budgets and in preparing their stability and convergence programmes this spring and the draft budgetary plans for 2024 this autumn.

### **Upcoming proposals on economic governance**

Discussions on the reform of the economic governance framework are progressing, following the Commission's [orientations](#) presented in November 2022, with a convergence of views emerging on several key issues. Other issues remain to be clarified.

The Commission intends to table legislative proposals following the upcoming Economic and Financial Affairs and the European Council in March 2023.

### **Next steps**

This Communication sets out preliminary fiscal policy guidance for 2024 which will be updated as necessary as part of the European Semester Spring Package in May 2023.

Updated guidance will continue to reflect the global economic situation, the specific situation of each Member State, progress on the discussion on the ongoing economic governance review and policy debates in the Council.

Member States are invited to reflect this guidance in their stability and convergence programmes.

### **Background**

Today's guidance seeks to inform the preparation of stability and convergence programmes in which Member States lay out their medium-term fiscal-structural plans. It will be followed in the spring with fiscal country-specific recommendations, which will be the basis for the Commission's monitoring of fiscal outcomes, starting with euro area Member States' draft budgetary plans for 2024 which the Commission will assess in the autumn.

The Commission published its [orientations](#) for a reform of the economic governance framework in November 2022. The key objectives of the proposal are to improve national ownership, simplify the framework and move towards a greater medium-term focus, combined with stronger and more coherent enforcement.

### **For More Information**

[Questions and answers](#): European Commission presents fiscal policy guidance for 2024

[Communication on fiscal policy guidance for 2024](#)

[Communication on orientations for a reform of the EU economic governance framework](#)

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Quotes:

The EU economy has weathered multiple shocks recently, from the pandemic to the impact of Russia's war against Ukraine. It is now time to strengthen our focus on future growth and debt sustainability. We want Member States to set ambitious fiscal targets for 2024, outline credible paths for reducing debt and identify how they will use reforms and investments to achieve sustainable and inclusive growth. We should start to phase out the sizeable support that people and businesses needed to cope with last year's energy price surge, starting with the least targeted measures. Ensuring sound, high-quality public finances will provide a good basis for pressing ahead with the green and digital transitions and strengthening our competitiveness.  
Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People - 08/03/2023

Triggering the general escape clause of the Stability and Growth Pact in 2020 was the right thing to do. It allowed EU governments to spend what was needed to cushion the blows caused first by COVID-19 and then Russia's war against Ukraine. And having helped our economies to weather these unprecedented storms, we can now confirm the clause's deactivation at the end of this year. We are also providing clear guidance today to our Member States as they look ahead to their 2024 budgets, while constructive discussions are ongoing on the reform of the Pact. Governments should pursue prudent fiscal policies, protect public investment and phase out energy support measures, starting with the least targeted. Lastly, given the still high economic uncertainty, we have decided not to open any Excessive Deficit Procedures until Spring 2024.  
Commissioner Paolo Gentiloni - 08/03/2023

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 [Press conference by Valdis Dombrovskis, Executive Vice-President of the European Commission, and Paolo Gentiloni, European Commissioner, on the fiscal policy guidance for 2024](#)