

(English version)

**Question for written answer E-002213/24
to the Commission
João Oliveira (The Left)
(22 October 2024)**

Subject: Budgetary impact of new economic governance rules and the need for methodological transparency

The consequences of budgetary constraints caused by years of following EU rules are plain to see in Portugal, in the erosion of public investment, public services and the social functions of the state.

A recent study shows that the application in Portugal and Finland of the new EU economic governance rules would lead to even deeper budget cuts than those introduced under the rules of the already burdensome Stability Pact. Hungary would also suffer more, if it were to adopt a seven-year plan.

Even the IMF has acknowledged that ‘on average, fiscal consolidations do not reduce debt-to-GDP ratios’.

What is more, the methodology used in the debt sustainability analysis is opaque.

Given all that, it is essential that we find out how the effects of the new rules are being assessed and how the rules will be reflected in the state budget, particularly with regard to stipulations concerning public investment and the financing of the social functions of the state.

In view of the above:

1. What is the Commission’s assessment of the negative effects of the new fiscal rules on these countries, especially Portugal, and what has it said to the Portuguese Government about this matter?
2. What steps will it take to make the debt sustainability analysis methodology transparent?

Submitted: 22.10.2024

**Answer given by Mr Dombrovskis on behalf of the European Commission
(4 February 2025)**

The new Economic Governance Framework supports Member States in achieving fiscal sustainability as well as sustainable economic growth.

Both are critical for the EU’s economic strength in today’s challenging global environment. In particular, the new framework encourages reforms and investments that will lay the foundations for long-term economic stability and sustainable growth.

As part of the implementation of the new framework, the Commission recommended on 26 November 2024 to the Council to endorse the fiscal path contained in Portugal’s medium-term fiscal-structural plan, which corresponds to an annual fiscal adjustment of 0.1% of gross domestic product for the period 2025-2028 ⁽¹⁾.

The new framework differentiates between Member States according to their fiscal position. As stipulated in Regulation 2024/1263 ⁽²⁾, the Commission applies a replicable, predictable and transparent methodology to assess the plausibility of whether the projected public debt ratio is on a downward path or remains at prudent level. For the first round of medium-term plans, this methodology is described in the Debt Sustainability Monitor 2023 ⁽³⁾.

The prior Commission’s guidance to Member States, derived from the Commission debt projection framework, is published when the medium-term plan is submitted, in accordance with Article 9 of the regulation, together with spreadsheets allowing to reproduce the calculations.

A working group for debt sustainability analysis has been established to explore possible methodological improvements.

⁽¹⁾ See : https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/national-medium-term-fiscal-structural-plans_en#portugal

⁽²⁾ <https://eur-lex.europa.eu/eli/reg/2024/1263>

⁽³⁾ See: https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en