

Report by the Task Force to the European Council on strengthening economic governance in the EU (21 October 2010)

Caption: In this report dated 21 October 2010, the Task Force on economic governance chaired by the President of the European Council, Herman Van Rompuy, makes recommendations and concludes that it will be impossible for monetary union in the European Union to function correctly in the long term unless economic coordination is strengthened.

Source: Groupe de travail sur la gouvernance économique. Strengthening Economic Governance in the EU, Report of the Task Force to the European Council, Brussels, 21 October 2010. Brussels: 21.10.2010. 16 p.

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STRENGTHENING ECONOMIC GOVERNANCE IN THE EU

REPORT OF THE TASK FORCE TO THE EUROPEAN COUNCIL

Brussels, 21 October 2010

STRENGTHENING ECONOMIC GOVERNANCE IN THE EU FINAL REPORT OF THE TASK FORCE TO THE EUROPEAN COUNCIL

EXECUTIVE SUMMARY

The financial crisis and the more recent turmoil in sovereign debt markets have clearly highlighted challenges in the European Union's economic governance.

To address these challenges, a fundamental shift in European economic governance is needed, commensurate to the degree of economic and financial integration already achieved through the monetary union and the internal market. The recommendations in the Task Force Report address the high degree of economic inter-dependence, particularly in the euro area, while preserving national responsibilities on fiscal and economic policies. The recommendations should be implemented in five main directions:

1. Towards greater fiscal discipline

The budgetary surveillance framework currently in place, defined in the Stability and Growth Pact (SGP), remains broadly valid. However, it needs to be applied in a better and more consistent way. In particular, there is a need for a greater focus on debt and fiscal sustainability, to reinforce compliance and to ensure that national fiscal frameworks reflect the EU's fiscal rules.

The criterion of public debt needs to be better reflected in the budgetary surveillance mechanism by paying greater attention to the interplay between deficit and debt. Therefore, the Task Force recommends to operationalise the debt criterion in the Treaty by defining an appropriate quantitative reference, and to apply it effectively--due account taken of all relevant factors-- notably as a trigger in the excessive deficit procedure.

To increase their effectiveness in the future, a wider range of sanctions and measures, of both financial and reputational/political nature, should be applied progressively in both the preventive and the corrective arms of the SGP, starting at an earlier stage in the budgetary surveillance process. Fairness, proportionality and equal treatment between Member States must be ensured.

The recommended political and reputational measures range from enhanced reporting requirements to ad-hoc reporting to the European Council, and enhanced surveillance, eventually followed by a public report.

The recommended financial sanctions range from interest-bearing deposits to fines. They will be first applied to euro area Member States only. As soon as possible, and at the latest in the context of the next multi-annual financial framework, the enforcement measures will be extended to all Member States¹, by making a range of EU expenditures conditional upon compliance with the SGP.

A more effective compliance regime will also be brought about by a higher degree of rule-based decision making. Therefore it is proposed to introduce a reverse majority rule for the adoption of enforcement measures. This means in practice that Commission recommendations would be adopted unless a qualified majority of Member States in the Council votes against within a given deadline.

¹ Except the UK as a consequence of Protocol 15 of the Treaty.

A set of agreed minimum requirements for national fiscal frameworks needs to be met before the end of 2013, covering the essential areas. Moreover, a set of non-binding standards should be agreed upon. The Commission and the Council will assess the national fiscal frameworks.

The task Force also recommends a number of measures to further strengthen Eurostat and the European statistical system.

2. Broadening economic surveillance: a new surveillance mechanism

The global crisis has demonstrated that compliance with the Stability and Growth Pact is not sufficient to ensure balanced growth in the EU.

The Task Force therefore recommends the introduction of a new mechanism for macroeconomic surveillance underpinned by a new legal framework alongside the budget-focused SGP.

An annual assessment of the risk of macroeconomic imbalances and vulnerabilities will be undertaken, using an alert mechanism based on a limited number of indicators. In case of actual or potential excessive imbalances, the Commission should conduct an in-depth analysis. In particularly serious cases, an "excessive imbalance position" should be launched by the Council, with a deadline to take a set of policy measures to address the problem. Euro area Member States may ultimately face sanctions in case of repeated non-compliance.

3. Deeper and broader coordination: the ‘European Semester’

One of the earliest Task Force recommendations to reinforce policy coordination, the so-called "European semester", has already been decided and will be implemented as of 1st January 2011. Each spring, it will allow a simultaneous assessment of both budgetary measures and structural reforms fostering growth and employment. This will contribute to ensure that the EU/euro area dimension is better taken into account when countries prepare budgets and reform programmes.

4. Robust framework for crisis management

Since the creation of the Task Force, the European Financial Stability Facility (EFSF) for the euro area and the European Financial Stability Mechanism (EFSM) have been set up and are now fully operational, offering therefore a good line of defence for the next three years.

The Task Force considers that in the medium term there is a need to establish a credible crisis resolution framework for the euro area capable of addressing financial distress and avoiding contagion. It will need to resolutely address the moral hazard that is implicit in any ex-ante crisis scheme. The precise features and operational means of such a crisis mechanism will require further work.

5. Stronger institutions for more effective economic governance

Stronger institutions both at national and EU level will contribute to improve economic governance. At the national level, the Task Force recommends the use or setting up of public institutions or bodies to provide independent analysis, assessments and forecasts on domestic fiscal policy matters as a way to reinforcing fiscal governance and ensuring long-term sustainability.

These recommendations are in line with the mandate given by the European Council of 25-26 March 2010 and with the interim report delivered by the President of the European Council to the European Council in June and September. The implementation of the Task Force recommendations will result in a substantial strengthening of the economic pillar of the Economic and Monetary Union. It will enhance confidence and contribute to sustainable growth.

Adoption of the secondary legislation on the basis of Commission proposals will be needed for the implementation of many of these recommendations. The Task Force calls on all parties to opt for a "fast track" approach, to ensure the effective implementation of the new surveillance arrangements as soon as possible.

1. INTRODUCTION

1. The Task Force was established by the European Council of 25-26 March 2010 with the mandate to present, before the end of this year, the measures needed to reach the objective of an improved crisis resolution framework and better budgetary discipline, exploring all options to reinforce the legal framework. The European Council of 17 June 2010 agreed with the first orientations from the Task Force and looked forward to their Final Report in October this year.
2. This Report outlines the main policy recommendations and concrete proposals agreed on by the Task Force and suggests further steps for their implementation. It aims at achieving a "quantum leap " in terms of more effective economic governance in the EU and the euro area, to be implemented in five main pillars:
 - (i) fiscal discipline, notably through a stronger Stability and Growth Pact
 - (ii) broadening economic surveillance to encompass macro imbalances and competitiveness
 - (iii) deeper and broader coordination
 - (iv) a robust framework for crisis management
 - (v) stronger institutions and more effective and rules-based decision making
3. These proposals aim at reflecting the specific features of the EU economic and monetary integration. The key challenge is to address the extremely high degree of inter-dependence, particularly in the euro area, as clearly highlighted by the recent crisis, while preserving national responsibilities on fiscal policy.
4. Given the urgency of a reinforced coordination of economic policies in the European Union as a whole, and in view of a swift implementation, all the recommendations by the Task Force aim to exploit to the maximum all the possibilities that EU secondary legislation can offer within the existing legal framework of the European Union. These recommendations should be implemented as soon as possible.

2. POLICY RECOMMENDATIONS

2.1 Towards greater fiscal discipline

5. The budgetary surveillance framework is key for ensuring fiscal discipline and the sustainability of public finances in the medium and long term. The Task Force's recommendation is to strengthen budgetary surveillance and reinforce compliance with EU budgetary rules. All elements presented in this section aim at a better and more consistent implementation of the Stability and Growth Pact (SGP), so as to provide a strong basis for ensuring long-term fiscal stability across the European Union.

2.1.1 Strengthening the focus on fiscal sustainability

6. The Task Force recommends that the criterion of public debt be better reflected in the budgetary surveillance mechanism.
7. This recommendation is in line with the rationale of the Treaty and the SGP. In practice, however, the implementation of the SGP has focused so far mainly on the deficit criterion. For the future, the Task Force recommends to give more prominence to public debt and fiscal sustainability in the budgetary surveillance framework. High indebtedness is a drag on medium- and long-term growth prospects, aggravates the risk of financial instability and reduces the ability to run counter-cyclical fiscal policies when the need arises. Reducing debt levels is also particularly important in view of the ageing populations and the impact of the recent bank rescue packages.
8. More attention should be given to the interplay between deficit and debt, and the debt criterion as defined in the SGP should be made operational to be effectively applied.
9. In the preventive arm of the SGP, a faster adjustment path towards the medium-term objectives (MTO) should be required for Member States faced with a debt level exceeding 60% of GDP or with pronounced risks in terms of overall debt sustainability.
10. In the corrective arm of the SGP, the Task Force recommends assessing in the Excessive Deficit Procedure (EDP) whether the budget deficit is consistent with a continuous, substantial and sustainable decline in the debt-to-GDP ratio. Therefore, bringing the deficit below 3% of GDP should not be sufficient for the abrogation of the EDP if the debt has not been put on a satisfactory declining path. Similarly, Member States with debt ratios in excess of 60% of GDP and a deficit below 3% of GDP would become subject to the EDP unless the decline of debt in a given preceding period is considered satisfactory.
11. The precise quantitative criteria, methodology and phasing-in provisions for assessing whether debt is declining on a satisfactory pace shall be defined and will be set out in the secondary legislation and/or the Code of Conduct. Taking into account that public debt dynamics is not only driven by the budget deficit, an assessment will be needed before launching an EDP procedure on the basis of the debt criterion. All relevant factors should be taken into account as outlined in the Commission proposal when assessing the satisfactory pace of debt reduction.
12. Specific attention should be paid to the impact of pension reforms in the implementation of the SGP, such as the setting up of a mandatory second pillar, on debt and the deficit.

2.1.2 Reinforcing compliance

13. The recent economic crisis has proved the need for enhancing the credibility and effectiveness of EU fiscal rules through stricter enforcement mechanisms in order to increase incentives for applying EU rules and recommendations and to prevent undesirable fiscal developments in Member States.

14. To increase their effectiveness in the future, a wider range of sanctions and measures, of both financial and reputational/political nature, should be applied progressively in both the preventive and the corrective arms of the SGP, starting at an earlier stage in the budgetary surveillance process. Fairness, proportionality and equal treatment between Member States should be ensured. However, the Task Force considers that differentiation in the timing and degree of enforcement of the SGP between euro area and non-euro area Member States is warranted by a higher level of integration and inter-linkages within the euro area compared to the EU as a whole.
15. The Task Force recommends complementing the existing sanctions under the SGP through the following measures:
 - a) *Enlarging the spectrum of available measures to ensure stricter compliance*
16. **New reputational and political measures**, that should be phased in progressively would be introduced:
 - Recommendations and new reporting requirements would be introduced in the preventive arm of the SGP in the case where a Member State's adjustment path was considered insufficient.
 - When a Member State does not implement a recommendation from the Council, the Council and Eurogroup would address a formal report to the European Council.
 - When a Member State is subject to enhanced surveillance under the SGP, on-site monitoring via a mission of the European Commission, in liaison with the ECB for euro area Member States and ERM II participants, would also be carried out. Those missions should be followed by a report by the Commission to the Council that may be made public.
17. **New financial enforcement measures** in relation to the Stability and Growth Pact should also be introduced.
18. The objective over the medium-term would be to include all Member States in the enforcement mechanism, having due regard to the specific situation of the UK in relation with Protocol 15 of the Treaties. However, a **two-stage approach**, starting with the euro area, is considered as a pragmatic way forward given the need to act rapidly to reinforce the SGP in the euro area which has a higher degree of integration:
 - (i) In the **first stage**, additional enforcement measures such as interest-bearing deposits and non-interest-bearing deposits and fines will be introduced **only for the Euro area** on the basis of Article 136 of the Treaty on the Functioning of the European Union (TFEU).
 - (ii) In a **second stage**, strengthened enforcement measures need to be implemented for **all EU Member States**, except the UK as a consequence of Protocol 15 of the Treaty, as soon as possible, and at the latest in the context of the next Multi-annual Financial Framework. This needs to be done by introducing conditionality rules on compliance with the SGP requirements in the relevant regulations on EU expenditures. The scope should be as broad as possible and the setting up must ensure a level playing field and equal treatment between Member States (enforcement measures should for example be defined as a percentage of GDP). Enforcement measures should in principle be implemented through the same steps as in the euro area.

b) Introducing sanctions for euro area Member States at an earlier stage and on a progressive basis

19. The present section describes what should be done in the first stage, for enforcement measures related to the euro area, on the basis of secondary legislation based on article 136. For non-euro area countries, no change would intervene in the procedure in this first stage.
20. The Task Force recommends introducing the following measures in the **preventive part of the SGP**. Sanctions would be triggered if a Member State, even with a deficit below 3%, deviates significantly from the adjustment path foreseen in the SGP and does not correct the deviation. The assessment of compliance under the preventive arm would be based on the change in the structural deficit. This will include an assessment of expenditure developments net of discretionary tax changes. The exact methodology and parameters for this assessment shall be defined in the secondary legislation and/or the Code of Conduct.
21. The procedure to implement this measure would be based on the following steps:
- In case of significant deviation from the adjustment path, the Commission shall issue an early warning. The Council will, within one month, adopt a Recommendation for policy measures setting a deadline for addressing the deviation, on the basis of a Commission Recommendation, based on Art. 121.4 of the Treaty.
 - If the Member State concerned fails to take appropriate action within five months, the Council will immediately adopt a Recommendation stating so, on the basis of a Commission Recommendation based on article 121.4 of the Treaty. At the same time, an interest-bearing deposit will be imposed on the euro area Member State (by reversed majority rule).
 - The whole process will be no longer than six months. The time period of five months shall be reduced to three if the Commission in its Recommendation to the Council considers that the situation is particularly serious and warrants urgent action.
22. The Task Force recommends introducing the following measures in the **corrective part of the SGP**:
- When a Member State, which has already been subject to interest bearing deposit under the preventive arm of the SGP, is placed in EDP, the interest-bearing deposit is transformed into a non- interest-bearing deposit.
 - As a rule, when a Member State placed in EDP has not been subject to an interest-bearing deposit under the preventive arm, the Council will adopt a Recommendation, setting a deadline for effective action on the basis of a Commission Recommendation. In case of particularly serious policy slippages, sanctions could immediately be applied by the Council on the basis of a Commission recommendation.
 - If the Council decides on the basis of article 126.8 of the Treaty that the Member State has not taken effective action to correct the excessive deficit within the given deadline, a fine will be applied, to be decided by reverse majority rule.
 - If the Council finds that the Member State persists in failing to put into practice its recommendations (article 126.9 of the Treaty), the fine will be applied in line with existing provisions of the SGP including a variable component related to the level of the deficit.

- When warranted by the situation, the steps under the EDP should be accelerated (e.g. the deadline for effective action could be reduced to three months rather than six months).

23. These new sanctions and compliance measures cannot apply retroactively. A transition phase for some elements of these proposals will be required.

c) the decision making procedure on these new financial enforcement measures should ensure a higher degree of automaticity

24. A reverse majority rule should be adopted in the context of the secondary legislation to the new enforcement measures proposed (i.e. interest-bearing deposit in the preventive part of the Pact, non-interest-bearing deposit when a country is placed in EDP, fine in case of non compliance). For the later stage of sanction (i.e. increased fine in case of persistent lack of compliance) currently foreseen in the Treaty, the usual majority rule within the Council will continue to apply.

25. Decisions on the new enforcement measures should be based on Commission Recommendations. The Commission Recommendations would be adopted unless a qualified majority of Member States in the Council vote against within a given deadline. The practicalities of the decision process should be precisely defined in the legislative process.

26. This would increase the automaticity in the decision-making in relation with budgetary discipline, enhance considerably the role of the Commission and contribute to the credibility of the rules-based system. The Commission will adopt all necessary steps to ensure that it will fulfil its responsibilities in full independence and apply strictly the steps foreseen.

2.1.3 Enhancing national fiscal rules and frameworks

27. The Task Force has acknowledged the need to strengthen the Member States' ownership of EU fiscal rules. Enhancing national budgetary frameworks² and ensuring compliance with EU fiscal rules is key to strengthening budget discipline and ensuring compliance with the SGP. This is particularly important since in the EMU architecture fiscal policy decisions remain decentralised.

28. A two-tier approach is recommended. A set of agreed minimum requirements for national frameworks needs to be met. All national fiscal frameworks should meet requirements in the following areas no later than end 2013: (i) public accounting systems and statistics; (ii) numerical rules; (iii) forecasting systems; (iv) effective medium-term budgetary frameworks; and (v) adequate coverage of general government finances.

29. Over and above these minimum requirements, a set of non-binding additional standards should be agreed upon, covering notably the use of top down budgetary processes, fiscal rules and the role of public bodies (e.g. fiscal councils) tasked with providing independent analysis, assessments and forecasts related to domestic fiscal policy matters.

² A national fiscal framework is the set of elements that underpin national fiscal governance, i.e. the country-specific institutional, legislative and regulatory frameworks that shape the design and implementation of fiscal policy at the country level.

30. To enhance their credibility and ensure consistency across Member States, the European Commission and the Council would assess the effectiveness of national fiscal frameworks when assessing stability and convergence programmes and if necessary issue recommendations to strengthen them.

2.1.4 Improved quality of statistical data

31. Stronger surveillance and enforcement mechanisms must rest on transparent, reliable and timely statistics. A regulation reinforcing the audit powers of Eurostat has recently been agreed by the Council³. But further steps, including to strengthen further the professional independence of the European Statistical System as well as Eurostat's audit powers should be considered. Sanctions for repeated statistical problems, such as lack of validation of data by Eurostat, should also be considered. The binding nature of the “European statistics code of practice” should be reinforced and some of the minimum standards should be enshrined in a legal act. Full implementation of the provisions in the code needs to be accelerated, in particular to reinforce mandates for data collection, and to further enhance quality.

2.2 **Broadening economic surveillance and deepening coordination**

2.2.1 A new surveillance mechanism

32. Persistent and large macroeconomic imbalances and divergences in competitiveness, particularly among euro-area Member States, aggravate the vulnerability of the EU economy and are a threat to the smooth functioning of the monetary union. The global crisis has demonstrated that compliance with the SGP is not enough. Consumption developments, housing bubbles and the accumulation of external and internal debt in some Member States deepened the impact of the crisis and constrained the capacity to respond. Given the high degree of economic and financial interdependence, particularly among euro-area Member States, such imbalances may create serious spill-overs that threaten the stability of the EU economy as a whole.

33. As regards the euro area, action to address macroeconomic imbalances and divergences in competitiveness is required in all Member States, but the nature, importance and urgency of the policy challenges differ significantly depending on the Member States concerned. Given vulnerabilities and the magnitude of the adjustment required, the need for policy action is particularly pressing in Member States showing persistently large current-account deficits and large competitiveness losses. Also, in Member States that have accumulated large current-account surpluses, policies should aim to identify and implement the structural reforms that help strengthening their domestic demand and growth potential.

34. The Task Force recommends deeper macro-economic surveillance with the introduction of a new mechanism underpinned by a new legal framework based on Article 121 TFEU alongside the SGP applying to all EU Member States, taking into account the specificity of the euro area. The implementation of this mechanism would be done in a way to ensure consistency with the surveillance of fiscal policies, growth-enhancing structural reforms and macro-financial stability, and to avoid duplication and overlap.

³ Council Regulation (EU) No 679/2010 of 26 July 2010 on the quality of statistical data in the context of the excessive deficit procedure.

35. This new surveillance framework should rest on a two-stage approach:

(i) First, an annual assessment of the risk of macroeconomic imbalances and vulnerabilities, in the context of the assessments of Member States' National Reform Programs (NRPs) and Stability and Convergence Programs, including an alert mechanism based on a scoreboard covering a limited number of indicators and economic analysis. The Commission should conduct an in-depth analysis of the concerned Member State if the alert mechanism signals actual or potentially excessive imbalances. This in-depth analysis could include country surveillance missions conducted by the Commission, in liaison with the ECB for euro area and ERM II Member States.

(ii) Second, an enforcement framework involving a corrective phase designed to enforce the implementation of remedies in case of harmful macroeconomic imbalances.

2.2.1.1 Indicators

36. This surveillance mechanism should be based on practical, simple, measurable and available indicators. The scoreboard of indicators, and in particular alert thresholds, should be differentiated for euro and non-euro area Member States in order to take into account specific features of the monetary union and reflect relevant economic circumstances. The Commission will establish a list of indicators which should be endorsed by the Council and updated as appropriate.

2.2.1.2 Enforcement

37. When economic policies of a Member State are not consistent with the broad economic policy guidelines, or risk jeopardising the proper functioning of economic and monetary union, the Commission may address an early warning directly to the Member State concerned. In case of particularly serious imbalances, the Council should decide to place the Member State in an "excessive imbalances position" based on a recommendation by the Commission. This would trigger the 'corrective arm' of the mechanism based on Article 121.4. A set of policy recommendations to correct the imbalances should be addressed to the Member State concerned by the Council on the basis of Commission recommendations. To the extent Council recommendations address fiscal policies, they must be consistent with recommendations provided under the SGP. Without prejudice to the overall co-ordinating role of the ECOFIN Council, the Competitiveness and EPSCO Council formations may usefully be involved if the scope of the recommendations encompasses issues under their competence.

38. The Member State concerned should be obliged to report regularly on the progress of implementation. In addition, the Commission, should monitor the implementation of the recommendations, including through surveillance missions when appropriate, in the context of the excessive imbalances procedure, in liaison with the ECB for euro area and ERM II Member States. If the recommendations are not implemented, the conclusions of the missions will be made public and reporting to the European Council will follow.

39. For euro area Member States the enforcement mechanism should ultimately lead to sanctions in case of repeated non-compliance with the Council recommendations. As in this area there may be long lags between the adoption of the corrective action and the actual resolution of the imbalances, and not necessarily a direct causality, the assessment of the Council should focus on the effective implementation of the recommended actions.

40. The Council decisions concerning the sanctions based on Article 136 of the Treaty on the functioning of the EU will be made only by euro-area Member States. The vote of the member of the Council representing the Member State concerned by the decisions shall not be taken into account.
41. The same decision making process proposed above for the new sanctions regime under the SGP should also apply to all the new enforcement measures for the macro-economic surveillance mechanism.

2.2.2 Deeper and broader coordination - the "European semester"

42. On the basis of the previous recommendations by the Task Force, a reinforced cycle of policy coordination, the so-called "European semester", has already been endorsed by the European Council and decided by the Council. It will be implemented as of 1st January 2011.
43. This cycle of reinforced ex-ante coordination will cover all elements of economic surveillance, including policies to ensure fiscal discipline, macroeconomic stability, and to foster growth, in line with the Europe 2020 Strategy. Existing processes – e.g. under the SGP and the Broad Economic Policy Guidelines – will be aligned in terms of timing while remaining legally separate. Stability and Convergence Programmes and National Reform Programmes will be submitted by Member States at the same time in the spring and assessed simultaneously by the European Commission.
44. This earlier discussion at EU level will contribute to ensure that the EU/euro area dimension is better taken into account when countries prepare budgets and reform programmes, and will therefore contribute to a higher degree of policy coordination among Member States . In order to ensure that macro-financial stability issues are also considered alongside macro-economic, fiscal and structural policies, the relevant communications from the European Systemic Risk Board (such as warnings and recommendations) should be taken into account.
45. In order to further reinforce national ownership of the recommendations issued under the "European semester", governments, when submitting the draft budget to the national parliament are expected to include policy recommendations by the Council and / or the Commission accompanied by an explanation of how these have been incorporated.

2.3 **Towards a robust framework for crisis management**

46. The Greek crisis showed that a more robust framework for crisis management is needed. Indeed, the recent events have demonstrated that financial distress in one Member State can rapidly threaten macro-financial stability of the EU as a whole through various contagion channels. This is particularly true for the euro area where the economies, and the financial sectors in particular, are closely intertwined and where crisis management facilities were missing.
47. Since the creation of the Task Force, the European Financial Stability Facility (EFSF) for the euro area Member States and the European Financial Stability Mechanism (EFSM) have been set up and are now fully operational, offering therefore a good line of defence for the next three years. They complement the balance of payments assistance to non-euro area Member States (based on Article 143 of the Treaty).

48. The Task Force considers that in the medium term there is a need to establish a credible crisis resolution framework for the euro area capable of addressing financial distress and avoiding contagion. It will need to resolutely address the moral hazard that is implicit in any ex-ante crisis scheme. It should inter alia strengthen incentives for Member States to pursue sound fiscal and overall macroeconomic policies and for financial market participants to lend responsibly, while respecting the prerogatives and the independence of the European System of Central Banks.
49. Such a new mechanism needs to help prevent financial instability in the euro area if there is no realistic prospect for continued access to market financing. Issues to be addressed for such a new future permanent mechanism may include the role of the private sector, the role of the IMF and the very strong conditionality under which such programmes should operate.
50. The precise features and operational means of such a crisis mechanism will require further work, including on the respective roles and responsibilities of the EU, the euro area and euro area Member States. The Task Force notes the intention of the Commission to present an assessment of the functioning of various mechanisms in place as soon as feasible.

2.4 Stronger institutions for more effective economic governance

51. The Task Force identified and addressed gaps in the current economic governance framework. Economic governance should therefore be improved in view of the strong interdependence of the economies within the European Union and particularly within the euro area.
52. Many issues related to more effective economic governance are an integral part of the other areas addressed in this report - reinforcing the SGP, broadening economic surveillance, stronger coordination and national fiscal frameworks. But there are specific issues that require special attention in order to reinforce both central and national fiscal institutions, and to set up a system with built-in incentives for fiscal discipline at all levels.
53. At the national level, the Task Force recommends the use or setting up of public institutions or bodies to provide independent analysis, assessments and forecasts on domestic fiscal policy matters as a way to reinforcing fiscal governance and ensuring long-term sustainability (see section 2.1.3 above).
54. Reinforcing the role and independence of the European Commission on matters of fiscal and macroeconomic surveillance is key for the credibility of the new framework. The Task Force welcomes the Commission's announcement to clearly distinguish the analysis and assessment carried out under the authority of the Commissioner for economic and monetary affairs from the decision-making by the college on policy proposals to the Council. The role of the Council and the Eurogroup in implementing the new surveillance and policy coordination framework in the EU and the euro area respectively will be essential.

3. CONCLUSION

55. Endorsement by the European Council of the recommendations in the present report will contribute to strengthening economic governance in the EU and the euro area and can be implemented within the existing Treaties. Their implementation will provide the necessary impetus towards deeper economic and monetary union, respectively.
56. Adoption of the secondary legislation will be needed for the implementation of many of these recommendations. The Task Force calls on all parties to opt for a "fast track" approach, to ensure the effective implementation of the new surveillance arrangements as soon as possible.

57. The setting-up of a crisis resolution framework requires further work. As it may imply a need for Treaty changes, depending on its specific features, it is an issue for the European Council. The European Council may, in addition, examine other open issues, such as the suspension of voting rights.
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ANNEX 1

COMPOSITION OF THE TASK FORCE - List of Members

PRESIDENT OF THE TASK FORCE	Mr Herman Van Rompuy
EUROPEAN COMMISSION	Mr Olli Rehn
EUROPEAN CENTRAL BANK	Mr Jean-Claude Trichet (*)
EUROGROUP	Mr Jean-Claude Juncker
AUSTRIA	Mr Josef Pröll
BELGIUM	Mr Didier Reynders
BULGARIA	Mr Simeon Djankov
CYPRUS	Mr Charilaos Stavrakis
CZECH REPUBLIC	Mr Eduard Janota Mr Miroslav Kalousek
DENMARK	Mr Claus Hjorth Frederiksen
IRELAND	Mr Brian Lenihan
ESTONIA	Mr Aare Järvan Mr Jürgen Ligi
FINLAND	Mr Jyrki Katainen
FRANCE	Ms Christine Lagarde
GERMANY	Mr Wolfgang Schäuble
GREECE	Mr Georgios Papaconstantinou
HUNGARY	Mr Péter Oszkó Mr György Matolcsy
ITALY	Mr Giulio Tremonti

LATVIA	Mr Mārtiņš Bičevskis Mr Einars Repse
LITHUANIA	Ms. Ingrida Šimonyté
LUXEMBOURG	Mr Luc Frieden
MALTA	Mr Tonio Fenech
NETHERLANDS	Mr Jan Kees De Jager
POLAND	Mr Jan Vincent-Rostowski
PORTUGAL	Mr Fernando Teixeira Dos Santos
ROMANIA	Mr Sebastian Vladescu Mr Gheorghe Ialomitianu
SPAIN	Ms Elena Salgado
SLOVAKIA	Mr Jan Počiatek Mr Ivan Miklos
SLOVENIA	Mr Mitja Gaspari Mr Franc Križanič
SWEDEN	Mr Anders Borg
UNITED KINGDOM	Mr George Osborne

(*)The President of the ECB does not subscribe to all elements of this report

ANNEX 2

Dates of Task Force meetings**TASK FORCE**

21 May 2010
7 June 2010
12 July 2010
6 September 2010
27 September 2010
18 October 2010

SHERPA TASK FORCE COMMITTEE

1 June 2010
23 June 2010
5 July 2010
30 August 2010
21 September 2010
5 October 2010
12 October 2010

ANNEX 3

Contributions of Member States and Institutions

Member	Date of submission
AUSTRIA	31/05/10
BULGARIA	1/06/10
CYPRUS	11/10/10
DENMARK	27/08/10
ESTONIA	5/07/10
FINLAND	2/06/10
FRANCE	22/07/10
GERMANY	20/05/10; 22/07/10; 23/09/10
ITALY	5/07/10
LUXEMBOURG	10/06/10
NETHERLANDS	29/05/10
POLAND	31/05/10
ROMANIA	1/06/10
SLOVAKIA	2/06/10
SLOVENIA	2/06 and 7/07/10
SWEDEN	3/06/10
UNITED KINGDOM	9/07/10
ECB	10/06/10
European Commission	17-18-29-30/06/10