



**COUNCIL OF
THE EUROPEAN UNION**

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**ECOFIN 63
SOC 56
BUDGET 7**

NOTE

from:	General Secretariat of the Council
to:	COREPER/COUNCIL
Subject:	Draft Council Conclusions on the sustainability of public finances in the EU

Delegations will find attached the draft Council conclusions on the sustainability of public finances in the EU, as prepared by the Economic and Financial Committee.

Encl.:

*The sustainability of public finances in the EU**Draft after EFC 31 January 2013*

The Council (ECOFIN), having considered the Commission ‘Fiscal Sustainability Report 2012’:

1. WELCOMES the fact that sustainability-enhancing reforms enacted in some Member States since the Sustainability Report 2009, notably in the field of pensions, have reduced the projected cost of ageing in these countries; against the background of the crisis RECOGNISES challenges in some countries are primarily of a short- to medium-term nature partly related to possible risks for fiscal stress or to elevated government debt levels, while for others they are of a more long-term nature, reflecting a need to address long-term age-related public spending trends, notably on pensions, healthcare and long-term care, making fiscal sustainability an acute policy challenge. The appropriate combination of policies that deal with the fiscal sustainability challenge should be embedded into the overall EU three pronged strategy consisting of reducing government debt, increasing productivity and employment and reforming pension and care systems will depend on the main reasons behind the fiscal sustainability challenges the different Member States are facing; against this background WELCOMES the work of the Commission on the multidimensional approach for assessing fiscal sustainability, based on short-, medium- and long-term challenges developed in the Commission "Fiscal Sustainability Report 2012".

2. UNDERLINES the need to return to sustainable positions through determined action to improve fiscal positions further in a continuous and steadfast manner in line with the Stability and Growth Pact. The attainment by EU Member States of their medium-term budgetary objectives would put EU government debt on a clear downward path; and consequently REAFFIRMS that strict adherence to the EU fiscal rules, recognising Member States' obligations, is necessary to ensure sustainable debt levels. The reduction in debt ratios will have to come mainly from fiscal consolidation and reform of pension and care systems, but structural reforms are essential to support potential growth.
3. REAFFIRMS the key importance of a determined implementation of the Europe 2020 strategy for ensuring macro and financial stability, fiscal consolidation and action to foster sustainable growth, including ensuring the sustainability of pension systems.¹ Ensuring the sustainability of public finances is a challenge which should be reflected in economic policy coordination in the EU.

¹ See Conclusions of the European Council (28/29 June 2012), EUCO 76/12, Brussels, 29 June 2012.

4. UNDERLINES that comprehensive and adequate reforms, notably of pension, health care and long-term care systems, can have a substantial positive impact on long-term fiscal sustainability. Several Member States have recently implemented or are planning such reforms; regarding pension systems, STRESSES that the adoption and rigorous implementation of measures to counteract the financial effects of the expected gains in longevity on pension spending, such as the extension of working lives, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and enhancing employment of younger people is a key issue and should merit serious consideration. Regarding health care systems, further STRESSES that implementing sound reforms to achieve both a more efficient use of public resources and adequate provision of high quality health care is crucial. In many countries, there appears to be scope to improve the health status of the population without increasing health spending. Getting more value for money is therefore key in order to ensure universal access and equity in health, under conditions of severe constraints on public budgets; RECOGNISES that measures introduced in the last decade aimed at improving value for money and constraining excessive growth in health care and long-term care spending will need to be, in some cases, strengthened to achieve the needed consolidation of public finances while continuing to ensuring universal access to quality care, equity and solidarity in health and better health outcomes especially in an ageing society.

5. CALLS ON Member States to focus attention to sustainability-oriented strategies in their upcoming stability and convergence programmes; and INVITES Member States and the Commission to factor sustainability findings into their analysis and proposals in the framework of implementing the Europe 2020 strategy. These strategies and developments of the sustainability of public finances will continue to be regularly assessed by the Council and the Commission, including by incorporating new developments in macroeconomic conditions, fiscal policies and reforms of pension, health care and long-term care systems.
 6. INVITES the Commission, together with the Economic Policy Committee to improve further methodologies for assessing the sustainability of public finances, including for possible short-term fiscal risks, in time for the Fiscal Sustainability Report 2015.
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