



**COUNCIL OF
THE EUROPEAN UNION**

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REVISED NOTE

from: General Secretariat of the Council

to: Delegations

Subject: Draft Council Conclusions on the quality of public expenditure

Delegations will find attached a **revised** note of the draft Council Conclusions on the quality of public expenditures, as prepared by the Economic and Financial Committee and as agreed by the Coreper in its meeting of 28 February 2013.

Draft Council Conclusions on the quality of public expenditure

The Council (Ecofin),

having regard to:

- the Council conclusions on quality of public finance of 5 June 2007; and
- the Council conclusions on the Commission's Annual Growth Survey 2013 of 12 February 2013,

1. WELCOMES the Commission report on "quality of public expenditure in the EU" which is a response to the mandate of the European Council of 28-29 June 2012 to:

- monitor the impact of tight budget constraints on growth-enhancing public expenditure and on public investment and
- report on the quality of public spending and the scope for possible action within the boundaries of the EU and national fiscal frameworks.

2. In view of the serious growth and debt challenges confronting the EU economy, UNDERLINES the need of increasing the efficiency and effectiveness of public spending, in support of growth-friendly fiscal consolidation strategies, while safeguarding essential social safety nets.

3. Therefore, in support of Member States' and the EU efforts focused on enhancing the quality of public expenditure and while fully respecting the competences of Member States, the Council EMPHASISES the role of dialogue among Member States, including peer reviews and sharing of good practices on selected issues; and INVITES the Economic Policy Committee, using existing processes and procedures and drawing on all available expertise, and the Commission to:

- Pursue further analytical work on drivers of current and future health expenditure and to assess possible consequences that some of these drivers, including demography, could have on the financial sustainability of health systems in the long run. This is particularly relevant in view of the fiscal challenges related to an ageing population.
- Review budgetary processes and practices conducive to enhanced expenditure performance (e.g. spending reviews, performance-based budgeting, top – down budgeting etc.) aiming at achieving efficiency gains and sustainability in the public sector.

4. EMPHASISES that a better monitoring of expenditure quality ultimately rests on the availability of consistent and high quality data. Progress was achieved in this respect, due to Member States' efforts to increase the availability and dissemination of data on the functional breakdown of expenditures (COFOG). STRESSES the need for Eurostat to continue to play a leading role and in cooperation with Member States' statistical offices to improve the process of data collection with the aim to further improve reliability and timeliness of the COFOG II breakdown data. Member States are encouraged to keep up their efforts to improve further the timeliness and detail of COFOG expenditure. Furthermore, INVITES the Eurostat to continue assessing the comparability of COFOG data and to report on it. Finally, NOTES that a clarification of links and synergies among different data sources by the Commission would be helpful as for specific items, e.g. R&D and energy-related expenditures; for these alternative sources may provide more accurate figures than COFOG.

5. STRESSES, in line with the Conclusions of the European Council of 13 – 14 December 2012, that the consolidation of EMU rests not only on completing its architecture but also on pursuing differentiated, growth - friendly and sound fiscal policies. While fully respecting the Stability and Growth Pact, the possibilities offered by the EU's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives can be exploited in the preventive arm of the SGP.
