15

COUNCIL OF
THE EUROPEAN UNION

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Council conclusions on fiscal surveillance and EDPs

3105th ECONOMIC and FINANCIAL AFFAIRS Council meeting
Brussels, 12 July 2011

The Council adopted the following conclusions:

"The Council today adopted the country-specific recommendations to Member States under the first European Semester as endorsed by the European Council on 24 June. Member States will take them into account in their upcoming decisions, namely when planning their budgets for 2012.

The Council notes that, according to the Commission services spring 2011 forecast, the general government deficit both in the euro area and in the EU as a whole is planned to decline over the forecast horizon. In the EU, the deficit should be reduced from 6.4% in 2010 to 4.7% in 2011 and, if budgetary plans outlined in the 2011 updates of the Stability and Convergence Programmes are fully implemented, further to 3.4% in 2012 and 2.3% in 2013, thus bringing the average deficit back below the 3% of GDP threshold of the Stability and Growth Pact. All Member States with an excessive deficit plan to correct it before or at the latest by the deadline set by the Council. This would contribute to halting and eventually reversing the increase in government debt as from 2012.

The Council welcomes that the fiscal strategies envisaged by Member States are broadly in line with the priorities for fiscal consolidation agreed by the Council in February 2011 and endorsed by the European Council in March on the basis of the Commission's Annual Growth Survey as well as with the fiscal exit strategy agreed in October 2009. In particular, in most Member States fiscal consolidation has started in 2011 or earlier and the planned annual structural fiscal adjustment is, on average, significant. However, for a number of Member States, additional fiscal efforts are required in order to be in line with EDP recommendations and measures need to be specified further. Also, fiscal windfalls from higher than expected economic growth should be used for faster deficit reduction.

P R E S S

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The Council stresses that the success of the fiscal exit strategy now crucially hinges upon the rigorous and full implementation by all Member States of the budgetary strategies, ensuring the fiscal targets are met and the commitments under the Stability and Growth Pact are respected. In particular, as outlined in the country-specific recommendations adopted under the European Semester, the Council calls on Member States to take and implement all the measures needed to ensure the achievement of their national fiscal targets and to comply with the recommendations under the excessive deficit procedure, including the recommended average annual fiscal effort.

The Council acknowledges that the robust economic recovery is contributing to the lowering of the deficits in many Member States. It reaffirms the need for Member States to accelerate the reduction of the deficit if economic or budgetary conditions turn out better than expected.

The Council urges those Member States, which so far have back-loaded their fiscal adjustment, to spell out the necessary measures, including in particular at the latest in their 2012 budgets Adequate and more frontloaded adjustment should ensure that the correction of the excessive deficit stays on course and the recommended average annual fiscal effort is met, thereby avoiding a stepping up of the EDP.

The Council also urges Member States to pursue adequate fiscal consolidation towards their Medium-Term Objective, in line with the requirements of the Stability and Growth Pact, thereby putting debt developments on a sustainable path and ensuring long term sustainability of public finances.

The Council furthermore invites the Commission to continue its close monitoring of Member States under the excessive deficit procedure and take all the necessary steps to ensure full compliance with the Council's recommendations, notably regarding the deadline for correcting excessive deficits, the necessary structural adjustment effort and the use of fiscal windfalls.

The Council will re-examine the situation, including the implementation of 2011 budgets and progress with the preparations of the 2012 budgets, after the summer on the basis of an updated assessment prepared by the Commission."