# Public finances in the Economic and Monetary Union EMU

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The Council held an exchange of views on the quality of public finances, on the basis of a report

from the economic policy committee, and adopted the following conclusions:

-Improving the quality of public finances can contribute to increasing growth and employment in line with the Lisbon strategy, as also recognised by the reformed Stability and Growth Pact. The Council (ECOFIN) welcomes the Report prepared by the Economic Policy Committee on challenges and progress made in improving the quality of public expenditure. While underlining that the composition of public finances, budgetary laws, fiscal frameworks and institutions are issues of national responsibility, the Council acknowledges the increasing importance of the quality of public finances in national and EU economic policy making.

- The Council emphasises the role played by national fiscal rules and institutions on final budgetary outcomes as a key element for improving the composition of public finances. Member States that have maintained fiscal discipline have been able to put a stronger focus on efficient resource allocation. National expenditure rules and performance budgeting schemes within a medium-term framework appear to help Member States direct spending towards their priorities. The analysis of these issues along with an exchange of best practices among EU Member States can contribute to the improvement of fiscal governance. The Council therefore invites the Commission in joint cooperation with the EPC to conduct a comprehensive analysis of the fiscal rules and institutions in the EU.

- The Council also underlines that some spending trends call for increased attention in order to avoid the squeezing out of growth-enhancing expenditure items or the resurgence of unsustainable fiscal deficits. It invites Eurostat and the National Statistical Offices, in cooperation with the EPC, to step up efforts on data availability in order to facilitate the analysis of trends in public expenditure composition. This will help the implementation of both the Lisbon strategy and the guidelines on the format and content of Stability and Convergence Programmes.

- The Council stresses the importance of further improving efficiency and effectiveness of public spending in order to enhance the quality of public finances. It invites the EPC to further develop the measurement of public expenditure efficiency, by assisting Member States in improving the information content of budgets, and the exchange of best practices in the evaluation of public spending.

- The Council agrees to come back to these issues in the autumn of 2006.