Public finances in the Economic and Monetary Union EMU

2005/2166(INI) - 11/07/2006

One year after the reform of the Stability and Growth Pact (SGP), the Council discussed the implementation of the revised SGP. In addition, Ministers exchanged views on the execution of the 2006 budgets and preparations of budgetary plans for 2007.

Based on these discussions, the Ministers reached the following conclusions:

- Experience for the first year of the revised SGP has been positive. While remaining a rules-based system, the reformed SGP has stimulated a constructive and transparent economic policy dialogue at the EU level on individual country cases. This has allowed the Council to reach unanimous agreement on all recommendations put forward by the Commission under the revised rules of the Pact.

- The budgetary position, in structural terms, has improved in 2005 by 0,8% of GDP – both in the EU and in the euro area. Medium-term budgetary objectives (MTO) have been differentiated for individual Member States in line with the agreed principles. In some cases, MTOs go beyond what is required by the SGP. Nevertheless, there are some Member States who must pursue and step up efforts to reach their medium-term budgetary objectives. In many cases the adjustment needs to be more frontloaded and underpinned by concrete measures.

- The economic situation for 2006 is improving. The Council wishes to take advantage of this to pursue and step up fiscal consolidation. The long-term fiscal sustainability challenges stemming from ageing populations should be at the heart of policy making. The Member States should, therefore, implement their 2006 budgets with vigour. Indeed, when preparing their 2007 budgets, they should maintain or speed up the pace of deficit and debt reduction and try to avoid pro-cyclical fiscal polices. Member States in excessive deficit are committed to putting an end to the excessive deficit in full compliance with Council recommendations.

- Lastly, those Member States of the euro area and within the ERM II, that are yet to reach their MTOs, have reaffirmed their commitment to achieve, as a benchmark, an annual structural adjustment of 0,5% GDP net of one-off measures.