



**COUNCIL OF  
THE EUROPEAN UNION**



## **Council conclusions on the long-term sustainability of public finances in the EU**

*2972nd ECONOMIC and FINANCIAL AFFAIRS  
Brussels, 10 November 2009*

The Council adopted the following conclusions:

"The Council, having discussed the Commission communication 'Long-term sustainability of public finances for a recovering economy' and the associated report, based on a technical no policy change assumption, NOTES that the current crisis has had a substantial negative impact on output and public finances in Member States and that this is also negatively reflected in long-term fiscal sustainability prospects. The Council TAKES NOTE of the larger than usual uncertainty that surrounds structural budgetary positions and long-term projections due to the current crisis.

The Council RECOGNIZES that the projected increase in public expenditure due to population ageing poses an important challenge to EU Member States. The deterioration of public finances triggered by the current crisis adds substantially to the sustainability challenges. Policy action to improve the long-term sustainability needs to be taken urgently.

To this end, the Council UNDERLINES the key importance of a determined implementation of the three-pronged strategy agreed at the 2001 European Council in Stockholm. This strategy consists of deficit and debt reduction, increases in employment rates and reforms of social protection systems. Making progress on each of these pillars is indispensable for appropriately addressing the challenges.

# **P R E S S**

The Council UNDERLINES the need to return to sustainable fiscal positions, starting with the implementation of the agreed principles for the exit strategy endorsed by the Council in October 2009, and subsequently moving towards the MTOs. The reduction in debt ratios will have to come from a combination of fiscal consolidation and structural reforms to support potential growth.

The Council AGREES that at the current juncture, it is of particular importance to avoid that cyclical unemployment becomes entrenched. Moreover, a decrease of long-term unemployment and an increase in participation rates, would have a positive effect on budgets as well as on potential output.

Regarding social protection systems, the Council UNDERLINES that comprehensive and adequate reforms, notably of pension systems, can have a substantial positive impact on long-term sustainability. In all Member States, further progress is needed. Several Member States have recently implemented or are planning such reforms. The Council STRESSES that the adoption of measures to counteract the financial effects of the expected gains in longevity, such as the extension of working lives and an increase in retirement age in line with gains in longevity, is a key issue and should merit serious consideration in Member States.

Against this background, the Council CALLS ON Member States to focus attention to sustainability-oriented strategies in their upcoming stability and convergence programmes. These strategies and developments in long-term sustainability of public finances will continue to be regularly assessed by the Council.

The Council INVITES the Commission, together with the Economic Policy Committee and the Economic and Financial Committee, to further develop methodologies for assessing the long-term sustainability of public finances in time for the next Sustainability report. "