COUNCIL OF THE EUROPEAN UNION

Brussels, 21 October 2009

14765/09

ECOFIN 652
UEM 237

NOTE

from:	General Secretariat of the Council
to:	Delegations
Subject:	Council Conclusions on Fiscal Exit Strategy

Delegations will find attached Council Conclusions on Fiscal Exit Strategy, as adopted by the Council (Ecofin) on 20 October 2009.

Encl.:

Council conclusions: Fiscal exit strategy

The Council NOTES that signs of early recovery are appearing, with the halt of the sharp decline in EU economic activity, the stabilisation of financial markets, and the improvement in confidence. However, the recovery remains fragile and it is not yet time to withdraw the support governments provided to the economy and the financial sector until the recovery is secured.

The COUNCIL AGREES that preparing a coordinated strategy for exiting from the broad-based policies of stimulus is needed. Such a strategy should strike a balance between stabilisation and sustainability concerns, take into account the interactions between the different policy instruments, as well as the discussions at the global level. The Council UNDERLINES that an early design and communication of such a strategy would contribute to underpinning confidence in our medium-term policies and to anchor expectations.

The COUNCIL agrees that, beyond the withdrawal of the stimulus measures of the European Economic Recovery Programme, substantial fiscal consolidation is required in order to halt and eventually reverse the increase in debt and restore sound fiscal positions. The Council UNDERLINES that increasing the efficiency and effectiveness of public finances and the intensification of structural reform are desirable even in the short term and will contribute to foster potential output growth and debt reduction.

The Council AGREES on the following principles for the fiscal exit strategies:

- The exit strategy should be coordinated across countries in the framework of a consistent implementation of the Stability and Growth Pact.

- There is a need for timely withdrawal of the fiscal stimulus. Provided that the Commission forecasts continue to indicate that the recovery is strengthening and becomes self-sustaining, fiscal consolidation in all EU Member States should start in 2011 at the latest. Specificities of country situations should be taken into account, and a number of countries need to consolidate before then.

- In view of the challenges, the planned pace of the fiscal consolidation should be ambitious, and will have to go well beyond the benchmark of 0.5% of GDP per annum in structural terms in most Member States.

- Important flanking policies to the fiscal exit will include strengthened national budgetary frameworks for underpinning the credibility of consolidation strategies and measures to support long-term fiscal sustainability, as emphasised by the SGP. In addition; structural reform efforts should be strengthened to enhance productivity and to support long-term investment.

The Council agreed that these elements should be reflected in the stability and convergence programmes, to be transmitted by Member States to the Commission by the end of January 2010.

The Council invites the Commission and the EFC to continue their work on exit strategy and to report back to the next meeting in November.
