



# COM fiscal (debt) sustainability analysis: use and dissemination

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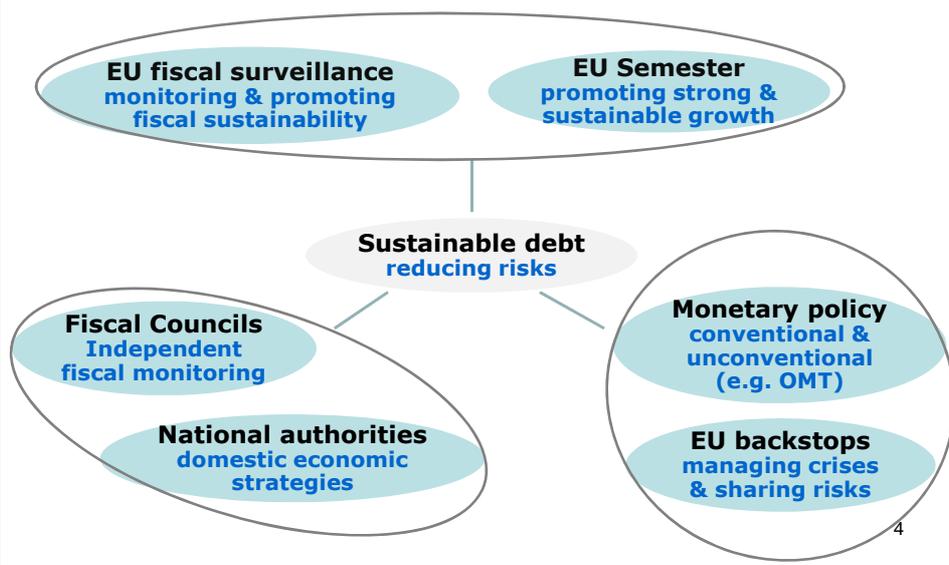
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# General considerations: DSA functions in the EU context

## Fostering sustainability – the EU context



## The right tool for the job(s) – conceptually



### Integrated tool

- ✓ Integrates all aspects
- ✓ Covers broad range of issues

### Common tool

- ✓ Coordinated and clear dialogue across many stakeholders
- ✓ Shared ownership



## The right tool – in practice

### DSA tools should consider trade-offs:

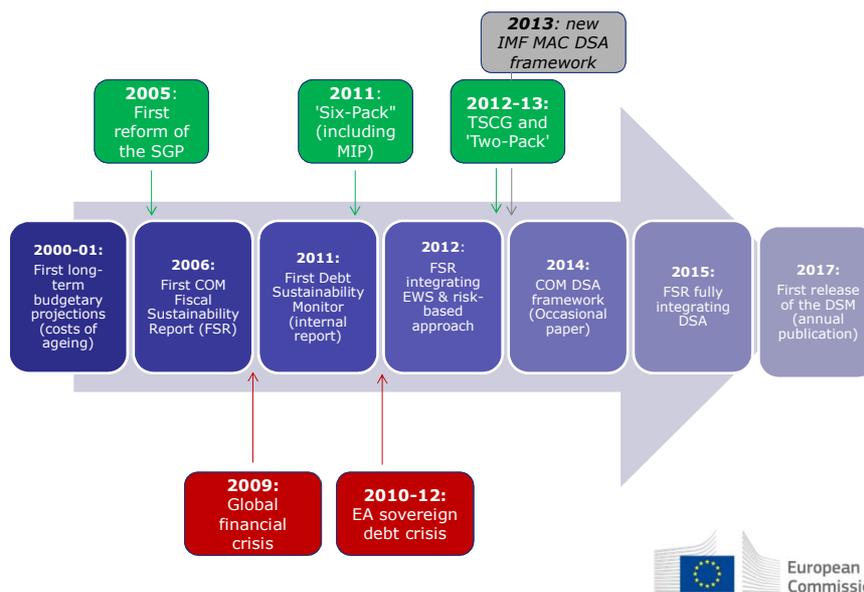
- Complexity vs clarity (communication effectiveness)
- Mechanical vs qualitative assessment
  - **Standardised / mechanical approach increases transparency**
  - **Yet, importance of judgement to interpret appropriately the results**
- ✓ Solution: Provide a clear overall assessment + detailed information (enhanced analysis) + account for qualifying factors



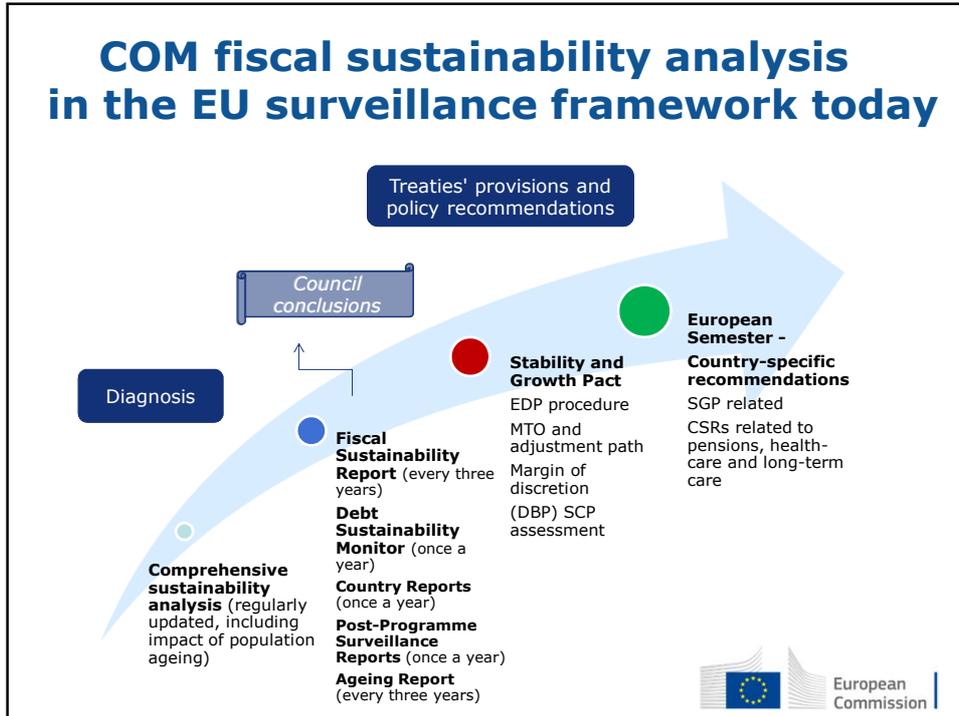
## COM fiscal (debt) sustainability analysis: a multi-purpose tool

- Use and dissemination for regular and post-programme surveillance

### Fiscal sustainability in the EU, an evolving challenge



## COM fiscal sustainability analysis in the EU surveillance framework today



## COM DSA and EU fiscal surveillance (Stability and Growth Pact)

EU surveillance process	Legal provisions	Details
<b>Stability and Growth Pact</b>		
<i>-Corrective arm</i>		
Assessment of debt developments following a breach of the debt criterion	Council regulation (EC) no. 1467/97	The Commission, when preparing a report under Article 126(3) of the TFEU, assesses <i>the developments in the medium-term government debt position, its dynamics and sustainability</i> .
<i>-Preventive arm</i>		
Assessment of Stability and Convergence Programmes	Council Regulation (EC) No 1466/97 (Article 3)	Includes an assessment of <i>debt sustainability</i> implying a full-fledged DSA according to the methodology presented in the FSR / DSM.
Setting-up of the (minimum) MTOs	Council Regulation (EC) No 1466/97 (Article 2a)	The MTOs are set so as to ensure sustainability or rapid progress towards <i>sustainability</i> . To that purpose, the Commission estimates country-specific lower bounds of the MTOs, also based on the jointly prepared Commission / Council long-term budgetary projections.
Required fiscal adjustment to the MTO	Regulation (EC) no. 1466/97, and 2015 Council Commonly agreed position on flexibility within the SGP (no. 14345/15)	The 2015 Council Commonly agreed position on flexibility within the SGP includes a 'matrix' of requirements for adjustment towards the MTOs with a specific reference to risks to <i>debt sustainability</i> as a relevant criterion for differentiating fiscal requirement across countries. Also, impact on long-term fiscal sustainability assessed by the Commission for the "structural reform clause" or the "investment clause".
Degree of discretion	Article 6(3) and Article 10(3) of Regulation no. 1466/97	The analysis of <i>sustainability</i> challenges is used for the exercise of a degree of discretion.
Assessment of Draft Budgetary Plans	Regulation (EU) No 473/2013 of the European Parliament and of the Council	Includes sensitivity analyses that provide an indication of the risks to <i>public finance sustainability</i> in the event of adverse economic, financial or budgetary developments.

## COM DSA and European Semester - aa basis for Country-Specific Recommendations (CSRs)

- In addition to **SGP-related CSRs**, fiscal (debt) sustainability assessment used for the identification of cases (*diagnosis*) where a CSR in the areas of **pensions, health-care and long-term care** is warranted (*policy recommendation*)
  - See COM, 2014, 'Identifying fiscal sustainability challenges in the areas of pension, health care and long-term care policies'
- Also an integrate part of the **Macroeconomic Imbalance Procedure** (see COM, 2016)



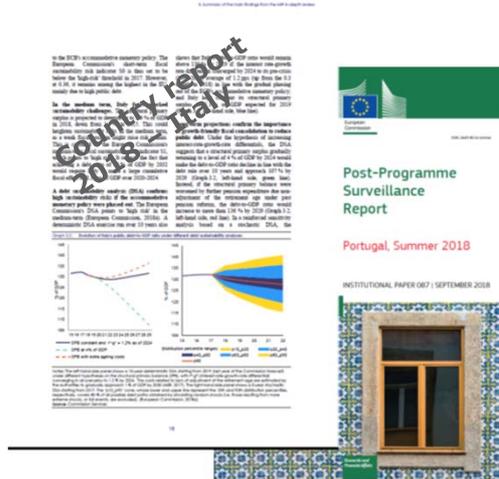
## COM fiscal sustainability framework: a transparent and shared analysis

- ✓ **Guidance note published in 2014**
- ✓ Regular **publications** (e.g. FSR, DSM, SCP / DBP assessment notes)
- ✓ **Calculations shared** in particular with Member States and Fiscal Councils
- ✓ Analysis discussed with **Council committees**
- ✓ FSR: **Conclusions endorsed by ECOFIN Council**

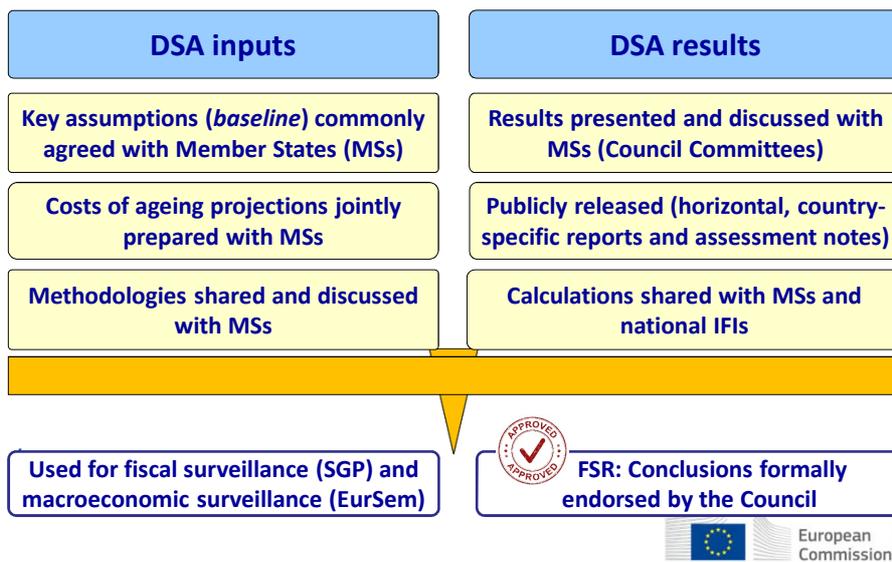


## COM fiscal sustainability framework: also used for in-depth country analysis

- ✓ Regular **publication in country-specific reports (CRs, PPSRs)**
- ✓ With **additional customised sensitivity tests provided** in the context of regular / post-programme surveillance
- ✓ **Qualified analysis, based on additional risk indicators**



## COM DSA: an integrated process, a shared ownership with Member States



## Conclusion

- DSA in EU context (market access countries) can be a market sensitive information (especially in crisis periods)
- **COM DSA: multilateral surveillance tool used for several purposes** (surveillance, dialogue, policy prescriptions, programme)
- **Transparent** approach and analysis
- **Strong ownership by Member States**, through an integrated process



***Thank you for your  
attention***