

(English version)

**Question for written answer E-001553/25
to the Commission
Fernando Navarrete Rojas (PPE), Dolors Montserrat (PPE)
(16 April 2025)**

Subject: Pensions and fiscal plan

The Commission and the Council have approved Spain's medium-term fiscal plan, which sets an expenditure path consistent with reducing debt. However, on 31 March 2025, Spain's Independent Authority for Fiscal Responsibility (IAFR) published its assessment of the pension system expenditure rule. In the assessment, it warns about increased financing requirements and questions the sustainability of public finances.

The fiscal plan was drawn up on the basis of an increase in social contributions of 1.8% of GDP, which would reduce the adjustments needed to keep debt on a downward trajectory and allow for greater growth in net expenditure compared to the Commission's path.

Nevertheless, the IAFR notes that, as the closure clause is not triggered, those increases will not apply in the short term. Instead, transfers from the central administration will need to be increased by 2.4 percentage points of GDP. Doing so will cause debt to rise and changes the key assumptions behind the fiscal plan.

In the light of the above:

In accordance with the Commission's DSA model, in the wake of the IAFR's new estimates regarding pension spending, is Spain's approved expenditure path still in line with the debt reduction required?

Submitted: 16.4.2025

**Answer given by Mr Dombrovskis on behalf of the European Commission
(15 July 2025)**

Under the Debt Sustainability Analysis (DSA) framework, social contribution projections, including those paid into the pension system, are ordinarily assumed to remain constant as a ratio to gross domestic product (GDP) during the 10 years that follow the end of the adjustment period, i.e. from 2032 to 2041, unless different assumptions are duly justified.

In the case of Spain, its medium-term fiscal structural plan (MTFSP) internalises the impact of compensatory revenue measures legislated in 2023 (along with the pension reform) that will materialise after 2031.

The cumulative increase in social contributions over the following 10 years is estimated at 1.8 percentage points of GDP, which improves the debt dynamics.

This assumption relies on the legislated measures described in Spain's Country Fiche accompanying the 2024 Ageing Report. These measures lower the adjustment required to put debt on a plausibly downward path and enable a higher average net expenditure growth over the adjustment period.

The revenue increases over the years 2027-2031 resulting from the potential activation of the closure clause were not included in the assumption of the Spanish MTFSP.

Under the commonly agreed methodology, the activation of the closure clause would have been considered a discretionary revenue measure and would be taken into account only *ex post* in the assessments of compliance with the net expenditure rule.

Therefore, the updated estimates of the independent fiscal authority (AIReF) do not imply that the Spanish plan deviates from the debt reduction requirement.
