

Til

Udvalgets medlemmer og stedfortrædere

Pressemeddelelse vedr. rådsmøde Økofin den 5. juni 2001 på engelsk

Dette rådsmøde 2353 (9292/01 presse 214) blev behandlet af Europaudvalget på mødet den 1. juni 2001.

Bearbejdet dansk pressemeddelelse for dette rådsmøde vil blive hjemsendt som omtryk til dette bilag så snart det ligger klar fra Rådets oversættelsestjeneste.

Bruxelles, den 18. juni 2001

Med venlig hilsen

Morten Knudsen

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PRESS RELEASE

Subject :

2353rd Council meeting

- ECOFIN -

Luxembourg, 5 June 2001

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PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

Belgium :

Mr Didier REYNDEERS	Minister for Finance
Mr Olivier DELEUZE	State Secretary for Energy and Sustainable Development, attached to the Minister for Mobility and Transport

Denmark :

Mr Michael DITHMER	State Secretary for Economic Affairs
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Germany :

Mr Caio KOCH-WESER	State Secretary, Federal Ministry of Finance
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Greece :

Mr Yannis PAPANTONIOU	Minister for the National Economy and Finance
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Spain :

Mr Rodrigo de RATO y FIGAREDO	Second Deputy Prime Minister and Minister for Economic Affairs
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France :

Mr Laurent FABIUS	Minister for Economic Affairs, Finance and Industry
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Ireland :

Mr Charlie McCREEVY	Minister for Finance
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Italy :

Mr Vincenzo VISCO	Minister for the Treasury, the Budget and Economic Planning
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Luxembourg :

Mr Jean-Claude JUNCKER	Prime Minister, Minister for Finance
Mr Henri GRETHEN	Minister for Economic Affairs, Minister for Transport
Mr Luc FRIEDEN	Minister for the Treasury and the Budget

Netherlands :

Mr Gerrit ZALM	Minister for Finance
Mr Wouter Jacob BOS	State Secretary for Finance

Austria :

Mr Karl-Heinz GRASSER	Federal Minister for Finance
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Portugal :

Mr Manuel BAGANHA	State Secretary for the Treasury and Finance
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Finland :

Mr Sauli NIINISTÖ	Minister for Finance
Mr Johnny ÅKERHOLM	Under-Secretary of State, Ministry for Finance

Sweden :

Mr Bosse RINGHOLM	Minister for Finance
Mr Sven HEGELUND	State Secretary to the Minister for Finance
Mr Claes LJUNGH	State Secretary to the Minister for Finance, with responsibility for Taxation

United-Kingdom :

Mr Gordon BROWN	Chancellor of the Exchequer
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Commission :

Mr Frits BOLKESTEIN	Member
Ms Michaela SCHREYER	Member
Mr Pedro SOLBES MIRA	Member

Other participants :

Mr Philippe MAYSTADT	Chairman of the European Investment Bank
Mr Mario DRAGHI	Chairman of the Economic and Financial Committee
Mr Jean-Philippe COTIS	Chairman of the Economic Policy Committee

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PREPARATION OF THE GÖTEBORG EUROPEAN COUNCIL (15/16 June)

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BROAD ECONOMIC POLICY GUIDELINES

The Council, following a debate on some specific issues, agreed on the text of the report on the Broad Economic Policy Guidelines (BEPGs) 2001 to be transmitted to the Göteborg European Council for political endorsement by the Heads of State and Government. Immediately after endorsement by the European Council, the Council will formally adopt the BEPGs at a special session in Göteborg.

The 2001 BEPGs confirm the existing policy strategy, in particular in relation to achieving the new strategic goal agreed on at the Lisbon European Council (1), and extended further in light of the results of the Stockholm European Council, 23-24 March 2001. In Stockholm it was emphasised that the Union and the Member States are fully committed to the goal of full employment and see it as an important way of meeting the challenge of ageing populations. It was also stressed that the promotion of sustainable development should be integrated in the 2001 Broad Economic Policy Guidelines. The latter has been drawn up against the background of the examination of the implementation of the 2000 BEPGs and the assessment of the economic situation and outlook as presented in the Commission's Spring 2001 economic forecasts.

This year's Guidelines put great emphasis on continuing on the course of reform which includes ambitious targets for reforms of product and capital markets as well as for raising employment rates. They also stress the need to further strengthen public finances in most Member States, not least to meet the challenges of ageing populations.

Among the specific questions discussed were the need for an appropriate framework for energy taxation at the European level and for the realisation of an internal market for energy.

• STRATEGY FOR SUSTAINABLE DEVELOPMENT

In the framework of the preparation of the European Council in Göteborg, the Council had an exchange of views on the Commission Communication "A sustainable Europe for a better world: A European Union strategy for sustainable development". The Council also received a Presidency non-paper setting out in particular its intentions for the preparation of this file in the run up to Göteborg and the decisions to be taken there in substance. The President of the Economic Policy Committee, Mr COTIS, made an oral contribution on the analysis of his Committee of the Commission communication.

With respect to the preparation of the European Council in Göteborg, it is to be noted that the issue of the sustainable development is one of the priority themes of the "tour of capitals" of Prime Minister PERSSON and that it will have been dealt with also by the Environment, the Employment and Social Affairs and the

General Affairs Councils given thus the widest possible consideration to the different aspects of this central theme of future EU policy.

On substance, the Presidency, adding to the Lisbon strategy which seeks to turn the European Union into the most competitive economy, estimates that the ultimate aim of the sustainable development strategy should be to make the Union also the world's most responsible society to its nature.

To this end, in order to include the environmental dimension in EU policies and building on what the Union is already doing, further action should be taken in four priority areas:

- combating climate change and promoting the use of clean energy,
- addressing threats to public health,
- reversing the depletion of natural resources and
- easing transport congestion.

The Presidency suggested in its non-paper specific measures for each of the four priority areas as well as for putting decisions into practice.

The Presidency did not attempt to draw written conclusions from the discussions at the Ecofin Council nor will it at the Environment, Employment and Social Affairs or the General Affairs Councils, but it will report carefully to the European Council in order to allow it to hold an informed debate and to prepare for the appropriate conclusions.

• ***TAX PACKAGE***

The Council took note of the

- report to the European Council by the Presidency on the Tax Package;
- report to the Council by the Presidency on discussions with third countries;
- reports to the Council by Denmark, the Netherlands and the United Kingdom on discussions with their associated or dependent territories;
- report to the Council by the Code of Conduct Group.

Approved the following Conclusions:

- with regard to the taxation of savings,

the Council agreed that the Council, at its meeting in October, should agree on a mandate for negotiations with third countries;

- with regard to the Code of Conduct (Business Taxation),

the Council approved the work programme on transparency and exchange of information on transfer pricing as set out in Annex 1 to the Group's report and asked the Group to take forward its work on standstill and rollback and to report to the Council by the end of the year on the progress achieved;

- with regard to the future work on all aspects of the tax package,

the Council agreed

= to decide, at its meeting in July 2001, a parallel timetable for the various parts of the tax package for the forthcoming work in this area until the end of 2002;

= that a High Level Working Party will be established in order to assure the co-ordination of work and to achieve parallel progress on the tax package.

Took note of the statement from the Austrian delegation (to be recorded in the Council Minutes):

"Austria emphasises that a withholding tax system in a major third country like Switzerland cannot be seen as equivalent to an exchange of information system. Therefore, Austria cannot accept the last sentence of paragraph 5, Subparagraph 1, of the Draft Presidency Report to the European Council in Göteborg according to which "the other third countries" (including Switzerland) "declared their willingness to discuss the introduction of measures that could be considered 'equivalent' to the EU system." As stated in paragraph 11 of doc. 9283/01, Switzerland is "at this stage not prepared to enter into negotiations which could ultimately - i.e. even after a transitional period - lead to its participation in a system of information exchange that would be automatic and independent of the client's consent".

For this reason and with regard to the negotiating mandate and the new proposal for a directive on taxation of savings, Austria will only agree to a solution that will provide for equal treatment of EU member states and major third countries. Therefore, the transitional period cannot end as long as major third countries are not prepared to accept an exchange of information system."

INDIRECT TAXATION

• *VAT ON e-COMMERCE*

The Council took note of a Presidency progress report on the work carried out by the competent Council working party since the Ecofin session on the 26-27 November 2000 on the application VAT to *e-commerce*. The Council agreed to return to this issue at a future meeting with a view to reaching agreement on how to apply VAT to electronic commerce.

It is recalled that the Council at its November meeting confirmed, for services supplied by electronic means, the principle of taxing services supplied to Community clients and exempting those to third countries customers; furthermore that the normal rate should be applied to *e-commerce* operations (with the exception of radio and TV services).

Work has since concentrated on seeking a solution to the problem of identification of third countries operators providing services in the Union to non taxable persons, examining all the options available. The competent working party has focused on a compromise text presented by the Presidency which has the support of all Member States bar one.

• *ENERGY TAXATION*

The Council took note of a progress report on the work resumed under Swedish Presidency on the Commission 1997 proposal aiming at restructuring the Community framework for the taxation of energy products. It agreed that the discussions on this item shall be continued.

Three meetings of the competent tax working group have been held during spring of this year to discuss solely the structure for the rules of energy taxation. (For the purpose of this discussion it was assumed that the current minimum tax levels on mineral oils and zero minimum tax levels for electricity, coal and natural gas were applied, the contentious issue of effective minimum tax levels on the different energy products having not been discussed.)

FINANCIAL SERVICES ACTION PLAN - COMMISSION PROGRESS REPORT - COUNCIL CONCLUSIONS

The Stockholm European Council asked for full implementation of the Financial Services Action Plan by 2005, with every effort made by all parties concerned to achieve an integrated securities market by the end of 2003. This work is complemented by the objective of a well functioning risk capital market by 2003 through implementation of the Risk Capital Action Plan.

The Council takes note of the Commission's progress report of the implementation of the Financial Services Action Plan. The report illustrates that significant steps have been made to accelerate progress.

The Council welcomes the adoption of the key directives on the reorganisation and winding-up of credit institutions and insurance undertakings. Common positions have been adopted on two UCITS proposals. In addition, two insurance solvency directives are now being finalised under the fast-track provisions in the Treaty.

A new procedural approach was agreed at Stockholm to facilitate work on securities market legislative proposals. This should lead to more effective legislation that can be adopted speedily and updated to meet market developments and new supervisory practices. Consultation and transparency, legal certainty and investor protection will be essential in ensuring the new approach works and the objectives for securities markets are met. The Council stresses the need to involve consumer groups and market practitioners in an appropriate manner.

The Council will build on the consultation envisaged in the Stockholm Resolution on securities markets. It will also seek to identify and resolve key issues at an early stage.

The Council reaffirms its commitment to seeking a timely resolution on the draft directive on prevention of the use of the financial system for the purpose of money laundering and on the draft directive on the activities of institutions for occupational retirement provision.

The Council has recently commenced or will soon commence work on a number of new proposals – financial conglomerates, collateral, prospectus, market abuse. These proposals are important and may require changes to the supervisory practices in all Member States as well as new working methods, including the greater use of comitology in a number of cases. The Council calls on the Commission to facilitate dialogue with and between the Institutions to ensure that practical solutions are found on points of concern.

The Council invites the Commission to present, before the end of the year, a further and timely progress report on the Financial Services and Risk Capital Action Plans in the light of established priorities and of the timetable of individual items in the Action Plans. In particular, the Commission should highlight potential difficulties on individual dossiers. The Council invites the Commission to contribute to the solution of encountered problems.

FINANCIAL ASSISTANCE TO THE FEDERAL REPUBLIC OF YUGOSLAVIA

The Council, in the line with the recent Commission proposal, agreed in principle on a macro-financial assistance to the Federal Republic of Yugoslavia of up to 300 Million Euro, partly in loans and partly in grants, to be paid in at least two instalments.

The assistance will be made in the context of an economic stabilisation and reform programme supported by the IMF, and conditional upon a fair burden sharing and the respect of the EU financial perspective.

There will be further technical discussions on the clearance of FRY arrears to the Community and the EIB and the size of the instalments. The Council and the Commission agreed to ask the European Parliament to give its Opinion on the Commission proposal under the urgency procedure.

The Council welcomed also the Commission's intention to put forward a proposal on EIB lending to the FRY for speedy consideration.

FINANCIAL REGULATION APPLICABLE TO THE EU BUDGET - CONCLUSIONS

"1. The Council welcomes the Commission proposal on the recasting of the Financial Regulation. However, it would stress that its general analysis of the main aspects of the proposal will need to be supplemented by a detailed examination.

The Council considers that the Commission proposal is a useful basis for a recasting of the Financial Regulation which should result, inter alia, in:

- a clearer and more transparent text concentrating on the general principles applicable to the establishment, implementation and control of the implementation of the budget;
- a clarification of the roles and responsibilities of the various financial actors;
- the establishment of an activity-structured budget;
- the creation of a framework for outsourcing to enable the Commission to retain its full responsibility over the implementation of the budget;
- the rationalisation of the commitment procedure;
- the simplification of the procurement rules in accordance with the Directives concerned.

2. The Council feels that the Financial Regulation should focus on general and horizontal provisions, limiting derogations as far as possible.

3. The relationship between the Financial Regulation and the rules for different sectors must be clearly defined and set out in the text of the Financial Regulation. The Council also emphasises the importance of a consistent and harmonious approach when deciding which provisions to include in the Financial Regulation and which to include in its implementing rules.

4. The Council would like a draft text of the implementing rules relating to the Financial Regulation as recast to be submitted at the same time as the amended proposal so that it has at its disposal all the texts needed for the implementation of the new Financial Regulation.

Position of the Financial Regulation in the Community legislative framework

5. The Council commends the efforts made to simplify the text of the Financial Regulation. It questions the desirability of quoting the Treaty provisions on the external auditor, but nevertheless stresses the importance of compliance with the text of the Treaty, particularly as regards cooperation between the national audit bodies and the European Court of Auditors.

6. The Council welcomes the principle of including the text of the Interinstitutional Agreement of 6 May 1999 in the provisions concerning the legal bases. It notes, however, that that proposal requires more detailed examination, particularly at legal level. The Council is not in favour of including the Joint Declaration of 4 March 1975 in the Financial Regulation.

7. The Council feels that the text of the Financial Regulation should contain a stipulation that where a sectoral regulation contains financial provisions their compliance with the Financial Regulation must be secured in advance in the course of the legislative procedure.

Budgetary principles

8. The Council welcomes the Commission's proposal to incorporate the seven budgetary principles set out in the Treaty and to add that of transparency, but reiterates the desire expressed in its conclusions of 25 January 1999 to include also the principle of budget accuracy, notably by adding to the text of the proposal a provision prohibiting the entry in the budget of appropriations in excess of the estimated requirements.

9. The Council is continuing its examination of the Commission proposal regarding the use of differentiated appropriations in all areas, particularly in the case of the EAGGF-Guarantee Section appropriations, and the Commission proposal to convert negative expenditure into earmarked revenue, particularly for the clearance of accounts in the agricultural sector.

10. The Council considers that the provisions of the current Financial Regulation relating to the conditions for presenting an amending and/or supplementary budget must be maintained in the new Financial Regulation. It reiterates the desire expressed in its conclusions of 25 January 1999 that a provision be added specifying that an amending budget will be submitted before 31 March of the current financial year and adopted each year with the sole object of entering in the

budget for the current year the difference between the outturn actually recorded when the accounts for the completed year are submitted and the estimate of it that was previously made.

11. The Council also reiterates the desire expressed in the same conclusions for a stipulation that appropriations cannot be entered in the "reserve for provisional appropriations" except in two cases: either where there is no legal basis for the measure concerned at the time of adoption of the budget or where there is uncertainty regarding the adequacy of the appropriations in the relevant operational headings. It also stresses the importance of making it clear in the text of the Financial Regulation that recourse to the negative reserve requires the prior agreement of both branches of the budgetary authority.

12. The Council considers that a reference to the general principles applicable to agencies could appear in the Financial Regulation. However, it is not in favour of the proposal to include the agencies' establishment plans in the general budget as this runs counter to the concept of the agencies' budgetary autonomy.

13. The Council again confirms its belief that the use of loans to finance investment in buildings for the institutions does not comply with the provisions of the Treaty and the Decision on the system of own resources.

Activity-based budgeting (ABB)

14. The Council considers that the establishment of activity-structured budgeting is an essential step towards activity-based management. It stresses the importance of a gradual approach to implementation.

15. The Council stresses the fact that ABB is an important element in the establishment of a more transparent structure for the Community budget, particularly as regards the link between policies, appropriations and management. It must, however, be placed in the broader context of progress towards performance-based management, in which political objectives must occupy a central place. The Financial Regulation should explicitly stipulate that information on objectives, monitoring and evaluation must be available to the budgetary authority and should form an integral part of the budgetary procedure.

16. The Council stresses the importance of strict compliance with the financial perspective. It is aware of the need to ensure that the correlation between ABB activities and the headings of the financial perspective is monitored given that an increase or a decrease in the amount for an activity could lead to changes in several headings of the financial perspective. The Council also stresses the importance of continuing to receive regular information as to the nature of expenditure established on an annual and a multiannual basis, particularly in the case of administrative expenditure.

17. The Council is continuing its examination of the Commission proposal regarding the possibility of the Commission itself making transfers between chapters within the same title of up to 10% of the appropriations entered in operational lines and transfers of administrative appropriations of the same nature. The Council would stress that in any event prior notification of the budgetary authority in connection with such transfers is essential to ensure compliance with this provision and with the financial perspective.

Externalisation

18. The Council expresses general support for the Commission's proposal to create a harmonised framework of rules on externalisation and is continuing its examination of the proposal. It states that the various methods of externalisation (centralised management, shared management or decentralised management) must be clearly defined in the text of the Regulation.

19. The Council would like to see explicit reference made to the Commission's final responsibility for the implementation of the budget and a clear statement of the responsibilities and the nature of the delegation of powers to the various external agencies in the text of the Financial Regulation. It also feels that the text must clearly stipulate that tasks relating to implementing the budget may not be delegated to private-law bodies.

Role of the financial actors

20. The Council welcomes the general approach of the Commission proposal as regards the role of financial actors. A more detailed definition of the role of the authorising officer, his duties and the nature of the delegation of powers should be included in the text of the Financial Regulation. The obligations of the authorising officer as regards setting up a system of control within his departments should be spelt out. The Council stresses that, without prejudice to the principle

of collegiality of the Commission, final responsibility must lie with the relevant member of the Commission, whether or not the Commission's power of authorisation is delegated.

21. A clearer definition is also required for the internal auditor as to his role in auditing on the basis of the relevant international standards. The Council notes that, with regard to the tasks of financial controller within the meaning of the Treaty, Article 82 of the proposal relating to the internal auditor is not completely satisfactory and it requests clarification.

22. With regard to the responsibility of the financial actors, the Council further considers that mere reference to the current Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities is not sufficient and that supplementary provisions should be drawn up.

Commitment

23. The Council shares the Commission's approach in this area. It nevertheless considers that the text should contain a clearer definition of the concept of "global commitment". It also considers that a clause on automatic cancellation of commitments specifying a time limit should be included in the text of the Financial Regulation for individual commitments

Procurement

24. The Council considers that the provisions of the new Financial Regulation regarding public contracts should be made as simple as possible by making reference to the European Directives in force and by specifying in the text of the Regulation only those provisions going beyond the Directives. The text should be drafted in such a way as to avoid further amendments to the Financial Regulation in the event of one of the basic Directives being amended.

25. The Council stresses the importance of establishing clear transparent criteria both for exclusion from procurement procedures and for the award of contracts. The provisions of the Financial Regulation should not run counter to the corresponding certification systems in the Member States.

26. The Council is able to endorse the Commission's approach on penalties. It nevertheless feels that the penalty imposed should be proportionate to the size of the contract and to the seriousness of the offence committed.

27. The Council is continuing its examination of the Commission proposal to dispense with the Advisory Committee on Procurement and Contracts (CCAM).

Grants

28. The Council feels that a better definition of the scope of this title is needed. Having regard to the protection of the Community's financial interests, the possible penalties and the criteria for exclusion from eligibility should also be set out clearly in the text of the Financial Regulation. The Council queries the effectiveness of, and control methods for, the provision prohibiting grants from having the purpose or effect of producing a profit for the beneficiary.

29. The Council considers that a clear definition of the bodies that may qualify for grants and of the conditions under which such bodies may become beneficiaries should be contained in the text of the Financial Regulation. In that connection, there should be no derogations from calls for proposals. Moreover, it feels that the only derogation from the provisions on co-financing, interpreted as an obligation on the grant recipient to contribute, should be for humanitarian aid.

Keeping and presentation of the accounts

30. The Council notes with interest the Commission's approach on the keeping and presentation of the accounts. It stresses that both accounting methods (accrual accounting and accounting on the basis of receipts and payments) must contribute to the establishment of an activity-based budget and activity-based management. It stresses the importance of transparent, analytical accounting so that costs can be estimated sector by sector in relation to the targets set by activity-based management.

31. The Council considers that the provisions relating to discharge must comply with existing Treaty provisions.

External actions

32. The Council considers the Commission's approach to be a sound basis for external actions. Nevertheless, a clearer definition of the three management methods proposed (centralised, decentralised and joint) should be contained in the text of the Financial Regulation.

33. The Council stresses the importance of the fact that the new Financial Regulation allows full cooperation with international organisations, in particular the UN and international financial institutions. Moreover, the Financial Regulation must not prevent the Commission from taking part in joint or pool financing with other donors. It must enable the Commission to follow best practice for donors, adopting the appropriate criteria for the transfer of financial assistance to developing countries.

34. The Council feels it is necessary to lay down clear criteria for decentralisation to beneficiary third countries and for joint management in order to ensure the protection of the Community's financial interests.

35. The Council supports the introduction of a specific clause on automatic cancellation of commitments in relation to contracting out external actions. It is continuing to examine the possibility of introducing a time limit of "N + 2", among other alternatives, into the text of the Financial Regulation.

36. The Council asks the Commission to submit its amended proposal as early as possible in the third quarter of 2001, accompanied by a draft of the implementing rules so that they can be examined with a view to the adoption of the new Financial Regulation as soon as possible."

PROTECTION OF FINANCIAL INTERESTS AND FIGHT AGAINST FRAUD - COMMISSION ANNUAL REPORT

The Council reached broad political agreement on the following **draft conclusions**, subject to a parliamentary scrutiny reservation by the Danish Delegation, after the lifting of which, the conclusions will be formally adopted at the special ECOFIN meeting in Göteborg on 15 June:

"1. The Council takes note of the annual report 2000 from the Commission on the protection of the Communities' financial interests and the fight against fraud, and of the Action Plan for 2001-2003 on the overall strategic approach to the subject, and stresses the importance which it continues to attach to effective measures and action being taken to implement Article 280 of the EC Treaty. It regrets that the report was late in being forwarded to the Council. It notes that the Advisory Committee for the Coordination of Fraud Prevention (Cocolaf) has been consulted, and asks that in future Cocolaf should be consulted on the entire report.

2. The Council notes that a major effort has been made both at Community level and in the Member States to adopt legislative measures providing for a more effective fight against fraud, and invites all those concerned to continue these efforts. It regards it as essential that Cocolaf should be consulted in advance on any legislative initiative in the European Union framework concerning the protection of the Communities' financial interests and the fight against fraud. It underlines the importance which it attaches to the involvement of the European Anti-Fraud Office (OLAF) in the incorporation in legislative proposals of effective measures to prevent fraud.

3. The Council notes the increase in the number of cases of fraud and other actual or suspected irregularities notified by the Member States in 2000, in comparison with previous years, and the increase in their budgetary impact in some sectors. It believes, as does the Commission, that this increase is mainly the result of the increased effectiveness of controls and of the effect of certain individual cases in which particularly large amounts were involved.

4. However, the Council regrets that OLAF is not at present able to act on the wish expressed by the Council in its conclusions of 17 July 2000 that suspected cases of fraud, irregularities and administrative negligence should be more clearly distinguished and invites the Commission, with Cocolaf's assistance, to draw up measures relating to notification systems so that this distinction can be made from 2002; it considers that in any case, appropriate information should be provided on cases which are suspected of being fraudulent, as well as on those suspected of being irregular.

5. The Council approves of the efforts made by OLAF to grant higher priority to controls concerning the expenditure managed directly by the Commission. It invites the Commission to devote a separate chapter to this in the annual report. It points out that Regulation (EC) No 1073/1999 and Regulation (Euratom) No 1074/1999 explicitly state that OLAF's investigative powers apply to Community institutions and to bodies, offices and agencies created by the Community.

6. The Council notes with interest the various measures envisaged in the White Paper on reforming the Commission, concerning the strengthening of preventive measures and sanctions in the fight against fraud and the protection of the Communities' financial interests, and the improvement of financial management and control. In this context, it particularly stresses the importance which it attaches to a speedy overhaul of the Financial Regulation.

7. The Council notes the progress of cooperation between the Commission and the Member States. It welcomes the strengthening of the links between OLAF and the competent bodies in the Member States, particularly in the area of controls. It considers that such cooperation is essential for the protection of the Communities' financial interests and should be reinforced. Progress should also be made in recovering amounts unduly paid out.

8. The Council underlines that it attaches great importance to the participation of third countries, and especially the candidate countries, in action to fight fraud, and to their cooperation with OLAF.

9. The Council reiterates its appeal to those Member States which have not yet done so to ratify without further delay the Convention of 26 July 1995 on the protection of the European Communities' financial interests and the Additional Protocols to it, so as to make progress in the criminal law protection of the Communities' financial interests and in the fight against fraud.

10. More particularly concerning the Action Plan for 2001-2003:

- The Council welcomes the fact that the Commission has acted on its request, made in the ECOFIN Council conclusions of 17 July 2000, that it should present a more precise timetable for the implementation of the overall strategy to protect the Communities' financial interests, and takes note of the specific measures planned for the years covered, particularly as regards prevention, cooperation with national authorities and proper coordination of activities undertaken to protect the Communities' financial interests. It points out that the Treaty of Nice makes no provision for the creation of a European Public Prosecutor.
- The Action Plan should be supplemented by a financial evaluation of the projected reduction in the volume of fraud, so as to assess the cost-effectiveness ratio *ex ante* and *ex post*. The Council calls on the Commission to include in its annual reports from 2001 onwards a balance sheet of the results and costs involved in the framework of the Action Plan."

In this context, Commissioner SCHREYER presented to the Council a Draft Directive, based on Article 280 of the Treaty, aiming at establishing minimum standards in penal law for fraud against the Community's financial interests in order to make the protection of the financial interests of the Community as effective as possible. The Commission considers such a directive necessary in the absence of the ratification by some Member States of the relevant Convention and the Protocols related to it. A similar presentation was also given to the Justice, Home Affairs and Civil Protection Council on the 28-29 May 2001.

ITEMS DISCUSSED OVER LUNCH

IMPLEMENTATION OF THE LAMFALUSSY REPORT

Ministers were informed by Commissioner BOLKESTEIN on the state of discussions with the European Parliament concerning the implementation of the conclusions of the LAMFALUSSY report.

- ***ECONOMIC DIALOGUE WITH RUSSIA***

Ministers heard a report by its President and Commissioner SOLBES on the economic dialogue with Russian Ministers which took place on 10-11 May in Moscow.

- ***PROGRAMME OF THE GÖTEBORG EUROPEAN COUNCIL***

Ministers were briefed by its President on the ECOFIN aspects of the programme of the Göteborg meeting on 15/16 June.

- ***FINANCIAL CRIMINALITY***

Ministers heard a statement by the French Minister on the issue of financial criminality in the light of recent developments in the context of the OCDE work on these matters.

- ***TOBACCO***

Ministers were informed by Commissioner SCHREYER on the state of play with regard to the law suites initiated by the Commission, with the support of ten Member States, against two American tobacco companies.

- ***WORK OF THE EUROGROUP***

Ministers got the usual debriefing by Minister REYNDEERS on the work of the Eurogroup of the previous evening, which covered the following subjects : the economic situation: evolution and prospects in the Euro zone and in the US, the preparation of 2002 budgets, the way the Euro zone is dealt with in the BEPGs, the international role of the Euro and questions related to the changeover to the Euro (see statement overleaf of the members of the Eurogroup concerning this last item).

Changeover to the euro: Joint statement by members of the Eurogroup

"At the meeting of the Eurogroup on 4th June, Ministers, the President of the ECB and the Commissioner reviewed preparations for the introduction of euro banknotes and coins on 1st January 2002. They welcomed the positive progress in this regard, including the increasing awareness of consumers. They restated their intention to intensify communication campaigns in the second half of the year to help ensure a successful cash changeover.

In this context, Ministers re-iterated their policy that, overall, conversion into euro of all prices, charges and fees administered by their Governments will be price neutral or smoothed in favour of the consumer.

Ministers urged retailers to follow-up to their commitment in the agreement of good practices between European consumers and retailers of 2 April 2001 and to do their utmost to ensure the overall stability of their prices when converting them into euro and to communicate this commitment clearly to their customers. Ministers also noted that many Member States had intensified the monitoring of prices, and that the competent bodies were alert to developments regarding price conversion.

Ministers considered that dual display of prices throughout the changeover period is of utmost importance to allow consumers to check prices both in euro and in the national currency unit. In this respect, they encouraged consumers to increase their familiarity with euro-denominated prices, and to continue to

compare carefully prices between competing retailers, particularly during the rest of this year and throughout the period of the cash changeover."

ITEMS APPROVED WITHOUT DEBATE

(Decisions for which statements for the Council minutes have been made available to the public are indicated by asterisks; the statements in question may be obtained from the Press Office.)

ECOFIN

UCITS

The Council formally adopted two Common positions on undertakings for collective investment and securities amending Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS),

- one dealing with investment of UCITS (UCITS I),
- the other dealing with management companies and simplified prospectuses (UCITS II).

It is recalled that the Council reached political agreement on UCITS I on 17 October 2000 and took note of a political agreement reached in Coreper on UCITS II on 1 March 2001

UCITS I aims in particular to extend the limits on assets in which UCITS may invest beyond those transferable assets referred to in the original Directive, and to define the details involved.

Assets in which investments would be authorised include the following financial instruments: units of authorised UCITS and/or other collective investment undertakings within the meaning of the Directive, deposits with credit institutions, financial derivative instruments dealt in a regulated market or over-the-counter, and money market instruments.

UCITS I contains specific rules on risk management and risk spreading for the above listed investment instruments. Thus, as a general rule, a UCITS may invest no more than 5% of its assets in transferable securities or money market instruments issued by the same body, and no more than 20% of its assets in deposits made with the same body. Moreover, in principle, investments in UCITS units or other collective investment bodies may not exceed 10%, but Member States may raise this limit to 20%. However, investments made in units of collective investment undertakings other than UCITS may not exceed, in aggregate, 30% of the assets of the UCITS.

UCITS II aims to boost levels of consumer protection and confidence in financial products by introducing, in particular, rules for service providers, management companies and UCITS simplified prospectuses. UCITS II contains specific provisions on capital adequacy requirements and guarantees.

Excise duty on mineral oils

The Council adopted a Decision authorising the Kingdom of Belgium, with accordance with Article 8(4) of Directive 92/81/EEC, to apply differentiated rate of excise duty to low-sulphur diesel and unleaded petrol.

This Decision authorises Belgium to apply differentiated rates of excise duty on low-sulphur (50 ppm) and low-aromatic (35%) unleaded petrol from 1 May 2001 and on low-sulphur (50 ppm) diesel from 1 October 2001. These differentiated rates, not exceeding BEF 0.65 per litre of fuel, must comply with the terms of Directive 92/81/EEC, and in particular the minimum rates laid down in Articles 4 and 5 thereof.

The differentiated rates must be accorded to all users of 50 ppm fuel purchase in Belgium, without discrimination. Subject to a prior review by the Council, on the basis of a proposal from the Commission, this Decision shall expire on 31 December 2004.

Commission report to the Council and the European Parliament concerning interest-rate subsidies - Conclusions

1. In its conclusions on the Court of Auditors Special Report n° 3/99 on the management and control of interest-rate subsidies, the Council welcomed the commitment of the Commission to present "a comprehensive study on the general usefulness of interest-rate subsidies in terms of cost and economic efficiency, in the light of all relevant factors". The Commission sent this report 16 February 2001 to the Council, which has adopted the following conclusions.
2. The Council recalls that interest-rate subsidies have been extensively used in several significant community programs both inside and outside the EU (2). The Community budgetary resources allocated to these programs exceed 3 billion Euro since 1967. Some of these programs using interest-rate subsidies are in current use while others have been phased out. Further use of this instrument may be proposed in the future.
3. In recent years there has been deregulation and better functioning of capital markets in the EU. Access to lending has improved and interest-rates, both nominal and real ones, have come down. In addition, the Council notes that lower global real interest rates have also reduced the relative importance of subsidies in developing countries. Hence, the Council considers that, in general, the justification for interest-rate subsidies has diminished, but the use of the instrument may sti ll be justified in specific policy areas and for specific purposes.
4. Interest-rate subsidies have both positive and negative effects. On the positive side, like other public financial instruments, they can in principle reduce the cost of financing, improve the beneficiaries income/cost ratio and thus increase their propensity to invest and the banks' willingness to lend and thus increase the demand for investments in specific areas of public interest. The effects on job creation are difficult to prove, though. Also, since the grant element is attached to a loan, regular banking credit procedures may benefit project management and financial discipline. Moreover, in case of indirect operations, access to a vast banking network makes it possible to quickly reach a large number of SME's. More specifically, this instrument reaches through a strong "leverage effect" a potentially wide range of beneficiaries at a given budgetary cost.
5. On the negative side, this instrument - like other subsidies - can lead to non-efficient allocation of resources and to competition distortions on both the demand and supply side. They might be in conflict with state aid rules, like other public financial instruments. More specifically, when interest subsidies are administered by intermediaries, it seems to be very difficult to check, at a reasonable cost, that the final beneficiaries reap the full benefits of interest-rate subsidie s.
6. Interest-rate subsidies can be appropriate when economic policy aims at fostering certain investments, like those in transport infrastructures, environment protection as well as in cases of natural catastrophes. The Council considers that the granting of interest-rate subsidies to SMEs under a scheme such as the Edinburgh facility is questionable. For market failures relating to innovative, high growth and start-up firms facing high risks, guarantees or risk capital arrangements sho uld be more appropriate than interest-rate subsidies. In those areas outside the EU where financial markets are not yet highly developed, the use of interest-rate subsidies or other instruments should be carefully weighed up, bearing in mind the need to encourage the development of local financial services.
7. In the future, programs of interest-rate subsidy should be examined on a case by case basis evaluating the advantages and disadvantages of this instrument compared to others like loan guarantees, equity related schemes or grants. As outlined in the Commission report, the following conditions should be met if interest-rate subsidies are to remain fully effective:
 - Strict compliance with state aid legislation.
 - Wide competition between financial intermediaries in the case of global loans in order to reduce administrative costs and avoid market distortions.
 - Effective targeting of objectives/ beneficiaries.
 - There should be cost-effective public controls in order to ensure as much as possible that aid is actually reaching the intended beneficiary.
 - The eligibility criteria and program rules should be simple, clear and broadly diffused.
 - Program implementation must generate value added for national measures (subsidiarity).

- The adequate monitoring and assessment aspects must be ensured. Programs should be subject to an ex ante evaluation, a mid-term evaluation and an ex-post evaluation.

Court of Auditors - Special Report N° 6/2000 concerning the granting by the Community of interest subsidies on loans by the EIB to small and medium-sized enterprises through its temporary lending facility - Conclusions

The Council has taken note of special report No 6/2000 by the Court of Auditors concerning the granting by the Community of interest subsidies on loans by the European Investment Bank to small and medium sized enterprises, through its temporary lending facility, and has adopted the following conclusions:

The Council has taken note of the opinion of the Commission on the difficulties of the implementation of the Council decision creating the temporary lending facility concerning its urgency, the limited average size of the subsidies and the nature of the beneficiaries

The Council nevertheless endorses the opinion of the Court that the errors in the implementation detected reflect weaknesses in the management and control system.

The Council welcomes the engagement of the Commission to remedy these weaknesses and particularly to monitor other schemes involving delegation to financial intermediaries by tightening in a cost efficient way checks on eligibility of the recipients.

The job creation effect of the programme reviewed is difficult to prove. Given the small subsidy element, it can furthermore be doubted that the investment and new jobs involved would not have taken place without the subsidies.

The Council has taken note of the improvements that the Commission is making in order to render the utilisation of interest rates subsidies more transparent within the Community accounting system.

The Council welcomes the fact that the incorrect declarations and other anomalies detected by the Court have been investigated by the Commission and the EIB and that recovery procedures have been initiated whenever appropriate.

Regarding consideration of future programs of this nature involving interest-rate subsidies, the Council refers to its conclusions on the Commission report concerning interest-rate subsidies.

EXTERNAL RELATIONS

Cyprus / Malta / Turkey

The Council adopted a Decision authorising the Commission to negotiate a framework agreement with Cyprus, Malta and Turkey concerning their participation in Community programmes.

TRANSPARENCY

Public access to Council documents

The Council approved the replies to:

- the second confirmatory application in 2001 for access to documents made by Mr Tony BUNYAN (the Danish delegation voted against);
- the first and the second confirmatory applications in 2001 for access to documents made by Mr Jelle VAN BUUREN (the Danish delegation voted against);
- the confirmatory application for access to documents made by Mr Mark BELL (the Danish, Finnish, Swedish and United Kingdom delegations voted against).

Footnotes:

(1) "To become the most competitive and dynamic knowledge based economy in the world capable of sustainable growth with more and better jobs and greater social cohesion".

(2) Examples include ECSC conversion, employment creation (Edinburgh facility), TENs, SMEs, ACP and MEDA. Moreover, interest-rate subsidies, co-financed by the Structural Funds and managed by the national and regional authorities in Member States, is provided for by the new Council Regulation 1260/1999.