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Til

Udvalgets medlemmer og stedfortrædere

Pressemeddelelse vedr. rådsmøde ØkoFin den 5. Marts 2002 på engelsk - Foreløbig udgave

Dette rådsmøde 2414 (6591/02 Presse 46) blev behandlet af Europaudvalget på mødet den 1.Marts 2001. Dansk Repræsentant Økonominister Thor PEDERSEN

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

Bruxelles, den 13. 2001

Med venlig hilsen

Morten Knudsen

6591/02 (Presse 46)

PRESS RELEASE

Subject :

2414th Council meeting

- ECOFIN -

Brussels, 5 March 2002

President : **Mr Rodrigo DE RATO Y FIGAREDO,**

Second Deputy Prime Minister and Minister for Economic Affairs

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Belgium:
Mr Didier REYNDERS — Minister for Finance

Denmark:
Mr Thor PEDERSEN — Minister for Finance

Germany:
Mr Hans EICHEL — Federal Minister for Finance

Greece:
Mr Nikos CHRISTODOULAKIS — Minister for the National Economy and Finance

Spain:
Mr Rodrigo DE RATO Y FIGAREDO — Second Deputy Prime Minister and Minister for Economic Affairs
Mr Estanislao RODRÍGUEZ-PONGA Y SALAMANCA — State Secretary for Finance

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

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Mr Charlie McCREEVY — Minister for Finance

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Mr Giulio TREMONTI — Minister for the Economy and Finance

Luxembourg:
Mr Henri GRETHEN — Minister for Economic Affairs

Netherlands:
Mr Gerrit ZALM — Minister for Finance

Austria:
Mr Karl-Heinz GRASSER — Federal Minister for Finance

Portugal:
Mr Guilherme OLIVEIRA MARTINS — Minister for Finance

Finland:
Mr Sauli NIINISTÖ — Minister for Finance

Sweden:
Mr Bosse RINGHOLM — Minister for Finance

United Kingdom:

Mr Gordon BROWN	Chancellor of the Exchequer
Mrs Dawn PRIMAROLO	"Paymaster General"

* * *

Commission:

Mr Romano PRODI	President
Mr Frits BOLKESTEIN	Member
Mrs Michaele SCHREYER	Member
Mr Pedro SOLBES MIRA	Member

* * *

Other participants:

Mr Philippe MAYSTADT	President of the European Investment Bank
Mr Johnny ÅKERHOLM	Chairman of the Economic and Financial Committee
Mr Jean-Philippe COTIS	Chairman of the Economic Policy Committee
Mrs Dawn PRIMAROLO	Chair of the Code of Conduct Group

PREPARATION FOR THE EUROPEAN COUNCIL IN BARCELONA

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BROAD ECONOMIC POLICY GUIDELINES - Adoption of the "Key Issues Paper"

Following a general discussion on the main economic themes for the Barcelona European Council, the Council adopted the paper which sets out the key issues to be addressed in the 2002 Broad Economic Policy Guidelines (BEPGs) and agreed to forward it to the Barcelona European Council.

The Key Issues Paper highlights progress which has been achieved under the Union's economic policy strategy and sets out the Council's views on a series of issues which will be central to discussions at the Barcelona European Council. The input from this document constitutes a solid basis for framing the first draft of the 2002 BEPGs after the European Council.

According to the Key Issues Paper, the 2002 BEPGs should build on the existing policy strategy based on growth- and stability-oriented macroeconomic policies and continuous progress on economic reform. It places emphasis on strengthening the operational bases of economic and monetary union with clear and unequivocal economic policy messages backed by forceful implementation. The paper also highlights a number of areas where further progress needs to be made, including on:

- macroeconomic policy, where emphasis is placed on the need for improved monitoring and evaluation of Euro area economic trends, for a systematic analysis of the area's policy mix and for reinforced economic and fiscal policy coordination mechanisms, as well as on the long-term quality and sustainability of public finances;
- structural reform policy, in particular reforms in network industries where further progress is required in interconnection infrastructure and liberalisation in energy and transport while ensuring effective competition and compliance with services of general interest, and improvements in the entrepreneurial environment;
- capital market and financial services reforms, in particular through implementation of the Financial Services and Risk Capital Action Plans. The Council noted the need to build on the momentum which had been generated in this area in recent months so that political will in this area can rapidly be translated into practical results;
- labour market reform, where efforts must be continued on tax measures to increase labour market participation, benefit systems that make work pay, wage formation systems, improvements in labour market efficiency, active ageing, removing barriers to female labour force participation and labour regulation;
- the e-Europe initiative, as well as promoting research and development and developing new basic skills and teaching methods for the knowledge society;
- the use of market instruments in the Union's sustainable development strategy.

OTHER REPORTS

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COMMISSION REPORT ON IMPLEMENTATION OF THE BROAD ECONOMIC POLICY GUIDELINES FOR 2001

The Council took note of the Commission's report on implementation of the Broad Economic Policy Guidelines for 2001 *(doc. 6641/02 + ADD 1).*

- ***EPC REPORT ON ECONOMIC REFORM***

The Council agreed to forward to the European Council the Annual Report on Structural Reform 2002 *(doc. 6636/02)*. This report summarises the results of an annual country by country examination of economic policies. It analyses the overall strategies followed by Member States in the structural reform area and highlights where an acceleration of effort is urgently required. As a novelty, the report contains short chapters summerizing the examination of each Member State.

- ***FINANCIAL SERVICES ACTION PLAN, MID-TERM REVIEW***

The Council noted the oral report by Commissioner BOLKESTEIN on the mid-term review of the Financial Services Action Plan.

- ***INTERIM EPC/SPC REPORT ON GUIDELINES FOR HEALTH CARE AND CARE FOR THE ELDERLY***

The Council approved the initial report on health care and care for the elderly *(doc. 6361/02)* drafted jointly by the Social Protection Committee and the Economic Policy Committee, which will be forwarded to the Barcelona European Council. In this report, the Council has set out to outline the main parameters of future policy discussions and to identify some key policy concerns and issues, and proposes a number of activities during 2002 in order to broaden and deepen the c ooperative exchange.

- ***JOINT REPORT ON INCREASING LABOUR FORCE PARTICIPATION AND PROMOTING ACTIVE AGEING***

The Council approved the Joint report from the Council and the Commission on increasing labour force participation and promoting active ageing, which will be forwarded to the Barcelona European Council. It focuses on action that is necessary to raise labour force participation through improvements in the functioning of labour markets.

- ***COUNCIL REPORT ON INTEGRATING THE ENVIRONMENT IN ECONOMIC POLICY***

The Council approved a report to the European Council on a strategy to integrate environment and sustainable development within economic policies *(Doc. 6627/02)*. This report shows how the Ecofin Council has advanced in its strategy in this area, in particular with the inclusion of environmental policy in the Broad Economic Policy Guidelines. The report insists on the use of market mechanisms and market based instruments.

STABILITY AND GROWTH PACT

- ***EXAMINATION OF DENMARK'S CONVERGENCE PROGRAMME - Council opinion***

The Council, in the context of the annual review of the Member States' stability and convergence programmes, agreed on the following opinion on the updated convergence programme of Denmark for the period 2001-2005 and decided to make it public. The adoption of the opinion on Denmark completes the review process for 2002 for all Member States.

"UPDATED CONVERGENCE PROGRAMME OF DENMARK, 2001-2005

The Council of the European Union,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and co-ordination of economic policies, and in particular Article 9 (3) thereof, Having regard to the recommendation of the Commission,

After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 5 March 2002 the Council examined Denmark's updated Convergence Programme, which covers the period 2001-2005. The macroeconomic scenario assumed in the updated Convergence Programme projects real GDP growth to increase from 1% in 2001 to 1½% in 2002 and 2½% in 2003 and then level off to around 2% in both 2004 and 2005. Inflation is expected to remain below 2% and unemployment to remain low. The Council notes that this economic scenario seems plausible and is in line with the Comm 's 2001 Autumn forecast.

The Council notes with satisfaction that Denmark has continued to fulfil the convergence criteria on inflation, long term interest rate and on the exchange rate.

Regarding public finances, the Council notes, that while the outcome for the government surplus for 2001 was below expectations, mainly due to shortfall in revenue linked to the downturn in the stock market, a comfortable surplus was still achieved. The Council welcomes the maintenance of the objective of keeping surpluses between 1½-2½% of GDP over the programme period, during which the general government debt is expected to be reduced to 35% of GDP by 2005. As a result, Denmark continue s to fulfil, comfortably, the requirement of the Stability and Growth Pact of a budgetary position of "close to balance or in surplus" over the entire period covered by the Programme. Denmark is also expected to be able to withstand a normal cyclical downturn without breaching the 3% of GDP deficit reference value.

The budgetary consolidation strategy including a declining primary expenditure to GDP ratio and tax burden over the programme period outlined in the previous update of the Programme is upheld. The strategy has been further strengthened by the government's commitment to freeze all taxes and excise duties in order to put a halt to the upward drift in the tax burden. The Council welcomes this measure, while noting that it should not prevent reductions of marginal taxes on labour.

The Council notes that expenditure control has had a rather mixed record in recent years as the target of restraining real public consumption growth to 1% has frequently been overstepped. The need for expenditure control, especially in local government and counties is even more important now that the decision to freeze taxes has been taken, if high general government surpluses are to be assured. The Council therefore calls on all levels of general government to make efforts to control exp enditure such that the real increase in public consumption fulfils the target of an average annual growth of 1%. It also invites the Danish government to strengthen the institutional framework to avoid further slippage in the future, as already recommended in the Council Opinion last year.

The focus on longer-term sustainability issues in the programme is welcomed. The Council notes with satisfaction that the objective to substantially lower the ratio of gross debt to GDP enhances the sustainability of the public finances, thereby rendering the Danish economy in a good position to handle the projected expenditure rises due to the ageing of the population and still continue to be in compliance with the Stability and Growth Pact. It notes that these results are conditional on the continued realisation of the high surpluses. The projections also assume a continued high tax ratio to GDP between 2005 and 2050. The Council notes that such a high tax ratio to GDP may be difficult to achieve in a framework of increased mobility of certain tax bases as a result of the globalisation.

Increase in the labour force participation rates in Denmark is an important assumption of the projections in the programme. A large part of this increase is likely to come from reforms already undertaken, where the full effect has not yet set in. Further structural reforms are, however, needed on the functioning of the labour market, including reductions in taxes on labour which might help increase the labour supply. The Council therefore encourages the authorities to proceed with these m easures, while of course maintaining adherence to the Stability and Growth Pact requirements."

<u>THE FINAL REPORT OF THE COMMISSION ON GLOBALISATION</u>

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INTERNATIONAL FINANCING FOR DEVELOPMENT CONFERENCE - Council statements

The Council, following a presentation of the Conference of Monterrey, Mexico, on 18-22 March 2002 by Michel CAMDESSUS, personal representative of the UN Secretary General on development aid, held a debate on the challenges of globalisation and the financing of development aid, at the end of which it adopted a statement on the Commission report on the responses to the challenges of globalisation, and a further statement on the international financing for development conference taki ng place in Monterrey.

- **Council statement on the Commission report on the responses to the challenges of globalisation**

"The Council welcomes the final Commission report on the responses to the challenges of globalisation prepared as a follow-up to its 16 October 2001 meeting in Luxembourg. It considers the report as an important contribution in the context of the ongoing debate on globalisation and development financing, and will use it to inform its future deliberations.

The Council shares the view that globalisation, which is an ongoing and irreversible process, is essential for promoting growth and development. Post-war developments in both developed and developing countries unambiguosly demonstrate that countries which have integrated themselves into the world economy have benefited from the opportunities offered by international trade and private financial flows.

However, while the overall benefits of globalisation cannot be disputed, we also concur with the Commission that they are not evenly shared. Some countries have remained isolated or have failed to respond adequately to the challenges of globalisation and are threatened with marginalisation and continued high levels of poverty as a result. Within the globalised countries, some specific segments of the population are often excluded from the globalisation process. Globalisation also raises c hallenges, increase some specific risks, and often calls for rapid adaptations and adjustments of structures with associated social costs, both at the national and international levels. In particular, globalisation may be associated with negative global externalities such as financial abuses or instability.

Just as we promote social justice in the context of our national and European economic policies, we resolve to work together, and with other governments and international institutions, to ensure stability and growth with social justice at the international level. In order to harness globalisation in support of equity and inclusion, we must respond to these new challenges :

- first and foremost, all countries must create an enabling environment for growth, development and poverty reduction. This applies to the developing countries, which have a crucial role to play in ensuring, through appropriate structural reforms and policy measures, that a stable domestic environment is in place for generating, attracting and channelling adequate resources - be they domestic, external private or public - to foster development and poverty reduction; a major element of this environment is good governance. This also applies at the international level where rules of the game and their effective implementation are indispensable to ensure the prosperity, stability, integrity and sustainability of the world economy. Overall, the system has functioned well, but collective responses at the international level are needed in order to maximise the benefits of the globalisation process and take additional steps in curbing factors of risks and abuses of globalisation, such as financi al crime, terrorism financing, tax evasion, insufficient corporate and financial transparency, and insufficiently regulated offshore financial centers;

- second, developed countries can make an important contribution in making globalisation work for all, including in developing countries. They can do so by : (i) further opening their own markets to developing countries' products; (ii) increasing the level and effectiveness of official development assistance (ODA) channelled by various bilateral and multilateral instruments (including through grants, concessional loans, and debt reduction); (iii) encouraging a stable flow of pri inance to developing countries;

- third, international organisations, notably the IMF and the World Bank, should continue to play an important role in strengthening the international financial system, including by : (i) preventing financial crises through strengthened surveillance; (ii) resolving financial crises when they occur through stronger private sector involvement ; (iii) supporting country-owned programmes for poverty reduction; (iv) and promoting capacity-building in the developing countries. We agree with the Commission report that on the whole the international financial system has functioned well over the past half century. In the last few years, significant progress has been achieved to further strengthen the functioning of the system. In particular, enhanced transparency, the increasing implementation of internationally agreed codes and standards and improvements in crisis prevention and management have started to bolster the effectiveness of financial markets. The resilience of the international financi al system has been recently demonstrated. The Council takes note of the critical assessment provided by the Commission on alternative financing mechanisms and incentives to finance development.

The Council agrees with the Commission that the EU is playing a leading role in favour of international growth and development through : promoting an enhanced and efficient governance of the international financial system; providing about half of the world aid to developing countries; and importing more than half of developing countries' exports to the main advanced economic zones (i.e. the US, the EU and Japan). Against this background, the EU :

(i) urges industrialised countries which have yet not done so to take similar actions as those it has already taken, such as the "Everything but arms" initiative and the untying of its aid toward the Least Developed Countries (LDCs), in order to open their markets to developing countries' exports;

(ii) remains committed to increase further the level and the effectiveness of its aid, as reiterated by the European Council at its Gothenburg and Laeken meetings. The EU, which is playing a leading role in this field, including through the ongoing improvement of its national and Community aid budgets, and for instance through its contribution to the International Development Association, calls on other industrial countries to follow suit;

(iii) underlines its commitment to a successful implementation of the Doha development agenda, facilitating developing countries' equitable integration into the world economy;

(iv) encourages further steps to enhance the stability and the transparency of the international financial system including through enhanced crisis prevention, a stronger framework for financial crises resolution, and further efforts to tackle financial abuses;

(v) and stresses the challenge for the international community to secure the adequate provision of Global Public Goods, and to address the associated economic, political and financing issues.

In view of the upcoming International Conference on Financing for Development, the EU will ensure that the views mentioned above are effectively reflected."

- Council statement on the international financing for development conference

1. The UN Financing for Development Conference provides a real opportunity for a new global deal to tackle poverty and to make concrete progress towards the achievement of the millennium development goals (MDGs). It recognises the importance of a comprehensive approach, valuing good governance, domestic resource mobilisation, private capital flows, official development assistance, trade, sustainable debt financing and a strengthened and inclusive global economic system. It represents a b road partnership between donors and developing countries, which includes the international institutions, the private sector and non-governmental organisations. Our primary objective should be to enhance the mobilisation and effective use of resources for developmental purposes, rather than trying to redefine governing principles for the global finance and trade systems.

2. Developing countries have a crucial role to play in ensuring, through appropriate structural reforms and policy measures, that a stable and enabling environment is in place for generating, attracting and channelling adequate resources - be they domestic, external private or public - to foster development and poverty reduction. A major element of this environment is good governance.

3. Openness to trade is a necessary precondition for fighting poverty. Therefore, we warmly welcome the "Doha Development Agenda" which will address crucial issues of most interest to developing countries. The EU has already taken major steps in this area through the "Everything but Arms" initiative, the improvement of its trade-related technical assistance and capacity building, and the recently adopted new EC's Generalised System of Preferences regulation. As t ensure the successful and timely conclusion of the new trade round through delivering improved market access for developing countries, we encourage other industrialised countries which have not yet done so to take similar action, including by following the EU in granting duty and quota-free access to all products but arms from LDCs. We must also ensure capacity building in developing countries so they can participate fully and effectively in the forthcoming negotiations.

4. Mobilizing international private and public resources for development is essential :

    - While the increased mobility of capital creates substantial opportunities for growth, development financing and poverty reduction, it may also increase the vulnerability of national economies to external developments. Sustainable macroeconomic and structural policies, as well as establishing an appropriate framework for investment are therefore key to attracting international private resources in a sustainable manner.

- While domestic action and reform is the key to achieving the Millennium Development Goals, the Council recognises that many countries will fail to achieve these goals without increased development assistance. It is therefore important for advanced countries to help achieve the MDGs in the context of their long-standing commitment to reach the 0.7 percent of GNP target for ODA - which was confirmed for the EU countries by the

European Council at its Gothenburg and Laeken meetings. As agreed in Laeken, we commit to examine the means and timeframes to achieve this target. Much can be achieved by improving the effectiveness of the ODA we already provide – through both the Community Budget and the national budgets of member states. A significant increase in the overall volume of development assistance must be accompanied by greater effectiveness and accountability of ODA financed programmes, and a refocusing of aid where it is most needed, including towards the poorest countries that rongly committed to the implementation of sound structural and macroeconomic policy, good governance, poverty reduction, and good policy environments. We are committed to increasing the effectiveness of ODA by: (i) reducing transaction costs in delivering aid; (ii) evaluating the benefits of intensifying programmatic lending; (iii) strengthening measures to ensure that export credit support to low-income countries is not used for unproductive purposes; (iv) untying aid for the least-developed countries, and considering further ways to improve the effectiveness of ODA, including through measures aimed at further untying aid; (v) and undertaking to move where possible towards a common pool approach to reduce the cost of delivering aid.

- Each country should decide on the best way to provide additional development financing and, in general, this should be undertaken within countries' budgetary allocation processes. However, further initiatives, such as fiscal incentives, can be examined to mobilise more resources for development (private and public funds). In that context, we welcome the final Commission report on the responses to the challenges of globalisation prepared in accordance with the mandate we provide year. We acknowledge that, on top of opening their own markets and increasing the level and effectiveness of ODA, developed countries may also contribute to development financing by assessing alternative financing instruments, including tax mechanisms and incentives for instance to finance GPGs.

- Adequate financial resources should be devoted to ensure financing of Global Public Goods The financing of GPGs is not a separate process and should be evaluated against the backdrop of regular ODA. Alternative financing instruments for development could be used to support funding of GPGs. Dedicated funds, such as the Global Environment Facility or the recently launched Global Health Trust Fund, which can catalyse resources from the private sector, bilateral and multilateral public donors can be an efficient financial arrangement to ensure the provision of specific GPGs.

1.

Unsustainable debt dynamics have acted as a constraint on the ability of the poorest countries to pursue growth and development. The EU therefore welcomes the major progress made so far in the context of the enhanced HIPC initiative. We believe that the primary objective of the initiative should continue to be the restoration of debt sustainability. We therefore welcome the fact that the IMF and the World Bank will systematically assess each HIPC{{PU2 bt sustainability at its completion point. On the debtors' side, we urge the group of HIPC countries that have not reached their decision point because of sizeable political difficulties, including armed conflicts, or lags in the implementations of economic programs to take all the necessary measures to come forward for debt relief. Countries that have already qualified for debt relief need to continue their efforts to use freed resources effectively, to strengthen productivity and growth, and est in poverty reduction. On the creditors' side, we encourage all countries to provide, on a timely basis, their share of multilateral financing and bilateral debt reduction. We acknowledge the problems of debt sustainability of some non HIPC low-income countries facing exceptional circumstances and recognise that there may be the need, to be assessed on a case by case basis, to provide additional assistance with a country's debt obligations, as a part of a wider relief and rehabilitation packa

1. Reforming the international financial system and combating abuses of financial globalisation are key to promote development. The international mobility of goods, services and capital has brought tremendous opportunities for growth and development throughout the world, and must continue to play a vital role in contributing to rising prosperity. At the same time, the process of financial globalisation, like any economic transformation, poses challenges and can increase risks, in particu lar with respect to the vulnerability of national economies to external developments and the possibility to abuse the financial system. Managing these risks requires, in response :

- fighting the abuses of globalisation. Several major initiatives of co-operation at the international level have already been launched to limit those risks, including: combating the financing mechanisms of terrorism; preventing and countering money laundering and financial crime; strengthening supervision, regulation and information exchange policies, especially in Offshore Centres; and addressing harmful tax practices. They should be pursued and strengthened where appropriate;

- strengthening the role of International Financial Institutions (IFIs) in the global architecture. To meet the challenges of an increasingly globalised economy, there must be a clear allocation of responsibilities between the different international organisations and institutions and, where relevant, a strong co-operation and complementarity between them. The existing mandate of each organisation and institution should be respected.

The IMF is the key institution to promote internation al monetary co-operation and financial stability, and substantive work has been undertaken in the past years to improve its effectiveness and its transparency, as well as those of other IFIs. This work should continue in the appropriate place, e.g. the Executive Boards and governing bodies of the respective institutions and fora.

1. On top of assessing alternative financing instruments, we stand ready to explore shorter-term avenues to meet development financing needs by increasing the level of concessionality of development financing for the poorest countries through an increased use of grants at the bilateral and/or multilateral levels. In this respect, EU countries are fully involved in the discussions taking place in IDA on increasing its grant authority. We can accept a limited increase in the use of grants in a very targeted way, for some social sectors in very poor countries, provided the costs are fully compensated in due time by additional donor contributions, and with the view to enhancing IDA's development effectiveness. However, we cannot accept a substantial shift by IDA and ADF from concessional loan financing to grant funding, which would change the nature of IDA and ADF themselves. In providing grants, IDA should not compete or replace the UN agencies or other bilateral grant donors, but rathe collaboratively with them as well as with partner countries in the PRSP framework. IDA grants should only be used where IDA has a comparative advantage and for operations that have a particularly high development impact. They should primarily be targeted at activities dealing with regional and global public goods to tackle issues such as communicable diseases, in particular HIV-AIDS, and at preliminary assistance to post-conflict countries.

2. Finally, we stand ready to assess the relevance of SDR allocations. Any assessment of the adequacy of resources, in particular SDR allocations, has to be based on the IMF's Articles of Agreement, which stipulate that considerations of a general allocation of SDRs requires taking into account the global need for liquidity at the international level.

   The IMF Board agreed a special one-time SDR allocation in September 1997, which would increase the proportional SDR allocation of developing countries. This allocation has still to be activated through implementation of the related amendments to the IMF's Articles of Agreement, which awaits ratification by the United States. We call on the US authorities to accelerate this ratification."

COMMUNITY BUDGET

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Discharge procedure for 2000 - Council recommendation

The Council held an exchange of views and adopted unanimously a recommendation on the discharge for the implementation of the budget of the financial year 2000 and agreed to forward the recommendation and the observations accompanying it to the Parliament.

The Council also adopted (as non discussion items) eight other documents linked to the discharge procedure :

- Council conclusions on the follow up of the 1999 discharge *(doc. 5801/02)*
- Council recommendation on the 2000 discharge to be given to CEDEFOP *(doc. 5803/02)*
- Council recommendation on the 2000 discharge to be given to the Dublin foundation

(doc. 5804/02/02)

- Council recommendation on the 2000 discharge to be given to the Director of the European Agency for Reconstruction (Kosovo) *(doc. 5805/02)*
- Council recommendation on the 2000 discharge to be given to the 6th, 7th and 8th EDF

(docs. 6195/02, 5787/02, 5788/02, 5789/02)

- ***BUDGET GUIDELINES FOR 2003 - Council conclusions***

1. The Council reiterates its view that the Community budget must suitably cover all real needs and the resources required to implement the various policies of the Union effectively. It emphasises that this includes applying the same degree of budgetary restraint as exercised by Member States of the Union.

2. The Council considers that the Interinstitutional Agreement of 6 May 1999 remains the cornerstone of the smooth functioning of the budgetary procedure and that the range of mechanisms it currently comprises are adequate to cope with unforeseen circumstances and developments in the budgetary field.

In this context, compliance with the financial perspective remains a key objective. Community expenditure must stay within the limits fixed by the financial perspective and sufficient margins must be maintained under the ceilings of the various headings, except under heading 2, notably to cater for unforeseen circumstances.

3. The Council emphasises that the commitment appropriations should reflect real and well-defined needs and be compatible with consistent financial programming and the financial perspective.

In this context, the Council reaffirms the value of financial programming, in particular for headings 3 and 4 of the financial perspective. It points to the importance of the budgetary authority having, in good time for its budgetary procedure discussions, sufficient financial information on legislative proposals, which should include clear and measurable objectives for a set timescale.

Moreover, in order to better identify the commitment appropriations, the Council asks that due regard be given to the findings from evaluation and budgetary analysis of Community measures and programmes, especially in the event of renewal. In this connection, multiannual programmes or, in other areas, decisions with long-term effects should include provision for a mid-term review.

The Council invites the Commission to continue the efforts already under way to facilitate the budgetary authority's utilisation of those reports by taking account of the results of the work in drawing up the preliminary draft budget, with particular reference to explain the options selected and forwarding - as early as possible and at the latest along with the preliminary draft budget - all the information it has in usable form so that the budgetary authority can establish the appropriat e amount of commitment appropriations required.

4. The Council stresses once again the importance of keeping a tight grip on payment appropriations for 2003.

The Council regrets the shortcomings in budgetary implementation for 2000 which resulted in the figure for that year greatly overshooting that of previous years.

The level of payment appropriations entered in the budget must be sufficient, taking into account past uptake and the genuine possibilities for future uptake of appropriations, while endeavouring to maintain a strict relationship between commitment appropriations and payment appropriations. The Council calls on the Commission to continue its efforts to equip itself with suitable instruments for improving its budget forecasts.

5. The Council points to the need to keep the level of outstanding commitments under control. It welcomes the agreement reached in November 2001 between the two arms of the budgetary authority and the Commission aimed at eliminating abnormal outstanding commitments in the medium term. In this context the Council stresses the fact that the reduction of abnormal outstanding commitments can be achieved not only by an increase of appropriations for payments but also by a significant reco urse to decommitments. In this agreement, the Commission made a commitment to submit, with the preliminary draft budget for 2003, an action plan that foresees examining all the potentially abnormal files. The Council invites the Commission to undertake this task without delay. It intends to pay close attention to the monitoring of the action plan.

6. The Council requests the Commission to include an estimate of the surplus in its autumn letter of amendment, as it did for the budgets in recent years.

7. The Council lays great store by the reform of the financial management undertaken within the Commission, which it considers a key factor in improving budgetary procedure and implementation.

In this connection, it notes the Commission's intention to submit its preliminary draft budget for 2003, both in the traditional form and in the form of an activity-based budget (ABB) and it asks it to continue its efforts to ease the transition to an activity-based budget in the best possible conditions. Moreover, the Council is actively continuing its examination of the amended proposal to recast the Financial Regulation so that it can be implemented as soon as possible.

The Council also recalls that, in an effort to spread implementation of the budget more evenly throughout the year, in November 2001, the budgetary authority and the Commission agreed that the Commission would submit an implementing plan and would send notification of deviations observed on certain dates. The Council calls on the Commission to apply this implementing plan efficiently.

8. The Council considers that the excellent spirit of cooperation that prevailed in work on the preparation of the budgets for the previous two financial years was a key factor in the smooth working of budgetary procedures and is convinced of the importance of continuing the good collaboration between the two arms of the budgetary authority and the Commission.

9. As regards certain specific headings of the financial perspective, the Council identifies the following elements as crucial in preparing the 2003 budget:

– at the beginning of the second half of 2002, the Council expects from the Commission a mid-term review of the CAP reform implemented in the framework of Agenda 2000, which it must take into account in the autumn letter of amendment if necessary;

– given the discussions on 18 February 2002, the Council states its intention of staying within the reference amounts for multiannual programmes and the ceiling under heading 4. In determining budget allocations, account must also be taken of the Community's development policy, of information on other contributors and on the capacity of the partner countries to absorb funds, and of the annual priorities which the Council has set itself;

– it advocates that the support for Afghanistan and neighbouring countries under the 2002 budget be continued in an appropriate way in 2003, in accordance with the financial framework laid down by the financial perspective;

– following the cuts to CFSP budgetary allocations in the last two years, it stresses the importance of funding measures under the CFSP and would like to see the budgetary allocation for 2003 geared towards potential needs;

– the Council highlights the importance of measures relating to the conclusions of the most recent European Councils, especially those drawn at the Lisbon European Council;

– before any proposal for a new programme or a new budget heading is submitted to the budgetary authority, there must, in accordance with the Interinstitutional Agreement, be a report on the pilot projects and preparatory measures, containing *inter alia* an evaluation of the results;

– given the information currently available in the report of the Secretaries-General which was forwarded to the budgetary authority at the last budget Council, in November 2001, the Council believes that particular heed must be paid to the worrying situation of heading 5 of the financial perspective in 2003 and to its evolution in the coming years;

– in particular, it expects the search for potential savings to continue so that the ceiling under heading 5 is not overstepped and calls on all the institutions to work to this end and to submit forecasts for 2003 showing a growth rate compatible with the adjustment rate agreed for the financial perspective and the forecast increase in pensions. Moreover, it believes that better multiannual programming of their property expenditure by the institutions is one way of keeping admi tive expenditure under the ceiling for heading 5;

– the Council is actively pursuing its work with a view to preparing the enlargement of the European Union to include the candidate countries and emphasises the need for precise evaluation of future budgetary implications.

10. The Council wishes these guidelines to be taken into account in the budget procedure, particularly in the preparation of the preliminary draft budget for 2003."

GREEN PAPER ON THE PROTECTION OF THE FINANCIAL INTERESTS OF THE COMMUNITY AND THE ESTABLISHMENT OF A EUROPEAN PROSECUTOR

Following a presentation by Commissioner Schreyer, the Council held a brief exchange of views on a Green Paper on criminal law protection of the financial interests of the Community and the establishment of a European Prosecutor.

Delegations in their interventions noted that there were a number of difficulties connected with the setting up of a European Public Prosecutor and considered that the time was not right for such a radical step. It was generally felt that newly created institutions such as Eurojust and OLAF needed time to affirm themselves in the fight against offences committed against the financial interests of the Communities.

The Presidency concluded by recommending that future deliberations on this subject be held in the Justice and Home Affairs Council.

UPDATE ON THE CHANGEOVER TO THE EURO

The Council took note of an oral presentation by Commissioner Solbes on the latest information concerning the successful changeover to the euro. In his presentation, the Commissioner set out some of the key messages contained in a Communication on the changeover to the euro, covering the entire period of dual circulation of national currencies and euro notes and coins, which will be submitted by the Commission to the Barcelona European Council.

The Council noted in particular that:

- citizens in the eurozone countries have embraced the new currency enthusiastically;
- the transition has been extremely smooth, with all those involved in the planning and execution of the enormous logistical exercise to be commended;
- the active involvement of retailers, notably through pre-distribution of euro notes and coins, greatly facilitated the smooth transition;

- the logistical exercise of withdrawing legacy currency coins is a huge one, and the key challenge for ongoing work.

THE EURO-MEDITERRANEAN DEVELOPMENT BANK

Following the invitation to the Council and the Commission from the Laeken European Council to examine the setting up of a Euro-Mediterranean Development Bank, the Council took note of the Commission's report on the subject, as presented by Commissioner Solbes, and considered a report by the Economic and Financial Committee setting out possible options for a new institutional response to further enhance Euro-Mediterranean financial cooperation. The four options considered were: the estab lishment of a new bank with minority EIB ownership; the establishment of a new EIB subsidiary; the creation of a targeted separate EIB investment facility; and a Euro-Mediterranean partnership arrangement composed of a number of instutitional features.

In the light of the discussion and the views expressed on the various options, and taking account of a comparison between them in terms of their added value, visibility, ownership, cost-efficiency, overlap and coordination with existing institutions, and speed of delivery, the Presidency undertook, in consultation with the Commission and the EIB, to narrow down the options with a view to presenting a compromise solution to the ECOFIN Council on 14 March in advance of the Barcelona Europea n Council.

ADMINISTRATIVE COOPERATION IN TAX MATTERS

The Council took note of a Presidency note on administrative cooperation in tax matters. The report contained an evaluation of the current status of cooperation between national tax administrations and examined future avenues for work in this area. It noted in particular that:

- tax evasion and avoidance are to the detriment of national interests and hinder the achievement of Community aims. The existence of tax evasion and avoidance can distort the Community freedoms, affects the conditions of competition, jeopardises budgetary sustainability and is contrary to the principle of tax equity;

- the Member States as well as the Commission can collaborate to identify areas where cooperation and the exchange of information would help to improve the tools and opportunities for the Tax Administrations to reduce fraud. To that end, the recommendations of the ad hoc Working Party on Tax Fraud that were unanimously agreed are, as the Council itself acknowledged, an appropriate basis for implementing the most suitable actions.

The Presidency intends to open a debate on the issues raised in its note at a future Council session with a view to submitting a report to the European Council in June on progress achieved in cooperation between tax administrations.

CODE OF CONDUCT (BUSINESS TAXATION)

The Council took note of an oral report from the Chair of the Code of Conduct group, Mrs Dawn PRIMAROLO, on the work programme and methods for the group until May, when the Council will consider this matter again.

ITEMS APPROVED WITHOUT DEBATE

The documents whose references are given are available on the Council's Internet site http://ue.eu.int Acts adopted that include statements in the minutes which may be released to the public are indicated by an asterisk; these statements may be obtained by following the procedure indicated above or from the Press Office.

ECOFIN

Taxation of savings - exchange of information (standard format)

(Doc. 5986/02)

The Council agreed on a standard format for the exchange of information for the purpose of the taxation of savings to be applied in the context of the future Directive. The Directive format is based on an OECD format for the automatic exchange of information.

Council-European Parliament common position on financial collateral arrangements

(Doc. 5530/02)

The Council adopted a common position with a view to the adoption of the Directive of the European Parliament and of the Council on financial collateral arrangements.

The aim of the Directive is to create a Community regime for the provision of securities and cash as collateral under both security interest and title transfer structures, including repurchase agreements (repos), in order to increase legal certainty for these arrangements. In order to achieve this objective the Directive requires Member States to ensure that certain provisions of insolvency law do not apply to such arrangements; in particular, those that would inhibit the effective reali sation of financial collateral or cast doubt on the validity of current techniques such as bilateral close-out netting, the provision of additional collateral in the form of top-up collateral and substitution of collateral.

CSFP

Special report by the Court of Auditors concerning the management of the Common Foreign and Security Policy (CFSP) - Council conclusions

(Doc. 6558/02)

"The Council examined the special report no 13/2001 of the Court of Auditors concerning the management of the Common Foreign and Security Policy (CFSP) for the period from 1997 to 1999.

The Council shares the Court's opinion that while some notable improvements have been made in recent years in the management of CFSP and that CFSP-actions are highly political and in many cases intended to be implemented rapidly and within short deadlines, there are still some shortcomings. The Council notes that additional efforts will have to be made, inter alia to ensure sufficient flexibility to the CFSP-budget.

Concerning the Court's proposal for adopting clear operational principles and arrangements with regard to the Commission's role in the implementation of CFSP-actions, the Council notes that these principles and arrangements were already established in the 1997 interinstitutional agreement on CFSP. The Council and the Commission are continuously engaged in efforts to improve the practical modalities.

The Council welcomes the measures taken by the Commission to reduce delays in payments and encourages the implementation of an enquiry on the causes for such delays. Furthermore the Council takes good note of the Court's suggestion for timely renewal of its decisions. The Council will continue to work towards this end, while drawing the Court's attention to the constraints posed by the proposed timetable.

The Council attaches great importance to evaluation, auditing and reporting about the results of CFSP actions and notes that important steps are taken by the Commission in that direction. The Council's political analysis on the feasibility of such actions could be completed by technical evaluation by the Commission.

Special attention has been paid by the Court to the Special Representatives. The Council recalls its decision from 30 March 2000 whereby the administrative expenditures of the Special Representatives were charged to the Council's section of the General Budget. The operational expenditure was to remain covered, as previously, by the Commission's section of the Budget.

Procedures governing this division of financial responsibility as between Council and the Commission were agreed with European Parliament in the framework of the budget procedure 2001, during the concertation meeting held on 20 July 2000. The Council refers in this context to the joint declaration with the Commission concerning the examination of the scope of administrative/operational expenditures.

Finally the Council underlines that in the financial statements for the year 2002 the contributions in kind are being dealt with in a systematic manner. In addition to this it can be said that the Council standardised already the salary package of the special representatives. The Council notes the Commission's intention to propose in 2002 clear rules on remuneration and salary related costs for the financial and administrative staff, working for the special representatives."

TRANSPARENCY

Public access to documents

The Council approved the replies to the first and the second confirmatory application made by Mr Steve Peers in 2002. The Danish and Swedish delegations voted against in the former case and the Danish, Finnish and Swedish delegations in the latter one.