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Til underretning for Folketingets Europaudvalg vedlægges Finansministeriets redegørelse for rådsmøde (økonomi- og finansministre) den 9. marts 2004.

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Referat af rådsmødet (ECOFIN) den 9. marts 2004

Dagsordenspunkt 1 a): Forberedelse af Det Europæiske Råd den 25.-26. marts 2004: 'Key issues' papiret vedr. de overordnede økonomisk-politiske retningslinier (BEPG)

Rådet vedtog 'key issues' papiret om de overordnede økonomisk-politiske retningslinier (BEPG).

Papiret fokuserer på tre overordnede prioriteter: 1) Fremme af vækst gennem investeringer, innovation og konkurrence, 2) øget fleksibilitet på arbejdsmarkederne og 3) sikring af de offentlige finansers holdbarhed gennem hurtigere gennemførelse af strukturreformer. Endvidere opfordres Kommissionen til med henblik på at styrke fokus på gennemførelse snarere end opstilling af nye målsætninger at præsentere resultatskemaer m.v. for medlemslandenes fremskridt med at nå Lissabon-målene.

'Key issues' papiret vil sammen med rådskonklusionerne fra rådsmødet (ECOFIN) den 10. februar 2004 vedrørende Kommissions implementeringsrapport om de overordnede økonomisk-politiske retningslinier indgå som en del af Rådet (ECOFIN)'s bidrag til Det Europæiske Råd den 25.-26. marts 2004.

Dagsordenspunkt 1 b): Forberedelse af Det Europæiske Råd den 25.-26. marts 2004: Opfølgning på det europæiske vækstinitiativ

Rådet vedtog konklusioner (vedlagt) vedrørende Kommissionens statusrapport om nationale tiltag som led i gennemførelsen af det europæiske vækstinitiativ.

I rådskonklusionerne hilses Kommissionens rapport velkommen, og medlemslandene og de tiltrædende lande opfordres til fortsat at tage højde for vækstinitiativet i den nationale mellem- og langfristede budgetmæssige planlægning og til at bidrage til at sikre overensstemmelse og komplementaritet mellem tiltag på nationalt og fællesskabsplan samt vækstinitiativets prioriteter. Prioriteringslisten kan opdateres og udvikles løbende, der er tale om en åben og dynamisk proces. Endvidere opfordres Kommissionen til fortsat at overvåge gennemførelsen af vækstinitiativet samt til gennem Rådet (ECOFIN) at rapportere til Det Europæiske Råd i december 2004 om fremskridtene.

Rådskonklusionerne vil blive fremsendt til Det Europæiske Råd den 25.-26. marts 2004.

Dagsordenspunkt 2: Stabilitets- og vækstpagten: Vurdering af opdaterede stabilitets- og konvergensprogrammer (Tyskland, Spanien, Portugal og Belgien)

Rådet vedtog udtalelser (vedlagt) vedrørende stabilitetsprogrammerne for Tyskland, Spanien, Portugal og Belgien.

For så vidt angår Tyskland udtales bl.a., at Tyskland i sit stabilitetsprogram planlægger at leve op til konklusionerne fra rådsmødet (ECOFIN) den 25. november 2003 vedrørende nedbringelse underskuddet på de offentlige finanser i 2004 og 2005, men at der er risiko for, at Tysklands konsolideringsplaner vil vise sig at være utilstrækkelige til at korrigere det uforholdsmæssigt store underskud i 2005.

For så vidt angår Spanien udtales bl.a., at de finanspolitiske mål i stabilitetsprogrammet lever op til kravene i stabilitets- og vækstpagten, men at der ikke er taget skridt til gennemførelse af en reform af pensionssystemet som anbefalet i de overordnede økonomisk-politiske retningslinier. Derfor anbefales det Spanien at gennemføre tiltag, herunder specielt en sådan pensionsreform, med henblik på at forhindre uholdbare offentlige udgiftsstigninger på lang sigt.

For så vidt angår Portugal udtales bl.a., at gennemførelsen af de planlagte udgiftsreduktioner i stabilitetsprogrammet er afgørende for at opnå programmets målsætninger, og at ubalancer på baggrund af den nuværende politik ikke kan udelukkes på lang sigt, hvilket understreger behovet for finanspolitisk konsolidering.

For så vidt angår Belgien udtales bl.a., at de finanspolitiske mål i stabilitetsprogrammet lever op til kravene i stabilitets- og vækstpagten, men at der på længere sigt er fare for budgetubalance som følge af effekterne af en aldrende befolkning, hvorfor det anbefales Belgien at gennemføre tiltag, herunder nedbringelse af den offentlige gæld, med henblik på at forhindre uholdbare offentlige udgiftsstigninger på lang sigt.

Dagsordenspunkt 3: Direktiv om rentebeskatning

Der var en ny orienterende drøftelse af status i forhandlingerne om rentebeskatning med visse tredjelandene og tilknyttede områder.

Enigheden fra rådsmødet (ECOFIN) den 10. februar 2003 blev fastholdt, herunder at afvise krav om modydelser, at udkastet til aftale mellem EU og Schweiz om rentebeskatning er rimeligt og balanceret, samt at de endelige aftaler med såvel Schweiz som tredjelandene og de afhængige territorier bør indgås hurtigst muligt, uden sammenkædning til forhandlinger mellem EU og Schweiz på andre områder, med henblik på at sikre rentebeskatningsdirektivets planmæssige ikrafttrædelse pr. 1. januar 2005.

Dagsordenspunkt 4 a): EU-budget: Decharge-procedure vedr. gennemførelse af budgettet for 2002

Rådet vedtog henstilling til Europa-Parlamentet om meddelelse af decharge til Kommissionen for gennemførelsen af regnskabsåret 2002.

Henstillingen udtrykker bl.a. skuffelse over, at Revisionsretten heller ikke vedrørende årsberetningen for 2002 har kunnet afgive en positiv revisionserklæring for budgetgennemførelsen som helhed. Henstillingen indeholder bl.a. forslag om, at Revisionsretten afholder ét eller flere seminarer om sine revisionsmetoder og udarbejder en årsrapport om sit arbejde, samt om en styrket opfølgning på Revisionsrettens årsberetning i en rådsarbejdsgruppe.

Dagsordenspunkt 4 b): Rådets prioriteter for budgettet for 2005

Rådet vedtog konklusioner (vedlagt) vedrørende Rådets prioriteter for budgettet for 2005.

I rådskonklusionerne understreges en række grundlæggende principper for EU's budgetlægningsproces, bl.a. at den inter-institutionelle aftale om budgetdisciplin skal respekteres, herunder at der afsættes tilstrækkelig margen i hver udgiftskategori til uforudsete udgifter, og at der skal foretages en retvisende og realistisk budgettering inden for rammerne af de finansielle perspektiver. Endvidere finder Rådet, at udgiftslofterne i 2005 for udgiftskategori 3 (interne politikker), kategori 4 (eksterne politikker) og kategori 5 (administrative udgifter) skal overholdes.

Kommissionen ventes at fremlægge sit budgetforslag for 2005 i maj 2004. Rådet (ECOFIN)'s første læsning af Kommissionens budgetforslag ventes at finde sted i juli 2004.

Dagsordenspunkt 5: Direktiv om nedsat moms

Der var endnu en drøftelse af direktivet om nedsat moms og anvendelsesområdet for nedsat moms generelt, herunder mulige skadevirkninger på det indre marked.

Der blev ikke truffet konklusioner. Drøftelserne vil fortsætte, og sagen ventes på dagsordenen igen for et kommende rådsmøde (ECOFIN).

Frokost

Der var bl.a. en orientering vedrørende etableringen af et europæisk center for international økonomi.

BILAG

Rådskonklusioner vedrørende opfølgning på det europæiske vækstinitiativ

"The European Council invited the Member States to report to the Spring 2004 European Council on initiatives in preparation or implementation at national level to increase growth and growth potential which could enhance the positive impact of the European Initiative for Growth.

The Ecofin Council welcomes the first reports by Member States and the acceding countries on their contributions. It recognises that, as reflected in the contributions, the line between national measures planned in any case, and measures envisaged and being explicitly in support of the 'quickstart programme' of projects endorsed by the European Council has often been difficult to draw.

It is still too early after the adoption of the Initiative to make a prediction about the positive impact of these contributions on the Initiative. However, the Council would like to draw the attention of the European Council on a few major issues:

1. A number of Member States and acceding countries already have taken steps to reinforce the Initiative by national actions. They have started to, within their national budgets, redirect government expenditure to foster growth-enhancing investment in physical and human capital and knowledge in line with the objectives of the Growth Initiative.

2. The extent to which the Growth Initiative has affected the Member States and the acceding countries public investment plans varies. For some countries, the initiative appears not to have directly affected public investment plans at all. Other countries accelerated public investment already in 2003, and have moved towards enhanced effectiveness of investments in physical and human capital.

3. The expected impact of the Initiative on public investment differs according to transport infrastructure, energy infrastructure and telecommunications:
   - Some countries already made some small adjustments to their transport infrastructure plans, revising finance planning to accelerate the achievement of key projects, or increasing public expenditure in transport infrastructure. In other countries, programming for transport investment does not involve any specific change in the short or medium term.
   - Total public expenditure in the energy sector remains stable, with some exceptions, but investment priorities are shifting towards re-

newable energy sources, effective use of energy and network interconnection.
- Telecommunications investments are entirely market driven and the Initiativeconsequently does not directly affect infrastructure roll-out.

4. As regards the private financing of infrastructure, the Council wishes to emphasize that a number of countries in 2003 implemented important changes in the legal framework for public-private partnerships, which aimed at addressing some of the technical, legal and administrative obstacles to private investments in infrastructure. The Growth Initiative is an open and dynamic process. When dealing with transport infrastructure, it is acknowledged that trans-border projects as envisaged in the "quick-start" list are especially difficult to finance from private sources. More generally, it is to be welcomed that the political and financial support for the Initiative is very positive.

5. No detailed assessment is yet possible on the impact of the Initiative on spending in R&D and innovation investment. However, the degree of coincidence between national objectives and the priorities of the Growth Initiative – which should increase – are expected to have increasing positive effects on national research capabilities.

The Council welcomes these first positive effects. It urges the Member States and the acceding countries to continue paying attention to the Growth Initiative in their medium and long-term budgetary planning.

In line with the request by the European Council, the Commission and the European Investment Bank will by the end of 2007 provide a mid-term evaluation of the Action for Growth. In addition to the criteria already set out by the European Council, this evaluation should also look at the implications of the Initiative on the quality of public finances.

The Council invites:
- The Member States to coordinate the initiatives taking place at national and European level with the Growth Initiative, so as to ensure complementarity and best use of resources, thus enhancing the overall impact of the Initiative.
- The Member States to take the priorities of the Growth Initiative into account when preparing the 2005 national budgets.
- The Commission to continue to monitor the implementation of national measures, and to report through the Ecofin Council to the December 2004 European Council on further progress."

<u>Rådsudtalelser vedrørende stabilitetsprogrammerne for Tyskland, Spanien, Portugal og Belgien</u>

Tyskland
"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 5(3) thereof,

Having regard to the recommendation of the Commission, after consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 9 March 2004 the Council examined the 2003 update of the stability programme of Germany, which covers the period 2003 to 2007. The update was submitted on 5 December 2003; responding to political developments an addendum was submitted on 29 January 2004. The updated programme largely complies with the requirements of the revised "Code of conduct" on the content and format of stability and convergence programmes, although a greater degree of precision of the data provided would have been desirable.

On 21 January 2003, on the basis of a Commission Recommendation, the Council decided in accordance with Article 104 (6) EC that an excessive deficit existed in Germany and issued a recommendation based on Article 104 (7) EC recommending "the German government to put an end to the present excessive deficit situation as rapidly as possible in accordance with Article 3(4) of Council Regulation (EC) No 1467/97". On 18 November 2003, the Commission adopted two recommendations on the basis of Articles 104 (8) and 104 (9) respectively, for the Council (1) to decide that the measures taken by Germany in response to the recommendation of 21 January 2003 had proved inadequate to bring the excessive deficit to an end, and (2) to give notice to Germany to take the necessary measures to bring the government deficit below 3% of GDP in 2005. On 25 November 2003, the Council did not adopt the two Commission recommendations, but adopted instead a set of conclusions taking note, among other things, of the commitments made by Germany to achieve a reduction of the cyclically-adjusted deficit by 0.6% and at least 0.5% of GDP in 2004 and 2005, respectively, so as to ensure that the general government deficit is brought below 3 % of GDP.

The 2003 updated programme states that the German government revised its fiscal policy targets in 2003 in response to almost three years of persistent stagnation. The budgetary strategy adopted in previous updates had been to limit expenditure, flanked by structural measures to improve the functioning of the labour market, strengthen social security finances and broaden tax bases. While these objectives are confirmed in the strategy contained in the 2003 update, the aim of supporting business activity by fiscal policy has been emphasised. Fiscal consolidation over and above the proposed measures is regarded by the German authorities as putting the cyclical upturn at risk. The 2003 update reiterates that achieving a balanced budget remains central to budgetary policy but does not contain a target date.

Following the protracted stagnation over the last three years, the 2003 update projects real GDP growth to resume from an estimated -0.1% in 2003 to 1.7% in 2004. In the period 2005 to 2007, growth is estimated to average 21%. Employment is expected to pick up from zero growth expected in 2004 to an average growth of 3% from 2005 to 2007. The GDP deflator is forecast at 1% for 2004 and to stay at an average of 1% from 2005 to 2007.

The growth outlook for 2004 appears realistic and is close to the Commission Autumn 2003 projection of 1.6% for 2004. However, the update is optimistic regarding the outlook for 2005 and subsequent years, with real growth of 21%, projected to continue to 2007. This is attributed to an expected rise in potential output, the underlying assumption being that the structural reforms – some implemented in 2003 and some forthcoming in 2004 and 2005 – will have an early and substantial positive impact. By contrast, the Commission forecasts real growth of 1.8% in 2005. Moreover, on the basis of the data provided in the addendum to the update, the commonly agreed method results in an estimate for potential growth of 11% on average between 2005 and 2007 with a slight increase towards the end of the period. The scenario for the medium-term improvement in the deficit depicted in the update is thus based on an output gap closing over time and the assumption of an upward shift of potential output. However, more cautious macro-economic assumptions would have been desirable for the pursuit of a successful fiscal consolidation strategy.

For 2003, the update estimates a deficit of 4.0% of GDP; the preliminary statistical revision of February estimated it at 3.9% of GDP. The update targets a general government deficit of 31% of GDP in 2004 and of 21% for 2005. The update thus foresees the excessive deficit to be corrected by 2005 in line with the Council conclusions of 25 November 2003. In cyclically-adjusted terms, based on calculations by the Commission, the budget balance would improve by 0.7 percentage points in 2004 and by 0.4 percentage points in 2005. One-time revenue risks in 2004 might alter the relative size of the adjustment steps.

However, in the update and its addendum Germany confirms its commitment of 25 November to correct the excessive deficit by 2005 and, if necessary, to take additional measures to that effect. Indeed, under less favourable macro-economic and budgetary assumptions, the adjustment path in the programme may be insufficient to correct the excessive deficit in 2005. The achievement of this objective is surrounded by several risks: (1) GDP growth in 2005 may be below the central scenario of the updated programme. According to the sensitivity analysis performed in the update, under the assumption of a shortfall in nominal growth by half a percentage point in 2004 and in 2005, the headline deficit would lie only marginally below 3% of GDP in 2005. (2) The achievement of the expenditure targets for 2004 and 2005 are uncertain even with growth as expected in the update's central scenario and require full implementation and efficiency of the measures introduced. Subject to risk are notably unemployment-related outlays and expenditures on pensions and health, which may turn out higher than foreseen.

The budgetary stance in the update is insufficient to ensure that the Stability and Growth Pact's medium-term objective of a budgetary position close to balance or in surplus is achieved within the programme period. For 2006 and 2007 the projections, rounded to the nearest half of a percent in the update, are for headline deficits of 2% and 11% of GDP, respectively. The improvement in the cyclically-adjusted deficit for 2006 and 2007 appears to be rather less than 1 percentage point annually. A budgetary position providing a sufficient safety margin to avoid breaching the 3% of GDP deficit threshold under normal macro-economic conditions would be reached by 2006.

The debt ratio is projected to start declining only in 2007 and to remain above the Treaty 60% of GDP reference value throughout the period covered by the programme. The evolution of the debt ratio risks being less favourable than projected, given the uncertainty about the medium-term growth rate and the actual achievement of the planned deficit reductions.

Germany has recently passed reforms that adjust the pension system and, to a lesser extent, the health sector, to demographic change. While Germany is in a considerably better position than before to meet the budgetary costs of population ageing, risks of imbalances in the long term cannot be ruled out. According to Commission quantitative indicators on the basis of current policies, demographic change would result in the debt-to-GDP ratio remaining broadly constant above 60% of GDP over the next 20 years and increasing substantially thereafter. Securing an adequate primary surplus is essential to ensure that public finances are on sustainable footing.

The economic policies as reflected in the 2003 update are partly consistent with the recommendations in the Broad Economic Policy Guidelines, specifically those with budgetary implications. Although Germany had implemented consolidation measures of the requested size equalling 1% of GDP, they have proved inadequate to put an end to the excessive deficit situation by 2004. Efforts at budgetary consolidation are underpinned by the "Agenda 2010", an ambitious reform programme presented in 2003 with the aim of boosting growth in the medium-term.

Implementation began in 2003 and is foreseen to continue over the next years. Germany should therefore ensure that budgetary consolidation continues in the years after 2005, namely through a steady reduction in the cyclically adjusted budgetary deficit by at least 0.5 percentage points of GDP per year or more if necessary to achieve the medium-term position of government finances close to balance or in surplus and bring back the debt ratio to a declining path."

Spanien
"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 5 (3) thereof,

Having regard to the recommendation of the Commission, after consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 9 March 2004 the Council examined Spain's updated stability programme, which covers the period 2003-2007. The updated programme largely complies with the data requirements of the revised "code of conduct on the content and format of stability and convergence programmes". However, the update was submitted six weeks after the deadline set in the code of conduct without any apparent justification.

The budgetary strategy underlying the update, essentially unchanged from the previous programme, aims at maintaining sound public finances defined by a budgetary position of close-to-balance or in surplus. To this end, the programme envisages keeping the ratios of revenue and non-interest expenditure-to-GDP constant throughout the programme period, at 40% and 37.4% respectively, while allowing for an increase in the GDP share of capital expenditure and a corresponding decrease in the current expenditure share. The resulting primary surpluses are consistent with a balance or surplus on the overall balance and a steady decline in the debt ratio, which is envisaged to fall from 51.8% of GDP in 2003 to 43.8% in 2007.

The update projects real GDP growth to recover from an estimated 2.3% in 2003 to 3% for 2004 onwards. Employment is expected to strengthen from 1.8% in 2003 to slightly above 2% on average over the programme period. Inflation measured by the private consumption deflator is projected to decline from 3.2% in 2003 to 2.7% in 2004 and to stabilise at 2.4% thereafter. On the basis of currently available information, the macroeconomic scenario underlying the update seems realistic.
In particular, the rate of growth of the economy in the medium term is broadly in line with the prevailing estimate of potential growth.

After the surplus estimated for 2003, the update retains an objective of balance for 2004 and small, though increasing, surpluses (0.1%, 0.2% and 0.3% of GDP for 2005, 2006 and 2007, respectively) for the rest of the years in line with previous projections. In cyclically-adjusted terms, based on Commission services' calculations, the surplus declines by half a percentage point to 0.1% of GDP in 2004. This reflects the better than expected result estimated for 2003 and the maintenance of the previous year's balanced-budget target. For the remaining programme period, the cyclically-adjusted budget balance improves by 0.2 percentage points to a surplus of 0.3% of GDP in 2007.

The budgetary targets presented in the programme are consistent with a position of close-to-balance or in surplus in each year of the projection. The risks can be considered broadly balanced: in fact, the targets, especially the balanced budget for 2004, appear cautious and may be overachieved giving a margin against less positive developments in the economy. Therefore, the budgetary stance can be considered sufficient to ensure the maintenance of the SGP's close-to-balance or in surplus objective throughout the programme period. For the same reasons, it also provides a sufficient safety margin against breaching the 3% of GDP deficit threshold.

On the basis of current policies, as reflected in the situation of public finances and its medium-term evolution shown in the programme as well as the long-term projections for age-related expenditure provided in the programme, Spain seems relatively well placed to cope with the budgetary costs of ageing populations. However, given the risks surrounding such long-term projections of expenditure and the large increase of pension expenditure projected in the very long term, current policies need to be supplemented by measures to prevent the emergence of unsustainable trends, in particular a comprehensive reform of the pension system in line with the recommendations of the multi-partisan agreement "Pacto de Toledo".

The economic policies as reflected in the updated programme are largely consistent with the recommendations of the Broad Economic Policy Guidelines, specifically those with budgetary implications. However, concerning the recommendations to address the challenge of ensuring the long-term sustainability of public finances in the face of population ageing, although a number of positive measures have recently been adopted, no steps to implement a major pension reform have been taken."

Portugal
"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 5(3) thereof,

Having regard to the recommendation of the Commission, after consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 9 March 2004 the Council examined the 2003 update of the stability programme of Portugal which covers the period from 2004 to 2007. The updated programme was submitted in December 2003 and largely complies with the data requirements of the revised "code of conduct on the content and format of stability and convergence programmes". However, information notably on expected privatisation revenue would have been desirable.

On 5 November 2002, the Council decided that an excessive deficit existed in Portugal and issued a recommendation requesting Portugal to bring this situation to an end by 2003 at the latest. The medium-term budgetary consolidation strategy of the 2003 update of the stability programme is similar to that adopted in the previous update. It is centred on three axes: (1) a comprehensive programme of structural reforms with a particular incidence in areas that bear directly on public finances, such as public administration, health-care, and education; (2) a sustained policy of curbing government consumption via wage moderation and a quasi-employment freeze; and (3) a gradual improvement in productivity and competitiveness to be fostered, inter alia, by a substantial cut in the corporate tax rate. In addition, the adoption in 2002 of a Budgetary Framework Law ("Lei de Estabilidade Orçamental") is expected to have reinforced fiscal co-ordination between different government levels. As a consequence, the Portuguese authorities project that the implementation of this medium-term adjustment strategy will bring about a cumulative decline by 3.2 percentage points in the government primary expenditure-to-GDP ratio over the period 2004 to 2007, partly offset by lower tax revenue to the amount of 0.7 percentage points of GDP.

The budgetary consolidation strategy adopted by the Portuguese authorities appears to be economically sound. In fact, an adjustment strategy that relies on expenditure restraint rather than on tax increases is considered to improve the confidence of private economic agents, thereby supporting growth over the medium-term. Moreover, such a strategy should secure a lasting improvement in public finances, and prevent the emergence of major imbalances in the private sector of the economy.

The 2003 update projects real GDP to increase by 1.0% in 2004, after having declined by an estimated 0.8% in 2003. For the period from 2005 to 2007, real GDP growth is estimated to average by 23% per year. Employment growth is expected to pick up from 0.4% in 2004 to 1.3% on average in the period from 2005 to 2007. Declining from 3.3% in 2003, HICP inflation is expected to stabilise at 2% throughout the period from 2004 to 2007. The macroeconomic scenario underlying the update seems realistic, notably because the ongoing correction of major imbalances is about to be completed; moreover, it incorporates an element of prudence that could absorb moderate unfavourable shocks. The "caution bias" is built around two assumptions: (1) an average growth rate only 1 of a percentage point above the figure projected for the EU as a whole, a plausible deviation for a catching-up country; and (2) constant export market-shares, in spite of the expected moderate gains in (labour) productivity and a significant deceleration in wage growth, in line with the Commission's Autumn 2003 forecast.

The update targets a general government deficit of 2.8% of GDP in 2004, following an expected deficit of 2.8% of GDP in 2003 which was largely due to the repeated recourse to sizeable one-off measures. In the subsequent years, the projections are for a gradual reduction in headline deficits, to a ratio of 1.1% of GDP in 2007. In cyclically-adjusted terms, based on Commission calculations according to the commonly agreed methodology, the deficit is set to fall by 0.4 percentage points to 1.7% of GDP in 2004, and eventually to 0.7% of GDP by 2007.

Largely on account of substantial nominal deficits and sluggish growth, the debt ratio is rising by almost 7 percentage points of GDP between 2000 and 2004, reaching exactly the reference value of 60% in 2004. Subsequently, it is projected to abate to 57% of GDP by 2007.

Compliance with the budgetary targets of the programme update is subject to two major risks: first, the likelihood of a tax revenue shortfall in 2004, and second, failure to restrain growth in total social transfers to the extent (implicitly) envisaged in the programme already in 2004. In such circumstances, a slippage in the budgetary targets for 2004 would have repercussions over the entire programme period, requiring either appropriate offsetting measures or a revision of budgetary targets. Naturally, the determined implementation of the structural reforms with a budgetary impact is crucial for the attainment of the programme objectives.

On the basis of the current policies, risks of imbalances in the long term cannot be completely ruled out for Portugal. The high deficit and the rising debt-to-GDP ratio may undermine the sustainability of public finances in the longer term, hence the timely achievement of a budgetary position close to balance is imperative. The budgetary strategy outlined in the programme is compatible with improving the sustainability of public finances. This strategy is mainly based on budgetary consolidation over the medium-term, resulting from government consumption restraint, and the expected gains from the completion of structural reforms. A strict monitoring of pension and health-care expenditure trends is crucial to avoid future budgetary imbalances. Failure to do so would imply a rising debt over time once the impact of ageing takes place.

Pension regimes have been undergoing reform since 2001, a process which has not yet been completed. The long-term projections for pension expenditure presented in the 2003 programme update seem not to have taken into consideration the impact of some measures already adopted and of others which are planned. Moreover, an early assessment of the effects of the 2001 reform of the general social security pension regime seems to suggest that its long-term sustainability has not been improved. Against this background, the programme implicitly assumes a sharp deceleration in the average annual growth rate of total social transfers, without spelling out the measures required to secure this result.

The economic policies as reflected in the 2003 update are broadly consistent with the recommendations of the Broad Economic Policy Guidelines, specifically those with budgetary implications. Although the improvement in the cyclically-adjusted deficit for 2006 and 2007 appears to be less than 1 percentage point annually, the composition of the budgetary adjustment follows the recommendation that calls for deficit reduction to be obtained mainly through expenditure restraint. Moreover, the recommendation requesting Portugal to undertake structural reforms in areas with a direct impact on budgetary consolidation is being followed in a timely fashion."

Belgien
"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 on the strengthening of the surveillance of budgetary positions and the surveillance and co-ordination of economic policies[1], and in particular article 5(3) thereof,

Having regard to the recommendation of the Commission, after consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 9 March 2004 the Council examined the 2003 update of the stability programme of Belgium, which covers the period 2004 to 2007. The updated programme largely complies with the data requirements of the revised "code of conduct" on the content and format of stability and convergence programmes.

The budgetary strategy of the Belgian authorities continues to be aimed at: i) respecting the objectives of the Stability and Growth Pact, that is, a budget close to balance or in surplus; ii) ensuring a steady reduction in the debt to GDP ratio in a medium to long-term perspective; iii) promoting job creation consistent with the maintenance of sound public finances.

The 2003 estimate of GDP growth in the programme is 0.9%. It is the third consecutive year of GDP growth lower than 1%. For the subsequent years, the projections for GDP growth in the update are for a pick-up to 1.8% in 2004 and 2.8% in 2005. In 2006-2007, GDP growth is estimated to average 2.3%. Employment growth is expected to accelerate from -0.1 % in 2003 to 0.7% in 2004 and 0.8% on average in 2005-2007. HIPC inflation is projected to remain stable at 1.4% over the period 2004-2007.

On the basis of currently available information, the macro-economic scenario underlying the update seems realistic, although possibly optimistic in 2005, when GDP growth is projected in the update at 2.8%, half a point higher than in the Autumn 2003 forecast by the Commission.

Despite the slowdown in economic activity, the updated programme shows a surplus of 0.2% of GDP in 2003 on the general government accounts (a more recent estimate indicates a surplus of 0.3% of GDP). However, this result is influenced by one-off measures with a net positive effect of 1.2% of GDP, notably an operation involving the mainly publicly owned telecommunication company Belgacom.

The balanced budget target for 2004 relies on one-off measures amounting to 0.7% of GDP, including proceeds from a tax regularisation operation for 0.3% of GDP. For 2005-2006 the authorities continue to project a balanced budget and a small surplus of 0.3% of GDP is foreseen for 2007. In connection with a projected reduction in interest payments, the primary surplus moves from 5.6% of GDP in 2003 to 4.8% in 2005 and then stabilises.

In cyclically adjusted terms, based on Commission calculations on the programme data according to the commonly agreed methodology, the budget balance moves from a surplus of 0.8% of GDP in 2003 to a balanced budget in 2004-06 and a small surplus in 2007. Excluding one-off measures, the cyclically adjusted figures would show an improvement from a deficit of 0.4% of GDP in 2003 to a surplus of 0.3% in 2007.

Under plausible macro-economic and budgetary assumptions, a budgetary position of close to balance or in surplus is maintained over the programme period. This would also provide a safety margin against breaching the 3% of GDP threshold with normal cyclical fluctuations.

Public debt has been falling steadily, from an all-time high level of 138% of GDP in 1993 to slightly more than 100% in 2003, and it is envisaged to reach 87% of GDP in 2007.

The budgetary strategy outlined in the programme is compatible with improving the sustainability of public finances. However, given the still high debt ratio, Belgium still presents some risks of long-term imbalances, linked to the consequences of ageing, especially for health care expenditure. The outstanding level of debt requires attention and maintaining high primary surpluses in the next 10 to 15 years as planned is necessary to keep Belgium on a sustainable path. Also, in line with the Broad Economic Policy Guidelines, the existing government strategy to reduce the debt, improve labour participation, increase the effective retirement age, maintain efforts to finance the Ageing Fund and pursue the reform of the pension systems, should be strengthened in order to cope with the budgetary implications of population ageing.

The economic policies as reflected in the updated programme are partly consistent with the recommendations in the Broad Economic Policy Guidelines, specifically those with budgetary implications. While the programme contains a renewed commitment to allocate, as a matter of priority, proceeds stemming from higher than expected economic growth to improve the budgetary position, the updated programme lacks information on how the authorities intend to comply with the recommendation to limit the increase in real expenditure in Entity I (Federal Government and Social Security) to 1.5%."

<u>Rådskonklusioner vedrørende Rådets prioriteter for budgettet for 2005</u>

"1. The Council reiterates its wish that the Community budget should provide, within the framework of the Financial Perspective, sufficient resources required to implement the various policies of the Union effectively. In this context, it underlines the importance of maintaining overall budget discipline. It emphasises that this includes applying the same degree of budgetary constraint as exercised by the Member States of the Union.

2. The Council reaffirms that the Interinstitutional Agreement of 6 May 1999 (IIA) constitutes its basis for work and that it will apply it to the full. It lays great emphasis on compliance with the Financial Perspective, which requires that Community expenditure remains within the limits set therein. Sufficient margins must be maintained under all the ceilings of the various Headings, with the obvious exception of Heading 2, for the purpose of sound financial management and to deal with unforeseen circumstances.

The Council takes note of the technical adjustment of the Financial Perspective for 2005 in line with the movements in GNI and prices in accordance with Point 15 of the IIA leading in particular to a decrease of the ceilings under Headings 3, 4 and 5 of the Financial Perspective in comparison to the previous forecasts. It stresses the importance for the 2005 budget to strictly respect the new ceilings.

3. The Council emphasises that the commitment appropriations should reflect real and well-defined needs and be compatible with the Financial Perspective.

In order to allow it to establish priorities, the Council reaffirms the value of indicative financial programming, in particular for Heading 3 and 4 of the Financial Perspective. It points to the importance of having sufficient financial information on legislative proposals in good time.

4. The Council stresses once again the importance of keeping a tight grip on payment appropriations. The level of payment appropriations entered into the budget should be sufficient, taking past implementation and the genuine requirements for 2005 into account. In this context, realistic estimates by the Commission are required. Moreover, improvements of forecasts established by the Commission and the Member States together should be continued.

The Council considers that the overprovision of payment appropriations in the budgetary procedure of recent years, which resulted in a significant surplus each year, should not occur again. The Commission is invited to take the appropriate measures when preparing the preliminary draft budget for 2005.

5. The Council supports the presentation of the budget on the basis of the "Activity Based Budgeting" method and welcomes the introduction of spe-

cific, measurable, achievable, relevant and timely objectives, appropriate performance indicators and full evaluation procedures into all Community programmes with implications for the Community budget, as specified in the Financial Regulation.

While recognising the substantial progress achieved in 2004, the Council calls on the Commission to improve the quality of information provided during the 2005 budget procedure, especially with respect to framing objectives in a way that allows meaningful assessment of performance on a regular basis and formulating suitable indicators of progress towards those objectives. In this context, the Council warmly welcomes, and promises its full co-operation with, the Commission's initiative of selecting the activity statements of over 30 budget titles for enhanced examination in the budgetary procedure as part of an ongoing programme that will ensure that all the main titles are covered over the next number of years.

The Council is committed to taking account of the "Activity Based Budgeting" information in its discussion during the annual budget procedure, in particular the justification for Community actions and the explanation for the proposed variations of appropriations.

6. As regards certain specific Headings of the Financial Perspective, the Council identifies the following elements as crucial in preparing the 2005 budget:

- the Commission is invited to present realistic forecasts regarding CAP expenditure in its preliminary draft budget. Particular attention should be given to ensuring that the payment appropriations for expenditure related to rural development are accurate;

- the Council welcomes the revised approach of the Commission's services for forecasting payment appropriations regarding the Structural Funds and invites it to continue its efforts together with Member States in establishing an accurate level of payment appropriations. Furthermore, the Council stresses the importance of further simplification of procedures aimed at facilitating implementation.

- as regards Heading 3 on internal policies, sufficient margin should be maintained under the adjusted ceiling of this Heading, leading to the need for setting priorities. Cuts or lower than anticipated increases should be spread across all policy areas in this Heading in a fair, reasonable and coherent way.

  Notwithstanding the difficulties, the Council highlights the importance of an adequate financing of the measures relating to the conclusions of the Lisbon European Council of March 2000 and stresses that particular attention should also be given to the financing of actions concerning immigration and external border co-operation and control.

- in relation to Heading 4 on external actions, the Council is of the opinion, despite the lower than forecast increase in the ceiling, that all the programmes and actions should be financed within the new ceiling of the Financial Perspective. The Council recalls that the IIA requires that the institutions will ensure as far as possible that sufficient margins are left available.

  The Council welcomes the increase of the budget allocations concerning the Common Foreign and Security Policy (CFSP) in 2004. It considers that the allocations for the CFSP budget in 2005 should be of the necessary magnitude to ensure that the European Union actions in this area would be fully supported and sufficient to meet future needs.

- due to the decrease of the ceiling of Heading 5 on administrative expenditure in 2005, institutions are invited to establish rigorous estimates. In this context, the Council recalls the joint statement of the European Parliament, the Council and the Commission of 24 November 2003 calling on the Secretaries General of all institutions and Directors of non-self financed decentralised bodies to revise their administrative expenditure plans in order for the preliminary draft budget for 2005 to comply with the new ceiling of Heading 5.

  Particular attention should be given to a reinforcement of interinstitutional co-operation, leading to efficiency gains.

  The Council attaches great importance to adequate budget allocations allowing all institutions to manage the enlargement process in a satisfactory manner.

7. The Council welcomes the excellent spirit of co-operation that governed work on the preparation of the budgets of the previous financial years and is convinced of the importance of continuing the good collaboration between the two arms of the budgetary authority and the Commission.

8. The Council wishes these guidelines to be taken into account in the budget procedure, particularly in the preparation of the preliminary draft budget for 2005."