

Results of the ECOFIN Council of 14 March

Implementation of the Stability and Growth Pact

The Ecofin Council adopted opinions on

- the updated Stability Programmes of France, Germany, Greece, Italy, Ireland, Netherlands, Spain and Portugal, and on
- the updated Convergence Programmes of Cyprus, Lithuania, Malta, Poland and the United Kingdom.

The main conclusion from the examination of the third series of stability and convergence programmes is that all programmes are broadly in line with the requirements of the renewed Stability and Growth Pact. However, several Member States are expected to further strengthen their budgetary efforts and to use the improved economic outlook to a more ambitious consolidation path. In some Member States also further reforms are needed in order to improve the sustainability of public finances.

Further, with respect to Germany, the Ecofin Council adopted a decision in accordance with Art 104(9) of the EC Treaty, as the excessive deficit has not been corrected within the time limit fixed by the recommendation issued under Art 107 (7) of the EC Treaty. On the basis of this decision, Germany is expected to correct its excessive deficit by 2007 and to report bi-annually about the consolidation progress. Finally, the Ecofin Council also took note of a report provided by the Commission, which confirms that measures taken by Italy are in compliance with the recommendation issued under Article 104(7) of the EC Treaty.

Preparation of the European Council on 23-24 March

Key Issues Paper - Contribution to the Spring European Council

The Ecofin Council adopted the Key Issues Paper, which will now be submitted as Council report to the Spring Meeting of the Heads of State or Government. The report reflects the important role of the Ecofin Council in economic and fiscal policy coordination, identifies the main economic and fiscal challenges ahead, and underlines the need to a more de-

terminated implementation of reforms.

Due to the gradual economic recovery underway, with growth expected to return towards potential in 2006, six million new jobs could be created in Europe over the next three years; thus, the unemployment rate would decrease from a peak of 9% at the end of 2004 to 8% in 2007.

In order to further improve the preconditions for a more dynamic economic development the report highlights following priorities:

- increasing the efficiency and effectiveness of labour markets,
- creating a more favourable business environment, in particular for SMEs,
- investing in education and training, research, innovation and infrastructure.

EIB Contribution to promoting growth and employment

Also in the context with the preparations for the Spring Council, the Council agreed on a paper outlining the EIB's contribution to promoting growth and employment.

The EIB initiative builds on the European Action for Growth 2003 and aims at increasing quality and value added of operations of the EIB Group. It covers investment in two broad areas: First, in research, development, innovation and SMEs; second, in infrastructure investments, including energy security.

In combining EU budget resources with EIB Group funding and strengthening co-operation between the EIB and the Commission as well as between the EIB and the EBRD, this package will have an important catalyst function with regard to economic growth and employment.

Better Regulation

The Ecofin Council took note of the Commission's report on further actions planned within the ongoing work on legislative simplification and on how the Commission wants to proceed in setting up EU quantitative targets for reducing administrative costs.

Furthermore, the Ecofin Council took note of the Presidency's Initiative on reducing administrative costs of Community programmes. The implementation of this initiative will be continued under the Finnish Presidency.

Budget of the European Union

The Ecofin Council adopted a recommendation to discharge the Commission for the budget on the financial year 2004 and conclusions on the budget guidelines for 2007. The budget 2007 will be marked by two important elements: On the one hand the new Financial Perspective for 2007-2013 to be agreed, and on the other hand the forthcoming accession of two countries to the EU to be confirmed.