

Brussels, 10 July 2006

Preparation of Eurogroup and Economic and Finance Ministers Council, Brussels, 10 and 11 July (Amelia Torres, Oliver Drewes)

EUROGROUP (AT)

Eurogroup ministers will meet at 19:00 hrs on Monday 10 July. Joaquín Almunia, Commissioner responsible for Economic and Monetary Affairs and European Central Bank Governor Jean-Claude Trichet will attend. A press conference is planned for after the meeting.

At the last meeting before the summer break, euro area ministers are expected to discuss the euro area views on the International Monetary Fund (IMF) multilateral consultations on global current account imbalances, which represent a big risk to world growth. The IMF obtained a mandate in April to supplement with such multilateral consultations, involving several key players at global level, its traditional surveillance consultations with individual countries.

In accordance with their working methods and in line with the revised Stability and Growth Pact, ministers will review budgetary developments as the year enters the second half and prospects for 2007. The exercise started last month with the countries most advanced in next year's budgetary discussions and will be concluded on Monday.

Ministers will also consider the Commission's Communication of 21 June 2006 on the correction of the Portuguese deficit. That day the Commission concluded that, provided it strictly implements the 2006 budget and pursues a rigorous budgetary consolidation strategy in 2007 and following years, Portugal may be able to bring its deficit below 3% in 2008 as recommended by the Council in September 2005 (see [IP/06/811](#)), and that no further steps are necessary at present under the excessive deficit procedure.

Finally, Commissioner Almunia will present the Commission's proposal for the conversion rate of the Slovenian tolar into the euro from 1st of January 2007 (see below – see also [IP/06/817](#)). The formal decision on the adoption of the euro by Slovenia and the conversion rate must be decided by the Ecofin the following day.

ECOFIN COUNCIL

The European Union's Council of Economy and Finance Ministers will start at 10.00 hrs on Tuesday 11 July. The European Commission will be represented by Economic and Monetary Affairs Commissioner Joaquín Almunia and Internal Market and Services Commissioner Charlie McCreevy.

Presidency work programme (AT)

As is the tradition at the beginning of each EU presidency, the Council will first hear about the Finnish work programme in the field of economic affairs. See the Council background note on Finland's EU presidency website

http://www.eu2006.fi/en_GB/

European Investment Bank (EIB) external lending mandates (AT)

Ministers will have an orientation debate on a Commission proposal, in cooperation with the EIB, for the renewal of the EIB external lending mandate for the period 2007-2013.

The majority of the EIB lending outside the EU takes place under "mandates" established by Council Decisions providing a Community guarantee. As the existing mandates are due to expire on 31 January 2007, the Commission proposes a single legal basis covering the different regions under the mandates from 2007 to 2013. In order to support EU action in all regions covered by EU external policy, apart from ACP countries which are covered by the Cotonou Agreement, the Commission proposes a broadened geographical coverage, in particular covering new countries in Southern Caucasus and Central Asia. Furthermore, the proposal defines differentiated EIB interventions in the various regions depending on the regional priorities of EU external policy. A reserve mandate has been introduced which can be activated in case of natural disasters, post-conflict reconstruction or, in the case of unforeseen developments, in countries strategically important for the EU.

The nature of the Community guarantee has been clarified. A comprehensive guarantee would be available for financing operations with States and State-type entities whereas a guarantee covering specific political risks would be available for operations with other parties, notably from the private sector.

Implementation of Stability and Growth Pact (AT)

- *Application of the ongoing excessive deficit procedures*

The Council is expected to adopt the Commission recommendation of 21 June 2006 to abrogate the excessive deficit procedure (EDP) against **Cyprus** after the deficit fell to 2.4% of GDP in 2005 and is projected to decrease further in 2006 and 2007 (see [IP/06/813](#)).

If the Council endorses the recommendation, Cyprus will be the first country to exit the EDP since the Netherlands in June 2005. More significantly, it will be the first of the six new Member States that were also put in EDP upon EU membership.

The Council is also expected to adopt the Commission recommendation of 21 June 2006 concluding that no further steps are necessary at present under the EDP procedure for **Portugal** (see [IP/06/811](#))

Enlargement of the euro area (AT)

Finance ministers are called to take a formal and final decision welcoming Slovenia into the euro area together with the conversion rate for the tolar. Following a request by Slovenia, the Commission and the ECB concluded on May 16 that the country met the convergence criteria set in the EU Treaty and made a proposal for it to adopt the euro on January 1st, 2007 (see [IP/06/623](#)). The European Summit on June 16 welcomed the proposal, but the formal decision must be taken by EU finance ministers.

Following up on the May Convergence Report, the European Parliament's opinion on it and discussion by the European Council, the Commission proposed on June 28 to fix irrevocably the conversion rate at 239.640 tolares for one euro (see [IP/06/854](#)). The final decision on the conversion rate must be taken by the euro area ministers and Slovenia.

Public finances in EMU 2006 – The first year of the revised Stability and Growth Pact (SGP) (AT)

On June 13, the Commission adopted its annual report on Public Finances in Economic and Monetary Union which puts a particular emphasis on the first year of the application of the revised SGP. The report concludes that while the 'corrective arm' of the Pact appears to be working according to plan – biggest structural adjustment since 1997 to an euro area average deficit, in nominal terms, of 2.4% of GDP -- the preventive part leaves much to be desired in 2006 and 2007. The preventive arm measures progress towards sound public finances in the medium term to avoid breaching the 3% ceiling set in the Treaty. (see [IP/06/779](#)).

Dialogue with third countries; economic and financial aspects (AT)

Ministers will have a discussion on the future priorities on financial regulatory and macroeconomic matters with respect to the dialogues with third countries (meeting of ASEM Finance Ministers, joint ECOFIN with acceding and candidate countries, Euromed Finance Ministers). The main aims of these dialogues are to : a) increase collaboration and resolve potential conflicts on financial regulatory issues; b) exchange information on macroeconomic trends and policy challenges; c) achieve common understandings on key outstanding policy issues in the economic and financial regulatory fields; d) provide assistance and share expertise where appropriate; and e) promote EU views on financial and economic issues.

International regulatory dialogues (OD)

Commissioner McCreevy will brief Ministers on the results of the EU-US Summit held in Vienna on 21 June during which a broad range of current financial, economic and commercial issues were discussed. He will outline the general Summit Declaration, which sets out the key economic and political issues and priorities, as well as two Progress Reports on the past year's co-operative achievements in implementing the 2005 EU-US Economic Initiative Work Programme. These positive and substantive results, represent significant progress over previous years and demonstrate that the EU-US relationship has grown to become more co-operative, productive and action-oriented. There is a need to further strengthen this global partnership. A new stock-taking and update is envisaged for the second informal EU-US Economic Ministerial scheduled for this November in Washington.

Commissioner McCreevy will also inform the ministers about the progress of the Commission dialogues with third countries. There is a need to maintain close regulatory cooperation with our main partners and to exploit policy synergies (*i.e.* in the area of accounting, implementation of Basel II prudential requirements etc.). As economic interdependence continues to grow, the preservation of free movement of capital between global partners is an important objective. The dialogues aim to solve upstream regulatory spillovers and identifying global challenges regulators face worldwide.

International Accounting Standards Board (IASB) (OD)

Finally, the Council is expected to adopt a Declaration on the funding arrangements of the International Accounting Standards Board (IASB). Continuation of the current system of funding after 2007, relying on only a small number of voluntary contributions, is not sustainable in the light of increasing global application. This would not enable the international standard setting body to be independent and sufficiently resourced to conduct its work in a timely fashion. Therefore, a new system is needed with a broader base and better allocation between geographical areas. The Declaration will be a clear signal to the IASB and the outside world that all European Member States are willing to contribute to the implementation of a reasonable and workable solution in the short term