

Brussels, 2 July 2003

## **Preparation of Eurogroup and Council of Economics and Finance Ministers, Brussels, 5 July 2004**

*(Gerassimos Thomas, Jonathan Todd)*

***Eurogroup Finance Ministers are due to meet in Brussels at 10h00 on Monday 5 July. A press conference is due to take place at the end of the Eurogroup meeting. The European Union's Council of Economics and Finance Ministers will start their meeting with a working lunch at 13.00 hrs. The Council meeting will start at 15.00 hrs and will be followed by a press conference at the end. The European Commission will be represented at the Council by Economic Affairs Commissioner Joaquín Almunia and Internal Market and Taxation Commissioner Frits Bolkestein.***

### **Eurogroup (GT)**

The Eurogroup will start with a discussion of the Eurogroup working methods and economic governance issues. Ministers will then discuss the outlook for budgetary policies in 2005 including budgetary developments in individual member states. Commissioner Almunia will present to Ministers the latest Public Finance Report ([IP/04/798](#)). Ministers will also discuss latest developments in the exchange rate mechanism (ERM II).

### **Council of Economics and Finance Ministers**

#### **Presidency Working Programme (GT)**

The Commission is fully supportive of the Presidency work programme. We particularly welcome the commitment of the Presidency to the implementation of the Lisbon strategy and the emphasis put on enhancing the sustainability of public finances throughout the Union. Pushing forward structural reforms whilst maintaining macro-economic stability and improving economic policy coordination will all be key elements to improve confidence and to re-launch our economies.

The Commission also agrees with the Presidency on the importance of using the recovery of the European economy to enhance the sustainability of public finances. Against this background it is necessary to strengthen and clarify the implementation of our EU fiscal framework. The Commission has started to reflect on how to do so. On June 24, the Commission released its 2004 Public Finances report, which contains several ideas for improvement, without being conclusive or exhaustive.

By considering these issues, the Commission intends to provide an active contribution to the debate on how to improve economic governance, in line with the Declaration of the European Council of 18 June.

The objective is to build consensus and to move towards the elaboration in due time of specific proposals. This topic may warrant substantial attention of the ECOFIN Council during the coming half year.

### **Stability and Growth Pact (GT)**

The ECOFIN Council is expected to adopt an opinion on the first convergence programmes of the new Member States which cover the period 2004-2007 (Cyprus [IP/04/788](#), Czech Republic [IP/04/796](#), Estonia [IP/04/789](#), Hungary [IP/04/787](#), Latvia [IP/04/791](#), Lithuania [IP/04/792](#), Malta [IP/04/797](#), Poland [IP/04/793](#), Slovakia [IP/04/794](#), Slovenia [IP/04/795](#))

The Council is also expected to adopt to take a decision on the existence of an excessive deficit in six member states, namely Cyprus, Hungary, Malta, Poland, Slovakia and Czech Republic, are in excessive deficit and adopt recommendations in line with Article 104(7) of the Treaty on how to bring this situation to an end. According to the Commission the medium-term adjustment path proposed by the member states in their convergence programmes should form the basis for the correction of the excessive deficit.

The Council is also expected to decide on the existence of an excessive deficit in Greece and to adopt recommendations in line with Article 104(7) on how to bring this situation to an end ([IP/04/790](#)). Finally the Council is expected to decide on the Commission recommendation for an early warning to Italy ([IP/04/107](#)).

### **International Accounting Standards (JT)**

Internal Market Commissioner Frits Bolkestein will update the Council as regards the pending endorsement of IAS 39, on recognition de-recognition and measurement of financial instruments (notably derivatives), and hedge accounting. At the Accounting Regulatory Committee on 14 June, Member States expressed their views on suggestions made by the International Accounting Standards Board (IASB), and in particular the proposal by the Board to establish a working group to study an amendment of IAS 39 to include the proposal from the European Banking Federation for an 'interest rate margin hedge'. The Commission is now awaiting the opinion on IAS 39 of the European Financial Reporting Advisory Group (EFRAG), due on 5 July, and will outline its suggestions concerning how best to proceed as regards endorsement of IAS 39 at a further meeting of the Accounting Regulatory Committee on 9 July. The use of International Accounting Standards endorsed by the Commission will become obligatory for all listed companies in the EU from 1st January 2005 under the terms of Regulation 1606/2002 (see [IP/02/827](#)).