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[1] Text with EEA relevance

I

(Information)

COUNCIL

COUNCIL OPINION

of 17 February 2005

on the updated stability programme of Belgium, 2004-2008

(2005/C 136/01)

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 coordination 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:

(1) On 17 February 2005 the Council examined the updated stability programme of Belgium, which covers the period 2004 to 2008. The programme broadly complies with the data requirements of the 'code of conduct on the content and format of stability and convergence programmes'. The programme does not include compulsory interest rate assumptions. Accordingly, Belgium is invited to achieve full compliance with the data requirements.

(2) The macroeconomic scenario underlying the programme envisages a real GDP growth of 2.5 % in 2005 and 2006, slowing down to 2.0 % towards the end of the programme period. On the basis of currently available information, this scenario reflects plausible growth assumptions. The programme's projections for inflation also appear realistic.

(3) The budgetary strategy outlined in the update aims to maintain a balanced budget or a small surplus and the debt ratio on a downward trend to prepare for the budgetary impact of the ageing population. The update projects a balanced budget in 2005 and 2006 and a surplus of 0.3 % of GDP in 2007 and 0.6 % in 2008. Overall, compared with the previous update (which ended in 2007), the current update broadly confirms the planned adjustment against a broadly unchanged macroeconomic scenario. Because of the impact of the ongoing implementation of the 2001 direct tax reform and higher public investment in the run-up to the 2006 local elections, the primary surplus is projected to fall slightly towards 2006 but to rise again afterwards. The programme foresees a declining interest burden, mainly as a result of ongoing debt reduction. Revenue is expected to decrease until 2006 and remain stable afterwards, while primary expenditure decreases slightly towards 2008. The cyclically-adjusted balance (based on the information in the programme, using the commonly agreed methodology) is projected to remain positive throughout the programme period, decreasing from a surplus of 0.5 % of GDP in 2004 to 0.1 % in 2006 and then picking up again to 0.9 % in 2008.

([1]) OJ L 209, 2.8.1997, p. 1.

(4) The risks to the budgetary projections in the programme appear broadly balanced. In particular, the Belgian government has not yet announced what measures it will take in order to keep the 2006 budget in balance, despite the decrease by 0.3 % of GDP as a result of the continued implementation of the 2001 direct tax reform and the fact that the 2005 budget benefits from a series of smaller one-off operations (in total about 0.2 % of GDP). Also, while the macroeconomic scenario is plausible, the Belgian government balance remains relatively sensitive to changes in economic growth (sensitivity of 0.6). Finally, there is also some risk as regards the control of primary expenditure, mainly at the level of the social security system. The overrun recorded in the health care system in 2004 (despite the already high annual real growth target of 4.5 %) suggests continued strong growth of these expenditures. New measures were announced near the end of 2004 to reduce costs in health care (in total 0.2 % of GDP), but their effectiveness is still difficult to evaluate. On the other hand, for the larger part of 2005 the minister of social affairs has been given a mandate to take necessary measures without prior parliamentary (or other) consultation, to enable a quick response to a possible further overrun. More generally, the Belgian government has gained credibility for keeping its commitment to take measures to maintain a balanced budget.

(5) In view of this risk assessment, the risks to the budgetary targets appear to be broadly balanced and the budgetary stance in the programme seems sufficient to adhere to the Stability and Growth Pact's medium-term objective of a budgetary position of close-to-balance or in surplus. In addition, there is a sufficient margin against the risk of breaching the 3 % of GDP reference value for the deficit in the event of normal cyclical fluctuations in each year.

(6) The debt ratio is estimated to have reached 96.6 % of GDP in 2004, well above the 60 % of GDP Treaty reference value. The programme projects the debt ratio to decline by 12.4 percentage points over the programme period to 84.2 % of GDP in 2008. This figure includes the assumption of a EUR 7.4 billion debt (2.5 % of GDP) from the national railway company SNCB in 2005. The integration of the SNCB debt slows down the debt reduction in 2005, but otherwise the planned debt reduction is faster than scheduled in the previous update.

(7) With regard to the long-term sustainability of the public finances, Belgium appears to be at some risk on grounds of the current level of gross debt. While declining, the debt ratio is still high and a steady reduction hinges upon sustaining high primary surpluses for a prolonged period. The strategy for coping with the budgetary cost of an ageing population outlined in the programme is mainly based on gross debt reduction through maintaining a balanced budgetary position or a small surplus (itself relying primarily on primary expenditure restraint) and an ageing fund. Containing primary expenditures might prove difficult, especially in the health care sector, but is important in view of the government's strategy of reducing the tax burden in order to create employment. Given the projected increase in the old-age dependency ratio, pursuing this broad strategy with determination is crucial to the achievement of long-term sustainability.

(8) The economic policies outlined in the update are broadly consistent with the country-specific broad economic policy guidelines in the area of public finances. In particular, the update ensures that the debt ratio is kept on a sustained declining trend. In view of recent overruns in health-care spending (for which the target growth rate in real terms is set at a relatively high 4.5 % annual rate), some risk exists in breaching the guideline to limit the real expenditure growth in entity I (federal government and social security) to 1.5 %. Therefore, maintaining high primary surpluses and limit real expenditure growth is important, especially in view of the financial needs implied by ageing.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007	2008
Real GDP (% change)	**SP Dec 2004**	**2,4**	**2,5**	**2,5**	**2,1**	**2,0**
	COM Oct 2004	2,5	2,5	2,6	n.a.	n.a.
	SP Nov 2003	*1,8*	*2,8*	*2,5*	*2,1*	*n.a.*
HICP inflation (%)	**SP Dec 2004**	**1,9**	**2,0**	**1,8**	**1,8**	**1,8**
	COM Oct 2004	2,0	1,9	1,8	n.a.	n.a.
	SP Nov 2003	*1,4*	*1,4*	*1,4*	*1,4*	*n.a.*
General government balance (% of GDP)	**SP Dec 2004**	**0,0**	**0,0**	**0,0**	**0,3**	**0,6**
	COM Oct 2004	-0,1	-0,3	-0,5	n.a.	n.a.
	SP Nov 2003	*0,0*	*0,0*	*0,0*	*0,3*	*n.a.*
Primary balance (% of GDP)	**SP Dec 2004**	**4,9**	**4,5**	**4,4**	**4,5**	**4,7**
	COM Oct 2004	4,8	4,2	3,6	n.a.	n.a.
	SP Nov 2003	*5,1*	*4,8*	*4,7*	*4,8*	*n.a.*
Cyclically-adjusted balance (% of GDP)	**SP Dec 2004** (1)	**0,5**	**0,3**	**0,1**	**0,5**	**0,9**
	COM Oct 2004	0,4	0,0	-0,4	n.a.	n.a.
	SP Nov 2003 (1)	*0,6*	*0,2*	*0,0*	*0,3*	*n.a.*
Government gross debt (% of GDP)	**SP Dec 2004**	**96,6**	**95,5**	**91,7**	**88,0**	**84,2**
	COM Oct 2004	95,8	94,4	90,9	n.a.	n.a.
	SP Nov 2003	*97,6*	*93,6*	*90,1*	*87,0*	*n.a.*

Note:

(1) Commission services calculations on the basis of the information in the programme.

Sources:

Stability programme (SP); Commission services autumn 2004 economic forecasts (COM); Commission services calculations.

COUNCIL OPINION

of 17 February 2005

on the updated convergence programme of Denmark, 2004-2010

(2005/C 136/02)

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 coordination of economic policies ([1]), 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:

(1) On 17 February 2005 the Council examined the updated convergence programme of Denmark, which covers the period 2004 to 2010. The programme fully complies with the data requirements of the 'code of conduct on the content and format of stability and convergence programmes'.

(2) The macroeconomic scenario underlying the programme envisages real GDP growth firming from 2.2 % in 2004 to 2.5 % in 2005 and an average 1.7 % in 2006-10. On the basis of currently available information, this scenario seems to reflect relatively cautious growth assumptions. The programme's projections for inflation appear realistic.

(3) The medium-term budgetary framework includes a target range of general government surpluses of 1½-2½ % of GDP on average up to 2010 and a limit on yearly real public consumption growth of 0.5 % from 2005 onwards; expenditure control is reinforced through the so-called tax freeze. Both the central government sub-sector and the pension funds are expected to show stable surpluses in the programme period. Local governments are projected to balance their budgets, as required by law. The updated programme foresees surpluses of 1.2 % in 2004, 2.0 % in 2005 and 1.6 % of GDP in 2006. The surplus reaches 2.0 % of GDP in 2010. Both expenditure and revenue ratios are on a gradually declining trend over the projection period. Adjusting for the estimated impact of the cycle using the common methodology, the cyclically-adjusted budget balance is in surplus throughout the projection period. The projected general government surplus targets are close to the 2003 update. Differences in the near term are due to revised assumptions about GDP growth as well as to the effects of recent policy measures, including the March 2004 fiscal package, which frontloaded the tax reform adopted in 2003. From 2007 the projected surpluses are slightly lower than in the previous update, due to revised demographic assumptions that have contributed to lowering the long-term fiscal requirements. Overall, the current update thus broadly confirms the strategy of the previous update against a similar macroeconomic scenario.

([1]) OJ L 209, 2.8.1997, p. 1.

(4) The risks to the budgetary projections are fairly balanced, though to some extent weighted towards an outcome better than projected in the first years of the programme. Over a number of years, Denmark has posted general government budget surpluses. This held also in 2003, when the surplus was 1.0 % of GDP in spite of a GDP growth of only 0.5 %. Higher oil prices than assumed in the update could also improve public finances as Denmark is a small net oil exporter. The composition of GDP growth in the coming years, largely based on domestic demand, should also cater for sustained revenues and thus support a favourable development of public finances. Over the medium term, downside risks to the projections include any failure to restrain public expenditure to targeted growth, in particular at local government level, or to reach the medium-term targets of higher employment.

(5) In view of this risk assessment, the budgetary stance in the programmes is sufficient to maintain a medium-term budgetary position of 'close to balance or in surplus' as required by the Stability and Growth Pact throughout the programme period. It also provides a sufficient safety margin against breaching the 3 % of GDP deficit threshold with normal macroeconomic fluctuations.

(6) The gross debt ratio stood at 44.7 % of GDP in 2003 and is projected in the update to reach 28¾ % of GDP in 2010. The main contributions to the fall in the debt ratio come from positive primary balances and the impact of nominal GDP growth.

(7) Denmark appears to be in a favourable position with regard to the long-term sustainability of public finances, despite significant projected budgetary costs of an ageing population. The budgetary strategy outlined in the programme, mainly based on further debt consolidation through continued budgetary surpluses, should result in a sustainable position over time. However, achieving continued tight expenditure control and a considerable rise in employment on which the strategy also relies may prove challenging.

(8) Overall, the economic policies outlined in the update are broadly consistent with the country-specific broad economic policy guidelines in the area of public finances.

Comparison of key macroeconomic and budgetary projections

		2004	**2005**	**2006**	**2007**	**2010**
Real GDP (% change)	**CP Nov 2004**	**2,2**	**2,5**	**1,3**	**1,9**	**1,8**
	COM Oct 2004	2,3	2,4	2,0	n.a.	n.a.
	CP Nov 2003	*2,3*	*2,2*	*1,9*	*1,7*	*1,7*
HICP inflation (%)	**CP Nov 2004**	**1,2**	**1,7**	**1,6**	**1,7**	**1,6**
	COM Oct 2004	1,1	1,9	1,6	n.a.	n.a.
	CP Nov 2003	*1,8*	*1,7*	*1,7*	*1,7*	*1,7*
General government balance (% of GDP)	**CP Nov 2004**	**1,2**	**2,0**	**1,6**	**1,7**	**2,0**
	COM Oct 2004 [2]	2,0	2,6	2,8	n.a.	n.a.
	CP Nov 2003	*1,3*	*1,8*	*1,9*	*2,1*	*2,1*

		2004	2005	2006	2007	2010
Primary balance (% of GDP)	**CP Nov 2004** (3)	**4,3**	**4,8**	**4,5**	**4,6**	**4,4**
	COM Oct 2004	4,4	4,9	4,9	n.a.	n.a.
	CP Nov 2003	*2,3*	*2,7*	*2,6*	*2,3*	*2,3*
Cyclically-adjusted balance (% of GDP)	**CP Nov 2004** (1)	**1,7**	**2,0**	**2,0**	**2,0**	**2,3**
	COM Oct 2004	2,6	2,9	3,0	n.a.	n.a.
	CP Nov 2003 (1)	*1,1*	*1,5*	*1,7*	*1,9*	*2,1*
Government gross debt (% of GDP)	**CP Nov 2004**	**42,3**	**39,4**	**37,4**	**35,3**	**28,8**
	COM Oct 2004	41,5	37,5	34,2	n.a.	n.a.
	CP Nov 2003	*41,2*	*38,7*	*36,4*	*27,5*	*27,5*

Notes:

(1) Commission services calculations on the basis of the information in the programme

(2) In the September 2004 EDP notification, Denmark presented figures for general government balance and gross debt where the ATP fund was reclassified outside of the government sector, which lowered the general government surplus by around 1 p. p. of GDP. On this basis, the Commission services' autumn 2004 forecast also excluded the ATP surplus. In this assessment, the Commission services' figures for general government balance and gross debt have been recalculated so as to include the ATP fund, as is the case in the programme update. The Commission services figures for general government balance and government debt are therefore not the same as in the autumn forecast.

(3) The updated programme presents primary balances excluding net interest expenditure and not gross interest expenditure which otherwise is conventional; this table presents primary balances excluding gross interest expenditure.

Sources:

Updated Convergence Programme, November 2003 and November 2004 (CP); Commission services autumn 2004 economic forecasts (COM; see note 2 above); Commission services calculations

COUNCIL OPINION

of 17 February 2005

on the updated convergence programme of Estonia, 2004-2008

(2005/C 136/03)

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 coordination of economic policies ([1]), 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:

(1) On 17 February 2005 the Council examined the updated convergence programme of Estonia, which covers the period 2004 to 2008. The programme complies with the data requirements of the revised 'code of conduct on the content and format of stability and convergence programmes'.

(2) The macroeconomic scenario underlying the programme envisages real GDP growth to pick up from 5.6 % in 2004 to 6.0 % on average over the rest of the programme period. On the basis of currently available information, this scenario seems to reflect plausible growth assumptions. The programme's projections for inflation also appear realistic.

(3) Estonia aims at achieving a budgetary position of close-to-balance or small surplus throughout the programme period. For 2004, the programme targets a budget surplus of 1 % of GDP which is 0.3 % higher than the surplus planned in the programme of last May. From 2005 onwards, balanced budgets are envisaged, as was the case in the previous programme. Public investment in 2004 is foreseen to increase by one percentage point of GDP to 4.4 % before declining to 3.9 % by 2008, and remains thus well above the EU average (2.4 % of GDP in 2004).

(4) The risks to the budgetary projections in the programme appear broadly balanced. On the one hand, the cautious macroeconomic scenario suggests that revenues could be higher and expenditure somewhat lower than budgeted. Indeed, Estonia has established a track record of prudent forecasting and repeated overshooting of fiscal targets over the past few years. On the other hand, unexpected revenue shortfalls from the planned tax cuts, or an adverse impact on growth from exogenous shocks cannot be excluded altogether. Considering the balance of risks, the budgetary stance in the programme seems adequate to maintain the Stability and Growth Pact's medium-term objective of a position of close-to-balance over the entire programme period 2004-2008. It also seems to provide a sufficient safety margin against breaching the 3 % of GDP deficit threshold with normal macroeconomic fluctuations.

(5) The debt ratio is estimated at 4.8 % of GDP in 2004, well below the 60 % of GDP Treaty reference value and indeed the lowest in the EU. The programme projects the debt ratio to further decline by 1.9 percentage points over the programme period.

([1]) OJ L 209, 2.8.1997, p. 1.

(6) Estonia appears to be in a favourable position with regard to the long-term sustainability of the public finances, despite important projected budgetary costs of an ageing population. A low government debt level, considerable government financial reserves and a medium-term budgetary strategy that is fully consistent with the objective of a close-to-balance-or-in-surplus budgetary position, together with credible and thorough reforms of the pension and health care systems which are meant to stem budgetary pressures in the longer term, should ensure that public finances remain on a sustainable footing.

(7) The economic policies outlined in the update are broadly consistent with the country-specific broad economic policy guidelines in the area of public finances. The higher-than-projected budget surplus in 2004 is in line with the recommendation to avoid pro-cyclical fiscal policies. Nevertheless, given that the external account deficit has most likely not narrowed significantly (if at all) in 2004, a rapid run-down of the budget surplus may provide insufficient support from the fiscal policy stance to the correction of the external imbalance.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007	2008
Real GDP (% change)	**CP Dec 2004**	**5,6**	**5,9**	**6,0**	**6,0**	**6,0**
	COM Oct 2004	5,9	6,0	6,2	n.a.	n.a.
	CP May 2004	*5,3*	*5,8*	*5,6*	*5,9*	*5,8*
HICP inflation (*) (%)	**CP Dec 2004**	**3,3**	**3,2**	**2,5**	**2,8**	**2,8**
	COM Oct 2004	3,4	3,5	2,8	n.a.	n.a.
	CP May 2004	*3,1*	*3,0*	*2,8*	*2,8*	*2,8*
General government balance (% of GDP)	**CP Dec 2004**	**1,0**	**0,0**	**0,0**	**0,0**	**0,0**
	COM Oct 2004	0,5	0,2	0,1	n.a.	n.a.
	CP May 2004	*0,7*	*0,0*	*0,0*	*0,0*	*0,0*
Primary balance (% of GDP)	**CP Dec 2004**	**1,3**	**0,2**	**0,2**	**0,2**	**0,2**
	COM Oct 2004	0,8	0,4	0,3	n.a.	n.a.
	CP May 2004	*1,0*	*0,3*	*0,3*	*0,3*	*0,3*
Government gross debt (% of GDP)	**CP Dec 2004**	**4,8**	**4,6**	**4,3**	**3,1**	**2,9**
	COM Oct 2004	4,8	4,4	4,2	n.a.	n.a.
	CP May 2004	*5,4*	*5,1*	*4,7*	*3,4*	*3,2*

Note:

(*) the programme refers to the national CPI definition, not the HICP

Sources:

convergence programme (CP); Commission services autumn 2004 forecasts (COM);

COUNCIL OPINION

of 17 February 2005

on the updated stability programme of France, 2004-2008

(2005/C 136/04)

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 coordination 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:

(1) On 17 February 2005 the Council examined the updated stability programme of France, which covers the period 2004 to 2008. The programme broadly complies with the data requirements of the revised 'code of conduct on the content and format of stability and convergence programmes'. However, it does not provide projections for total employment growth according to the national accounts definition, which are compulsory. Accordingly, France is invited to achieve full compliance with the data requirements.

(2) The macroeconomic scenario underlying the programme envisages real GDP growth at 2.5 % from 2004 to 2008, a rate marginally above potential. On the basis of currently available information, this scenario seems to reflect plausible growth assumptions, although the Commission's projections for growth are slightly lower. The programme's projections for inflation also appear realistic.

(3) On 3 June 2003, the Council decided that an excessive deficit existed in France and recommended that this be corrected by 2004 at the latest. In its Communication to the Council on 'the situation of Germany and France in relation to their obligation under the excessive deficit procedure following the judgement of the Court of Justice' adopted on 14 December 2004 [2], the Commission concluded that 2005 should be considered the relevant deadline for the correction of the excessive deficit since the Council conclusions of November 2003 had produced legal effects until annulled by the Court. The primary aim of the budgetary strategy of the programme is to bring the deficit below 3 % of GDP by 2005. The programme is also aimed at ensuring a continuous decline in the general government deficit in the subsequent years. The deficit is projected to decline steadily by 0.6-0.7 percentage point of GDP per year from 2005 to reach a level of 0.9 % of GDP in 2008. Compared with the previous programme, the current update broadly confirms the planned adjustment against a slightly more favourable macroeconomic scenario. According to Commission calculations based on the projections of the programme and the commonly agreed methodology, the cyclically-adjusted balance would also improve by about 0.6-0.7 percentage point per year from 2005, and would reach -0.7 % of GDP in 2008. As in previous updates, the medium-term budgetary strategy is based on the setting of multi-annual targets for the increase in government expenditures in real terms that imply a reduction of the expenditure-to-GDP ratio notably as a consequence of the implementation of structural reforms.

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(1) OJ L 209, 2.8.1997, p. 1

(2) Document COM(2004) 813 of 14 December 2004.

(4) Based on current information, measures taken by the French authorities should be sufficient to bring the deficit to 3 % of GDP in 2005. However, the budgetary situation in France remains vulnerable. Correction of the excessive deficit requires effective implementation of all the measures envisaged and of additional measures in the event of adverse developments. Moreover, since the projected decline of the deficit in 2005 stems notably from a one-off payment amounting to ½ % of GDP, the underlying budgetary adjustment projected for 2005 is relatively modest. In the years after 2005, the budgetary outcome could be worse than projected in the programme. In particular, the deficit objective for 2006 appears at risk under current policies, given that tax cuts are announced for that year and that major one-off revenues will vanish. Also since the expenditure targets in the previous updates were missed by a large margin, the expenditure as well as deficit targets set for the period 2006-2008 appear difficult to achieve under current policies. Structural reforms have been implemented (Loi Organique relative aux Lois de Finances, independent alert committee for governance of the health care system). These reforms constitute clear steps in the right direction and should contribute to the attainment of budgetary objectives.

(5) In view of this risk assessment, the budgetary stance in the programme does not seem to provide a sufficient safety margin against breaching the 3 % deficit threshold with normal macroeconomic fluctuations before 2007; nor is it sufficient to ensure that the Stability and Growth Pact's medium-term objective of a budgetary position of close to balance is achieved within the programme period.

(6) The debt ratio is estimated to have reached 64.8 % of GDP in 2004, above the 60 %-of-GDP Treaty reference value. The programme projects the debt ratio to decline from 2006 onwards and to reach 62 % of GDP in 2008. The evolution of the debt ratio is subject to the same risks as the deficit targets.

(7) With regard to the long-term sustainability of the public finances, France still appears to be at some risk. The implementation of major structural reforms of the pension and health systems in 2003 and 2004 respectively put it on a better footing. However, further efforts (additional budgetary consolidation and reforms) would be needed in the years ahead in order to ensure fully the sustainability of government finances.

(8) The economic policies as reflected in the 2004 update are partly consistent with the recommendations in the Broad Economic Policy Guidelines, specifically those with budgetary implications. France has implemented important structural reforms, notably concerning the health and pension systems, which place it in a better position to face the consequences of an ageing population. The cyclically-adjusted deficit in 2004 will be reduced by 0.4 % of GDP, lower than recommended. Nevertheless higher than expected State revenues were fully allocated to deficit reduction. As a whole, although significant, the medium-term adjustment planned in the 2004 update is subject to uncertainties, and will not fully lead to a close-to-balance budgetary position over the period covered by the programme.

In view of the above assessment, the Council is of the opinion that France should:

(i) do the necessary to ensure the correction of the excessive deficit in 2005;

(ii) make sure that the budgetary consolidation continues in the years after 2005 so as to reach a close to balance budgetary position in 2008; and

(iii) continue structural reforms and control expenditure in order to secure the respect of the multi-annual expenditure targets set in the programme.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007	2008
Real GDP (% change)	**SP Dec 2004**	**2,5**	**2,5**	**2,5**	**2,5**	**2,5**
	COM Oct 2004	2,4	2,2	2,2	n.a.	n.a.
	SP Dec 2003	*1,7*	*2,5*	*2,5*	*2,5*	*n.a.*
HICP inflation (%)	**SP Dec 2004**	**2,2**	**1,8**	**1,5**	**1,5**	**1,5**
	COM Oct 2004	2,3	2,0	1,8	n.a.	n.a.
	SP Dec 2003	*1,5*	*1,5*	*1,5*	*1,5*	*n.a.*
General government balance (% of GDP)	**SP Dec 2004**	**-3,6**	**-2,9**	**-2,2**	**-1,6**	**-0,9**
	COM Oct 2004	-3,7	-3,0	-3,3	n.a.	n.a.
	SP Dec 2003	*-3,55*	*-2,9*	*-2,2*	*-1,5*	*n.a.*
Primary balance (% of GDP)	**SP Dec 2004**	**-0,7**	**0,1**	**0,8**	**1,5**	**2,2**
	COM Oct 2004	-0,7	-0,1	-0,4	n.a.	n.a.
	SP Dec 2003	*-0,6*	*0,1*	*0,9*	*1,6*	*n.a.*
Cyclically-adjusted balance (% of GDP)	**SP Dec 2004** (1)	**-3,4**	**-2,7**	**-2,0**	**-1,4**	**-0,7**
	COM Oct 2004	-3,5	-2,8	-3,1	n.a.	n.a.
	SP Dec 2003 (1)	*-3,2*	*-2,6*	*-1,9*	*-1,3*	*n.a.*
Government gross debt (% of GDP)	**SP Dec 2004**	**64,8**	**65,0**	**64,6**	**63,6**	**62,0**
	COM Oct 2004	64,9	65,5	66,3	n.a.	n.a.
	SP Dec 2003	*62,8*	*63,2*	*62,8*	*61,8*	*n.a.*

Note:

(1) Commission services calculations on the basis of the information in the programme

Sources:

Stability programme; Commission services autumn 2004 economic forecast; Commission calculations

COUNCIL OPINION

of 17 February 2005

on the updated stability programme of Germany, 2004-2008

(2005/C 136/05)

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 coordination 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:

(1) On 17 February 2005 the Council examined the updated stability programme of Germany, which covers the period 2004-2008. The programme complies broadly with the data requirements of the revised 'code of conduct on the content and format of stability and convergence programmes'. The programme uses mostly rounded figures and mixes incompatible data. However, improvements are noted in terms of details, e.g. in using ESA 95 as a consistent statistical framework in the parts on the macroeconomic scenario and the budgetary projections. Accordingly, Germany is invited to achieve compliance with the data requirements.

(2) The macroeconomic scenario underlying the programme projects real GDP growth at 1.7 % for 2005, practically unchanged from an expected rate of 1.8 % in 2004. Adjusted for substantial calendar effects, the figures imply, however, an acceleration of growth by ¾ pp. in 2005. In the final three years covered by the programme, growth is expected to remain flat at 2 % p. a. From the current perspective, this scenario appears plausible, although the growth forecast for 2005 appears rather favourable. The programme's projections for inflation are deemed to be on the high side.

(3) On 21 January 2003, the Council decided that an excessive deficit existed in Germany and recommended that this be corrected by 2004 at the latest. However, for reasons detailed in the Communication from the Commission to the Council and the European Parliament on 'the situation of Germany and France in relation to their obligation under the excessive deficit procedure following the judgement of the Court of Justice' adopted on 14 December 2004 ([2]), the Commission concluded that 2005 should be considered the relevant deadline for the correction of the excessive deficit since the Council conclusions of November 2003 had produced legal effects until annulled by the Court. In line with this Communication, the primary aim of the budgetary strategy of the programme is to bring the deficit below 3 % of GDP by 2005. The programme also targets a continuous decline in the general government deficit in the subsequent years. The deficit is projected to decline steadily by ½ percentage point of GDP per year as from 2005 to reach a level of a rounded 1½ % of GDP in 2008. According to Commission calculations based on the projections of the programme and the commonly agreed methodology, the cyclically-adjusted deficit would narrow by slightly less than ½ pp. as from 2005, to around 1 % of GDP in 2008. As in previous updates, the medium-term budgetary strategy aims at a balance of structural reforms, budgetary consolidation and cyclical stabilisation.

([1]) OJ L 209, 2.8.1997.

([2]) Document COM(2004) 813 of 14 December 2004.

(4) Based on current information, the measures announced by the German authorities in November 2004 should be sufficient to reduce the deficit to 2.9 % of GDP in 2005, compared with the deficit projected at 3.4 % by the Commission services autumn forecast of October 2004. The budgetary situation remains vulnerable. Correction of the excessive deficit requires effective full implementation of all the measures envisaged, and of additional measures in case of adverse developments that could jeopardise the target of a deficit below 3 % of GDP in 2005. In the years after 2005, the budgetary outcome could be worse than projected in the programme, although the general government deficit is likely to remain below 3 % of GDP. In view of the improvement in the cyclically-adjusted balance towards the end of the programme period by less than 0.5 pp., the adjustment projected in the update is quite small, despite the implementation of remarkable structural reforms likely to reduce medium-term expenditures. Moreover, the path of budgetary adjustment seems rather optimistic towards the programme horizon. In addition, the one-off measures announced in November 2004 to bring the deficit below 3 % of GDP in 2005 weaken to some extent the budgetary situation towards the end of the programme period and beyond.

(5) In view of this risk assessment, the budgetary stance in the programme does not seem to provide a sufficient safety margin against breaching the 3 % deficit threshold with normal macroeconomic fluctuations before 2008; nor is sufficient to ensure that the Stability and Growth Pact's medium-term objective of a budgetary position of close to balance is achieved within the programme period.

(6) The debt ratio is estimated to have reached 65½ % of GDP in 2004, above the 60 % of GDP Treaty reference value. The programme projects the debt ratio to rise to 66 % in 2005 and 2006 and to decline from 2007 onwards to 65 % of GDP in 2008. However, the evolution of the debt ratio is likely to be less favourable than projected, given the risks to the budgetary targets mentioned above.

(7) As regards long-term sustainability of public finances, Germany appears to be at some risk. Germany could be in a relatively favourable position provided that the structural reforms underlying the programme are actively implemented and the reform efforts are continued to improve further the long-term sustainability. However, long-term sustainability hinges crucially on the achievement of the planned budgetary consolidation in the medium-term and on reducing the debt level; both the federal states and social security systems play a role in this. The already legislated structural reforms of 'Agenda 2010' and in particular the pension reform is likely to reduce the budgetary impact of ageing, although the expenditure-reducing effect of the ongoing reforms is subject to uncertainty, in particular for health care.

(8) The economic policies outlined in the 2004 update are partly consistent with the country-specific broad economic policy guidelines in the area of public finances. In particular, no reduction of the cyclically-adjusted deficit has occurred in 2004. In addition, the planned medium-term adjustment in the cyclically adjusted balance from 2007 onwards is below ½ pp. of GDP and, moreover, subject to risks. It will not lead to a close-to-balance budgetary position over the period covered by the programme. Germany has implemented important structural reforms, notably concerning the labour market and pension systems that put the country in a better position to face the consequences of an ageing population. It remains crucial for Germany to succeed in moving to higher trajectories of actual and potential growth by mobilising its underutilised employment reserves.

In view of the above assessment, the Council is of the opinion that Germany should:

(i) do the necessary to ensure the correction of the excessive deficit in 2005;

(ii) implement budgetary adjustments in the years beyond 2005 and make the necessary effort in structural terms to achieve a budgetary position of close to balance by the end of the period covered by the programme; and

(iii) continue with structural reforms in order to further improve the long-term sustainability of public finances in particular as regards the health care system.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007	2008
Real GDP (% change)	**SP Dec 2004**	**1,8**	**1,7**	**1 ¾**	**2**	**2**
	COM Oct 2004	1,9	1,5	1,7	—	—
	SP Jan 2004	*1,7*	*2 ¼*	*2 ¼*	*2 ¼*	—
HICP inflation (%)	**SP Dec 2004**	**—**	**—**	**—**	**—**	**—**
	COM Oct 2004	1,7	1,3	1,1	—	—
	SP Jan 2004	—	—	—	—	—
General government balance (% of GDP)	**SP Dec 2004**	**-3 ¾**	**-2,9**	**-2 ½**	**-2**	**-1 ½**
	COM Oct 2004	-3,9	-2,9	-2,6	—	—
	SP Jan 2004	*-3 ¼*	*-2 ½*	*-2*	*-1 ½*	—
Primary balance (% of GDP)	**SP Dec 2004**	**- ½**	**0**	**½**	**1 ½**	**2**
	COM Oct 2004	-0,8	0,2	0,5	—	—
	SP Jan 2004	*- ¼*	*½*	*1*	*1 ½*	—
Cyclically-adjusted balance (% of GDP)	**SP Dec 2004** (1)	**-3,0**	**-2,4**	**-1,9**	**-1,6**	**-1,3**
	COM Oct 2004	-3,4	-2,4	-2,1	—	—
	SP Jan 20041	*-2,5*	*-2,1*	*-1,6*	*-1,4*	—
Government gross debt (% of GDP)	**SP Dec 2004**	**65 ½**	**66**	**66**	**65 ½**	**65**
	COM Oct 2004	65,9	66,7	67,1	—	—
	SP Jan 2004	*65*	*65 ½*	*65 ½*	*65*	—

Note:

(1) Commission services calculations on the basis of the information in the programme

Sources:

Stability programme (SP); Commission services autumn 2004 economic forecasts (COM) adjusted to include the additional budgetary package presented in November, cf: Communication from the Commission to the Council: 'The situation of Germany and France in relation to their obligations under the excessive deficit procedure following the judgement of the Court of Justice', 14 December 2004, COM(2004) 813; Commission services calculations

COUNCIL OPINION

of 17 February 2005

on the updated stability programme of Ireland, 2004-2007

(2005/C 136/06)

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 coordination 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:

(1) On 17 February 2005 the Council examined the updated stability programme of Ireland, which covers the period 2004 to 2007. The programme complies with the data requirements of the 'code of conduct on the content and format of stability and convergence programmes'.

(2) The macroeconomic scenario underlying the programme envisages real GDP growth of 5.3 % in 2004 and to stabilise around 5.2 % on average over the rest of the programme period. On the basis of currently available information, this scenario seems to reflect plausible growth assumptions. The programme's projections for HICP inflation nevertheless seem on the low side.

(3) After an initially unplanned surplus in 2004, reflecting stronger than expected receipts, including from one-off factors, and some shortfall in budgeted expenditure, the strategy in the update envisages a modest and broadly stable deficit from 2005 onwards. Both expenditure and revenue ratios are on a declining trend over the programme period, although the former increases in 2005 as a result of recent budgetary measures. At the same time, a significant programme of public investment is being implemented, which results in an average general government investment ratio over the programme period of just below 4 % of GDP (equivalent to just below 5 % of GNP). Adjusting for the estimated impact of the cycle using the common methodology, the cyclically-adjusted balance is in surplus throughout the projection period, with the exception of a small deficit in 2005. It should nevertheless be noted that the estimation of the output gap and hence of the cyclically-adjusted balances presents unusually high margins of uncertainty due to the special features of the Irish economy. Compared with the previous programme, the current update envisages stronger general government balances against a more favourable macroeconomic scenario.

(4) The risks attached to the budgetary projections appear broadly balanced. On the one hand, the forecast of receipts appears to be plausible and the inclusion of contingency provisions in the projections for 2006 and 2007 might point to the possibility of a better than projected outturn. As regards expenditures, Ireland has also recently shown encouraging progress in adhering to expenditure targets, suggesting that recent measures taken to strengthen spending controls are proving effective. On the other hand, there are also some risks of higher headline deficits. In particular, the growth rate of spending appears somewhat restrained in the later years of the programme.

([1]) OJ L 209, 2.8.1997, p. 1.

(5) In view of this risk assessment, the budgetary stance in the programme seems sufficient to maintain the Stability and Growth Pact's medium-term objective of a position of close to balance or surplus over the period to 2007. It also provides a sufficient safety margin against breaching the 3 % of GDP deficit threshold with normal macroeconomic fluctuations throughout the programme period.

(6) General government debt is estimated to have fallen to 30.5 % of GDP in 2004, well below the 60 % of GDP Treaty reference value. The programme projects the debt ratio to stabilise close to 30 % of GDP over the period 2005 to 2007. In the absence of acquisition of non-general government assets by the *National Pensions Reserve Fund (NPRF)*, the debt ratio would be falling significantly throughout the programme period.

(7) Ireland appears to be in a relatively favourable position with regard to the long-term sustainability of its public finances. The relatively low debt ratio in Ireland, the pension reform measures already enacted and the accumulation of reserves in the NPRF will contribute to budgetary sustainability and help cope with the impact of ageing. The strategy outlined in the programme is mainly based on conformity to the Stability and Growth Pact framework and further asset accumulation in the NPRF. Overall, Ireland's relatively low tax ratio should ease the accommodation of any sustainability gap that might arise in the longer term.

(8) The update provides an overview of the government's structural reform programme that is oriented towards enhancing the quality of public services, increasing the efficiency of public spending and addressing the infrastructural needs of the Irish economy. Overall, the economic policies outlined in the update are broadly consistent with the country-specific *2003-2005 Broad Economic Policy Guidelines* in the area of public finances, which recommended the Irish authorities to enhance the efficiency of public spending, improve the medium-term budgetary framework and prioritise the infrastructural elements of the National Development Plan.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007
Real GDP (% change)	**SP December 2004**	**5,3**	**5,1**	**5,2**	**5,4**
	COM (2)	5,2	4,8	5,0	n.a.
	SP December 2003	*3,3*	*4,7*	*5,2*	*n.a.*
HICP inflation (%)	**SP December 2004**	**2,3**	**2,1**	**2,0**	**1,9**
	COM Oct 2004 (2)	2,3	2,4	2,4	n.a.
	SP December 2003	*2,3*	*2,0*	*2,0*	*n.a.*
General government balance (% of GDP)	**SP December 2004**	**0,9**	**-0,8**	**-0,6**	**-0,6**
	COM Oct 2004 (2)	-0,2	-0,6	-0,5	n.a.
	SP December 2003	*-1,1*	*-1,4*	*-1,1*	*n.a.*
Primary balance (% of GDP)	**SP December 2004**	**2,1**	**0,6**	**0,6**	**0,7**
	COM Oct 2004 (2)	1,2	0,7	0,8	n.a.
	SP December 2003	*0,3*	*0,1*	*0,3*	*n.a.*

		2004	2005	2006	2007
Cyclically-adjusted balance (% of GDP)	**SP December 2004** ([1])	**1,2**	**-0,2**	**0,1**	**0,0**
	COM Oct 2004 ([2])	0,1	0,0	0,3	n.a.
	SP December 20031	*-0,7*	*-0,8*	*-0,5*	*n.a.*
Government gross debt (% of GDP)	**SP December 2004**	**30,5**	**30,1**	**30,1**	**30,0**
	COM Oct 2004 ([2])	30,7	30,7	30,6	n.a.
	SP December 2003	*33,3*	*33,5*	*33,3*	*n.a.*

Notes:

([1]) Commission services calculations on the basis of the information in the programme

([2]) Commission services autumn 2004 forecast

Sources:

Updated Irish Stability Programme, December 2003 and December 2004 (SP); Commission services autumn 2004 economic forecasts (COM); Commission services calculations

COUNCIL OPINION

of 17 February 2005

on the updated stability programme of Italy, 2004-2008

(2005/C 136/07)

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 coordination 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:

(1) On 17 February 2005 the Council examined the updated stability programme of Italy, which covers the period 2004 to 2008. The programme complies partly with the data requirements of the 'code of conduct on the content and format of stability and convergence programmes'. Information on the additional measures foreseen to achieve the budgetary targets for the years 2006 and beyond would have been necessary in order to assess with precision the path and composition of the adjustment. Accordingly, Italy is invited to achieve full compliance with the requirements of the code of conduct.

(2) The macroeconomic scenario underlying the programme reflects the information set available at around mid-year 2004. It envisages real GDP growth to pick up from 1.2 % in 2004 to 2.1 % in 2005 and to average at around 2.3 % over the rest of the programme period. On the basis of currently available information, this scenario seems to reflect somewhat favourable growth assumption because both (i) projected growth in 2005 appears on the high side of the current forecasting range and (ii) the projected evolution of growth in the medium term appears relatively optimistic. The programme's projections of price developments as measured by the GDP deflator appear realistic. [2]

(3) The programme aims at gradually reducing the nominal budget deficit from an expected outturn of 2.9 % of GDP in 2004, via a deficit target of 2.7 % of GDP in 2005 to 0.9 % of GDP in 2008. Hence, the programme does no longer target a medium term close to balance or in surplus position. In cyclically-adjusted terms the budget balance is projected to improve by 1.1 percentage points over the programme period, as a result of measures of a permanent nature, with the bulk of the adjustment (0.5 percentage point) expected to take place in 2006. Even though no improvement in cyclically-adjusted terms is expected in 2005, a large part of the one-off measures is going to be replaced by permanent ones. Compared to the previous update the nominal deficit figures are more than one percentage point higher and the planned adjustment is back-loaded against a somewhat less favourable macroeconomic scenario. However, since the cyclical conditions, as measured by the output gap, are almost unchanged the largest part of the revision of the deficit can be taken to be structural.

[1] OJ L 209, 2.8.1997, p. 1.
[2] The projections for HICP inflation presented in the programme are not forecasts. They rather represent reference values generally intended to be used in the wage bargaining process.

(4) There are risks that the budgetary outcome could be worse than projected in the programme. In particular, concerning 2005, where the margins are narrow, lower than projected economic growth, small deviations from the planned budgetary correction of more than 2 % of GDP, risks linked to some one-off measures as well as the possible re-classification of ANAS, the company in charge of road maintenance, entail a risk of breaching the 3 % of GDP reference value. In the year 2006 and beyond, given past experience, it cannot be excluded that the fiscal adjustment needed to achieve the targets presented in the programme is underestimated. In view of this risk assessment, the budgetary stance in the programme does not seem to provide a sufficient safety margin against breaching the 3 % of GDP deficit threshold with normal macroeconomic fluctuations at least up until 2006. It is also insufficient to ensure that the Stability and Growth Pact's medium-term objective of a budgetary position of close to balance is achieved by the end of the programme period.

(5) The debt ratio is estimated to have reached 106 % of GDP in 2004, only marginally below the level recorded in 2003 and far above the 60 % of GDP Treaty reference value. The programme projects the debt ratio to decline by over 8 percentage points over the programme period mainly on account of an ambitious privatisation plan coupled with an improving primary balance and accelerating economic growth. A more rapid pace of debt reduction is hampered by debt increasing below-the-line operations of more than 2 percentage points of GDP on average per year. The evolution of the debt may be less favourable than projected notably given the risks to the budgetary targets mentioned above and the remaining uncertainties related to stock-flow adjustments.

(6) With regard to the long-term sustainability of public finances, Italy appears to be at some risk. However, the adoption in 2004 of a pension reform is an important step towards addressing the budgetary consequences of ageing population and will contribute to improve the situation of Italy in this respect. Italy could be in a relatively favourable position, provided that the budgetary targets are fully implemented, the expected savings from the pension reform are achieved and any departure from the strategy of running large primary surpluses, effectively leading to rapid debt reduction, is promptly corrected.

(7) The economic policies outlined in the programme are partly consistent with the country-specific Broad Economic Policy Guidelines in the area of public finances. First, the programme does not envisage a medium-term close to balance or in surplus position. Second, the budgetary targets do not ensure an improvement in the cyclically-adjusted budget balance of at least 0.5 percentage point per year although it is recognised that the improvement in the structural budget balance (net of one-offs) reaches in average 0.5 %-points of GDP per year. Third, part of the 2005 tax cut is financed by means of temporary measures. Finally, the programme does not provide sufficient information on how the strengthening of mechanisms for expenditure control would work nor does it outline a clear source of financing regional expenditure.

In view of the above assessment, the Council is of the opinion that Italy should:

(i) do the necessary to ensure the achievement of the 2005 deficit target;

(ii) make the necessary effort in structural terms in 2006 and beyond to achieve a budgetary position of close to balance by the end of the period covered by the programme; and

(iii) ensure that the debt-to-GDP ratio is declining towards the 60 % of GDP Treaty reference value at a more rapid pace, paying particular attention to factors other than net borrowing which contribute to the change in debt levels.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007	2008
Real GDP (% change)	**SP 2004**	**1,2**	**2,1**	**2,2**	**2,3**	**2,3**
	COM Oct 2004	1,3	1,8	1,8	—	—
	SP 2003	*1,9*	*2,2*	*2,5*	*2,6*	
HICP inflation (%)	**SP 2004** (1)	**2,2**	**1,6**	**1,5**	**1,4**	**1,4**
	COM Oct 2004	2,3	2,3	2,0	—	—
	SP 2003	*1,8*	*1,5*	*1,4*	*1,4*	—
General government balance (% of GDP)	**SP 2004**	**-2,9**	**-2,7**	**-2,0**	**-1,4**	**-0,9**
	COM Oct 2004	-3,0	-3,0	-3,6	—	—
	SP 2003	*-2,2*	*-1,5*	*-0,7*	*0,0*	—
Primary balance (% of GDP)	**SP 2004**	**2,4**	**2,4**	**3,3**	**4,0**	**4,7**
	COM Oct 2004	2,0	2,1	1,5	—	—
	SP 2003	*2,9*	*3,5*	*4,4*	*5,1*	—
Cyclically-adjusted balance (% of GDP)	**SP 20042**	**-2,1**	**-2,1**	**-1,6**	**-1,2**	**-1,0**
	COM Oct 2004	-2,4	-2,6	-3,4	—	—
	SP 2003 (2)	*-1,6*	*-1,0*	*-0,4*	*0,1*	—
Government gross debt (% of GDP)	**SP 2004**	**106,0**	**104,1**	**101,9**	**99,2**	**98,0**
	COM Oct 2004	106,0	104,6	104,4	—	—
	SP 2003	*105,0*	*103,0*	*100,9*	*98,6*	—

Note:

(1) Planned inflation from 2005 onwards.

(2) Commission services calculations on the basis of the information in the programme.

Sources:

Stability programme (SP); Commission services autumn 2004 economic forecasts (COM); Commission services calculations

COUNCIL OPINION

of 17 February 2005

on the updated convergence programme of Malta, 2004-2007

(2005/C 136/08)

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 coordination of economic policies ([1]), 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:

(1) On 17 February 2005 the Council examined the updated convergence programme of Malta, which covers the period 2004 to 2007. The programme broadly complies with the Code of Conduct except for the breakdown of forecasted public expenditure figures. The price data are not consistent with the Maastricht harmonised definitions. Accordingly, Malta is invited to achieve compliance with the data requirements.

(2) The macroeconomic scenario underlying the programme envisages real GDP growth to pick up from 0.6 % in 2004 to 1.8 % on average over the rest of the programme period. On the basis of currently available information, this scenario seems to reflect plausible growth assumptions. The programme's projections for inflation also appear realistic.

(3) On 5 July 2004, the Council decided that an excessive deficit existed in Malta and recommended to correct it by 2006.

(4) The programme aims at reducing the deficit below the 3 % of GDP reference value in 2006. Fiscal consolidation is based on both revenue-rising measures and expenditure cuts. The general government deficit is projected to fall from 5.2 % in 2004 to 2.3 % of GDP in 2006 and to decline further in 2007 to 1.4 % of GDP. Compared with the previous programme, the current update broadly confirms the planned adjustment against a broadly unchanged macroeconomic scenario.

(5) The risks to the budgetary projections in the programme appear broadly balanced. In particular, on the one hand, the fiscal target of a general government deficit of 5.2 % in 2004 seems within reach, on the other, concerning 2005 and beyond, the prudent underlying macroeconomic scenario and the nature of the announced measures aiming at reducing the deficit, as well as budgetary projections set up in the programme make the consolidation path broadly plausible within the currently projected external environment.

(6) In view of this risk assessment the budgetary stance in the programme seems sufficient to reduce the deficit to below 3 % of GDP by 2006 and seems to provide a sufficient safety margin against breaching this threshold with normal macroeconomic fluctuations in the programme period. However, it may not be sufficient to ensure that the Stability and Growth Pact's medium-term objective of a budgetary position of close to balance is achieved within the programme period.

([1]) OJ L 209, 2.8.1997, p. 1

(7) According to the programme the debt ratio is likely to reach 73.2 % of GDP in 2004, up from 70.4 % of GDP in 2003. Thereafter, it is projected to decline to 70.4 per cent of GDP at the end of the programme period. The Maltese authorities foresee that economic growth, progressive improvements in the primary balance and the sale of assets will drive the reduction of the debt-to-GDP ratio as of 2005. However, a number factors, which partially offset the effects of significant privatization proceeds (more than 2 % of GDP in 2005 and 2006), call for a more detailed information on, and closer monitoring of, below-the-line operations.

(8) There are risks with regard to the long-term sustainability of public finances, reflecting the projected cost of an ageing population. The strategy for ensuring sustainability outlined in the programme is dependent on the achievement of the budgetary targets. It also includes reforms of the pension and healthcare systems that have not yet been defined or implemented. While failure to achieve budgetary targets would clearly put sustainability at risk, the pursuit of the reform process is also important for the containment of the increase in age-related public expenditure in the long term.

(9) Overall, the economic policies outlined in the update are broadly consistent with the country-specific broad economic policy guidelines in the area of public finances. In particular, the programme is in line with the reduction of the general government deficit recommended by the Council.

In view of the above assessment, the Council is of the opinion that Malta should:

(i) do the necessary to ensure the correction of the excessive deficit in 2006;

(ii) ensure that the debt ratio is declining towards the 60 % of GDP Treaty reference value at a satisfactory pace;

(iii) make further progress in the design and implementation of the pension and health care reforms.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007
Real GDP (% change)	**CP Dec. 2004**	**0,6**	**1,5**	**1,8**	**2,2**
	COM Oct 2004	1,0	1,5	1,8	n.a.
	CP May 2004	*1,1*	*1,7*	*2,1*	*2,1*
HICP inflation (%)	**CP Dec. 2004**	**2,9**	**2,4**	**1,9**	**1,9**
	COM Oct 2004	3,7	3,1	2,6	n.a.
	CP May 2004	*3,4*	*2,1*	*2,1*	*2,0*
General government balance (% of GDP)	**CP Dec. 2004**	**-5,2**	**-3,7**	**-2,3**	**-1,4**
	COM Oct 2004	-5,1	-4,0	-3,3	n.a.
	CP May 2004	*-5,2*	*-3,7*	*-2,3*	*-1,4*
Primary balance (% of GDP)	**CP Dec. 2004**	**-1,4**	**0,3**	**1,6**	**2,4**
	COM Oct 2004	-1,3	-0,2	0,4	n.a.
	CP May 2004	*-1,4*	*0,1*	*1,4*	*2,2*
Government gross debt (% of GDP)	**CP Dec. 2004**	**73,2**	**72,0**	**70,5**	**70,4**
	COM Oct 2004	72,4	73,7	74,2	n.a.
	CP May 2004	*72,1*	*72,4*	*70,5*	*70,4*

Sources:
Convergence programme (CP); Commission services 2004 economic forecasts (COM)

COUNCIL OPINION

of 17 February 2005

on the updated convergence programme of Poland, 2004-2007

(2005/C 136/09)

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 coordination of economic policies ([1]), 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:

(1) On 17 February 2005 the Council examined the updated convergence programme of Poland, which covers the period 2004 to 2007. The programme complies partly with the data requirements of the ‘code of conduct on the content and format of stability and convergence programmes’. The quality of ESA95 data on the composition of the general government revenue and expenditure is not fully in line with ESA95 statistical standards. The programme also deviates from the data requirements specified in the code of conduct in the area of the long-term sustainability of public finances. Accordingly, Poland is invited to achieve full compliance with the data requirements.

(2) The macroeconomic scenario underlying the programme envisages real GDP growth to decelerate from 5.7 % in 2004 to 4.9 % on average in 2005 and 2006, before rebounding to 5.6 % in 2007. On the basis of currently available information, this scenario seems to reflect rather favourable growth assumptions. If the growth projections for 2005 and 2006 are plausible, the growth forecast for the last year of the programme appears on the high side. In particular, the projected acceleration in GDP growth in 2007 reflects rather optimistic assumptions about the growth of potential output and the strength of domestic demand. The programme’s projections for inflation appear on the low side.

(3) On 5 July 2004, the Council decided that an excessive deficit existed in Poland and recommended that this be corrected by 2007. The budgetary strategy underlying the updated programme aims at reducing the general government deficit to below 3 % of GDP by 2007 and maintaining the debt ratio below 60 % of GDP including the contributions to the second pillar pension schemes (estimated impact of about 1.5 % of GDP per year) to be classified outside the general government by 2007 at the latest in accordance with the Eurostat decision. The update foresees a gradual reduction of the deficit to 2.2 % of GDP in 2007 from 5.4 % of GDP in 2004. Compared with the May 2004 programme, the most significant differences are the large downward revision of the debt-to-GDP ratios, which have been lowered, on average, by approximately 4.3 pp., and the upward revision of the general government deficit target in 2007 by 0.7 percentage points of GDP, despite the projected rebound in economic growth.

(4) The fiscal consolidation over the period 2005-2007 would result from the implementation of a comprehensive set of measures contained in the *Hausner plan*, which, if fully implemented, would have an estimated total budgetary impact of 4.7 % of GDP (revised downwards by 0.6 percentage points compared with the previous programme). At the same time, a significant programme of public investment is being implemented, which lifts public investment from 3.4 % of GDP in 2003 to an average of 4.1 % over the programme period against an EU-average of 2.4 % of GDP in 2004.

([1]) OJ L 209, 2.8.1997, p. 1.

(5) There are risks that the budgetary outcome could be worse than projected in the programme aiming at reducing the deficit to below 3 % of GDP by 2007. The risk of a delayed or incomplete implementation of the envisaged measures of the *Hausner plan*, described in the assessment of the May 2004 programme, is already materialising. There is still uncertainty over the implementation of the remaining measures that require legislative procedures but contained already in the budget for 2005. Despite the rejection by Parliament of two important measures, the deficit targets remained unchanged. Almost half of measures aiming at additional revenue and expenditure savings described in the update are not clearly specified. Contingent liabilities constitute an additional risk which will be monitored accordingly in this context. The achievement of the deficit targets is also conditional on projected high GDP growth throughout the programme period. In addition, the funded pension scheme continues to be recorded inside the general government sector as allowed by the transition period granted by Eurostat. Starting with the March 2007 notification and the ensuing change in classification, the deficit level will have to be adjusted upwards by about 1.5 percentage points. This adjustment means that based on the update and in the absence of additional savings measures, Poland will not be able to bring the deficit below 3 % in the end year of the programme.

(6) In the updated programme the debt ratio is estimated to have reached 45.9 % of GDP in 2004, against 49 % forecast in the May 2004 Convergence Programme and below the 60 % of GDP Treaty reference value. The programme projects the debt ratio to increase by a cumulative 1.8 percentage points over the period 2004-2007, with the increase coming to a halt only in the last year of the programme.

(7) The lack of budgetary projections beyond 2020 makes it difficult to assess the long-term sustainability of the Polish public finances, as most of the budgetary impact of aging is likely to take place after 2020. However, on the basis of the available information, some risks cannot be ruled out. Uncertainties regarding the budgetary impact of policies aimed at strengthening the long-term budgetary trends remain. The resolute implementation of the planned budgetary consolidation in the medium term should contribute to a sustainable position in the longer term.

(8) Overall, the economic policies outlined in the update are partly consistent with the country-specific broad economic policy guidelines in the area of public finances. On the one hand, the programme is in line with the reduction of the general government deficit recommended by the Council and the reduction is based on the implementation of the *Hausner plan*. On the other hand, the measures of the programme may not be sufficient to safeguard the long-term sustainability of public finances.

In view of the above assessment and in light of the recommendations made by the Council under Article 104(7), the Council is of the opinion that Poland should:

(i) strengthen the fiscal adjustment beyond 2005 and lower the deficit target for 2007;

(ii) ensure a full implementation of the structural measures contained in the Hausner plan and make further efforts to introduce alternative measures if implementation risks were to materialize.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007
Real GDP (% change)	**CP Dec 2004**	**5,7**	**5,0**	**4,8**	**5,6**
	COM Oct 2004	5,8	4,9	4,5	n.a.
	CP May 2004	*5,0*	*5,0*	*5,6*	*5,6*
HICP inflation (%)	**CP Dec 2004**	**3,5**	**3,0**	**2,7**	**2,5**
	COM Oct 2004	3,5	3,3	3,0	n.a.
	CP May 2004	*2,2*	*2,8*	*<3*	*<3*

		2004	2005	2006	2007
General government balance [1] (% of GDP)	**CP Dec 2004**	**-5,4**	**-3,9**	**-3,2**	**-2,2**
	COM Oct 2004	-5,6	-4,1	-3,1	n.a.
	CP May 2004	*-5,7*	*-4,2*	*-3,3*	*-1,5*
Primary balance [1] (% of GDP)	**CP Dec 2004**	**-2,6**	**-1,3**	**-0,5**	**0,4**
	COM Oct 2004	-2,5	-1,0	-0,0	n.a.
	CP May 2004	*-2,8*	*-1,1*	*-0,3*	*1,3*
Government gross debt (% of GDP)	**CP Dec 2004**	**45,9**	**47,6**	**48,0**	**47,3**
	COM Oct 2004	47,7	49,8	49,3	n.a.
	CP May 2004	*49,0*	*51,9*	*52,7*	*52,3*

Sources:

Convergence programme (CP); Commission services autumn 2004 forecasts (COM)

[1] General government balance and primary balance do not include the revenue-decreasing and hence, ceteris paribus, deficit increasing effect of the funded pension pillar (estimated at about 1.5 % of GDP p. a.)

COUNCIL OPINION

of 17 February 2005

on the updated convergence programme of Slovakia, 2004-2007

(2005/C 136/10)

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 coordination of economic policies ([1]), 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:

(1) On 17 February 2005, the Council examined the updated convergence programme of Slovakia, which covers the period 2004 to 2007. The programme complies with the data requirements of the 'code of conduct on the content and format of stability and convergence programmes'.

(2) The macroeconomic scenario underlying the programme envisages an average real GDP growth rate of 5 % — with an expected slowdown to 4½ % in 2005 (due to a falling external contribution) and an acceleration to almost 5½ % in 2007 (when the external contribution is expected to rebound). On the basis of currently available information, this scenario seems to reflect plausible growth assumptions. The programme's projections for inflation appear on the low side and are only plausible if second-round effects from the high headline inflation in 2004 are strictly contained.

(3) On 5 July 2004, the Council decided that an excessive deficit existed in Slovakia and recommended that this be corrected by 2007. The programme update aims at reducing the deficit to the 3 % of GDP reference value in 2007, in line with the Council recommendation under Article 104 (7) (excluding the contributions to the funded pension scheme estimated at 0.4 % of GDP in 2005, 1.0 % in 2006 and 1.1 % in 2007). The reduction of the headline and primary general government deficits is back-loaded: both are envisaged to stay basically constant at, respectively, around 3.8 % and 1.5 % of GDP until 2006 and their planned overall adjustment by 0.8 percentage points is postponed to 2007. Even net of the impact resulting from the introduction of a funded pension pillar in 2005, most of the deficit reduction takes place in the last two years. Compared to the May 2004 programme, when the adjustment was expenditure-based, the update plans a correction of the deficit through expenditure retrenchment and revenue increases. In spite of a more favourable macroeconomic scenario, the update broadly confirms the planned adjustment path of the previous programme and looks therefore less ambitious. Notwithstanding the considerable past consolidation achievements and the pension reform impact, accelerating the deficit reduction, in particular in 2005, would help the implementation of Slovakia's euro adoption strategy, enhance fiscal credibility in an ERM2 context, foster counter-cyclicality, and could assist in stemming appreciation pressures. It would also pave the way to a structural budgetary position of close to balance or in surplus and to attain a sufficient safety margin against breaching the 3 % of GDP Treaty reference value for the deficit criterion with normal macroeconomic fluctuations.

([1]) OJ L 209, 2.8.1997, p. 1.

(4) The risks to the budgetary projections in the programme appear broadly balanced for the programme horizon as a whole. On the basis of the given macroeconomic assumptions, there seems to be an upside risk on the revenue side throughout the considered period. Balanced uncertainties exist with respect to the impact of the pension reform. The use of EU-funds (and of co-payments) is likely to be lower than budgeted in 2004 to 2006 as the absorption capacity still develops. However, it could exceed the budgeted amount in 2007, if sufficient catch-up in the implementation of postponed spending takes place. And finally, the parliamentary elections scheduled in 2006 lead to uncertainties, in particular on the extent to which further expenditure retrenchments will be implemented in 2007. The latter could fall short or exceed the current target. In view of this risk assessment, the budgetary stance in the programme seems sufficient to reduce the deficit to 3 % of GDP by 2007, which is the end-year of the programme, but does not provide for any safety margin.

(5) The debt ratio is estimated to have reached 43.0 % of GDP in 2004, well below the 60 % of GDP Treaty reference value. The programme projects the debt ratio to increase by 2½ percentage points over the programme period.

(6) Slovakia appears to be in a relatively favourable position with regard to long-term sustainability of its public finances especially thanks to the adopted structural reforms, in particular in the pension and health areas. However, a full implementation of these measures is a key condition, in addition to the achievement of the planned budgetary consolidation path over the programme period and until 2010.

(7) The economic policies outlined in the update are broadly consistent with the country-specific broad economic policy guidelines in the area of public finances. In particular, Slovakia is on track to correct its excessive deficit by the deadline set by the Council.

In view of the above assessment and in light of the recommendations made by the Council under Article 104(7), the Council is of the opinion that Slovakia should:

(i) seize every opportunity for an accelerated deficit reduction, including through the use of better-than-expected revenues and of savings on the expenditure side, in particular in 2005.

(ii) make the medium-term expenditure ceilings more binding.

(iii) be vigilant that second-round effects from the high inflation in 2004 do not affect the inflation convergence path envisaged in the programme.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007
Real GDP (% change)	**CP Nov. 2004**	**5,0**	**4,5**	**5,1**	**5,4**
	COM Oct.2004	4,9	4,5	5,2	n.a.
	CP May 2004	*4,1*	*4,3*	*5,0*	*4,7*
HICP inflation (%)	**CP Nov. 2004**	**7,8**	**3,3**	**2,8**	**2,5**
	COM Oct.2004	7,7	3,9	3,0	n.a.
	CP May 2004	*8,1*	*4,0*	*2,9*	*2,5*

		2004	2005	2006	2007
General government balance (% of GDP) (1)	**CP Nov. 2004**	**-3,8**	**-3,8**	**-3,9**	**-3,0**
	COM Oct.2004	-3,9	-4,0	-4,1	n.a.
	CP May 2004	*-4,0*	*-3,9*	*-3,9*	*-3,0*
Primary balance (% of GDP) (1)	**CP Nov. 2004**	**-1,5**	**-1,4**	**-1,6**	**-0,7**
	COM Oct.2004	-1,6	-1,6	-1,8	n.a.
	CP May 2004	*-1,4*	*-1,1*	*-1,2*	*-0,4*
Government gross debt (% of GDP)	**CP Nov. 2004**	**43,0**	**44,2**	**45,3**	**45,5**
	COM Oct.2004	44,2	45,2	45,9	n.a.
	CP May 2004	*45,1*	*46,4*	*46,1*	*45,5*

(1) General government balance and primary balance include the revenue-decreasing and hence, *ceteris paribus,* deficit-increasing effect of the introduction of a funded pension pillar in 2005 (estimated at 0.4 % of GDP in 2005; 1.0 % of GDP in 2006; and 1.1 % of GDP in 2007).

Sources:

Convergence programme (CP); Commission services autumn 2004 economic forecasts (COM);

COUNCIL OPINION

of 17 February 2005

on the updated stability programme of Finland, 2004-2008

(2005/C 136/11)

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 coordination 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:

(1) On 17 February 2005 the Council examined the updated stability programme of Finland, which covers the period from 2004 to 2008. The programme broadly complies with the data requirements of the revised 'code of conduct on the content and format of stability and convergence programmes'. Some variables concerning the basic assumptions are missing. Accordingly Finland is invited to achieve full compliance with the data requirements.

(2) The macroeconomic scenario underlying the programme envisages real GDP growth to ease from 3.2 % in 2004 to 2.4 % on average over the rest of the programme period. On the basis of currently available information, this scenario seems to reflect rather cautious growth assumptions. The programme's projections for inflation appear realistic and are in line the Commission services estimates.

(3) With a projected annual surplus averaging 2 % of GDP for the general government, the update is set to maintain a comfortable budgetary position throughout the programme period. The surplus is essentially generated in the social security funds, while central government finances, currently in balance, should post small deficits in 2005-07. The aim is to have central government finances back in balance in 2007. To this end, the government has adopted annual spending limits for the period 2004-2007. Compared with the previous update, the projections for the general government surplus from 2004 to 2007 are virtually unchanged.

(4) Although Finland is set to maintain a favourable public sector surplus, the budgetary outcome could be worse than projected as the baseline budgetary trend presented in the update only partially includes the tax cuts of EUR 1.7 billion i.e. 1.2 % of GDP that supplement the two-and-half-year comprehensive wage agreement concluded at the end of November 2004. As there are no announced plans to further restrain spending in 2005-07, the central government deficit would be higher between 2005 and 2007 than mentioned in the programme, unless revenue-raising measures are introduced, thereby also lowering the surplus in general government finances. The government estimates that the wage-agreement-cum-tax-cuts will lower the general government surplus by 0.3 percentage points to about 1.9 % of GDP in 2007. However, the government expects that the package will strengthen dynamism in the economy by improving the growth potential and job creation and in this way raise the revenue-raising capacity.

(5) In view of this risk assessment, the budgetary stance in the programme is sufficient to maintain the Stability and Growth Pact's medium-term objective of a position of close-to-balance for 2004-2008. It also provides a sufficient safety margin against breaching the 3 % of GDP deficit threshold with normal macroeconomic fluctuations for 2004-2008

([1]) OJ L 209, 2.8.1997, p. 1

(6) The debt ratio is estimated to have reached 44.6 % of GDP in 2004, well below the 60 % of GDP Treaty reference value. The programme projects the debt ratio to decline by 3.5 percentage points over the programme period.

(7) Finland appears to be in a favourable position with regard to long-term sustainability of the public finances, in spite of important projected budgetary costs of an ageing population. The strategy outlined in the programme is broad-based and consists of further debt consolidation and structural reforms e.g. further steps of the pension reform and measures aimed at raising the exit age. The structural reforms enacted and planned should have beneficial effects on the public finances.

(8) The economic policies outlined in the update are broadly consistent with the country-specific broad economic policy guidelines in the area of public finances. In particular, the multi-annual spending limits introduced in 2003 seem to have worked well in the first year of operation, namely 2004, when the final budgetary spending was below the ceilings and also expenditure as proposed in the 2005 budget is within the ceilings. The adherence to the expenditure framework is set to be maintained as it is politically binding.

Comparison of key macroeconomic and budgetary projections

		2004	2005	2006	2007	2008
Real GDP (% change)	**SP Dec 2004**	**3,2**	**2,8**	**2,4**	**2,2**	**2,0**
	COM Oct 2004	3,0	3,1	2,7	n.a.	n.a.
	SP Nov 2003	*2,7*	*2,5*	*2,4*	*2,4*	*n.a.*
HICP inflation (%)	**SP Dec 2004**	**0,2**	**1,4**	**1,8**	**1,8**	**1,8**
	COM Oct 2004	0,2	1,5	1,7	n.a.	n.a.
	SP Nov 2003	*0,7*	*1,3*	*1,8*	*1,8*	*n.a.*
General government balance (% of GDP)	**SP Dec 2004**	**2,0**	**1,8**	**2,1**	**2,2**	**2,0**
	COM Oct 2004	2,3	2,1	2,2	n.a.	n.a.
	SP Nov 2003	*1,7*	*2,1*	*2,1*	*2,2*	*n.a.*
Primary balance (% of GDP)	**SP Dec 2004** (2)	**3,7**	**3,4**	**3,8**	**3,9**	**3,7**
	COM Oct 2004	4,1	3,9	3,8	n.a.	n.a.
	SP Nov 2003	*3,7*	*4,0*	*4,1*	*4,3*	*n.a.*
Cyclically-adjusted balance (% of GDP)	**SP Dec 2004** (1)	**2,1**	**1,7**	**2,0**	**2,1**	**1,9**
	COM Oct 2004	2,8	2,3	2,3	n.a.	n.a.
	SP Nov 2003 (1)	*2,4*	*2,4*	*2,3*	*2,2*	*n.a.*
Government gross debt (% of GDP)	**SP Dec 2004**	**44,6**	**43,4**	**42,5**	**41,7**	**41,1**
	COM Oct 2004	44,8	43,4	42,2	n.a.	n.a.
	SP Nov 2003	*44,7*	*44,9*	*45,0*	*44,6*	*n.a.*

Note:

(1) Commission services calculations on the basis of the information in the programme

(2) The Finnish authorities provide primary balances on the basis of net interest payments rather than gross interest payments. The Commission services have recalculated the figures based on the data given in the programme.

Sources:

Stability programme (SP); Commission services autumn 2004 economic forecasts (COM); Commission services calculations

COMMISSION

Euro exchange rates [1]

2 June 2005

(2005/C 136/12)

1 euro =

	Currency	Exchange rate		Currency	Exchange rate
USD	US dollar	1,2263	SIT	Slovenian tolar	239,5
JPY	Japanese yen	132,72	SKK	Slovak koruna	38,896
DKK	Danish krone	7,4405	TRY	Turkish lira	1,6549
GBP	Pound sterling	0,67535	AUD	Australian dollar	1,6305
SEK	Swedish krona	9,1528	CAD	Canadian dollar	1,53
CHF	Swiss franc	1,5348	HKD	Hong Kong dollar	9,5444
ISK	Iceland króna	79,77	NZD	New Zealand dollar	1,7528
NOK	Norwegian krone	7,906	SGD	Singapore dollar	2,0515
BGN	Bulgarian lev	1,9558	KRW	South Korean won	1 241,81
CYP	Cyprus pound	0,5751	ZAR	South African rand	8,4172
CZK	Czech koruna	30,355	CNY	Chinese yuan renminbi	10,1495
EEK	Estonian kroon	15,6466	HRK	Croatian kuna	7,321
HUF	Hungarian forint	252,79	IDR	Indonesian rupiah	11 741,82
LTL	Lithuanian litas	3,4528	MYR	Malaysian ringgit	4,6599
LVL	Latvian lats	0,6960	PHP	Philippine peso	66,901
MTL	Maltese lira	0,4293	RUB	Russian rouble	34,772
PLN	Polish zloty	4,1198	THB	Thai baht	49,894
ROL	Romanian leu	36 164			

[1] *Source:* reference exchange rate published by the ECB.

Notice published pursuant to Article 27(4) of Council Regulation (EC) No 1/2003 in Case COMP/E-2/38.381 — De Beers–Alrosa

(2005/C 136/13)

(Text with EEA relevance)

1. *Introduction*

(1) The European Commission has received two sets of commitments formally endorsed by the De Beers Group of companies ('De Beers') and Alrosa Company Limited ('Alrosa') respectively in the course of a Commission investigation pursuant to Articles 81 and 82 of the Treaty and to Articles 53 and 54 of the EEA Agreement into the Trade Agreement concluded between these two companies.

(2) By means of the present publication, the Commission intends to market test De Beers and Alrosa's proposed commitments, which purport to address the Commission's competition concerns expressed in its preliminary assessment with regard to the notified Trade Agreement. Subject to the outcome of the present market test, the Commission intends to adopt a decision pursuant to Article 9(1) of Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty [1]. Such a decision would not conclude whether or not there has been or still is an infringement.

2. *Summary of the Case*

(3) On 5 March 2002 De Beers and Alrosa Company Limited notified under Regulation No 17 a Trade Agreement dated 17 December 2001 to the European Commission. Pursuant to this Trade Agreement Alrosa would supply rough diamonds to the value of USD 800 million per annum to De Beers for a duration of five years. At the time of notification, this amount represented about half of Alrosa's output and corresponded in practice to the quantities of rough diamonds Alrosa had been exporting in the previous years outside the Former Soviet Union through similar Trade Agreements with De Beers. The said Trade Agreement provides that its implementation is conditional upon confirmation from the European Commission that it does not infringe Articles 81 and 82 of the Treaty.

(4) De Beers is the largest diamond mining company in the world. Next to its wholly-owned diamond mines in South Africa, De Beers has entered into production joint-ventures with the governments of Botswana, Namibia and Tanzania. It has interests in operations throughout the world in relation to diamond exploration, mining, recovery, valuation, marketing, trading, cutting and polishing of rough diamonds and jewellery sales, covering in effect the entire diamond pipeline from the mine to the consumer.

(5) Alrosa is the second largest diamond mining company in the world, accounting for over 98 % of Russian diamond production, Russia being the second largest diamond producing country in the world, in value, after Botswana. Alrosa has interests in operations throughout the Russian Federation in relation to diamond exploration, mining, recovery, valuation, cutting and polishing of rough diamonds as well as jewellery manufacturing.

(6) On 14 January 2003 the Commission opened proceedings under Article 81 of the Treaty against De Beers and Alrosa and under Article 82 of the Treaty against De Beers regarding the Trade Agreement notified on 5 March 2002 and provided access to the Commission's file.

(7) Supplementary statements of objections were addressed to the parties on 1 July 2003. The only purpose of these was to add the legal basis of Articles 53 and 54 of the European Economic Area Agreement to the statements of objections of 14 January 2003.

(8) The statements of objections referred to at recitals 6 and 7 are deemed to constitute the preliminary assessment within the meaning of Article 9(1) of Regulation (EC) No 1/2003.

(9) Pursuant to the preliminary assessment, De Beers holds a dominant position in the world-wide rough diamonds market. By entering into the notified Trade Agreement with Alrosa, its largest competitor, De Beers would gain control over a significant source of supply on the rough diamonds market, enabling it to acquire additional market share on that market and to obtain access to an extended range of diamonds otherwise not accessible to it. This would, on the one hand eliminate Alrosa as a source of supply on the market outside Russia and would enhance the already existing market power of De Beers with the effect of hindering the growth or maintenance of competition in the rough diamond market.

(10) The preliminary assessment also noted that pursuant to the notified Trade Agreement, De Beers, the largest diamond producer in the world, would act as a distributor of about half the production of its largest competitor. In view of the fact that quantities traded would be substantial and the agreement is made between the two largest undertakings on the rough diamonds market, competition on this market as a result of the Trade Agreement would be substantially weakened.

[1] OJ L 1, 4.1.2003, p. 1.

3. *Commitments*

3.1. The Commitments offered

(11) The parties subject to the proceedings replied to the Commission's objections in writing on 31 March 2003 and defended their arguments orally at a hearing held on 7 July 2003, emphasising that they did not agree with the Commission's preliminary assessment. They have nevertheless offered to abide by a set of commitments, which are designed to remedy the Commission's concerns. These commitments are briefly summarised in what follows and are also published in full in an English version on the website of the Directorate-General for Competition: http://europa.eu.int/comm/competition/antitrust/cases.

(12) De Beers and Alrosa undertake to gradually decrease the value of the sales of rough diamonds made between them and that the maximum amount of rough diamonds to be sold by Alrosa to De Beers annually would not exceed the amounts specified in the following table:

Year	Maximum Supply cap (US $ million)
2005	700
2006	625
2007	550
2008	475
2009	400
2010	275

(13) In 2011 and thereafter, De Beers and Alrosa undertake that the maximum amount of rough diamonds to be sold by Alrosa to De Beers annually would not exceed USD 275 million.

(14) De Beers and Alrosa further undertake to implement the commitments by concluding a trade agreement similar in principle (in particular pricing provisions, sorting and valuation) to the notified trade agreement but including an obligation on Alrosa not to sell to De Beers and an obligation on De Beers not to purchase from Alrosa rough diamonds in volumes greater than those specified in recitals 12 and 13.

(15) An independent third party will be appointed by each De Beers and Alrosa to verify compliance with the commitments by De Beers and Alrosa respectively. The appointment and mandate of this independent third party will be subject to the Commission's approval. A separate report for each of Alrosa and De Beers on compliance with the commitments will be submitted annually to the Commission.

4. *The commission's intention*

(16) The Commission intends, subject to the outcome of this market test, to adopt a decision under Article 9(1) of Regulation (EC) No 1/2003. In accordance with Article 27(4) of Regulation No 1/2003, it therefore invites interested third parties to submit their comments to it within one month of the publication of this notice.

(17) Interested third parties are also asked to submit a non-confidential version of their comments, in which business secrets and other confidential passages are deleted and are if necessary replaced by a non-confidential summary or by the words '[business secrets]' or '[confidential]'.

(18) Comments can be sent to the Commission by e-mail (COMP-GREFFE-ANTITRUST@cec.eu.int), by fax ((32-2) 295 01 28) or by post at the address below, mentioning the reference 'COMP/B-2/38.381/De Beers–Alrosa':

European Commission
Directorate-General for Competition
Antitrust Registry
B-1049 Brussels

Prior notification of a concentration

(Case COMP/M.3578 — BP/Nova Chemicals/JV)

(2005/C 136/14)

(Text with EEA relevance)

1. On 27 May 2005, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 [1] by which the undertakings BP p. l.c. ('BP', United Kingdom) and Nova Chemicals Corporation ('Nova', Canada) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the undertakings 'DutchCo' and 'SwissCo' by way of purchase of shares in two newly created companies constituting a joint venture.

2. The business activities of the undertakings concerned are:

— for undertaking BP: oil and gas exploration and production, refining, marketing, supply and transportation, manufacturing and marketing of petrochemicals and related products, development of gas-fired power generation facilities,

— for undertaking Nova: ethylene, polyethylene and chemical and energy co-products, styrene and polymers,

— 'DutchCo', 'SwissCo': polystyrene and expandable polystyrene.

3. On preliminary examination, the Commission finds that the notified transaction could fall within the scope of Regulation (EC) No 139/2004. However, the final decision on this point is reserved.

4. The Commission invites interested third parties to submit their possible observations on the proposed operation to the Commission.

Observations must reach the Commission not later than 10 days following the date of this publication. Observations can be sent to the Commission by fax (No (32-2) 296 43 01 or 296 72 44) or by post, under reference number COMP/M.3578 — BP/Nova Chemicals/JV, to the following address:

European Commission
Directorate-General for Competition,
Merger Registry
J-70
B-1049 Bruxelles/Brussel

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[1] OJ L 24, 29.1.2004 p. 1

Prior notification of a concentration

(Case COMP/M. 3826 — Trimoteur/Fortis/NIBCapital/Sandd)

Candidate case for simplified procedure

(2005/C 136/15)

(Text with EEA relevance)

1. On 17 May 2005, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 [1] by which the undertakings Fortis Private Equity Holding Nederland B.V., controlled by Fortis Bank Nederland (Holding) B.V. ('Fortis', The Netherlands) and NIBCapital Principal Investments B.V., controlled by NIBCapital Bank N.V. ('NIBCapital', The Netherlands) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of the undertaking Sandd B.V. ('Sandd', The Netherlands) along with Trimoteur Distribution Services B.V. ('Trimoteur', The Netherlands) by way of purchase of shares. Currently Sandd is solely controlled by Trimoteur.

2. The business activities of the undertakings concerned are:

— for undertaking Fortis: private equity investment,

— for undertaking NIBCapital: private equity investment,

— for undertaking Trimoteur: investment, restructuring and management of enterprises,

— for undertaking Sandd: postal (mail) delivery.

3. On preliminary examination, the Commission finds that the notified transaction could fall within the scope of Regulation (EC) No 139/2004. However, the final decision on this point is reserved. Pursuant to the Commission Notice on a simplified procedure for treatment of certain concentrations under Council Regulation (EC) No 139/2004 [2] it should be noted that this case is a candidate for treatment under the procedure set out in the Notice.

4. The Commission invites interested third parties to submit their possible observations on the proposed operation to the Commission.

Observations must reach the Commission not later than 10 days following the date of this publication. Observations can be sent to the Commission by fax (No (32-2) 296 43 01 or 296 72 44) or by post, under reference number COMP/M. 3826 — Trimoteur/Fortis/NIB CApital/Sandd, to the following address:

European Commission
Directorate-General for Competition,
Merger Registry
J-70
B-1049 Bruxelles/Brussel

[1] OJ L 24, 29.1.2004 p. 1

[2] OJ C 56, 05.3.2005 p. 32

Authorisation for State aid pursuant to Articles 87 and 88 of the EC Treaty

Cases where the Commission raises no objections

(2005/C 136/16)

Date of adoption of the decision: 25 April 2005

Member State: France

Aid No: N 52/2005

Title: Aid for the recultivation of woodlands — Creuse General Council.

Objective: Amendments to the approved scheme for promoting recultivation of woodlands damaged during the storms of December 1999.

Budget: EUR 9 600 per year.

Aid intensity or amount: Maximum of 100 %.

Duration: Four years (2004-07).

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 16 March 2005

Member State: Finland.

No of the aid: N 284/2004.

Title: National LFA aid scheme.

Objective: The aid consists of a nationally financed compensatory allowance (hereinafter: national LFA payment), which can be paid in mainland Finland and in Åland to farmers who have an ongoing five-year commitment concerning a co-financed compensatory allowance (hereinafter: co-financed LFA payment) and who give a separate commitment concerning the co-financed LFA payment. The national LFA payment is paid as a supplement to the co-financed LFA payment.

The ***basic payment*** would be 20 EUR/ha in support areas A, B and C1 and 25 EUR/ha in support areas C2-C4, and would be paid for all arable area eligible for the co-financed compensatory allowance pursuant to Commission Decision C(2000) 1640 (mainland Finland) C(2000)2937 (Åland).

In addition to the basic payment, arable area eligible for co-financed compensatory allowance situated in animal husbandry farms would be eligible for an ***additional payment*** of 80 EUR/ha.

The average combined LFA payment, consisting of the co-financed LFA payment and the notified national LFA payment, would never exceed EUR 250/ha on the national level.

Legal basis: A government decree (not yet issued).

Budget: 120,4 Mio EUR/year.

Aid intensity or amount: See above under 'Objective'.

Duration: Unlimited.

Other information: In case there are changes, compared to the system in force in the programming period 2000-2006, in the conditions of the co-financed compensatory allowance, to be applied after 2007 on the basis of the new rural development programme, Finland undertakes to notify to the Commission corresponding changes also for the part of the additional national compensatory allowance.

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 12 April 2005

Member State: Italy

Aid No: N 384/2003 budget increase.

Title: Amendments to aid No N 384/2003.

Objective: Increase in the aid budget.

Legal basis: Decreto ministeriale del 22.6.2004, n. 182

Budget: The anticipated budget increase is EUR 50 million.

Aid intensity or amount: As described in the letter to the Member State.

Duration: 10 years.

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Summary information communicated by Member States regarding State aid granted under Commission Regulation (EC) No 1/2004 of 23 December 2003 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises active in the production, processing and marketing of agricultural products

(2005/C 136/17)

Aid No: XA 8/05

Member State: Germany

Region: Lower Saxony

Title of aid scheme or name of company receiving individual aid: Financial aid to meet the costs of TSE testing of sheep and goats, as well as for cattle not slaughtered for human consumption

Legal basis:

— *Nds. Verwaltungskostengesetz* (Lower Saxony administrative costs act) of 7.5.1962 (Nds. GVBl. p. 43), as last amended by Article 20 of the Act of 20.11.2001 (Nds. GVBL. p. 701)

— *Gebührenordnung für die Veterinärverwaltung* (veterinary fees regulation) of 22.3.1995 (Nds. GVBl. p. 63), as last amended by the *Verordnung zur Änderung der Gebührenordnung für die Veterinärverwaltung* (regulation amending the veterinary fees regulation) of 14.9.2004 (Nds. GVBL. p. 322)

— *Erlasse zur BSE/TSE-Untersuchungsgebühr* (general circulars on the BSE/TSE test fee) of 15.12.2000, 10.1.2001, 30.4.2001, 24.1.2002 — Ref. 107-42282/7-315

Annual expenditure planned under the scheme or overall amount of individual aid granted to the company: Total costs of around EUR 2 000 000 and around EUR 37 per animal tested, per farmer. The financial aid will be granted by waiving fees. In order to facilitate administration of such aid, it will be paid to the bodies charged with carrying out the TSE tests, in accordance with Article 15(d).

Maximum aid intensity: 100 % of TSE testing costs for the animals concerned. Each test entails costs of around EUR 37 (for cattle over 24 months old and for sheep and goats over 18 months old). At present, the European Community's financial contribution stands at EUR 6.29 per test.

Date of implementation: Immediately

Duration of scheme or individual aid award: The aid will be granted until the end of statutory testing requirements for the animals concerned under Regulation (EC) No 999/2001, as amended.

Objective of aid: The animals' value is sometimes less than the costs of testing. Assuming the costs of TSE tests ensures that the farmers concerned comply with the statutory testing requirements. The aid covers the total costs of testing as specified in Article 15(d) of Regulation (EC) No 1/2004. The aid will be granted under Article 15(d) in conjunction with Article 16(c) of Regulation (EC) No 1/2004.

Sector(s) concerned: Livestock production. The aid is granted to the farmers concerned.

Name and address of the granting authority: Niedersächsisches Landesamt für Verbraucherschutz und Lebensmittelsicherheit, Birkenweg 5, 26127 Oldenburg

Web-Address:

http://www.tierseucheninfo.niedersachsen.de/master/C8366027_N8103970_L20_D0_I1535820

Aid No: XA 17/05

Member State: France

Region: Franche-Comté region

Title of aid scheme: Technical support: experiments and demonstrations within the framework of operation Interreg 'French-Swiss development and application of medicinal and aromatic plants' (Phase I)

Legal basis:

— Décisions de la Commission du 16 novembre 2001 et du 8 décembre 2004 approuvant le programme d'initiative communautaire INTERREG III A entre la France et la Suisse, dans le cadre de la mise en œuvre du règlement n° 1260/1999 du Conseil du 21 juin 1999 portant dispositions générales sur les fonds structurels,

— Conseil Régional: Commission Permanente du 27 mai 2004,

— Articles L 1511 et suivants du Code général des collectivités territoriales permettant aux collectivités territoriales d'intervenir dans le cadre de la création ou de l'extension d'activités économiques en accordant des aides directes et indirectes aux entreprises

Annual expenditure planned under the scheme: EUR 19 586.66 in aid

Maximum aid intensity: 30 %, subject to an aid ceiling of EUR 19 586.66

Date of implementation: On receiving the acknowledgement of receipt by the European Commission in 2005.

Duration of scheme: Until 31 December 2005 at the latest.

Objective of aid: The aid is intended to fund the following actions, which fall within the scope of Article 14 of EC Regulation 1/2004 (technical support in the agricultural sector):

— definition of a demonstration protocol for the treatment of mastitis in bovine animals with aromatherapy and herbal medicine;

— domestication and breeding programme for aromatic and medicinal plants (definition of a demonstration protocol for cultivation, location of sites and demonstration of cultivation, monitoring and recording);

— information provision and communication (events, information centre, information activities).

The objectives are

— to make information available to farmers and the general public about products resulting from the processing of aromatic and medicinal plants and the ways they can be used in farming to treat animal diseases;

— to reinforce the trend in the practices of professionals and amateurs towards a greater respect for the environment (research and experimentation). Experiments carried out on sheep and beef farms will allow this objective to be achieved and will help to make farmers aware of the different ways in which plants can be used in veterinary medicine to treat their flocks and herds;

— to collect and select references, knowledge and know-how on production, processing and ways in which plants can be used for domestic and commercial use. These references will facilitate demonstration, experimentation and localisation. Preparing the information and know-how gained through the components of the project with a view to making it available to people working in this sector and to the general public. Promoting plants of the cross-border Jura massif by developing production and harvesting on a much larger scale and by assessing the socio-economic impact so reducing the production and processing costs by introducing machinery to process cultivated plants, forest by-products and plants growing in fallow land at the same time.

— to reinforce the image of our regions as welcoming, natural regions that are cradles of innovation and alternative methods, to promote and draw attention to specific local features, and to promote local initiatives and partnerships related to these.

Sector(s) concerned: Farmers in Franche-Comté who are interested in this programme, whether they are interested in the industrial and medicinal plants aspect (Chapter 12 of the Combined Nomenclature) or in the live animals aspect (Chapter 1 of the Combined Nomenclature).

Name and address of the granting authority:

M. le Président du Conseil Régional de Franche-Comté
Hotel de Region
4 Square Castan
25031 Besancon Cedex

Web-Address: Conseil Régional: www.cr-franche-comte.fr

(and ERDF: www.interreg3afch.org/)

Miscellaneous: The task of carrying out the programme is entrusted to the local agricultural college, 'Edgar Faure', in Lons le Saunier — 614 avenue Edgar Faure — 39570 Montmorot

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Aid No: XA 71/04

Member State: Federal Republic of Germany

Region: North Rhine-Westphalia

Title of aid scheme or name of company receiving individual aid: Financial aid to meet the costs of compulsory official TSE/BSE tests within the scope of the TSE/BSE monitoring programme for cattle, sheep and goats

Legal basis:

— Gebührengesetz NRW vom 23.8.1999 (GV NRW 1999 S 528)

— Verwaltungsgebührenordnung des Landes Nordrhein-Westfalen vom 3. Juli 2001 in der jeweils geltenden Fassung (GV. NRW 2001 S. 262) zur BSE/TSE-Untersuchungsgebühr

— Erlass zur BSE/TSE-Untersuchungsgebühr vom 8.12.2003 — Az. VI-1-42.21.09, 18.2.2004 — Az. VI-1-17.80.06 u. 42.21.00, 14.9.04 — Az. VI-1-17.80.06 u. 42.21.00

— Tierseuchengesetz vom 11.4.2001 in der jeweils geltenden Fassung (BGBl. I. S. 506) § 23 des Ausführungsgesetzes zum Tierseuchengesetz vom 4.6.63 (GV.NRW 1963 S. 203) zur Kostenträgerschaft der Kreise und kreisfreien Städte für Probennahme und -versand

— TSE-Überwachungsverordnung vom 13.12.2001 (BGBl. I. S. 4532) in der jeweils geltenden Fassung

— Beihilfebeschluss der Tierseuchenkasse für Schlachtschafe und Schlachtziegen

Annual expenditure planned under the scheme or overall amount of individual aid granted to the company:

— Budget: EUR 990 000

— Amount of aid: EUR 990 000

— The financial aid will be granted by waiving fees.

Maximum aid intensity: 100 %

Date of implementation: Immediately

Note: The delayed notification is only appearing now because there was a previous attempt to file a single aid application for the Federal Republic of Germany (Aid No 373/2003). Since this was not successful and the exemption regulation 1/2004 has come into force in the meantime, a separate request for exemption is being filed for North Rhine-Westphalia.

Duration of scheme or individual aid award: The duration will depend on that of the TSE/BSE monitoring programme under Regulation (EC) 999/2001, as amended.

Objective of aid: The relevant provision is Article 15(d) in conjunction with Article 16(c).

The objective of this measure is to grant State aid for TSE/BSE tests for

a) All animals aged over 24 months which have died or been killed for a specific reason — i.e. bovines killed under emergency measures or because they are sick — and all bovines aged over 24 months which are killed:

   — where BSE is officially diagnosed in a bovine animal;

   — in order to combat other epizootic diseases, with the exception of animal diseases that spread in the form of epidemics;

   are tested for BSE.

b) Sheep and goats over 18 months of age or which have more than two permanent incisors erupted through the gum and which have died or been killed, but which were not:

   — killed in the framework of a disease eradication campaign;

   — slaughtered for human consumption.

c) Sheep and goats over 18 months of age or which have more than two permanent incisors erupted through the gum and which have been slaughtered for human consumption.

Explanatory note:

The proposed aid scheme does not refer to BSE testing of bovine animals for slaughter since this aid only amounts to the actual EU part-financing per test in the framework of the Commission's annual decision on the European Community's financial contribution. The aid will be passed on by reducing the fees charged to market operators.

Sector(s) concerned: Agriculture, animal production and processing/marketing (cattle, sheep, goat)

Name and address of the granting authority: Ministerium für Umwelt und Naturschutz, Landwirtschaft und Verbraucherschutz des Landes Nordrhein-Westfalen, Schwannstr. 3, 40476 Düsseldorf

Web-Address: verbraucherschutz-nrw@munlv.nrw.de

Reference and recovery rates in the field of State aid

(2005/C 136/18)

(Text with EEA relevance)

1. Reference rate

The Commission adopts the following reference rates for the new Member States:

In force from:	CY	CZ	EE	HU	LV	LT	MT	PL	SK	SI
1.6.2005	6,33	4,05	5,50	8,59	6,64	6,49	7,00	6,24	7,55	5,10
1.4.2005	6,33	4,05	5,50	8,59	6,64	6,49	7,00	7,62	7,55	5,10
1.1.2005	6,33	4,86	5,50	8,59	6,64	6,49	7,00	7,62	7,55	5,10
1.5.2004	6,33	5,00	5,50	8,59	6,64	6,49	7,00	9,56	7,55	5,10

These rates are fixed on the basis of the method for setting and updating the reference/discount rates published in the Official Journal C 273, 9.9.1997, p. 3. Technical adaptations to this method were made by Commission notice published in Official Journal C 241, 26.8.1999, p. 9. This is the first time this method is applied for Poland and the Czech Republic.

For Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Slovakia and Slovenia, the method is not applicable due to the unavailability of inter-banking swap rates for their currencies. For these Member states the reference/discount rate is still this which was communicated by these Member States for use at the moment of accession.

2. Recovery rate

The Commission adopts the following recovery rates pursuant to Article 9 of Regulation (EC) No 794/2004 for the following new Member States:

In force from:	CZ	PL
1.6.2005	4,05	6,24
1.4.2005	4,05	7,62
1.5.2004	4,86	7,62

3. Publication

These figures will be published in the *Official Journal of the European Union* and on the internet site of DG COMP.

Authorisation for State aid pursuant to Articles 87 and 88 of the EC Treaty

Cases where the Commission raises no objections

(2005/C 136/19)

(Text with EEA relevance)

Date of adoption: 8 September 2004

Member State: France

Aid No: N 38/2004

Title: Aid for inland waterway freight carriers established in France

Legal basis: On 10 December 2003, in preparation for its 2004 budget, the Management Board of the public institution *Voies navigables de France* (French Inland Waterways), which manages the infrastructure and is responsible for implementing part of the aid plan, approved an estimate of revenue and expenditure for 2004 which included appropriations for implementing the aid scheme.

In addition, Law No 2003-1311 on the 2004 Budget, passed by Parliament on 30 December 2003, allocates appropriations to the 'measures to assist inland navigation' budget line, the main purpose of which is to finance the aid scheme.

Objective: The scheme is designed to foster the development of inland waterway transport in France by modernising the fleet and by promoting and renewing the occupation of inland waterway carrier.

Budget: 14.5 — 15 million euros

Duration: 2004-2007

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 14 December 2004

Member State: Belgium, Vlaamse Gemeenschap

Aid No: N 74/2004

Title: Aid to the Flemish Written Press

Objective: Preserving information pluralism and editorial culture via projects selected through an open call for proposals.

Legal basis: Decreet van 19 december 2003 houdende de algemene uitgavenbegroting van de Vlaamse Gemeenschap voor het begrotingsjaar 2004, Beleidsbrief Media — Beleidsprioriteiten 2003-2004

Aid amount: Up to EUR 1.4 million per annum for up to 5 year, totalling up to EUR 7 million.

Intensity or amount: 50 %

Duration of project: at least 3 years, option to be prolonged for another 2 years

Other information: Final budgets and aid amounts depends on result of call for proposals and available state funds.

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of decision: 30 April 2001

Member State: France

Aid No: N 88/2001

Title: Refund to shipping companies of contributions to the family allowances and unemployment insurance funds

Objective: To make French shipping more competitive against international competition

Budget: Approximately EUR 22.8 million per year

Aid intensity: 100 % of the contributions to the family allowances and unemployment insurance funds paid by shipowners for the seamen they employ.

Duration: Unlimited

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of decision: 20 October 2004

Member State: Italy

Aid No: N 114/2004

Title: Tonnage tax scheme for shipping companies.

Objective: To replace, for shipping companies which have opted for the tonnage tax scheme, the taxable basis used in the calculation of corporate tax by an amount determined on the basis of vessel tonnage, at the following daily rate:

— Up to 1 000 net tonnes EUR 0.90 per 100 NT

— Between 1 001 and 10 000 net tonnes EUR 0.70 per 100 NT

— Between 10 001 and 25 000 net tonnes EUR 0.40 per 100 NT

— Over 25 001 net tonnes EUR 0.20 per 100 NT

This scheme requires that vessels are already registered on an Italian shipping register.

Legal basis: decreto-legge

Budget: Approximately €20 million per annum

Duration: 10 years for the scheme, 10 years for individual aid.

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 7 May 2004

Member State: Belgium — Flemish Region

Aid No: N 128/2003

Title: Aid for the transport of domestic waste by inland waterways in the Flemish Region

Objective: To promote the transport of domestic waste on Flemish inland waterways. The Flemish Region will subsidize the acquisition of handling installations to be at the disposal of the municipalities/associations of local authorities

Legal basis: Agreement of 10 June 1999 between the Flemish Region and N.V.Zeekanaal en Watergebonden Grondbeheer.

Budget and duration: The duration of the project is fixed to coincide with the service life of the cranes. The budget will amount to EUR 7,432 million.

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of decision: 1 December 2004

Member State: Denmark

No of the aid: N 171/2004

Title: Adaptation of the Danish tonnage tax regime aiming at taking account of the renting out of commercial facilities

Objective: Preserve competitiveness of the fleet and promote the maritime shipping 'cluster' (employment of EC seafarers, preservation of maritime know-how in the EC and development of maritime skills and the improvement of safety)

Legal basis: Forslag til Lov om aendring af tonnageskatteloven (Leijendtaegt m.v. af lokaler om bord)

Budget: around DKK 15 million per year (around EUR 2 million per year)

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 16 June 2004

Member State: Germany

Aid No: N 181/04

Title: Support for the film industry in Baden-Württemberg — Medien und Filmgesellschaft Baden-Württemberg mbH

Objective: Cinema

Legal basis: Richtlinien der Medien und Filmgesellschaft Baden-Württemberg mbH zur Förderung von Film- und Fernsehproduktionen in Baden-Württemberg

Aid intensity or amount: Variable; always less than 50 %, except in certain cases

Duration: Until end-2007

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 23 October 2003

Member State: Sweden

Aid No: N 201/2003

Title: Regional development grants

Objective: Regional development and SME development

Legal basis: Förordning **x:x** om ändring i förordningen (2000:279) om regionalt utvecklingsbidrag

Budget: The annual budget of the scheme is 350 million SEK (EUR 38 million).

Aid intensity or amount: Regional aid intensity ceilings for investments carried out in regions eligible for national regional aid 15 % for investments by small companies outside areas eligible for national regional aid

Duration: The original aid scheme was approved until 31 December 2004

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 16 March 2005

Member State: Germany

Aid No: N 238/04

Title: Aid scheme for the funding of new combined transport traffic.

Objective: To promote combined transport sector with a view to switching from road transport to alternative way of transport.

Legal basis: Richtlinie zur Förderung neuer Verkehre im Kombinierten Verkehr auf Schiene und Wasserstraße

Budget: EUR 45M

Aid intensity or amount:

Start-up aid: a maximum of 30 % of the operating costs of the new transport service.

Investment grants: A maximum of 30 % of the investment.

Duration: three years

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 16 March 2005

Member State: Belgium — Walloon Region.

Aid No: N 247/04

Title: Aid for combined transport in the Walloon Region.

Objective: Aid to promote combined transport in the Walloon Region.

Legal basis: Arrêté du Gouvernement wallon portant diverses mesures relatives au transport combiné en exécution de l'article 5, paragraphe 1er, 2o, a) du décret du 11 mars 2004 relatif aux incitants régionaux en faveur des grandes entreprises et de l'article 5, paragraphe 1er, 2o a) du décret du 11 mars 2004 relatif aux incitants régionaux en faveur des petites et moyennes entreprises.

Budget: EUR 3 million.

Aid intensity or amount: The total amount of the combined transport premium and of the exemption from property tax is limited to 30 % of the investment and may not exceed EUR 250 000. The premium for consultancy services is set at 50 % of the consultancy fees and may not exceed EUR 50 000 per undertaking over three years.

Duration: 2004-2006.

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption: 20 October 2004

Member State: Sweden

Case number: N 253/2004

Title: Full exemption from the energy tax for energy-intensive companies

Objective: To promote an effective use of energy

Legal basis:

'Lag (1994:1776) om skatt på energi'

'Lagen om program för energieffektivisering'

Budget:

Annually: ca. SEK 180 million (ca. EUR 20 million).

In total: ca. SEK 1 800 million (ca. EUR 198 million).

Duration: 10 years

Other information: Annual report

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 11 February2 005

Member State: Germany

Aid No: N 260b/2004

Title: Prolongation of the scheme to promote the use of insulating material from renewable raw materials by simplified procedure.

Objective: Environmental aid aiming at increasing the use of insulation material from renewable raw materials

Legal basis: Leitlinien zur Förderung von Vorhaben, die im Wesentlichen der 'Verwendung von Isolationsmaterialien aus erneuerbaren Rohstoffen' auf der Grundlage des Gemeinschaftsrahmens für staatliche Umweltschutzbeihilfen dienen

Amount: EUR 10 million

Duration: 2 additional years (3.5 years in total)

Other information: Adoption by simplified procedure

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of decision: 20 October 2004

Member State: France

Aid No: N 283/2004

Title: Multisectoral framework 2002 — Regional investment aid for *TOTAL* (Gonfreville)

Objective: Regional development

Legal basis: Loi n° 2002/276 du 27 février 2002 sur la démocratie de proximité; Régime d'aides directes des collectivités territoriales en faveur des projets d'investissement productif des grandes entreprises N 440/2003

Budget: EUR 48 mio

Aid intensity or amount: NGE = 4.92 %

Other information: Form of aid: grant

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of decision: 19 January 2005

Member State: Ireland

No of the aid: N 306/2004

Title: Western Investment Fund

Objective: The notified aid measure intends to address the lack of small amounts of risk capital by SMEs in the Western regions of Ireland ([1]).

Legal basis: The Irish Western Development Commission Act 1998.

Budget: EUR 34 400 000 (This amount is the total budget of the scheme/fund and not the aid amount as such)

Duration: 31 December 2016

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

([1]) The Western regions of Ireland are composed of the counties Donegal, Galway, Leitrim, Mayo, Roscommon and Sligo which are all areas falling under Article 87 (3) (a) of the EC-Treaty and of the county Clare which is an area falling under Article 87 (3) (c) of the EC-Treaty.

Date of adoption of the decision: 19 January 2005

Member State: The Republic of Latvia

Aid No: N 380/04

Title: Latvijas Gaze

Objective: Energy (Gas)

Legal basis:

— Sale and Purchase Agreement of 2 April 1997 between the State Joint Stock Company-Non Profit Organisation Privatisation Agency, State Joint Stock Company under Privatisation Latvijas Gaze, Ruhrgas Aktiengesellschaft and PreussenElektra Aktiengesellschaft.

— Arbitral Award rendered in Stockholm, Sweden on 19 June 2003 between JSC Latvijas Gaze and The Republic of Latvia.

Budget: 10 416 689,71 EUR

Aid intensity or amount: measure as defined in the notification by the Authorities, relating entirely to the period pre-accession. The Commission is thus not able to consider the measure, as notified, as new.

Duration: Immediate compensation as per Arbitral Award, but the Republic of Latvia has refrained from effectuating the payment as it considers the payment as unlawful state aid

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 14 December 2004

Member State: Slovak Republic

Aid No: N 505/2004

Title: Individual aid for audiovisual production in favour of TITANIC s.r.o.

Objective: support of film production

Legal basis:

a) Zákon č. 303/1995 Z.z. o rospočtových pravidlách v znení neskoršich predpisov,

b) Zákon č. 231/1999 Z.z. o štátnej pomoci v znani zákona č. 203/2004 — §4 ods. 1, pism.d),

c) Výnos MK SR — 480/2004 — 1 o poskytovani dotácili v pôsobnosti MK SR

Budget: SKK 8,2 million

Aid intensity or amount: 33.5 %

Duration: one-off measure after approval (31 December 2004)

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 30 January 2002

Member State: Ireland

Aid No: N 525/2001

Title: Cluster Incubator Scheme

Objective: Support to the development of incubators for high technology start-up firms (Firms operating in the property development and high technology sectors)

Legal basis: Section 16(1)(g) of the Industrial Development Act

Budget: EUR 30 millions

Aid intensity or amount: Maximum intensity in conformity with regional aid map and Regulation (EC) N°70/2001.

Duration: 2002 to 2006

Other information: Annual implementation report.

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/

Date of adoption of the decision: 30 June 2004

Member State: The Netherlands

Aid No: N 594/03

Title: Shipbuilding — Prolongation of delivery limit for a ship built at De Hoop Lobith Shipyard, The Netherlands

Objective: Shipbuilding

Legal basis: Besluit subsidies zeescheepsnieuwbouw

Aid intensity or amount: 9 % of contract value

The authentic text(s) of the decision, from which all confidential information has been removed, can be found at:

http://europa.eu.int/comm/secretariat_general/sgb/state_aids/