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RESOLUTIONS

COUNCIL

Resolution of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, on the active inclusion of young people: combating unemployment and poverty

(2010/C 137/01)

THE COUNCIL AND THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES, MEETING WITHIN THE COUNCIL:

1. RECALLING:

The political background to this issue as set out in the Annex to this Resolution, in particular:

— The Council Resolution of 27 November 2009 on a renewed framework for European cooperation in the youth field (2010-2018) [1].

— Decision No 1098/2008/EC of the European Parliament and of the Council of 22 October 2008 on the European Year for Combating Poverty and Social Exclusion (2010).

2. TAKING INTO ACCOUNT THAT:

— Solidarity is one of the values underpinning the European Union. Economic and social cohesion are consequently intrinsic goals of European models of society.

— The active inclusion of young people entails a combination of adequate income support, inclusive labour markets and access to quality services.

— The objectives set out in the Lisbon Strategy of achieving more and better jobs and eradicating poverty by 2010, including the objectives of the European Youth Pact, have not been achieved and that it is therefore necessary to continue working towards these objectives.

— The negative effects of the economic and financial crisis on growth and employment are particularly affecting groups in vulnerable situations or at risk of exclusion such as the young people, with a consequent increase in poverty amongst them.

— One of the main tools for combating poverty and social exclusion is employment. Europe needs higher levels of productivity and quality employment. However, the level of in-work poverty among young people (10 %) [2] illustrates that not all jobs provide sufficient security.

— Youth unemployment has reached extremely troubling levels: in the European Union, one out of every five young people under the age of 25 is unemployed. Furthermore, one out of every five young people aged between 18 and 24 is at risk of poverty [2].

— The demographic challenge posed by an ageing population calls for an inter-generational response and for inter-generational dialogue and solidarity.

3. CONSIDERING THAT:

— The social and economic interests of the European Union require that the potential of young people be used to the full.

— It is therefore of vital importance to ensure social inclusion and equal opportunities for young people which enable them to participate actively and equitably in economic, social, democratic and cultural life, paying particular attention to young people with fewer opportunities.

— Unemployment, poverty, social and economic exclusion and all forms of discrimination are obstacles to the well-being of young people and may hinder their active participation in society. Greater inclusion of young people in society and their full and active participation in the labour market, combined with improved access to quality education, as well as adequate and better targeted social protection and services, are essential tools for reducing poverty, improving the quality of life and promoting social cohesion.

(1) OJ C 311, 19.12.2009.

(2) *Source*: Eurostat, EU Statistics on Income and Living Conditions (between 18 and 24 years).

— Investing in young people as an essential resource for growth and employment and facilitating their social inclusion would consolidate a more cohesive society, with all young people having equal opportunities to participate.

4. IDENTIFY THE FOLLOWING GENERAL OBJECTIVES:

— Facilitate access for young people to the labour market and provide opportunities for more secure employment on non-discriminatory terms.

— Provide improved access to quality education and facilitate smooth transitions to the labour market from education and training or from unemployment and inactivity.

— Facilitate the reconciliation of private, family and working life.

— Prevent poverty and the social exclusion of young people, as well as the perpetuation of these problems from one generation to the next.

5. ESTABLISH THE FOLLOWING GUIDING PRINCIPLES:

— The principle of equal opportunities, taking particular account of gender issues and young people with fewer opportunities.

— The involvement of all relevant actors at local, regional, national and EU levels.

— The role of the structured dialogue in the youth field needs to be highlighted, in particular the results of the current cycle concerning youth employment.

6. UNDERLINE THAT:

As outlined in the renewed framework for European co-operation in the youth field (2010-2018) adopted by the Council on 27 November 2009, achieving the objectives in the youth field requires a dual approach that involves both:

— specific initiatives in the youth field

and

— mainstreaming initiatives in order to integrate a youth perspective into other relevant policy fields.

7. ACCORDINGLY AGREE THAT:

Within the context of mainstreaming a youth perspective into other relevant policy fields — and taking into account the added value of youth policies-actions concerning the active inclusion of young people should focus mainly on two specific fields of action under the renewed framework: that of *Education and Training*, and that of *Employment and Entrepreneurship*. In this respect, the following issues are of particular importance:

(i) Promoting education, training and non-formal learning in order to enhance employability by:

(a) improving young people's knowledge, skills and competences, and ensuring that these are tailored to the needs of the changing labour market and the growing new employment sectors, by developing fair, flexible and efficient systems for high-quality education and training, as well as through non-formal learning and youth work, within the framework of a knowledge-based economy;

(b) combating the problem of early leavers from education and training, taking full account of socio-economic circumstances;

(c) promoting lifelong learning, making use of the added value offered by information and communication technologies.

(ii) Encouraging transitions between education and training systems and the labour market in order to prevent unemployment and the social exclusion of young people by:

(a) facilitating professional development opportunities for young people;

(b) providing quality guidance services to help young people in their decisions regarding such transitions. In this respect, public employment services, as well as youth counselling and information services, can play an essential role;

(c) enhancing the future employability of young people, by promoting the acquisition of work experience during the educational cycle through work placements, internships and apprenticeships supported by both public and private sectors, possibly acting in partnership, or through other similar schemes;

(d) recognising the added value of voluntary work and activities as a way of improving skills and competences;

(e) considering, where appropriate, the social economy as a source of entry to training and jobs for young people with fewer opportunities.

(iii) Promoting quality employment for young people by:

(a) improving access to stable employment for young people, taking particular account of those with fewer opportunities and recognising that active labour market policies play a key role in this regard;

(b) developing integrated flexicurity policies to enhance both labour market flexibility and to provide employment security, as well as to prevent labour market segmentation;

(c) stimulating the potential of young people in terms of their skills, talent and motivation, as well as encouraging their mobility, both geographical and cross-sectoral.

(iv) Promoting self-employment and entrepreneurship by:

(a) encouraging an entrepreneurial spirit among young people and the development of their entrepreneurial capacities through adequate education, training and mentoring programmes;

(b) facilitating mobility and promoting the participation of young people in networks for young entrepreneurs and the recognition of junior enterprises;

(c) encouraging the development of a green economy, in order to further increase business start-ups for young people which will result in new job opportunities and new professions;

(d) endorsing the development of young people's talent, imagination, creativity and innovation skills in the framework of formal, non-formal and informal learning;

(e) facilitating access to relevant services and assisting in business start-ups for young people, e.g. by providing access to finance or preparing business plans.

(v) Maintaining, developing and, where appropriate, establishing the necessary measures to provide access to adequate social protection and to high quality services, including healthcare, childcare and housing assistance, with a particular focus on the enhancement of social services aimed at young families.

8. FURTHER AGREE THAT:

The instruments within the open method of coordination in the youth field should be fully used, both to support work on integrating a youth perspective into other relevant policy fields, and to implement specific initiatives in the youth field.

9. THEREFORE, IN CONNECTION WITH THE ISSUES OUTLINED IN SECTION 7 ABOVE, INVITE THE MEMBER STATES AND/OR THE COMMISSION, WITHIN THEIR RESPECTIVE SPHERES OF COMPETENCE, TO:

— Design channels of communication and cooperation with other relevant policy fields and departments both within and between the various EU institutions and within the Member States, paying special attention to activities carried out in the framework of the open method of coordination in other areas, particularly that of social protection and inclusion, education and employment.

— Encourage the recognition of non-formal and informal learning, which complement formal education and which play a useful role in supporting the efficient social and economic integration of young people, in particular those with fewer opportunities. In this context, the work done with such young people by those active in the youth field and participation in the 'Youth in Action' programme are particularly important.

— Promote mutual learning instruments and the exchange of best practices, through high-level seminars or meetings of expert groups on issues relating to the social integration of young people and their full participation in the labour market. In this respect, the results of such activities should be effectively disseminated, using existing platforms, where appropriate.

— Make efficient use of the funds available in the EU to support the process of social inclusion of young people in education, training or employment and to combat unemployment and poverty, in particular the European Social Fund, the European Regional Development Fund and the Rural Development Fund, or any other relevant EU funds or programmes such as PROGRESS.

— Continue to support and promote cross-disciplinary research relating to young people and their living conditions, having regard to the socio-economic environment and the opportunities and obstacles this poses for the social inclusion and employability of young people.

— Ensure that existing indicators include a youth dimension, in order to collect and analyse data on the active inclusion of young people and on combating unemployment and poverty, and in order to enable comparative assessments to be carried out by the Member States in the light of their achievements.

— Set up adequate mechanisms to monitor and evaluate the results obtained on the actions outlined in Section 7 above, in particular by means of the EU Youth Report.

10. ADDITIONALLY STRESS THE IMPORTANCE, IN THE CONTEXT OF A COMPETITIVE, INCLUSIVE AND SUSTAINABLE EUROPE, OF:

— recognising the crucial role of young people for the smart, sustainable and inclusive growth necessary for Europe's future prosperity;

— ensuring that the contribution of youth policy — covering areas such as mobility, participation, non-formal and informal learning, voluntary activities and youth work — is fully integrated into the implementation of the Europe 2020 strategy;

— recognising the cross-sectoral nature of issues, and therefore promoting:

  — policies that support young people's integration in the labour market and facilitate social inclusion of young people;

  — policies that will equip all young people with the skills and competences they need to play their part in the knowledge-based economy and society of tomorrow.

ANNEX

POLITICAL BACKGROUND

1. Article 6 of the Treaty on the Functioning of the European Union, whereby the Union shall have competence to carry out actions to support, coordinate or supplement the actions of the Member States in areas, at European level, such as education, vocational training, youth and sport.

2. The European Employment Strategy, as set out in the conclusions of the extraordinary European Council meeting held in Luxembourg on 20-21 November 1997 (1).

3. The Resolution of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, of 14 December 2000 on social inclusion of young people (2).

4. The Resolution of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, of 28 May 2004 on social integration with regard to young people (3).

5. The Council conclusions of 5 December 2007: 'Towards Common Principles of Flexicurity' (4).

6. The Council conclusions of 5 and 6 December 2007 on the future prospects for the European Employment Strategy in the new cycle of the Lisbon Strategy (5).

7. The conclusions of the Spring 2008 European Council of 13-14 March 2008, which emphasised the importance of combating poverty and social exclusion, promoting active integration and increasing employment opportunities for those furthest from the labour market, in particular young people (6).

8. The Resolution of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, of 22 May 2008 on the participation of young people with fewer opportunities, which stated that unemployment, poverty, poor health, cultural, social and economic exclusion and all forms of discrimination are obstacles to the well-being of young people and may hinder their active participation in society (7).

9. Decision No 1098/2008/EC of the European Parliament and of the Council of 22 October 2008 on the European Year for Combating Poverty and Social Exclusion (2010) (8).

10. The Council conclusions of 16 and 17 December 2008 on common active inclusion principles to combat poverty more effectively (9), which stated that active inclusion involves combining adequate income support, inclusive labour markets and access to quality services.

11. The Council conclusions of 9 March 2009 on new skills for new jobs — anticipating and matching labour market and skills needs (10).

12. The Council conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training (11).

13. The Council conclusions of 8 June 2009 on social services as a tool for active inclusion, strengthening social cohesion and an area for job opportunities (12).

(1) SN 300/97.
(2) OJ C 374, 28.12.2000.
(3) Doc. 9601/04.
(4) Doc. 15497/07.
(5) Doc. 15813/07.
(6) Doc. 7652/08.
(7) OJ C 141, 7.6.2008, p. 1.
(8) OJ L 298, 7.11.2008, p. 20.
(9) Doc. 15984/08.
(10) Doc. 5927/09.
(11) OJ C 119, 28.5.2009, p. 2.
(12) Doc. 10052/09.

14. The conclusions of the June 2009 European Council [1], which outlined the results of the informal EU summit on employment held in Prague in May 2009 and stated that the fight against unemployment remained a major priority.

15. The conclusions of the October 2009 European Council [2], which underlined the need to promote, amongst other measures, active social inclusion policies in the light of the continued deterioration of the employment situation.

16. The Council Resolution of 27 November 2009 on a renewed framework for European cooperation in the youth field (2010-2018) [3].

(1) Doc. 11225/1/09 REV 2.
(2) Doc. 15254/1/09 REV 1.
(3) OJ C 311, 19.12.2009.

OPINIONS

COUNCIL

COUNCIL OPINION

on the updated stability programme of Austria, 2009-2013

(2010/C 137/02)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

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 26 April 2010 the Council examined the updated stability programme of Austria, which covers the period 2009 to 2013.

(2) The international financial and economic crisis has pushed the Austrian economy into the deepest recession in post-war history. The downturn has primarily been transmitted to Austria by falling exports, reflecting the collapse in world trade, and shrinking fixed investment on the back of declining demand as well as tighter credit market conditions. Overall, according to the latest official estimate GDP shrank by about 3,6 % ([2]) in 2009. The strongly export-oriented manufacturing sector has suffered most.

Private consumption growth, although much lower than in recent years, has become a stabilising factor. Consumer prices rose by a mere 0,4 % in 2009, mainly due to strong base effects from declining fuel and heating oil prices and the downward pressure on profit margins from weak demand conditions. As the recession began to take its toll on the labour market, employment decreased by 1,4 % in 2009, pushing the unemployment rate up to 5,0 % (from 3,8 % in the previous year). In response, the Austrian government adopted a sizeable discretionary fiscal stimulus package, in line with the European Economic Recovery Plan (EERP). As a result of the stimulus measures and the operation of automatic stabilisers, public finances deteriorated significantly, with the general government deficit reaching 3,5 % of GDP (up from 0,4 % of GDP in 2008) and public debt 66,5 % of GDP in 2009. The Council decided on 2 December 2009 that an excessive deficit existed in Austria and issued a recommendation to correct the deficit by 2013. Even though Austria entered the crisis with a budgetary position close to balance, the significant deterioration in public finances calls for sizeable consolidation measures.

(3) Although much of the observed decline in actual GDP in the context of the crisis is cyclical, the level of potential output has also been negatively affected. In addition, the crisis may also affect potential growth in the medium term through lower investment, constraints in credit availability and increasing structural unemployment. Moreover, the impact of the economic crisis compounds with the negative effects of demographic ageing on potential output and the sustainability of public finances. Against this background it will be essential to accelerate the pace of structural reforms with the aim of supporting potential growth. In particular, for Austria it is important to undertake reforms in the areas of labour supply (notably by further improving incentives for older workers to continue working) and education (by improving outcomes for disadvantaged youth).

([1]) OJ L 209, 2.8.1997, p. 1. The documents referred to in this text can be found at the following website: http://ec.europa.eu/economy_finance/sgp/index_en.htm

([2]) The estimate has been made after the submission of the programme.

(4) The macroeconomic scenario underlying the January 2010 stability programme envisages a pick up in real GDP growth from – 3,4 % in 2009 to 1,5 % in 2010-2011 and around 2 % thereafter. Assessed against currently available information [1], this scenario appears to be somewhat favourable in 2010 and based on plausible growth assumptions in the years 2011-2013. The difference in the growth projection for 2010 stems from the programme's higher contribution from net exports than that in the Commission services' autumn 2009 forecast. The programme's projections for inflation appear realistic.

(5) The programme estimates the general government deficit in 2009 at 3,5 % of GDP. The significant deterioration from a deficit of 0,4 % of GDP in 2008 reflects to a large extent the impact of the crisis on government finances, but was also brought about by stimulus measures amounting to 1,5 % of GDP which the government adopted in line with the EERP. The bulk of the fiscal stimulus introduced in 2009 was of a permanent nature (about 1,3 % of GDP in 2009, compared to 0,2 % of GDP in temporary measures). In line with the exit strategy advocated by the Council, and with a view to correcting the excessive deficit by 2013 and returning to a sustainable public finance position, the fiscal stance will remain supportive in 2010, followed by a fiscal tightening from 2011 on.

(6) According to the programme, in 2010 the nominal general government deficit will increase from 3,5 % in 2009 to 4,7 %. The programme foresees almost no change in the expenditure ratio in 2010, with the over 1 % of GDP deterioration coming almost exclusively from the revenue side. The update does not outline any measures additional to those that were already known at the time of Austria's latest examination under the excessive deficit procedure, which is in line with the Council's recommendation that it 'should implement the fiscal measures in 2010 as envisaged'.

The projected deterioration is partly due to the automatic stabilisers operating freely and partly to some discretionary measures. In particular, parts of the 2009 tax reform, namely relief for families with children and tax cuts for the self-employed, are coming into force only in 2010 and are expected to burden the budget by about 0,25 % of GDP. The accelerated depreciation provision, adopted in January 2009, will strain the budget additionally by about 0,1 % of GDP. The expected fiscal stance is expansionary as the deterioration in the nominal balance is mirrored in an increase by 1,25 % of GDP in the cyclically adjusted and structural balance as recalculated by the Commission services on the basis of the information in the programme according to the commonly agreed methodology. This change differs from the change explained by the information on the discretionary measures effective in 2010 (bottom-up approach) estimated by the Commission services at around 0,5 % of GDP. Part of that discrepancy can be explained by the negative composition effects, with growth drivers shifting towards net exports, and lagged effects on corporate tax income.

(7) The main goal of the medium-term budgetary strategy is to bring the deficit below the 3 % of GDP reference value by the end of the programme horizon, in line with the Council recommendation of 2 December 2009 under Article 126(7) of the Treaty on the Functioning of the European Union (TFEU). The programme foresees a significant and evenly distributed consolidation in the years 2011-2013. The structural balance is expected to narrow from 3,9 % of GDP in 2010 to 2,2 % of GDP in 2013, corresponding to an average annual fiscal effort somewhat below 0,75 % of GDP over the period 2011-2013. The structural primary balance is expected to turn from 1,25 % of GDP deficit in 2010 into a 0,75 % of GDP surplus in 2013. The programme stipulates that the revenue-to-GDP ratio will stay largely unchanged between 2010 and 2013 and that the consolidation is to be achieved primarily on the expenditure side.

However, the only measure outlined in the programme to underpin the planned consolidation is a drop in expenditure on the healthcare sector to the tune of about EUR 1,7 billion between 2010 and 2013, which the federal government agreed on with the public health funds. As the agreed savings amount to about 0,6 % of GDP, this measure provides for less than one third of the consolidation foreseen between 2010 and 2013. Austria's medium-term objective (MTO) is to achieve a balanced budget. Given the most recent projections and debt level, the MTO more than adequately reflects the objectives of the Pact. However, the programme does not foresee to reach the MTO within the programme horizon.

(8) The budgetary outcomes could turn out worse than projected in the programme in the year 2011 and beyond. Whereas the revenue projections in the update remain realistic, the planned consolidation on the expenditure side is only partly underpinned by measures. Specific additional risks relate to the government's bank guarantees to support the financial sector, which, if called, would lead to increases in deficit and debt. However, some of the cost of government support to the financial sector could also be recouped in the future. A small positive risk factor is the potential introduction of a special bank levy from 2011, which might bring about 0,2 % of GDP in revenue.

[1] The assessment notably takes into account the Commission services' autumn 2009 forecast, but also other information that has become available since then.

(9) Government gross debt is estimated at 66,5 % of GDP in 2009, up from 62,5 % in the year before. Apart from the increase in the deficit and the decline in GDP growth, a significant stock-flow adjustment, reflecting primarily bank rescue operations, contributed to the rise in the debt ratio. The government gross debt ratio is above the Treaty reference value in 2009 and is on an increasing trend over the whole programme period. The debt ratio is projected to increase by 7,8 pps. over the programme period, mainly driven by continued high government deficits. In addition to the possibility of the deficits turning higher than planned from 2011 onwards, the evolution of the debt ratio is subject to risks stemming, in particular, from uncertainties surrounding the cost of future functioning of the country's fifth largest bank, Hypo Group Alpe Adria (nationalised in December 2009) and the State guarantees issued for the debt of the Austrian highway authority (ASFINAG) and Austrian Federal Railways (ÖBB).

(10) Medium-term debt projections that assume GDP growth rates to only gradually recover to the values projected before the crisis, and tax ratios to return to pre-crisis levels and that include the projected increase in age-related expenditures and the projected increase in real interest rates show that the budgetary strategy envisaged in the programme, taken at face value and with no further policy change, would be almost sufficient to stabilise the debt-to-GDP ratio by 2020.

(11) The long-term budgetary impact of ageing in Austria is slightly lower than the EU average, with pension expenditure projected to increase only slightly as a share of GDP over the long term. The budgetary position in 2009, as estimated in the programme, compounds the budgetary impact of population ageing. Achieving primary surpluses in the medium term would contribute to reducing the risks to the sustainability of public finances which were assessed in the Commission 2009 Sustainability Report [1] as medium.

(12) The existing domestic budgetary framework, based on the Fiscal Equalisation Law (Finanzausgleichsgesetz) and the internal stability pact, is rather complex and lacking in transparency. Not only are revenues from most individual taxes shared among the different territorial levels by fixed proportions, but also decision-making in many areas is divided among various levels of authority. Revenue-raising and spending responsibilities for numerous activities do not reside within the same level of government. As such the system does not encourage the most efficient use of resources. However, Austria has embarked recently on a far-reaching reform of the budgetary framework law at the federal level.

The first part of the reform, which entered into force on 1 January 2009, established a new multi-annual expenditure framework with fixed ceilings (for about 80 % of total expenditures) set for four consecutive years on a rolling basis. It is expected to prevent pro-cyclical spending and to enhance the effectiveness of the automatic stabilisers. The second part, legally already enacted to come into force in 2013, involves the introduction of output-based budgeting and the modernisation of the public administration's accounting system and long-term projections.

(13) There is scope for efficiency gains in several areas of the Austrian public spending, in particular in healthcare and education, where Austria's performance is comparable or slightly below the average of the EU countries, but often comes at a higher cost. One of the reasons for this is the above mentioned overlap in the financing and administrative responsibilities of the three layers of government. The 2010 programme outlines the savings planned in the healthcare sector, worth about 0,6 % of GDP over the 2010-2013 period. Moreover, it states that an expert working group has been created in order to find ways of enhancing the effectiveness of public spending in many areas. However, the update does not point to any concrete new legislative proposals being imminent.

(14) Overall, in 2010 the budgetary strategy set out in the programme is consistent with the Council recommendation under Article 126(7). However, from 2011 on, taking into account the risks, the budgetary strategy may not be consistent with the Council recommendation under Article 126(7). In particular, the strategy foresees the reduction of the deficit to 2,7 % of GDP — and therefore the correction of the excessive deficit — by 2013 and an average annual fiscal effort somewhat below 0,75 % of GDP over the period 2011-2013, but in view of the risks this fiscal effort may not be sufficient. The consolidation path outlined in the programme, starting in 2011 is not underpinned by appropriate measures. In addition, the budgetary strategy is not sufficient to bring debt-to-GDP ratio back on a downward path.

[1] In the Council conclusions of 10 November 2009 on sustainability of public finances 'the Council calls on Member States to focus attention to sustainability-oriented strategies in their upcoming stability and convergence programmes' and further 'invites the Commission, together with the Economic Policy Committee and the Economic and Financial Committee, to further develop methodologies for assessing the long-term sustainability of public finances in time for the next Sustainability report', which is foreseen in 2012.

(15) As regards the data requirements specified in the code of conduct for stability and convergence programmes, the programme provides all required and most of the optional data [1]. In its recommendations under Article 126(7) of 2 December 2009 with a view to bringing the excessive deficit situation to an end, the Council also invited Austria to report on progress made in the implementation of the Council recommendations in a separate chapter in the updates of the stability programmes. The respective section of the programme update provides only very limited information on how the Austrian government plans to progress in the implementation of the Council recommendation.

The overall conclusion is that in the wake of the financial and economic crisis the situation of Austria's public finances deteriorated significantly as a result of the operation of automatic stabilisers and a sizeable stimulus package adopted by the government. As the bulk of the measures aimed at combating the downturn are of permanent nature, there is a need to introduce consolidation measures as from 2011. The budgetary strategy set out in the programme for 2010 is consistent with the Council recommendation of 2 December 2009. However, the budgetary strategy for the years 2011-2013 may not be consistent with the recommendation. The programme does outline a consolidation path on the expenditure side starting in 2011, but it still needs to be underpinned by concrete measures. Many significant reforms to public expenditure have been undertaken in Austria in the recent past. However, there is still room for improvement in areas such as healthcare and education. Substantial efficiency gains in these areas could be obtained by reforming the fiscal relations between the various layers of government.

In view of the above assessment and also in the light of the recommendation under Article 126 TFEU of 2 December 2009 Austria is invited to:

(i) substantiate the measures deemed necessary to underpin the planned consolidation from 2011 onwards, in order to achieve the recommended average annual fiscal effort of 0,75 % of GDP and bring the general government deficit below the 3 % of GDP reference value by 2013; and seize, as prescribed in the EDP recommendation, any opportunities beyond the fiscal effort, including from better economic conditions, to accelerate the reduction of the gross debt ratio back towards the 60 % of GDP reference value;

(ii) further improve the budgetary framework to reinforce fiscal discipline at all levels of government through enhanced transparency and accountability notably by aligning legislative, administrative and financing responsibilities between the different levels of government and by strengthening enforcement mechanisms under the internal stability pact.

Austria is also invited to submit in time for the assessment of the effective action under the excessive deficit procedure an addendum to the programme to report on progress made in the implementation of the Council recommendation under Article 126(7) of 2 December 2009 and to outline in some detail the consolidation strategy that will be necessary to progress towards the correction of the excessive deficit.

Comparison of key macro-economic and budgetary projections

		2008	2009	2010	2011	2012	2013
Real GDP (% change)	**SP Jan 2010**	**2,0**	**– 3,4**	**1,5**	**1,5**	**1,9**	**2,0**
	COM Nov 2009	2,0	– 3,7	1,1	1,5	n.a.	n.a.
	SP Apr 2009	*1,8*	*– 2,2*	*0,5*	*1,5*	*2,0*	*2,3*
HICP inflation (%)	**SP Jan 2010**	**3,2**	**0,4**	**1,3**	**1,5**	**1,8**	**1,9**
	COM Nov 2009	3,2	0,5	1,3	1,6	n.a.	n.a.
	SP Apr 2009	*3,2*	*0,6*	*1,1*	*1,3*	*1,5*	*1,9*
Output gap [1] (% of potential GDP)	**SP Jan 2010**	**2,8**	**– 1,8**	**– 1,6**	**– 1,5**	**– 1,3**	**– 1,0**
	COM Nov 2009 [2]	2,8	– 2,2	– 2,6	– 2,7	n.a.	n.a.
	SP Apr 2009	*2,6*	*– 0,9*	*– 1,7*	*– 1,6*	*– 1,2*	*– 0,5*
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	**SP Jan 2010**	**3,2**	**2,3**	**2,4**	**2,7**	**2,8**	**2,9**
	COM Nov 2009	3,6	1,4	1,3	1,7	n.a.	n.a.
	SP Apr 2009	*2,9*	*1,6*	*0,6*	*1,0*	*1,3*	*1,4*

[1] In particular, detailed categories of net lending vis-à-vis rest of the world, detailed categories of stock-flow adjustment and some detailed items on long-term sustainability are missing.

		2008	2009	2010	2011	2012	2013
General government revenue (% of GDP)	**SP Jan 2010**	**48,4**	**48,0**	**46,9**	**46,8**	**46,9**	**46,9**
	COM Nov 2009	48,4	47,9	47,1	47,1	n.a.	n.a.
	SP Apr 2009	*48,2*	*47,5*	*46,5*	*46,4*	*46,1*	*46,1*
General government expenditure (% of GDP)	**SP Jan 2010**	**48,9**	**51,5**	**51,6**	**50,9**	**50,2**	**49,7**
	COM Nov 2009	48,9	52,3	52,6	52,4	n.a.	n.a.
	SP Apr 2009	*48,7*	*51,1*	*51,3*	*51,1*	*50,9*	*50,1*
General government balance (% of GDP)	**SP Jan 2010**	**– 0,4**	**– 3,5**	**– 4,7**	**– 4,0**	**– 3,3**	**– 2,7**
	COM Nov 2009	– 0,4	– 4,3	– 5,5	– 5,3	n.a.	n.a.
	SP Apr 2009	*– 0,4*	*– 3,5*	*– 4,7*	*– 4,7*	*– 4,7*	*– 3,9*
Primary balance (% of GDP)	**SP Jan 2010**	**2,2**	**– 0,7**	**– 1,8**	**– 1,2**	**– 0,4**	**0,2**
	COM Nov 2009	2,1	– 1,4	– 2,5	– 2,1	n.a.	n.a.
	SP Apr 2009	*2,2*	*– 0,6*	*– 1,7*	*– 1,4*	*– 1,3*	*– 0,4*
Cyclically-adjusted balance [1] (% of GDP)	**SP Jan 2010**	**– 1,7**	**– 2,7**	**– 3,9**	**– 3,3**	**– 2,7**	**– 2,2**
	COM Nov 2009	– 1,8	– 3,3	– 4,3	– 4,0	n.a.	n.a.
	SP Apr 2009	*– 1,6*	*– 3,1*	*– 3,9*	*– 4,0*	*– 4,1*	*– 3,7*
Structural balance [3] (% of GDP)	**SP Jan 2010**	**– 1,7**	**– 2,7**	**– 3,9**	**– 3,3**	**– 2,7**	**– 2,2**
	COM Nov 2009	– 1,8	– 3,3	– 4,3	– 4,0	n.a.	n.a.
	SP Apr 2009	*– 1,6*	*– 3,1*	*– 3,9*	*– 4*	*– 4,1*	*– 3,7*
Government gross debt (% of GDP)	**SP Jan 2010**	**62,6**	**66,5**	**70,2**	**72,6**	**73,8**	**74,3**
	COM Nov 2009	62,6	69,1	73,9	77,0	n.a.	n.a.
	SP Apr 2009	*62,5*	*68,5*	*73,0*	*75,7*	*77,7*	*78,5*

Notes:

(1) Output gaps and cyclically-adjusted balances from the programmes as recalculated by Commission services on the basis of the information in the programmes.
(2) Based on estimated potential growth of 1,7 %, 1,2 %, 1,4 % and 1,6 % respectively in the period 2008-2011.
(3) Cyclically-adjusted balance excluding one-off and other temporary measures. There are no one-offs and other temporary measures in the most recent programme and Commission services' November 2009 forecast.

Source:

Stability programme (SP); Commission services' autumn 2009 forecasts (COM); Commission services' calculations.

COUNCIL OPINION

on the updated convergence programme of Bulgaria, 2009-2012

(2010/C 137/03)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

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 26 April 2010 the Council examined the updated convergence programme of Bulgaria, which covers the period 2009 to 2012.

(2) Before the onset of the global economic and financial downturn Bulgaria had witnessed strong real GDP growth underpinned by fast credit expansion and large foreign investment inflows. The robust economic activity, however, was accompanied by increasing macroeconomic imbalances such as the build-up of a very large external deficit and private debt as well as substantial inflationary pressures. The FDI-led investment boom and high wage increases, far exceeding productivity gains, aggravated these imbalances. As the global economic crisis unfolded, economic activity was hit hard, resulting in a contraction of real GDP by 5 % in 2009.

At the same time the downturn brought about a welcome correction in the imbalances whereby average inflation decelerated to 2,5 % in 2009 and the current account deficit declined rapidly to 9,4 % of GDP. Although the current account deficit was fully financed with FDI, the country's gross external debt at around 110 % of GDP remains relatively high. Bulgaria has not adopted a short-term fiscal stimulus package in response to the economic slowdown. Taking into account the wide macroeconomic imbalances prior to the downturn, in line with the European Economic Recovery Plan (EERP), the emphasis of policy efforts was geared toward fiscal consolidation measures, notably by restricting expenditures and improving tax compliance. As a consequence, the Bulgarian convergence programme estimated a general government deficit at below 3 % of GDP in 2009 [2]. Going forward, the main short- to medium-term challenge for the economy is to secure a sustained catching-up process without compromising fiscal and macroeconomic stability.

(3) Although much of the observed decline in actual GDP in the context of the crisis is cyclical, growth in potential output will continue at a lower pace. In addition, the crisis may also affect potential growth in the medium term through lower investment, constraints in credit availability and increasing structural unemployment. Moreover, the impact of the economic crisis compounds the negative effects of demographic ageing on potential output and the sustainability of public finances. Against this background it will be essential to accelerate the pace of structural reforms with the aim of supporting potential growth. In particular, for Bulgaria it is important to undertake reforms in the areas of healthcare, pensions, education, public administration, and business environment.

(4) The baseline macroeconomic scenario which the programme considers the reference scenario for assessing the budgetary projections envisages that real GDP growth will improve from − 5 % in 2009 to 0,3 % in 2010 before recovering to an average rate of 4,25 % over the rest of the programme period. Assessed against currently available information [3], it appears to be based on slightly favourable growth assumptions as both projected growth in 2010 and its evolution in the medium term appear to be on the high side of the current forecasting range. The unwinding of the imbalances that started in 2009 is projected to continue over the programme period. Inflation is expected to remain subdued in 2010-2012, and its projections appear realistic and broadly in line with the Commission services' autumn 2009 forecast. The external accounts are also expected to continue to improve. While in 2009 these dynamics were driven by imports declining faster than exports, in the medium-term the correction would be a result of exports picking up faster and earlier than imports. Although the baseline scenario appears to be only slightly favourable compared with the Commission services' autumn forecast and taking into account the most recently available information, its

[1] OJ L 209, 2.8.1997, p. 1. The documents referred to in this text can be found at the following website: http://ec.europa.eu/economy_finance/sgp/index_en.htm

[2] However, on 9 April the Bulgarian authorities announced that the general government deficit could have reached 3,7 % of GDP in 2009.

[3] The assessment notably takes into account the Commission services' autumn 2009 forecast, but also other information that has become available since then.

plausibility critically depends on the assumed rebalancing of growth towards a more sustainable pattern, with exports as a main driver. The programme also presents a 'pessimistic' and an 'optimistic' alternative scenarios. They differ from the baseline scenario mainly with respect to the assumptions about the timing of the economic recovery and the dynamics of exports. The pessimistic scenario presents a continued contraction of real GDP by 2 % in 2010 on the back of further decline of exports, assuming that the recovery would take place only in 2011. According to the optimistic scenario, a faster global recovery would raise GDP growth by 0,75 of a percentage point over the entire programme period.

(5) The significant deterioration of the general government balance in 2009 reflects to a large extent the impact of the crisis on government finances. Given the need to maintain macroeconomic stability under the currency board arrangement, in line with the EERP the government did not adopt stimulus measures. The deterioration was therefore mainly driven by a shortfall of revenue as a result of the unexpectedly sharp downturn and a change in GDP composition. Revenue losses were however partly compensated by spending cuts. To stabilise the fiscal position, in the second half of the year the authorities implemented a fiscal consolidation package amounting to 2,3 % of GDP. The package consisted of measures to further decrease primary expenditure (beyond the 90 % limit implied by the existing budgetary execution rule) as well as measures to improve tax compliance. Despite several downward revisions of the budgetary target, the significant additional retrenchment notwithstanding, in the course of the year, the fiscal consolidation policy effort permitted Bulgaria to achieve a relatively low general government deficit in 2009.

(6) For 2010, the convergence programme aims to achieve a balanced budget. The revenue-to-GDP ratio is expected to increase to almost 39 ¼ % of GDP (from 37 ½ % of GDP in the previous year), supported by higher indirect taxes and other revenue. In spite of moving to a less tax-favourable GDP composition, the strong pick-up in indirect tax revenue is explained by an expected significant improvement in tax compliance and an increase in excise tax rates for cigarettes and electricity for industrial production. However, the programme does not give any details on the expected increase in other revenues by 1 % of GDP. By contrast social contributions are projected to decline by 0,25 of a percentage point of GDP due to a lowering of contribution rates by 2 percentage points. The expenditure-to-GDP ratio is expected to decline slightly by approximately 0,25 of a percentage point of GDP in 2010, mostly as a result of streamlining public administration. Nominal public sector wages and intermediate consumption are set to remain unchanged at the 2008 level, reducing their share as a percentage of GDP in 2010.

These expenditure-reducing measures more than compensate the increase by 0,2 % of GDP in pensions for widowers and the elderly in 2010. Gross fixed capital formation is planned to remain constant as a percentage of GDP in 2009-2011. As a result, the structural balance (recalculated by the Commission services on the basis of the information in the programme according to the commonly agreed methodology) is projected to increase as a share of GDP by 2,75 percentage points compared to 2009, implying a planned restrictive fiscal policy stance in 2010. The bottom-up estimate of the fiscal stance in 2010 accounts for about a half of the envisaged structural adjustment, based on the measures that are outlined in the programme. The improvement of the structural balance in the programme is significantly above the projections of the Commission services' autumn forecast.

(7) The main goal of the medium-term budgetary strategy is to maintain a balanced general government budget throughout the programme period. This is achieved by keeping the revenue and expenditure-to-GDP ratios roughly unchanged at 39,25 % on average in the outer years. The medium-term budgetary objective (MTO), defined in structural terms (i.e. cyclically-adjusted net of one-off and other temporary measures), is a surplus of 0,25 % of GDP, which the programme aims to achieve from 2010 onwards. Given the most recent projections and the debt level, the MTO more than adequately reflects the objectives of the Pact.

(8) The budgetary outcomes could turn out worse than projected. The main risk stems from the underlying macroeconomic scenario, which is based on slightly favourable growth assumptions for the programme period. In particular, revenue could be lower than projected in 2010-2012 as a result of a slower and less pronounced economic recovery. Moreover, the projected rebalancing of growth towards less tax rich components also poses a significant downside risk to government revenue, while the full effect of the measures to improve tax compliance and budgetary discipline still remains to be seen. On the expenditure side, considerable savings in the other expenditure category remain unspecified.

Furthermore, the scope for additional expenditure cuts to compensate for revenue may turn out to be limited following the significant frontloading of fiscal consolidation efforts in 2009. Finally, the downward revision of the 2009 general government balance announced after the submission of the programme poses additional risks to the budgetary outcome in 2010.

(9) The government gross debt ratio is well below the Treaty reference value throughout the programme period. It is estimated at close to 15 % of GDP in 2009, slightly up from the year before. The main contributors to the small rise in the debt ratio were the deterioration of the budgetary balance and the decline in GDP growth which to a certain extent were offset by debt-reducing stock-flow

adjustment. The debt ratio is projected to stabilise broadly at the 2009 level over the programme period, mainly due to projected balanced government budgets. The risks to the expected evolution of the debt ratio, other than those also related to the deficit, appear to be broadly balanced.

(10) The government gross debt is at a low level and the medium-term debt projections until 2020 that assume GDP growth rates will only gradually recover to the values projected before the crisis, tax ratios will return to pre-crisis levels and that include the projected increase in age-related expenditures show that the budgetary strategy envisaged in the programme, taken at face value and with no further policy change, would be enough to decrease the debt-to-GDP ratio and to allow to reach a net asset position by 2020.

(11) The long-term budgetary impact of ageing is slightly lower than the EU average. The budgetary position in 2009, as estimated in the programme, compounds the budgetary impact of population ageing on the sustainability gap. Achieving higher primary surpluses over the medium term, as already foreseen in the programme, would contribute to reducing further the risks to the sustainability of public finances which were assessed in the Commission 2009 sustainability report (1) as low.

(12) The domestic budgetary framework appears relatively strong as evidenced by the good track record of meeting the budgetary targets, although in an environment of benign macroeconomic conditions. In 2009, Bulgaria mitigated the negative budgetary impact of the crisis by implementing sizeable consolidation measures. The shortcomings of the present fiscal framework are related to the existence of certain discretionary powers of the central government. In addition, the framework does not incorporate any multi-annual rules and the expenditure ceilings set in the course of the medium-term fiscal planning are binding only in the short-term. The programme does not envisage any substantial changes to the budgetary framework except for increasing the time horizon of the medium-term fiscal framework from three to four years to coincide with the government mandate and thus making the medium-term policy more predictable. The 90 % budget execution rule is replaced by a provision that allows the government to offset a likely budget revenue shortfall by cutting primary expenditures below the annual appropriations. The new rule provides greater flexibility and space for discretionary consolidation policy by the government in time of a crisis. However, the lack of clearer design and definition on the implementation of the rule induces certain non-transparency in the budgetary framework.

(13) The programme recognises the existing weakness in the quality of public finances. It acknowledges the need to take urgent policy action to counteract the unfavourable consequences of population aging and worsening demographic trends on the long-term sustainability of government finances. Ambitious structural reform measures are presented in the area of healthcare, education, pension system, and public and revenue administration with a view to enhancing the efficiency and effectiveness of public revenue and expenditure and increasing the growth potential of the economy to ensure sustainable convergence within the European Union. The reforms envisage optimisation of existing structures, streamlining of public employment, changing the costing and funding mechanism for health services, implementing reform measures under the newly adopted pension reform strategy, measures to reform tertiary education and R&D, and changing the model of managing public state assets.

(14) Taking into account the risks to the fiscal targets mentioned above, the programme's budgetary strategy can be regarded as broadly in line with the requirements of the Pact and conducive to preserving macroeconomic stability and investor confidence in the Bulgarian economy. It envisages quite an ambitious structural consolidation by – 2,75 % of GDP in 2010, with no further improvements in the following years. The planned consolidation in 2010 is not fully underpinned by measures outlined in the programme. In addition, its full achievement depends on an optimistic macroeconomic scenario with further risks coming from the upward revision of the 2009 deficit. For 2011 on, the lack of specification of measures in the programme could further undermine the envisaged adjustment path. The MTO is expected to be reached and exceeded by quite a large margin already in 2010 making the pace of structural consolidation quite ambitious in view of the economic bad times that the economy is undergoing and the risks to the budgetary strategy outlined above. The overall fiscal stance, as measured by the change in the structural balance, is restrictive in 2010, broadly neutral in 2011, and provides for fiscal relaxation in 2012. The programme's medium-term objective of maintaining cyclically adjusted surplus of 0,25 % of GDP would be achieved starting in 2010.

(15) As regards the data requirements specified in the code of conduct for stability and convergence programmes, the programme has some gaps in the required and optional data (2).

(1) In the Council conclusions from 10 November 2009 on sustainability of public finances 'the Council calls on Member States to focus attention to sustainability-oriented strategies in their upcoming stability and convergence programmes' and further 'invites the Commission, together with the Economic Policy Committee and the Economic and Financial Committee, to further develop methodologies for assessing the long-term sustainability of public finances in time for the next Sustainability report', which is foreseen in 2012.

(2) In particular, data on one-off and other temporary measures, intermediate consumption, interest expenditure and some long-term sustainability data are not provided.

The overall conclusion is that the programme's aim to maintain a sound budgetary position, reflected in planned general government balanced budgets, is considered adequate at the current economic juncture and in view of the need to contain the economy's external imbalances. The undertaken consolidation measures and the strong political commitment to fiscal discipline are expected to partially compensate the risks stemming from the slightly favourable assumptions on growth and revenue collection. In the short- to medium-term the programme foresees ambitious structural reforms that aim to strengthen the sustainability of public finances and at the same time to underpin the economic recovery. Subject to the downside risks from the still high uncertainty in the external environment, the budgetary stance would imply that the medium term objective of 0,25 % of GDP, although more than adequately reflecting the objectives of the Pact, would be achieved throughout most of the programme period. Bulgaria faces the challenge of sustaining its catching-up process in a less benign global economic environment. At the same time keeping tight fiscal policy and restricting wage development in line with productivity growth is warranted from the need to enhance competitiveness and correct the external imbalances. In the long-run, improving the quality and sustainability of public finances requires vigorous implementation of the planned and long-delayed structural reforms and strengthening the administrative capacity.

In view of the above assessment and given the need to ensure sustainable convergence, Bulgaria is invited to:

(i) continue implementing strict fiscal policies and adopt further consolidation measures to achieve the programme target for 2010 with a view to sustaining the on-going adjustment in the external imbalances and safeguarding investor confidence in the economy; in particular, contain public sector wage growth in order to contribute to overall wage moderation and improve competitiveness;

(ii) strengthen the efficiency of public spending by vigorously implementing the planned structural reforms in the area of public administration, healthcare, education, and pensions in order to boost productivity and ensure sustainable convergence within the European Union.

Comparison of key macroeconomic and budgetary projections

		2008	2009	2010	2011	2012
Real GDP (% change)	**CP Jan 2010**	**6,0**	**– 4,9**	**0,3**	**3,8**	**4,8**
	COM Nov 2009	6,0	– 5,9	– 1,1	3,1	n.a.
	CP Dec 2008	*6,5*	*4,7*	*5,2*	*5,8*	*n.a.*
HICP inflation (%)	**CP Jan 2010**	**12,0**	**2,5**	**2,4**	**2,8**	**2,8**
	COM Nov 2009	12,0	2,4	2,3	2,9	n.a.
	CP Dec 2008	*12,4*	*6,7*	*4,7*	*4,0*	*n.a.*
Output gap [1] (% of potential GDP)	**CP Jan 2010**	**4,8**	**– 3,5**	**– 5,7**	**– 4,7**	**– 2,5**
	COM Nov 2009 [2]	6,0	– 3,1	– 6,0	– 5,1	n.a.
	CP Dec 2008	*1,1*	*– 0,7*	*– 1,8*	*– 1,4*	*n.a.*
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	**CP Jan 2010**	**– 24,6**	**– 8,2**	**– 4,1**	**– 1,2**	**– 0,5**
	COM Nov 2009	– 22,1	– 12,8	– 8,7	– 6,7	n.a.
	CP Dec 2008	*– 22,9*	*– 20,7*	*– 18,4*	*– 16,6*	*n.a.*
General government revenue (% of GDP)	**CP Jan 2010**	**39,1**	**37,5**	**39,2**	**39,6**	**39,1**
	COM Nov 2009	39,1	38,7	38,4	38,4	n.a.
	CP Dec 2008	*41,3*	*43,4*	*43,4*	*43,7*	*n.a.*
General government expenditure (% of GDP)	**CP Jan 2010**	**37,3**	**39,4**	**39,2**	**39,5**	**39,0**
	COM Nov 2009	37,3	39,5	39,5	38,7	n.a.
	CP Dec 2008	*38,3*	*40,4*	*40,4*	*40,7*	*n.a.*
General government balance (% of GDP)	**CP Jan 2010**	**1,8**	**– 1,9** [3]	**0,0**	**0,1**	**0,1**
	COM Nov 2009	1,8	– 0,8	– 1,2	– 0,4	n.a.
	CP Dec 2008	*3,0*	*3,0*	*3,0*	*3,0*	*n.a.*

		2008	2009	2010	2011	2012
Primary balance (% of GDP)	**CP Jan 2010**	**2,7**	**– 1,3**	**0,9**	**1,0**	**1,1**
	COM Nov 2009	2,7	0,0	– 0,3	0,5	n.a.
	CP Dec 2008	*3,9*	*3,9*	*3,9*	*3,9*	*n.a.*
Cyclically-adjusted balance [1] (% of GDP)	**CP Jan 2010**	**0,2**	**– 0,7**	**1,9**	**1,7**	**1,0**
	COM Nov 2009	– 0,3	0,3	1,0	1,5	n.a.
	CP Dec 2008	*2,6*	*3,2*	*3,6*	*3,5*	*n.a.*
Structural balance [4] (% of GDP)	**CP Jan 2010**	**0,2**	**– 0,7**	**1,9**	**1,7**	**1,0**
	COM Nov 2009	– 0,3	0,3	1,0	1,5	n.a.
	CP Dec 2008	*2,6*	*3,2*	*3,6*	*3,5*	*n.a.*
Government gross debt (% of GDP)	**CP Jan 2010**	**14,1**	**14,7**	**14,6**	**14,5**	**14,4**
	COM Nov 2009	14,1	15,1	16,2	15,7	n.a.
	CP Dec 2008	*15,4*	*15,4*	*15,3*	*15,2*	*n.a.*

Notes:

(1) Output gaps and cyclically-adjusted balances according to the programmes as recalculated by Commission services on the basis of the information in the programmes.
(2) Based on estimated potential growth of 3,4 %, 3,1 %, 2,9 % and 3,0 % respectively in the period 2009-2012.
(3) Eurostat is currently discussing with the Bulgarian statistical authorities the recording in national accounts of capital injections into Bulgarian energy companies, which could increase the government deficit in 2009 by 0,6 % of GDP.
(4) Cyclically-adjusted balance excluding one-off and other temporary measures. There are no one-off and other temporary measures in the most recent programme and Commission services' autumn forecast.

Source:

Convergence programme (CP); Commission services' autumn 2009 forecasts (COM); Commission services' calculations.

II

(Information)

INFORMATION FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

EUROPEAN COMMISSION

Non-opposition to a notified concentration

(Case COMP/M.5852 — Oak Hill Capital Partners/Private Equity/Avolon)

(Text with EEA relevance)

(2010/C 137/04)

On 18 May 2010, the Commission decided not to oppose the above notified concentration and to declare it compatible with the common market. This decision is based on Article 6(1)(b) of Council Regulation (EC) No 139/2004. The full text of the decision is available only in English and will be made public after it is cleared of any business secrets it may contain. It will be available:

— in the merger section of the Competition website of the Commission (http://ec.europa.eu/competition/mergers/cases/). This website provides various facilities to help locate individual merger decisions, including company, case number, date and sectoral indexes,

— in electronic form on the EUR-Lex website (http://eur-lex.europa.eu/en/index.htm) under document number 32010M5852. EUR-Lex is the on-line access to the European law.

Non-opposition to a notified concentration

(Case COMP/M.5834 — Coca-Cola Enterprises/Coca-Cola Drycker Sverige/Coca-Cola Drikker)

(Text with EEA relevance)

(2010/C 137/05)

On 18 May 2010, the Commission decided not to oppose the above notified concentration and to declare it compatible with the common market. This decision is based on Article 6(1)(b) of Council Regulation (EC) No 139/2004. The full text of the decision is available only in English and will be made public after it is cleared of any business secrets it may contain. It will be available:

— in the merger section of the Competition website of the Commission (http://ec.europa.eu/competition/mergers/cases/). This website provides various facilities to help locate individual merger decisions, including company, case number, date and sectoral indexes,

— in electronic form on the EUR-Lex website (http://eur-lex.europa.eu/en/index.htm) under document number 32010M5834. EUR-Lex is the on-line access to the European law.

Non-opposition to a notified concentration

(Case COMP/M.5810 — Investor/Saab)

(Text with EEA relevance)

(2010/C 137/06)

On 20 May 2010, the Commission decided not to oppose the above notified concentration and to declare it compatible with the common market. This decision is based on Article 6(1)(b) of Council Regulation (EC) No 139/2004. The full text of the decision is available only in English and will be made public after it is cleared of any business secrets it may contain. It will be available:

— in the merger section of the Competition website of the Commission (http://ec.europa.eu/competition/mergers/cases/). This website provides various facilities to help locate individual merger decisions, including company, case number, date and sectoral indexes,

— in electronic form on the EUR-Lex website (http://eur-lex.europa.eu/en/index.htm) under document number 32010M5810. EUR-Lex is the on-line access to the European law.

IV

(Notices)

NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

COUNCIL

Council conclusions of 10 May 2010 on Europeana: next steps

(2010/C 137/07)

THE COUNCIL OF THE EUROPEAN UNION,

WHEREAS:

— the creation of the European digital library Europeana, which is an online multilingual access point to digital cultural material from the whole of Europe (books, newspapers, photographs, films and audiovisual works, documents from archives, museum works, architectural and archaeological heritage, etc.) provides an excellent opportunity to showcase the cultural heritage of the Member States, as well as to increase access to, and knowledge of, that heritage,

— the digitisation and online accessibility of the Member States cultural material, and digital preservation, are essential in order to highlight that cultural heritage, to inspire the creation of content and to encourage new online services to emerge,

RECALLING:

— The Council conclusions of 13 November 2006 on the digitisation and online accessibility of cultural material, and digital preservation,

— The Council conclusions of 20 November 2008 on the European digital library, Europeana, which gave a first policy impetus to the development of this common platform for accessing Europe's cultural heritage,

— The Final Report of the High-Level Expert Group on Digital Libraries 'Digital Libraries: Recommendations and Challenges for the Future',

WELCOMES WITH INTEREST:

— The communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 28 August 2009 'Europeana — next steps', which launched a consultation process aimed at analysing the most appropriate ways of guaranteeing that Europeana and the underlying policies on digitisation, online accessibility and digital preservation provide European culture with lasting visibility in the digital environment,

— The aim of making 10 million digitised works available online through Europeana by the end of 2010,

— The communication from the Commission of 19 October 2009 'Copyright in the Knowledge Economy', which explicitly addresses the emerging legal challenges for libraries and archives when digitising their collections,

ACKNOWLEDGES WITH INTEREST:

— Following discussions at the Education Youth and Culture Council meeting of 27 November 2009, the creation by the Commission of a European reflection group (comité des sages) on digitisation, that will consider in particular the issues related to public-private partnerships; invites the group to undertake wide consultations and make best use of contributions provided by Member States and the relevant stakeholders, and to provide regular information on its activities, as appropriate,

NOTES:

— The progress made so far, which has led to the creation of the 'European Digital Library' Foundation and to the launch of the Europeana prototype on 20 November 2008, as a decisive step in this process,

— That the next milestones will be the presentation of 'Europeana 1.0' in 2010 and the subsequent consolidation of the platform,

HIGHLIGHTS:

— The organisational, legal and financial challenges for the digitisation and online accessibility of cultural material, as well as for digital preservation, such as issues related to intellectual property rights and the need to find complementary funding for digitisation, which could include public-private partnerships,

— The importance of ensuring that these challenges are tackled by the Commission and the Member States in parallel with the steps outlined below, in order to consolidate Europeana as a core structure and common access point to cultural content,

— The need for the Member States and the Commission, as well as the bodies and institutions actively involved in Europeana, to increase their efforts to expand and enrich Europeana in the coming years, both in quantitative and qualitative terms,

UNDERLINES THAT:

— Europeana should continue its development as a collaborative endeavour of Europe's cultural institutions, and its work on improving the portal — including a more coherent and appealing presentation of the digitised items, tackling multilingual aspects, and enhancing the search facilities — in order to meet users' needs and expectations,

— For the long-term consolidation of Europeana a sustainable funding and governance model should take into consideration the role of Europeana to offer on a cross-border basis the widest possible access to cultural collections, the European scope and nature of the site, and also the considerable role played by cultural institutions,

— The digitisation and online accessibility of our cultural heritage should be carried out in full respect of intellectual property rights; there is a need to make rapid progress in finding workable solutions for digitising out-of-print and out-of-distribution works and bringing them online, and for addressing the orphan works issue,

CONSIDERS THAT, FOR THE FURTHER DEVELOPMENT OF EUROPEANA, IT IS NECESSARY TO:

— Increase the number of objects, both public domain works and works covered by intellectual property rights, from libraries, museums, archives, and audiovisual collections accessible through the portal, in full respect of intellectual property rights, while providing at the same time a qualitative approach which showcases the diversity and richness of Europe's cultural heritage; continue joint work to ensure the widest availability of public domain works after their digitisation,

— Continue efforts to stimulate a broader geographical spread and to find a better balance between the different types of content offered through Europeana (books, photographs, archival documents, cinematographic and audiovisual material, museum collections, etc.) taking into account the particular needs of resource-intensive types of content such as audiovisual material,

— Fully take into account linguistic diversity as one of the key characteristics of Europe's heritage, and enhance the multilingual features of the Europeana site, in particular by tackling cross-language search and automatic translation,

— Ensure a central place for the user, and continue the analysis of users' needs and profiles, also with a view to identifying specific applications and mechanisms, including those encouraging interactivity by enabling users to make an active contribution to the site, while at the same time undertaking the necessary steps to ensure that content is uploaded in respect of the relevant legal provisions. Where possible, new Europeana applications should use open formats, in order to allow the involvement of the largest possible community of developers and facilitate appropriate reuse and adaptation of Europeana software components to other contexts,

— Raise awareness of Europeana among cultural institutions across Europe which could contribute content, and among the potential users of the site. In this context, collaboration with the educational and research sectors could play a significant role and should be further explored,

— Take into account the diversity of the various cultural institutions in Europe, in order to ensure that all institutions, including the smallest ones, have the possibility to participate in the development of Europeana,

— Continue working on a set of clear and broadly accepted minimum interoperability standards and promote their application by the institutions which provide the contents. This will help cultural institutions to take into account the need for consistent metadata of high quality in the digitisation process, which are of key importance when searching for digitised objects and establishing correlations between them,

— Work towards a sustainable financing and governance model for Europeana as a common access point to Europe's cultural heritage, and ensure optimal use of the financial instruments available for funding digitisation at the national and European level,

— Explore the possible role of public-private partnerships for digitisation with a view to increasing the collections accessible through Europeana, taking account of the need to appropriately protect the interests of right-holders, users and contributing institutions,

INVITES THE MEMBER STATES TO:

— Continue working jointly towards the goals set by the Council conclusions of 13 November 2006 on national strategies for the digitisation and online accessibility of cultural material, and digital preservation, and by those of 20 November 2008 on the accessibility of digitised material through the European Digital Library 'Europeana',

— Continue and strengthen their support to digitisation projects carried out by their cultural institutions in order to increase the number of objects from libraries, museums, archives and audiovisual collections from all Member States and promote, e.g. through conditions for financing digitisation, their availability through Europeana and the widest access for users to content,

— Continue to raise awareness among cultural institutions at all territorial levels, for example by organising information sessions to encourage them to provide their content to Europeana either directly or via national, regional or thematic aggregators,

— Provide until the end of 2013, on a voluntary basis and pending the development of a sustainable funding and governance model, the necessary level of support to Europeana as a complement to Community funding,

INVITES THE MEMBER STATES AND THE COMMISSION TO:

— Contribute to raising awareness among the general public about Europeana, for example by organising campaigns in collaboration with the cultural institutions to make the site known among its potential users,

— Facilitate and encourage the implementation of a set of clear and shared minimum interoperability standards for the digitised cultural content of Europeana,

— Develop, within the framework of the Member States' Expert Group on Digitisation and Digital Preservation and in collaboration with Europeana, a roadmap with recommendations for increasing the content accessible through Europeana in a balanced way, covering all Member States and sectors (text, audio, sound, image) and including the masterpieces of Europe's cultural heritage selected by Member States; and to continue in the context of this Expert Group their collaboration with Europeana on issues related to the governance and financing model and the strategic orientation of the site.

INVITES, WITHOUT PREJUDICE TO THE FUTURE NEGOTIATIONS ON THE 2014-2020 FINANCIAL FRAMEWORK, THE COMMISSION TO:

Consider presenting within the appropriate time frame and taking into account these conclusions, proposals for the sustainable financing of Europeana post-2013 and of related policies, accompanied by a vision, including governance issues, for consolidating and developing Europeana as an essential and pre-eminent reference tool for the digital era, which will make European cultural heritage accessible to all and enhance its appeal and relevance for current and future generations.

COUNCIL DECISION

of 18 May 2010

appointing the members and alternate members of the Management Board of the European Institute for Gender Equality

(2010/C 137/08)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 1922/2006 of 20 December 2006 on establishing a European Institute for Gender Equality [1], and in particular Article 10 thereof,

Whereas:

(1) Article 10 of Regulation (EC) No 1922/2006 provides, inter alia, that the Council should appoint 18 members, as well as alternates, of the Management Board of the European Institute for Gender Equality for a period of three years.

(2) Eighteen Member States (Belgium, Bulgaria, Czech Republic, Germany, Estonia, Spain, France, Hungary, Malta, Netherlands, Austria, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and United Kingdom) are due to nominate members and alternate members for the period from 1 June 2010 to 31 May 2013.

(3) The Governments of all the above-mentioned Member States have submitted to the Council lists of candidates,

HAS ADOPTED THIS DECISION:

Article 1

The following are hereby appointed members and alternate members of the Management Board of the European Institute for Gender Equality for the period from 1 June 2010 to 31 May 2013:

GOVERNMENT REPRESENTATIVES

Country	Members	Alternates
Belgium	Mr Michel PASTEEL	Ms Annemie PERNOT
Bulgaria	Ms Tatyana Spassova KMETOVA	Ms Petia Mihaylova MOEVA
Czech Republic	Ms Andrea BARŠOVÁ	Mr Czeslaw WALEK
Germany	Ms Eva Maria WELSKOP-DEFFAA	Ms Renate AUGSTEIN
Estonia	Ms Käthlin SANDER	Mr Christian VESKE
Spain	Ms Enriqueta CHICANO JÁVEGA	Ms Cecilia PAYNO DE ORIVE
France	Ms Elisabeth TOMÉ-GERTHEINRICHS	Ms Françoise VILAIN
Hungary	Ms Zsuzsa SEBESTYÉN	Ms Katalin KISSNÉ BENCZE
Malta	Ms Therese BUGEJA	Ms Therese SPITERI
Netherlands	Ms Carlien SCHEELE	Mr Ferdi LICHER
Austria	Ms Vera JAUK	Mr Dietmar HILLBRAND
Portugal	Ms Sara FALCÃO CASACA	Mr Pedro DELGADO ALVES
Romania	Mr Florin-Marian NEGREA	Ms Andra Cristina CROITORU
Slovenia	Mr Roman KUHAR	Ms Maruša GORTNAR
Slovakia	Ms Martina JANÍKOVÁ	Ms Jana STANKOVÁ
Finland	Ms Tarja HEINILÄ-HANNIKAINEN	Ms Riitta MARTIKAINEN
Sweden	Ms Helén LUNDKVIST	Mr Lars WITTENMARK
United Kingdom	Ms Helene REARDON-BOND	Ms Celia REED

[1] OJ L 403, 30.12.2006, p. 9.

Article 2

This Decision shall enter into force on the date of its adoption.

Done at Brussels, 18 May 2010.

For the Council

The President

E. SALGADO

EUROPEAN COMMISSION

Euro exchange rates [1]

26 May 2010

(2010/C 137/09)

1 euro =

	Currency	Exchange rate		Currency	Exchange rate
USD	US dollar	1,2309	AUD	Australian dollar	1,4780
JPY	Japanese yen	111,35	CAD	Canadian dollar	1,3090
DKK	Danish krone	7,4403	HKD	Hong Kong dollar	9,5982
GBP	Pound sterling	0,85470	NZD	New Zealand dollar	1,8321
SEK	Swedish krona	9,6990	SGD	Singapore dollar	1,7309
CHF	Swiss franc	1,4206	KRW	South Korean won	1 512,00
ISK	Iceland króna		ZAR	South African rand	9,5125
NOK	Norwegian krone	7,9775	CNY	Chinese yuan renminbi	8,4059
BGN	Bulgarian lev	1,9558	HRK	Croatian kuna	7,2715
CZK	Czech koruna	25,550	IDR	Indonesian rupiah	11 397,23
EEK	Estonian kroon	15,6466	MYR	Malaysian ringgit	4,0823
HUF	Hungarian forint	277,44	PHP	Philippine peso	57,496
LTL	Lithuanian litas	3,4528	RUB	Russian rouble	38,2885
LVL	Latvian lats	0,7082	THB	Thai baht	40,053
PLN	Polish zloty	4,1090	BRL	Brazilian real	2,2600
RON	Romanian leu	4,1711	MXN	Mexican peso	15,9235
TRY	Turkish lira	1,9406	INR	Indian rupee	58,2150

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

New national side of euro coins intended for circulation

(2010/C 137/10)

National side of the new commemorative 2-euro coin intended for circulation and issued by France

Euro coins intended for circulation have legal tender status throughout the euro area. For the purpose of informing the public and all parties who handle the coins, the Commission publishes a description of the designs of all new coins [1]. In accordance with the Council conclusions of 10 February 2009 [2], the Member States of the euro area and countries that have concluded a monetary agreement with the Community providing for the issuing of euro coins are allowed to issue commemorative euro coins intended for circulation, provided that certain conditions are met, particularly that only the 2-euro denomination is used. These coins have the same technical characteristics as other 2-euro coins, but their national side features a commemorative design that is highly symbolic in national or European terms.

Issuing country: France

Subject of commemoration: The Call made by General de Gaulle on 18 June 1940 from London, via the BBC, which was a genuine founding act of the Resistance.

Description of the design:

The inner part of the coin shows General de Gaulle, in uniform, bareheaded, at a microphone typical of the time, reading the Call, in which the name of the country 'RF' is cleverly inserted. At the top is the year of issue '2010', and below it '70 ANS' (70 YEARS) and 'APPEL 18 JUIN' (CALL 18 JUNE).

The coin's outer ring depicts the 12 stars of the European flag.

Number of coins to be issued: 20 million

Date of issue: June 2010

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[1] See OJ C 373, 28.12.2001, p. 1, for the national sides of all the coins issued in 2002.

[2] See the conclusions of the Economic and Financial Affairs Council of 10 February 2009 and the Commission Recommendation of 19 December 2008 on common guidelines for the national sides and the issuance of euro coins intended for circulation (OJ L 9, 14.1.2009, p. 52).

New national side of euro coins intended for circulation

(2010/C 137/11)

National side of the new commemorative 2-euro coin intended for circulation and issued by Portugal

Euro coins intended for circulation have legal tender status throughout the euro area. The Commission publishes all new euro coin designs with a view to informing all parties required to handle coins in the course of their work as well as the public at large [1]. In accordance with the Council conclusions of 10 February 2009 [2], the Member States and countries that have concluded a monetary agreement with the Community providing for the issuing of euro coins are allowed to issue commemorative euro coins intended for circulation, provided that certain conditions are met, particularly that only the 2-euro denomination is used. These coins have the same technical characteristics as other 2-euro coins, but their national side features a commemorative design that is highly symbolic in national or European terms.

Issuing country: Portugal

Subject of commemoration: 100th anniversary of Portugal becoming a republic

Description of the design:

The inner part of the coin depicts, in the centre, the Portuguese coat of arms and the 'República' effigy, two of the most representative symbols of the Portuguese Republic, surrounded by the legend 'República Portuguesa — 1910-2010', the mintmark 'INCM' and the name of the author 'JOSE CÂNDIDO'.

The outer ring of the coin depicts the 12 stars of the European flag.

Volume of issuance: 2 035 000

Date of issue: September 2010

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(1) See OJ C 373, 28.12.2001, p. 1, for the national sides of all the coins issued in 2002.

(2) See the conclusions of the Economic and Financial Affairs Council of 10 February 2009 and the Commission Recommendation of 19 December 2008 on common guidelines for the national sides and the issuance of euro coins intended for circulation (OJ L 9, 14.1.2009, p. 52).

New national side of euro coins intended for circulation

(2010/C 137/12)

National side of the new commemorative 2-euro coin intended for circulation and issued by Belgium

Euro coins intended for circulation have legal tender status throughout the euro area. For the purpose of informing the public and all parties who handle the coins, the Commission publishes a description of the designs of all new coins ([1]). In accordance with the Council conclusions of 10 February 2009 ([2]), the Member States of the euro area and countries that have concluded a monetary agreement with the Community providing for the issuing of euro coins are allowed to issue commemorative euro coins intended for circulation, provided that certain conditions are met, particularly that only the 2-euro denomination is used. These coins have the same technical characteristics as other 2-euro coins, but their national side features a commemorative design that is highly symbolic in national or European terms.

Issuing country: Belgium

Subject of commemoration: Belgian Presidency of the Council of the European Union in 2010

Description of the design:

The inner part of the coin features the commemorative logo, that is, the stylised letters 'EU' and 'trio.be'. Above the design is the inscription 'BELGIAN PRESIDENCY OF THE COUNCIL OF THE EU 2010' and, below it, the trilingual indication 'BELGIE BELGIQUE BELGIEN'. Underneath the logo, the mint mark is displayed to the left of the year 2010 and the mint master's mark to the right.

The coin's outer ring depicts the 12 stars of the European flag.

Number of coins to be issued: 5 million

Date of issue: June 2010

([1]) See OJ C 373, 28.12.2001, p. 1, for the national sides of all the coins issued in 2002.

([2]) See the conclusions of the Economic and Financial Affairs Council of 10 February 2009 and the Commission Recommendation of 19 December 2008 on common guidelines for the national sides and the issuance of euro coins intended for circulation (OJ L 9, 14.1.2009, p. 52).

V

(Announcements)

PROCEDURES RELATING TO THE IMPLEMENTATION OF COMPETITION POLICY

EUROPEAN COMMISSION

Prior notification of a concentration

(Case COMP/M.5866 — Sun Capital/Beauty Business)

Candidate case for simplified procedure

(Text with EEA relevance)

(2010/C 137/13)

1. On 18 May 2010 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 [1] by which the undertaking Sun Capital Partners V, L.P. part of Sun Capital Partners group of funds ('Sun Capital', USA) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of part of the Rio Tinto Group ('Rio Tinto', UK) consisting of Alcan Packaging Beauty Business (the 'Beauty Business') by way of purchase of shares and assets.

2. The business activities of the undertakings concerned are:

— for Sun Capital: private equity investment firm managing a number of private equity funds,

— for the Beauty Business: packaging solutions for the beauty industry.

3. On preliminary examination, the Commission finds that the notified transaction could fall within the scope of the EC Merger Regulation. However, the final decision on this point is reserved. Pursuant to the Commission Notice on a simplified procedure for treatment of certain concentrations under the EC Merger Regulation [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 (+32 22964301), by email to COMP-MERGER-REGISTRY@ec.europa.eu or by post, under reference number COMP/M.5866 — Sun Capital/Beauty Business, to the following address:

European Commission
Directorate-General for Competition
Merger Registry
J-70
1049 Bruxelles/Brussel
BELGIQUE/BELGIË

(1) OJ L 24, 29.1.2004, p. 1 (the 'EC Merger Regulation').
(2) OJ C 56, 5.3.2005, p. 32 ('Notice on a simplified procedure').

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PROCEDURES RELATING TO THE IMPLEMENTATION OF COMPETITION POLICY

European Commission

EN

[1] Text with EEA relevance

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