



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2005)1700 final

Brussels, 10 May 2005

MINUTES

**of the 1700th meeting of the Commission
held in Brussels
(Berlaymont)
on Tuesday 3 May 2005
(morning)**

These minutes were approved by the Commission at its 1701st meeting, held in Strasbourg on 10 May 2005.

They contain 23 pages.

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The sitting opened at 0950 hours with Mr Barroso, President, in the chair.

Mr BARROSO President

Mr KALLAS Vice-President

Ms REDING

Mr DIMAS

Mr ALMUNIA

Ms HÜBNER

M^S GRYBAUSKAITĖ

Mr POTOČNIK

Mr FIGEL'

Mr KYPRIANOU

Mr REHN

Mr MICHEL

Mr KOVÁCS

Ms KROES

MS FERRERO-WALDNER

Mr McCREEVY

Mr ŠPIDLA

Absent:

Ms WALLSTRÖM

Vice-President

Mr VERHEUGEN

Vice-President

Mr BORG

Ms FISCHER BOEL

Mr MANDELSON

Mr PIEBALGS

The following sat in to represent absent Members of the Commission

Mr ANNERBERG	Chef de cabinet to Ms Wallström
Mr TEMPEL	Chef de cabinet to Mr Verheugen
Mr TABONE	Chef de cabinet to Mr Borg
Mr MØRCH	Chef de cabinet to Ms Fischer Boel
Mr FRASER	Chef de cabinet to Mr Mandelson
Mr HAUGAARD	A member of Mr Mandelson's staff
Mr KESTERIS	Chef de cabinet to Mr Piebalgs

The following also sat in

Mr PETITE	Director-General, Legal Service	
Mr ITALIANER	Deputy Chef de cabinet to the President	
Ms LE BAIL	Commission Spokeswoman	
Mr CABRAL	Adviser hors classe in the President's Office	
Ms MARTINHO	Chief Adviser in the President's Office	
Mr QUEST	Chef de cabinet to Ms Grybauskaitė	Item 10
Mr OUAKI	A member of Mr Špidla's staff	Item 8
Ms CORUGEDO STENEBOG	Press and Communication DG	

Secretary: Mr O'SULLIVAN, Secretary-General, assisted by Ms BUGNOT, Director in the Secretariat-General.

**1. AGENDAS AND QUARTERLY ROLLING PROGRAMME
(OJ(2005)1700/3; SEC(2005)559/2; SEC(2005)620)**

The Commission took note of that day's agenda, the tentative agendas for future meetings, and the quarterly rolling programme of items to be entered on the agenda from 10 May to 20 July.

**2. WEEKLY MEETING OF CHEFS DE CABINET
(SEC(2005)1700)**

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Friday 29 April.

**3. MINUTES OF 1699th MEETING (27 April)
(PV(2005)1699)**

The Commission approved the minutes of its 1699th meeting.

4. MONITORING THE APPLICATION OF COMMUNITY LAW

**4.1. STATE AID - SPECIFIC CASES
(SEC(2005)623; SEC(2005)628)**

The Commission adopted the decisions in SEC(2005)628.

**4.2. INFRINGEMENTS - URGENT OR POSTPONED CASES
(SEC(2005)540)**

The Commission adopted the decisions in SEC(2005)540.

5. WRITTEN PROCEDURES AND EMPOWERMENT

5.1. WRITTEN PROCEDURES APPROVED

(SEC(2005)560 et seq.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 25 and 29 April.

5.2. SENSITIVE WRITTEN PROCEDURES

(SEC(2005)561 and /2)

The Commission took note of written procedures initiated between 25 and 29 April for the adoption of decisions with political implications.

5.3. EMPOWERMENT

(SEC(2005)562 et seq.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 25 and 29 April.

5.4. DELEGATION AND SUBDELEGATION OF POWERS

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 25 and 29 April, as archived on the "Greffé 2000" (Registry) website.

6. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2005)563)

OTHER MATTERS

AUDIT PROGRESS COMMITTEE – MEETING OF 25 APRIL 2005
(SEC(2005)593)

The Commission took note of the information in SEC(2005)593.

7. COMMISSION DECISION ON A PROCEDURE UNDER ARTICLE 8(1) OF COUNCIL REGULATION (EC) No 139/2004 ON THE CONTROL OF CONCENTRATIONS BETWEEN UNDERTAKINGS (CASE COMP/M.3178 - BERTELSMANN / SPRINGER / JV)
(C(2005)1368 to /6)

The Commission:

- took note of the opinion of the Advisory Committee on Concentrations dated 22 April 2005, as set out in C(2005)1368/2 and /5 ;
- took note of the final report of the Hearing Officer of 27 April 2005 in C(2005)1368/4;
- adopted, in the authentic language (English), the decision in C(2005)1368/6, finding that the notified operation, whereby *Bertelsmann* and *Springer* acquire joint control of a newly created joint venture within the meaning of Article 3(1)(b) of the Merger Regulation, is compatible with the common market and with the EEA Agreement;
- decided that the decision in C(2005)1368/6 would be notified to the companies concerned, together with the final report of the Hearing Officer and the opinion of the Advisory Committee on Concentrations;
- decided that the most important parts of the decision, together with the opinion of the Advisory Committee and the final report of the Hearing Officer, would be published in all official languages in the Official Journal of the European Union (with all business secrets removed);

- decided also to publish the decision (with business secrets removed) on the internet.

8. IMPLEMENTATION OF THE REVISED LISBON STRATEGY – NEXT STAGES

(SEC(2005)621); SEC(2005)622 to /3)

The Commission took note of the information note in SEC(2005)621 and of the staff paper accompanying it (SEC(2005)622/3), which would be transmitted to the Council.

9. INTERINSTITUTIONAL RELATIONS

(SEC(2005)567)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on 28 April (SEC(2005)567).

It paid particular attention to the following:

9.1. RELATIONS WITH PARLIAMENT

i) *Part-session from 27 to 28 April 2005*

(SP(2005)1850)

The Commission took note of the information supplied relating to Parliament's part-session of 27 to 28 April (SP(2005)1850).

ii) *Action to be taken on Parliament's opinions*

(SP(2005)1839)

The Commission approved the empowerment decisions relating to action to be taken on the amendments presented by Parliament under the codecision and consultation procedures (SP(2005)1839).

iii) ***Preparations for May I part-session - legislation***

(point 1.2.1 of the record)

In accordance with the rules in force, the Commission authorised the Commission Members responsible, in agreement with the PRESIDENT, Ms WALLSTRÖM and any other Members associated, to take a position on Parliament's amendments to its proposals.

It paid particular attention to the following:

Codecision procedure - 2nd reading

- MAATEN report - Quality of bathing water - COM(2002)581 - 02/0254 (COD)

The Commission adopted the line set out in SP(2005)1907 and authorised Mr DIMAS to continue contacts with Parliament and the Council with a view to reaching agreement at second reading.

Codecision procedure - 1st reading

- HEGYI report - Film heritage and the competitiveness of related industrial activities - COM(2004)171, 04/0066 (COD)

The Commission adopted the line set out in SP(2005)1861 and authorised Ms REDING to continue contacts with Parliament and the Council with a view to reaching agreement at first reading.

- CHICHESTER report - Safeguarding security of electricity supply and infrastructure investment - COM(2003)740 - 03/0301 (COD)

(3 May 2005)

The Commission adopted the line set out in SP(2005)1903 and authorised Mr PIEBALGS to continue contacts with Parliament and the Council with a view to reaching agreement at first reading.

- CERCAS report - Organisation of working time - COM(2004)607 - 04/0209 (COD)

The Commission adopted the line set out in SP(2005)1898/2.

- SKINNER report - Reinsurance - COM(2004)273 - 04/0097 (COD)

The Commission adopted the line set out in SP(2005)1911 and authorised Mr McCREEVY to continue contacts with Parliament and the Council with a view to reaching agreement at first reading.

- LEHNE report - Cross-border mergers of companies with share capital - COM(2003)703 - 03/0277 (COD)

The Commission adopted the line set out in SP(2005)1910 and authorised Mr McCREEVY to continue contacts with Parliament and the Council with a view to reaching agreement at first reading.

- THOMSEN report - Multiannual programme for enterprise and entrepreneurship (2001-05) - COM(2004)781 - 04/0272 (COD)

The Commission adopted the line set out in SP(2005)1892.

Empowerment

Under Article 13 of its Rules of Procedure, the Commission empowered the Member concerned, in agreement with the PRESIDENT, Ms WALLSTRÖM and any other Members associated, to adopt its opinion on the amendments, together with any amended proposals, on the basis of the line set out in SP(2005)1907, once Parliament had given its opinion, and transmit it to the Council in accordance with Article 251(2)(c) of the EC Treaty, for the following:

- MAATEN report - Quality of bathing water.

iv) ***Action taken on Parliament's non-legislative resolutions***

(point 3.5.1 of the record)

The Commission adopted and decided to transmit to Parliament the replies to the non-legislative resolutions on which it had undertaken to take action (cf. SP(2005)1714/2).

v) ***Participation of members of the European Parliament in international conferences: 1st Conference of parties to the Stockholm Convention relating to Persistent Organic Pollutants (POP) - Punta del Este (Uruguay), from 2 to 6 May 2005***

(point 3.7 of the record)

The Commission decided to give a positive answer to the request from President BORRELL to President BARROSO concerning participation by five members of Parliament in the conference, and approved the draft letter to be signed by the President.

9.2. STATE OF RATIFICATION OF THE CONSTITUTION

Referring to the letter that Ms WALLSTRÖM and he had sent to Commission Members on the line to follow concerning any public events in which they might be called on to participate throughout the process of ratification of the Constitution, the PRESIDENT drew attention to the importance of putting over a coherent message from the Commission as a whole. Reminding them that the Commission had come out firmly in favour of ratification of the Constitution, in particular because it would introduce a number of major institutional innovations that would make the Union more democratic, more transparent and more effective, he highlighted the need to steer clear of sterile speculation about alternative scenarios or any plan B, but on the contrary to show a positive and optimistic frame of mind in the present phase of the ratification process.

The Commission held a brief exchange of views on the matter, emphasising in particular:

- the need to focus explanations on the significant improvements made by the Constitution in terms of European integration and on the added value it would mean for citizens, illustrating the major advances with concrete and eloquent examples;
- the need for the Commission to show determination, confidence and optimism on the outcome of the ratification process;
- the opportunity available of correcting the confusion created in some quarters between the Constitution and future enlargements of the Union, by pointing out that the Constitution in no way facilitates the accession of new Member States;
- the importance of culture as a vector of integration and mobilisation, the issue of the European identity constituting a major element of current debate in certain Member States;
- the possibility, in any case, of referring to the provisions of Declaration No 30 concerning ratification of the Treaty establishing a Constitution for Europe, which spells out the institutional steps to be taken if, two years after signature, four fifths of the Member States have ratified the Constitution and one or more Member States have encountered difficulties in proceeding with ratification.

In conclusion the PRESIDENT reminded the meeting of the starting point of the European integration process, on the basis of the declaration of Robert Schuman of 9 May 1950, Europe Day this year coinciding with the 60th commemoration of the end of the second world war. He expressed his deep-felt conviction that by highlighting the added value and the benefits of European integration and by issuing a determined and optimistic message, it was possible to convince the public of the merits of the European project.

10. PROPOSAL FOR A COUNCIL REGULATION AMENDING COUNCIL REGULATION (EC, EURATOM) No 1605/2002 ON THE FINANCIAL REGULATION APPLICABLE TO THE GENERAL BUDGET OF THE EUROPEAN COMMUNITIES

COMMISSION REPORT TO THE COUNCIL AND PARLIAMENT ON THE APPLICATION OF THE PROVISIONS OF THE NEW FINANCIAL REGULATION (COM(2005)181 to /4; SEC(2005)574 and /2; SEC(2005)575)

Ms GRYBAUSKAITĖ presented to the Commission the communication she had tabled. After emphasising the technical and political significance of the proposed revision of the Financial Regulation, she stated that it had been produced at the insistence of all the parties concerned and that its preparation had been based on an intense process of consultation and cooperation, both inside and outside the Commission. The proposal sought to reconcile the twin needs of maintaining the necessary controls and achieving the right degree of proportionality and would put in place simpler management systems, more transparent and flexible procedures, and less bureaucracy for users. This paved the way for a far-reaching simplification and should resolve difficulties identified by departments, but without reducing the level of quality and rigour in management of the Community budget. Ms GRYBAUSKAITĖ pointed to the need for all Members of the Commission and their departments to assume ownership of the proposal for the amendment of the Financial Regulation and asked all the Commission Members to work for its adoption by the legislative authority. She reported that the proposal for revision of the Financial Regulation would be followed, around September 2005, by a proposal for revision of the implementing rules, which would lay down the detailed arrangements for giving effect to the choices being made at that time. In conclusion, Ms GRYBAUSKAITĖ thanked the Commission Members and their departments for the excellent cooperation during the preparation of the proposal.

After expressing its appreciation for the quality of the work done by the Budget Directorate-General under the authority of Ms GRYBAUSKAITĖ, the Commission

held an exchange of views during which it highlighted the following aspects in particular:

- the importance of developing an administrative culture that strikes the right balance between the essential respect for the relevant rules and the need to avoid all complications or undue formalism, keeping in view the need to achieve the fundamental goals of the Community policies;
- the specific features of research and what they entail as regards the reconstitution of decommitted appropriations;
- the low value of many Community operations in fields such as education, culture, citizenship and external relations, which lay behind the demand for simplification.

The PRESIDENT endorsed the request of Ms GRYBAUSKAITĖ that the entire Commission assume ownership of the proposal. He noted the political importance of the simplification and transparency objectives pursued in the proposed revision, which was aimed at matching the rules governing Community financial management to the Commission's proposals for the financial perspective 2007-2013. The PRESIDENT pointed out that proportionality arguments underlying the search for a better balance between risks and controls confirmed – and in no way contradicted - the need to support the culture of responsibility of authorising officers, brought to the fore by the reform of financial management undertaken by the previous Commission. In this connection he insisted on the need for strict application of the financial management rules by Commission departments, but without forgetting the necessary common sense and the need to avoid bureaucracy. He emphasised the advisory function that the Budget Directorate-General can play in this matter and asked Ms GRYBAUSKAITĖ to maintain an appropriate proactive approach.

After its discussion the Commission:

- approved the proposal for a Council Regulation amending Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as set out in COM(2005)181/4;
- approved the report on the implementation of the Financial Regulation, also in COM(2005)181/4;
- empowered the Member of the Commission responsible for financial programming and the budget to make any adjustments required to the texts approved for transmission to Parliament, the Council, the Court of Justice, the Court of Auditors, the Economic and Social Committee, the Committee of the Regions, the Ombudsman and the European Data-Protection Supervisor.

Without prejudice to the above decisions, the Commission:

- noted that the Financial Regulation contains a series of procedural time limits (concerning for instance the finalisation of the agricultural accounts and the timetable for the discharge procedure) which may need to be adjusted in order to take account of various constraints, bearing in mind that Parliament had already advocated extending the time allocated to the discharge procedure. It agreed to return to these matters in due course;
- restated, in general, the importance of the Financial Regulation as a tool serving sound and effective financial management. In this respect, it underscored the need for departments to comply scrupulously with the rules of financial management, but to avoid any bureaucracy and excessive procedures and to apply them with common sense and in the interests of the effectiveness of Community policies and programmes in situations where scope for interpretation exists;
- stressed, in connection with cross-border cooperation programmes at the Union's external border, the importance of the proposal to extend the scope of the principle of shared management provided for in Article 53 of the Financial Regulation. It asked the relevant departments to make progress as soon as

possible with the technical preparation of this instrument, so as to ensure effective implementation of these programmes in good time from 1 January 2007 both inside and outside the Union;

- noted that at the present stage of the ongoing fast-track revision of the detailed rules for implementing the Financial Regulation, it would not be appropriate to include other items such as the simplification of low-value calls for tender in the field of external aid. It undertook to return to this matter in the next revision of the implementing rules, so that the changes could be introduced as early as possible;
- asked departments to examine the question of use of a decision within the meaning of Article 249 of the EC Treaty for the award of a grant and underlined, in this connection, the need to review the arrangements for applying the enforceability formula within the meaning of Article 256 of the Treaty. It would then, if necessary, propose making the necessary amendments as part of the legislative process launched by the present proposed revision.

11. GREEN PAPER ON FINANCIAL SERVICES POLICY: (2005-10)
(COM(2005)177/2 to /3; SEC(2005)577)

Mr McCREEVY presented file he was tabling, emphasising the need to continue the integration of European financial markets European in order to boost economic growth and enhance employment potential in the Union and, ultimately, improve European competitiveness. The Green Paper in question was aimed at launching broad public consultation on financial services policy for the five years ahead, with the definitive programme to be presented in November 2005 in the form of a White Paper. As most of the measures launched in 1999 under the action plan on financial services had been carried out and the decision-making and regulatory structures had become more effective following the completion of the Lamfalussy process, the emphasis now had to be on consolidating the progress made towards integrating

European financial markets and on correctly implementing the legislation deriving from the action plan. This would involve: effective transposal of the Community rules into national law; more determined action by the supervisory authorities to enforce those rules; and continuous *ex post* evaluation, including monitoring of the impact on the European financial sector. Finally, as regards the new initiatives which could be proposed in a limited number of subject areas with the aim of expanding the existing regulatory framework, Mr McCREEVY intended to submit them to the strict principles of the better lawmaking approach. As the integration of financial services should produce tangible results for all European citizens, and not just those working in that field, assets management and retail financial services were examples of areas in which legislative initiatives could be beneficial for consumers and the European economy. Mr McCREEVY concluded by emphasising the need to ensure convergence of practices and standards of supervision in the Union and to seize this strategic opportunity now available for the Union to influence the regulatory parameters of the emerging world financial market by stepping up the dialogue on financial rules with key partners such as the United States, Japan and China.

After taking note of these observations, the Commission considered the matter, commenting in particular on the importance of increasing the effective mobility of retail financial services by removing certain barriers remaining in the Union so that consumers can prospect the whole of Europe in the search for the best products, and the case for taking cross-border consolidation further in the banking field.

After its discussions, the Commission approved the communication in COM(2005) 177/3, for transmission to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions.

12. RELATIONS WITH NON-MEMBER COUNTRIES

12.1. EU/JAPAN SUMMIT (LUXEMBOURG, 2 MAY)

(3 May 2005)

Ms FERRERO WALDNER reported on the results of the EU / Japan summit that had taken place on Monday 2 May in Luxembourg. She highlighted the positive atmosphere of the discussions, which had looked in depth at various political and economic aspects of relations between the Union and Japan, which the Japanese Prime Minister, Mr Koizumi, had wanted to see strengthened. Among the issues tackled, she mentioned in particular: the choice of the site for the ITER international thermonuclear fusion reactor, on which the Japanese Prime Minister favoured an agreement between the six parties to the project; relations with China and more particularly Japanese concerns about the Union's lifting of the arms embargo; questions relating to environmental policy and renewable energy.

In conclusion the PRESIDENT confirmed the positive assessment of the summit. Emphasising the importance of the energy issue and its strategic implications, he asked Mr PIEBALGS to consider the matter in more detail, given the interest that the future Russian presidency of the G8 attaches to the subject.

12.2. CONSULTATION OF BULGARIA AND ROMANIA

The Commission noted that following the signing of the treaties for the accession of these two countries to the Union, the Commission should henceforth consult / inform Bulgaria and Romania in line with the internal arrangements as set out in the Commission decision of 23 March (cf. E/428/2005 - C(2005) 874).

13. OTHER BUSINESS

13.1. INFORMAL MEETING OF MINISTERS FOR REGIONAL POLICY AND COHESION (LUXEMBOURG, 20 AND 21 MAY) (SEC(2005)630)

In support of the note she had distributed on the matter, Ms HÜBNER reported on the state of play on the Community strategic guidelines for cohesion policy, currently being prepared and on which a preliminary exchange of views was scheduled for the informal meeting of ministers responsible for regional policy on 20 and 21 May. She reminded the meeting of the legal and conceptual framework of these guidelines and drew attention to the four priorities on which Community assistance would have to focus in line with the objective of growth and job creation developed in the revised Lisbon strategy. Ms HÜBNER said that work was being conducted in close cooperation with the departments concerned and the Member States; following this detailed preparatory process, a draft communication on the guidelines would be tabled for endorsement by the Commission and transmission to Parliament and the Council and consultation of the other stakeholders.

The Commission took note of this information and expressed its support for the approach being taken by Ms HÜBNER, who expressed her willingness to continue the dialogue with her colleagues. It noted that as the legal basis for the strategic guidelines was to be found in Article 24 of the proposal for a general regulation on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (which was part of the package on the future financial perspective), it would not be able to formally present the guidelines until that regulation had been adopted.

**13.2. CODE OF CONDUCT ON IMPLEMENTATION OF THE STABILITY
AND GROWTH PACT
(SEC(2005)631)**

M. ALMUNIA presented the main points of the contribution prepared by his departments in support of the drafting of a revised opinion of the Economic and Financial Committee (“code of conduct”) for the implementation of the Stability and Growth Pact. This purely technical and non-legislative contribution, which was one aspect of the work in progress on the reform of

the pact, incorporated a series of indications designed to ensure clarity and coherence in the implementation of the reform and updated the existing guidelines on the content and format of the national stability and convergence programmes. Replying to questions raised during the meeting, M. ALMUNIA confirmed that the sections clarifying the reform of the pact, particularly those concerning the allowance to be made for the impact of the reform of pension systems in the assessment of the excessive deficit situation, reflected the points of agreement reached in the Council (Economic and financial affairs) on 20 March and the provisions of the EC Treaty.

Following a brief exchange of views and noting the wish expressed by several Commission Members to be able to study the matter in greater depth before transmission to the Economic and Financial Committee by Mr ALMUNIA's departments, the PRESIDENT recalled the need to comply with time limits for the circulation of documents and decided that the necessary clarifications would be provided at an information meeting of Chefs de cabinet called that afternoon.

13.3. *INTEGRATION OF CYPRUS, LATVIA AND MALTA IN ERM II* **(SEC(2005)572)**

As specified in his information note on this question, MR ALMUNIA drew the Commission's attention to the inclusion, from 2 May, of the currencies of Cyprus, Latvia and Malta in the ERM II exchange rate mechanism. This brought the number of new Member States that had joined the mechanism to six, Estonia, Lithuania and Slovenia having been members since 28 June 2004.

13.4. *COMMISSION DECLARATION TO MARK 9 MAY*

Following a brief exchange of views, the PRESIDENT asked the Members to let him have their suggestions for the text of the Commission's 9 May declaration in the hours ahead. He stated that the objective of the text was to reflect the common values of peace, democracy and freedom underlying the

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European project, and also a desire to mark the commemoration of the end of the second world war and the celebration of the first anniversary of enlargement.

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The meeting closed at 1150 hours.