



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

**PV(2008)1825 final**

Brussels, 16 April 2008

**MINUTES**

**of the 1825th meeting of the Commission**

**held in Brussels**

**(Berlaymont)**

**on Wednesday 9 April 2008**

**(morning)**

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**Single sitting: Wednesday 9 April 2008 (morning)**

The sitting opened at 09.14 hours with Mr Barroso, President, in the chair. Items 8 (in part), and 9 were chaired by Ms WALLSTRÖM.

**Present:**

Mr BARROSO	President	Items 1 to 8 (in part)
Ms WALLSTRÖM	Vice-President	
Mr VERHEUGEN	Vice-President	
Mr BARROT	Vice-President	Items 1 to 8 (in part)
Mr KALLAS	Vice-President	
Ms REDING		Items 1 to 6, 8 (in part) and 9
Mr DIMAS		
Mr ALMUNIA		
Mr BORG		
Mr POTOČNIK		
Mr FIGEL'		
Mr REHN		Items 1 to 7 (in part)
Mr MICHEL		Items 1 to 8 (in part)
Mr KOVÁCS		Items 1 to 8
Ms KROES		Items 1 to 8 (in part)
Ms FISCHER BOEL		
Mr McCREEVY		
Mr ŠPIDLA		
Mr MANDELSON		Items 1 to 8 (in part)
Mr PIEBALGS		Items 1 to 6
Ms KUNEVA		
Mr ORBAN		
Ms VASSILIOU		Items 1 to 8 (in part)

Absent:

Mr FRATTINI

Vice-President

Ms HÜBNER

Ms GRYBAUSKAITĖ

Ms FERRERO-WALDNER

The following sat in to represent absent Members of the Commission:

Mr LEMAITRE	Chef de cabinet to Ms HÜBNER
Ms ADAKAUSKIENĖ	Deputy Chef de cabinet to Ms GRYBAUSKAITĖ
Mr CHILD	Chef de cabinet to Ms FERRERO-WALDNER

The following also sat in:

Mr VALE DE ALMEIDA	Chef de cabinet to the PRESIDENT	
Ms DURAND	Acting Director-General, Legal Service	
Mr CARVOUNIS	Deputy Director-General, Communication DG	
Mr LAITENBERGER	Commission Spokesman	Items 1 to 8 (in part)
Mr GASPAR	Acting Director-General, Bureau of European Policy Advisers	
Mr THEBAULT	Deputy Chef de cabinet to the PRESIDENT	Items 6 (in part) and 7
Mr CABRAL	Adviser <i>hors classe</i> in the PRESIDENT 's Office	Items 1 to 6, 8 and 9
Mr BALDWIN	Adviser in the PRESIDENT's Office	Item 7
Mr MARQUES DE ALMEIDA	A member of the PRESIDENT's staff	Item 7
Mr STROHMEIER	Chef de cabinet to Ms REDING	Items 7 and 8 in part
Mr THOMAS	Chef de cabinet to Mr ALMUNIA	Item 8
Mr GIUDICE	A member of Mr ALMUNIA's staff	Item 8
Ms GARDES-KOUTNY	A member of Mr MICHEL's staff	Item 7
Mr HOUBEN	A member of Mr MANDELSON's staff	Items 8 (in part) and 9
Mr BUTI	Deputy Director-General, Economic and Financial Affairs DG	Item 8

Secretary: Ms DAY, Secretary-General, assisted by Mr AYET PUIGARNAU, Director in the Secretariat-General.

**1. AGENDAS**

**(OJ(2008)1825/3; SEC(2008)421/2)**

The Commission took note of that day's agenda and of the tentative agendas for forthcoming meetings.

**2. WEEKLY MEETING OF CHEFS DE CABINET**

**(SEC(2008)1825)**

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 7 April.

**3. MINUTES OF 1824<sup>TH</sup> MEETING (2 APRIL)**

**(PV(2008)1824)**

The Commission approved the minutes of its 1824th meeting.

**4. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS**

***4.1. WRITTEN PROCEDURES APPROVED***

***(SEC(2008)422 ET SEQ.)***

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 31 March and 4 April.

**4.2. SENSITIVE WRITTEN PROCEDURES**

*(SEC(2008)423)*

The Commission took note of the sensitive written procedures for which the time limit expired between 7 and 11 April.

**4.3. EMPOWERMENT**

*(SEC(2008)424 ET SEQ.)*

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 31 March and 4 April.

**4.4. DELEGATION AND SUBDELEGATION OF POWERS**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 31 March and 4 April, as archived in Greffe 2000.

**5. ADMINISTRATIVE AND BUDGETARY MATTERS**

*(SEC(2008)425/2)*

**ADMINISTRATIVE MATTERS**

*(PERS(2008)64/2)*

**5.1. JOINT RESEARCH CENTRE – INTERNAL AND  
INTERINSTITUTIONAL PUBLICATION AT AD15/16 AND EXTERNAL  
PUBLICATION AT AD15 (EU-27) OF A DEPUTY  
DIRECTOR-GENERAL POST**

*(PERS(2008)65; PERS(2008)66)*

Having noted the procedure followed, as set out in point 1 of PERS(2008)64/2, the Commission, on a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr POTOČNIK, decided to authorise the publication, under Article 29(1)(a)(i) and (iii), 29(1)(b) and 29(2) of the



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Staff Regulations, of the vacancy notices set out in PERS(2008)65 and PERS(2008)66.

This decision would take effect immediately.

**5.2. PERSONNEL AND ADMINISTRATION DG – APPOINTMENT OF AD15/16 DEPUTY DIRECTOR-GENERAL (PERS(2007)107 TO /6)**

Having noted the procedure followed, as set out in point 2 of PERS(2008)64/2, the Commission had before it applications for the post of Deputy Director-General for Personnel and Administration, published under Article 29(1)(a)(i) and (iii) of the Staff Regulations (PERS(2007)107 to /4).

The Commission took note of the opinions of the Consultative Committee on Appointments of 26 February and 6 March (PERS(2007)107/5 and /6).

The Commission proceeded to consider the applicant's qualifications for the post. On a proposal from Mr KALLAS, in agreement with the PRESIDENT, it then decided to appoint Ms Irène SOUKA to the vacant post.

This decision would take effect on a date to be determined.

**5.3. ECONOMIC AND FINANCIAL AFFAIRS DG – AMENDMENT OF THE ORGANISATION CHART AND APPOINTMENT OF AN AD15 CHIEF ADVISER**

The Commission took note of the information in point 2 of PERS(2008)64/2 and, on a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr ALMUNIA, decided:

- to create a post of Chief Adviser in the Economic and Financial Affairs DG;
- to fill this post, under Article 7 of the Staff Regulations, by transferring in the interest of the service Mr Robert David McGLUE, an AD15 official

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and currently Director (Financial operations, programme management and liaison with the EIB Group) in the Economic and Financial Affairs DG;

- to abolish this post on the date of departure of its holder.

These decisions would take effect from 1 May 2008.

**5.4. *ECONOMIC AND FINANCIAL AFFAIRS DG – INTERNAL AND INTERINSTITUTIONAL PUBLICATION AT AD14/15 AND EXTERNAL PUBLICATION AT AD14 (EU-27) OF A DIRECTOR POST (PERS(2008)67; PERS(2008)68)***

Having noted the procedure followed, as set out in point 4 of PERS(2008)64/2, the Commission, on a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr ALMUNIA, decided to authorise the publication, under Article 29(1)(a) (i) and (iii), 29(1)(b) and 29(2) of the Staff Regulations, of the vacancy notices set out in PERS(2008)67 and PERS(2008)68.

This decision would take effect immediately.

**5.5. *EDUCATION AND CULTURE DG – APPOINTMENT OF INTERIM EXECUTIVE DIRECTOR OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY***

Having taken note of the information set out in point 5 of PERS(2008)64/2, the Commission, on a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr FIGEL', authorised Mr Antonio SILVA MENDES, an AD15 official and currently Director (Resources) in the Education and Culture DG, to carry out the duties of Interim Executive Director of the European Institute of Innovation and Technology (EIT) in addition to his current duties, until the Executive Director took up his post.

This decision would take effect with the entry into force of the Council Regulation on the European Institute for Innovation and Technology.

**5.6. ENERGY AND TRANSPORT DG – RENEWAL OF THE MANDATE OF THE EXECUTIVE DIRECTOR OF THE EUROPEAN AVIATION SAFETY AGENCY**

Having taken note of the information in point 6 of PERS(2008)64/2, the Commission, on a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr BARROT, decided to propose to the Administrative Board of the European Aviation Safety Agency (EASA) that the mandate of the AD15 Executive Director, Mr Patrick GOUDOU, be renewed for a period of five years with effect from 1 September 2008, to regard this as a Commission proposal under Article 30 of Council Regulation 1592/2002, and to ask the Commission Member responsible to communicate this decision to the Administrative Board of the EASA.

These decisions would take effect immediately.

**5.7. DG PERSONNEL AND ADMINISTRATION – GENERAL PROVISIONS FOR IMPLEMENTING ARTICLES 43 AND 45 OF THE STAFF REGULATIONS - EVALUATION AND PROMOTION SYSTEMS (SEC(2008)452 AND /2; SEC(2008)453 AND /2; SEC(2008)450)**

The Commission:

- adopted in principle the proposals concerning the general provisions for implementing Articles 43 and 45 of the Staff Regulations relating to the assessment and promotion systems, as set out in SEC(2008)452/2 and SEC(2008)453/2;
- authorised Mr KALLAS to consult the Staff Regulations Committee and the Central Staff Committee on these draft decisions;
- empowered Mr KALLAS, in agreement with the PRESIDENT, to introduce minor amendments, following these consultations, and definitively to adopt the general implementing provisions on behalf of the Commission.

These decisions would take effect immediately.

## **6. INTERINSTITUTIONAL RELATIONS**

**(SEC(2008)388)**

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on Friday 4 April (SEC(2006)388).

It paid particular attention to the following:

### **6.1. LEGISLATIVE MATTERS**

#### **i) Preparation for the April I part-session of Parliament**

(point 1.3 of the IRG record)

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

It paid particular attention to the following:

#### Codecision – 1<sup>st</sup> reading

- Community participation in a research and development programme aimed at supporting research and development performing SMEs undertaken by several Member States (decision) – RÜBIG report – 2007/0188 (COD)

The Commission approved the line set out in SP(2008)1827.

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- Animal health requirements applicable to the non-commercial movements of pet animals as regards the extension of the transitional period (regulation) – OUZKÝ report – 2007/0202 (COD)

The Commission approved the line set out in SP(2008)1828.

#### Consultation

- Standard Financial Regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes (regulation) – GRÄSSLE report – 2007/0901 (CNS)

The Commission approved the line set out in SP(2008)1830 and /2.

- Framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (regulation) – GRÄSSLE report– 2007/0151 (CNS)

The Commission approved the line set out in SP(2008)1831 and /2.

#### **ii) Results of the Council meeting (Transport, Telecommunications and Energy – Transport session) (Luxembourg, 7 April)**

(point 1.4 of the IRG record)

- Airport charges (directive) – STOCKMANN report – 2007/0013 (COD)

The Commission confirmed the agreement *ad referendum* given by Mr BARROT to the Council Presidency compromise at the meeting of the Council (Transport, Telecommunications and Energy) on 7 April, following the line set out in SI(2008)197.

**iii) Preparation of an agreement at first reading – Preparation of a political trialogue (Brussels, 9 April)**

(point 1.5 of the IRG record)

- Common standards and procedures in Member States for returning illegally staying third-country nationals (directive) – WEBER report – 2005/0167 (COD)

The Commission authorised Mr BARROT to pursue contacts with Parliament and the Council in order to reach agreement at first reading following the line set out in SPI(2008)22 and /3.

**6.2. RELATIONS WITH THE COUNCIL**

**iv) Programming of Council business**

(SI(2008)200)

The Commission took note of the information in SI(2008)200 on the Council meetings between 3 and 16 April.

**v) Results of the informal meeting of Ministers for Economic and Financial Affairs (Brdo, 4 and 5 April)**

Mr ALMUNIA reported on the results of the informal meeting of Ministers for Economic and Financial Affairs on 4 and 5 April, which had been attended by the President of the European Central Bank and the governors of the national central banks.

He outlined the main points raised at the meeting, the first day of which had been devoted to discussion of the economic situation, the management of financial crises and the signing of a Memorandum of Understanding on cooperation between the financial supervisory authorities, central banks and Finance Ministries of the EU on financial stability, replacing the one signed in 2005 and aimed at improving cross-border cooperation mechanisms. The second day had been given over to the quality of public finances, and in

particular how to improve the efficiency of expenditure on social transfers in the EU, and preparations for the spring meetings of the International Monetary Fund (IMF) and the World Bank.

Mr ALMUNIA concentrated in particular on the main results of the debate on the turmoil in the financial markets and on the EU's reaction to these events. He referred to the scale of the present crisis, citing the latest estimates of losses resulting from the sub-prime mortgage crisis which, according to the latest IMF report on world financial stability, could reach a figure of around USD 945 billion.

In this context, he mentioned the possible implications of developments in the international financial, energy and food markets for growth in Europe and for inflation in the euro area and in the EU as a whole. Although current developments had only an indirect effect on the growth of the European economy, their impact on inflation would be much greater. The latest Eurostat estimate, dated 31 March, predicted an annual inflation rate of 3.5% in the euro area in March.

Mr ALMUNIA also referred to the discussions on the impact of the euro-US dollar exchange rate on the trade balance of the euro area and on the trend in the exchange rate between the euro and the yuan.

He felt that this issue should be raised at the G7 meeting in Washington on 11 April. He also stressed the importance of reforming certain key elements of the system set up under the Bretton Woods agreements, in particular the establishment of an early warning system. He argued that efforts at Community level would be incomplete without reforms at international level, given the global interdependence of the financial markets.

Lastly, Mr ALMUNIA reported on the discussions on the efficiency of expenditure on social transfers held during the second day of the Brdo meeting. He praised the quality of the presentation given by the renowned British economist, Mr Anthony Atkinson, and of the contributions to the

debate, which had focused in particular on the importance of social expenditure for employees and the implications of the development of such expenditure for EU policies and their social dimension.

Mr McCREEVY added to Mr ALMUNIA's remarks by outlining the conclusions that had emerged from the debate on the most effective approach for curbing the effects of the turmoil in financial markets on the economy as a whole.

In particular, he explained that, in response to the European Council's invitation of 13 and 14 March, the Ministers were planning the following measures to implement the road map they had adopted in October 2007: greater transparency, particularly as regards securitisation and off-balance sheet risk exposures and losses, higher asset valuation standards, in particular valuation of the market price of non-liquid assets, a strengthening of the EU's prudential framework and a review of the role played by credit rating agencies.

On this last point, Mr McCREEVY said he had insisted that measures aimed at amending the regulatory framework should be introduced only if the rating agencies themselves failed to propose substantial reforms in areas such as conflicts of interest. These possible amendments to existing legislation would be made in connection with the revision of the Directive on regulatory own funds to be put before the Commission in October.

He also reported that agreement in principle had been secured at the informal meeting on setting up bodies to supervise financial groups operating in more than one Member State. It was important to develop a Community body of this kind to manage financial crises, as the existing management bodies were always based on national spheres of responsibility and there was therefore a considerable risk that Member States would respond in an incoherent and uncoordinated fashion to any major cross-border banking crisis.



Mr McCREEVY announced that a more detailed proposal would be laid before the Commission when the Directive on regulatory own funds was revised. The proposal would have to be pragmatic and take account of the specific circumstances in the Member States.

After this presentation, the Commission held a discussion during which the following aspects in particular were raised:

- support for an approach based on close monitoring of growth rates and euro exchange rates;
- the implications of the crisis in the financial markets, but also of the euro exchange rates, for the European economy and European companies;
- the effects of current developments in the financial markets and exchange rates on the Bretton Woods system;
- the EU's key position in the international financial markets and the desire to strengthen the EU's role on the international stage, particularly as regards the regulation of those markets;
- support for EU representatives to adopt a clear position at forthcoming bilateral meetings with the United States and the forthcoming meetings of the G7, the IMF and the World Bank;
- concern that the sub-prime mortgage crisis in the United States might be repeated in the EU's financial markets and the desire to have more effective tools for anticipating and managing a crisis of this nature and on this scale;
- questions regarding a situation in which public authorities would take over the risks, losses and damage suffered by financial companies;
- the role of state aid in relation to any intervention on the financial markets;

- the experience of certain Member States that had undergone previous crises in their financial markets;
- the impact of the development of financial markets on the social dimension of Community policies;
- the nature and scope of proposals concerning bodies to supervise financial groups operating in more than one Member State;
- the connection between the planned measures on supervision and other major considerations, in particular relating to the protection of banking secrecy and data protection.

The PRESIDENT wound up the exchange of views by thanking Mr ALMUNIA and Mr McCREEVY for their presentations. He stressed the importance of the issues discussed at the informal meeting of Ministers for Economic and Financial Affairs and the Commission's determination to encourage Member States to monitor closely developments in the financial markets, and to give them every possible support at Community and international level to implement the general measures envisaged to counter the current trends.

He also mentioned the implications of these developments in the financial markets for the European economy as a whole and for citizens, given the links between the financial markets, price stability, social issues and the level of salaries and pensions.

The Commission took note of this information.

**vi) Anti-Counterfeiting Trade Agreement (ACTA) – Revised negotiating directives**

(SI(2008)208)

The Commission took note of the latest developments in this dossier and authorised Mr MANDELSON to endorse, on behalf of the Commission, the

joint statement with the Council concerning negotiations on an Anti-Counterfeiting Trade Agreement (ACTA), following the line set out in SI(2008)208.

### **6.3. RELATIONS WITH PARLIAMENT**

#### **vii) Preparations for April I plenary session – Non-legislative matters**

(point 3.2 of the IRG record)

- Amendments proposed by Parliament concerning the regulations and the general conditions governing the performance of the Ombudsman's duties (decision) – JÄÄTTEENMÄKI report – 2006/2223 (INI)

The Commission authorised Ms WALLSTRÖM to pursue contacts with Parliament and the Council in order to reach agreement on this dossier at first reading following the line set out in SI(2008)1888 and /4.

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

(point 3.5.2 of the IRG record)

The Commission approved documents SP(2008)1340 and /3 on the action taken on Parliament's non-legislative resolutions adopted at its January I part-session, for transmission to Parliament.

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

(point 3.5.3 of the IRG record)

The Commission approved documents SP(2008)1766 to /3 on the action taken on Parliament's non-legislative resolutions adopted at its January II part-session, for transmission to Parliament.

**x) Action taken on Parliament's non-legislative resolutions**  
(point 3.5.4 of the IRG record)

The Commission approved documents SP(2008)1857, /3 and /4 on the action taken on Parliament's non-legislative resolutions adopted at its February part-session, for transmission to Parliament.

**xi) Action taken on Parliament's legislative opinions and non-legislative resolutions**  
(point 3.5.5 of the IRG record)

The Commission approved SP(2008)1767 on the action taken on Parliament's opinions and resolutions adopted at its February part-session, for transmission to Parliament.

**xii) Participation by Members of Parliament in international conferences**  
(point 3.7 of the IRG record)

– United Nations Human Rights Council (Geneva, 17-19 March)

The Commission decided to reply to the request from Mr PÖTTERING, President of Parliament, to the PRESIDENT, concerning the participation by seven Members of Parliament in the above-mentioned meeting, with a reminder about the procedure agreed between the two institutions.

**6.4. RELATIONS WITH THE ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS, THE EUROPEAN OMBUDSMAN AND NATIONAL PARLIAMENTS**

**xiii) Follow-up to Committee of the Regions opinions – Thirty-third report (June and October 2007 plenary sessions)**  
(point 4.1 of the IRG record)

The Commission approved the replies to the opinions adopted by the Committee of the Regions during the June and October 2007 plenary sessions,

contained in the document distributed as SR(2008)11, for transmission to the Committee of the Regions.

**7. COMMISSION COMMUNICATION TO PARLIAMENT, THE COUNCIL, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – THE EU, A GLOBAL PARTNER FOR DEVELOPMENT SPEEDING UP PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS  
(COM(2008)177 TO /4; SEC(2008)431; SEC(2008)432 TO /3; SEC(2008)433; (SEC(2008)434 TO /3; SEC(2008)435 AND /2; SEC(2008)437)**

Mr MICHEL presented the Communication on the EU's contribution to the achievement of the millennium goals, which he submitted to the Commission for approval. He emphasised at the outset that this was one of the most important areas of the present Commission's mandate in the field of development policy, a policy which required a strong and sustained effort on the part of the Commission and its individual Members.

He reminded the meeting of the official development assistance targets agreed by the Member States in Monterrey in 2005, namely an interim target for 2010 of 0.56% of the EU's gross domestic product, and a final target for 2015 of 0.7%. In this connection, Mr MICHEL noted with regret that the 2007 figures, which showed a drop in Europe's official development assistance, failed to match the undertakings given.

He highlighted the leading role and collective responsibility of the entire Commission in this matter, which involved monitoring compliance with the commitments made and drawing up proposals for strengthening European action, particularly by suggesting to the Member States that they draw up multiannual timetables for making their aid payments showing how they proposed to reach their targets in successive years.

He went on to talk about the three-fold political importance of this matter: it was crucial for the EU's credibility as the world's leading contributor of official development aid, expressing solidarity with the world; it determined Europe's ability to mobilise the other donors and assume its leading role at forthcoming international meetings (particularly in Accra, New York and Doha); and finally it determined the resources available to the Union for taking action on the major topics of concern to European citizens, such as climate change, the roots of migratory phenomena, or transparency of access to natural resources.

Mr MICHEL then highlighted two other aspects discussed in the Communication, namely the effectiveness of official aid and how to improve it, on the one hand, and the need for coherence in Community policies on the other.

He concluded by mentioning the increase in cereal prices and the disastrous consequences this was having for the developing countries. He welcomed the growing, but still insufficient, place of agriculture in the priorities of the Tenth European Development Fund. Finally, he suggested that the members of the Commission of the African Union might be invited to Brussels, and that the visit might provide the opportunity for bilateral talks with the Commission Members concerned.

The ensuing discussion highlighted the following points:

- the importance of 2008 in this area and the importance for the European Union and its Member States of standing by the commitments made at Monterrey, despite international economic trends;
- the crucial role played in this field by the Commission, which had to impress on the Member States the need for a strong and sustained commitment on their part;
- the need for coherence in the action to be taken on more than one level, within the Commission, within the Union and internationally between donor countries;
- the effects for the developing countries of the increase in food prices;

- the need, as a matter of priority, to promote investment in rural development and the agricultural projects of partner countries;
- the importance, for development aid, of finding innovative new sources of financing;
- the need to take account of the question of equality between men and women in the context of development action by partner countries;
- the link between the values and objectives of the European Union as regards development aid and good communication aimed at public opinion;
- the need for a strong political will to introduce specific measures in response to the demands of European public opinion as regards official development aid;
- access to education as an essential vehicle for the development of individuals and populations in partner countries, particularly for women and children.

The PRESIDENT congratulated Mr MICHEL and his departments on their commitment and on the high standard of their work, and emphasised on his own account the importance of this matter, which was one of the flagship projects of the present Commission's term of office. He reminded the meeting of the importance of sending a clear message to the Member States, to encourage them to submit practical and realistic action plans for fulfilling their commitments through multiannual programmes. He personally was in favour of the organisation of bilateral meetings, particularly in the context of the visit to Brussels of the Commission of the African Union.

Lastly, the PRESIDENT mentioned the complicated question of the increase in food prices and its implications for developing countries and their inhabitants; it was a question that should be examined in a balanced way and could if necessary be discussed at a future Commission meeting.

Mr MICHEL then replied to a number of questions and stressed the importance of agriculture for the developing countries if they were to ensure their food

self-sufficiency, the consequences of rising food prices, particularly for the least developed countries, and the need for a case-by-case, country-by-country study.

At the end of its discussion, the Commission approved, subject to final linguistic revision in English, the communication set out in COM(2008)177/4, for transmission to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, and the national parliaments, together with the staff papers distributed as SEC(2008)431, SEC(2008)432/3, SEC(2008)433, SEC(2008)434/2 and /3, and SEC(2008)435/2, the contents of which were noted.

## **8. POLICY DEBATE ON ECONOMIC AND MONETARY UNION**

Mr ALMUNIA opened the policy debate by presenting the broad outlines of the report on the first ten years of Economic and Monetary Union (EMU), which would be submitted to the Commission for approval on 7 May. He stated that the report's objective was to review the functioning of EMU since its entry into force, examine its future and the challenges that it would face during the next decade and propose a political agenda to meet those challenges.

Assessing EMU's functioning during the last decade, he first noted its contributions to price stability and the low cost of credit; the consolidation of sound and sustainable public finances; a high rate of job creation in the context of the Lisbon strategy for growth and employment; economic and financial integration, encouraging notably the growth of gross fixed capital formation; the increase in trade flows and foreign investment within the euro area; and finally the integration of financial markets. He was convinced that all these contributions, combined with the progressive expansion of the euro area, had had positive consequences for the European Union as a whole, in particular for protecting the European social model and establishing the euro as a major world currency.

He did acknowledge, however, that EMU had not met all the original expectations, in particular those regarding the growth rate of gross domestic product, which



remained below its potential; productivity, which remained lower than that of the United States; convergence between the Member States in terms of inflation and growth; structural reforms, which are in general less advanced in the euro area than in the rest of the European Union; and the still-insufficient integration of the financial and banking markets.

He also touched on the impact of the recent financial upheaval, which had created a certain volatility in exchange rates; the return of inflationary pressures; the decline in confidence; the implementation of financial stabilisation measures and the social effects of the economic slowdown.

Finally, he noted that public perceptions of the euro were generally favourable, although negatively impacted by excessive price increases in certain sectors and in certain Member States and by inappropriate economic policies that had created a negative image and obscured the economic dimension of EMU.

Mr ALMUNIA then discussed the challenges facing EMU: globalisation, demographic changes (in particular the aging of European populations), climate change and rising prices for foodstuffs and energy. He then presented the main elements of a political agenda proposed to meet those challenges; a triangular strategy would focus on internal and external factors and good governance.

Regarding internal factors, Mr ALMUNIA recommended:

- (i) strengthening and broadening coordination within EMU beyond mere budgetary policy, by developing a framework of ex-ante consultation on national policies and making the best use of the instruments provided for in the Treaty; expanding surveillance in order to detect macroeconomic imbalances and trends in competitiveness, prevent the emergence of risks to financial stability and weigh the potential effect of structural reforms during the budget evaluation;
- (ii) intensifying budgetary surveillance in order to implement sound budgetary policies, particularly during good economic times; strengthening budget frameworks in the medium term, thereby promoting long-term sustainability; improving the

quality of public finances and strengthening this surveillance through adequate national public spending rules; and

(iii) incorporating the structural reforms into EMU's political coordination framework in order to increase resistance to shocks, help improve adjustment in the euro area and closely monitor the link between inflation and the functioning of product markets.

Regarding external factors, he explained that the report discussed the international role of the euro and the related benefits. The benefits were the result of greater liquidity and depth in the financial markets and the setting of international prices and billing in euros, which reduce exchange rate volatility, and the increase in revenues from seignorage. He added that this role did entail risks and responsibilities resulting from the global impact of euro area decisions.

Finally, he explained that the third main principle was strengthening governance of EMU, whose institutions and practices should be adapted to better meet future challenges. This would include redefining the roles of the Economic and Financial Affairs Council and the Eurogroup in the light of the gradual expansion of the euro area. These developments implied an expanded role for the Commission, and he called for an improved use of coordination instruments and increased dialogue and consultation with other European institutions and international partners.

He ended his presentation by stating that the next presidency of the Council had announced its intention to discuss the report during the informal European Council meeting in October 2008.

The PRESIDENT thanked Mr ALMUNIA for his presentation and agreed that the creation of the euro was a cornerstone in the history of European integration. He was pleased to celebrate the euro's tenth anniversary and considered that this policy debate would contribute positively to reflection on its future.

He shared Mr ALMUNIA'S opinion regarding the immense benefits offered by the euro, one notable proof of which was Europe's resistance to the current financial

upheaval. The positive contributions of the euro should be highlighted in the Union's internal communication, in the same spirit as the single currency is esteemed internationally. He did acknowledge that EMU remained incomplete and stressed that its fundamental achievements should serve as a basis for new progress.

It was very important that the Commission report on the first ten years of EMU did not create division among the Member States, whether by ranking them at different levels or raising issues on which there was not unanimity among EMU members. Rather, a partnership approach should be implemented that could serve as a basis for strengthening EMU. In this regard, he expressed his complete support for the approach proposed by Mr ALMUNIA.

The Commission then began a wide-ranging discussion, in which the following aspects were highlighted:

- the need to develop information and communication tools in order to promote a more positive image of the euro in the Member States, to increase citizens' awareness of and appreciation for the euro and to orient the political debate in the Member States;
- in keeping with the above, the benefits to be gained from highlighting the impact of the euro's introduction on the growth rate in the eurozone Member States, as well as the critical importance of price stability for the euro area, as regards both economic growth and the stability of policies such as pension systems;
- the relevance of the planned measures to encourage structural reforms in the euro area Member States, in particular in product markets and the labour market;
- the benefits to be gained from measures to intensify surveillance and coordination regarding macroeconomic and competitiveness instruments, particularly in the research and innovation sector;
- the importance of continuing to develop the Commission's role in international bodies as an external representative for economic and financial affairs;

- an acknowledgement of the limited means available to the European Union to act in the economic policy field;
- the sensitive nature, for certain parties, of possible ex-ante coordination of national economic policies;
- against the backdrop of the gradual enlargement of the euro area, the necessary prudence in redefining and aligning the respective roles of the Economic and Financial Affairs Council and the Eurogroup, taking particular account of the economic and financial importance of countries that were not part of the euro area;
- application of the entry criteria concerning the enlargement of the euro area, taking into account the recommended strengthening of the tools for rigorous budgetary supervision and the continuation of structural reforms in current or future euro area Member States;
- the utility of carrying out in the near future a thorough analysis of the labour market during the last ten years, and in particular the benefits to be gained from analysing the euro's impact on labour market development, by taking into account the structure of employment in the various Member States;
- the benefits to be gained from having data and conducting a wide-ranging analysis of the use of the euro in international trade.

In response to these remarks, Mr ALMUNIA pointed out the usefulness of ex-ante economic consultations, which had already been implemented in the Eurogroup and made it possible to discuss national economic policy decisions likely to have an impact on the entire euro area. While recognising the need to avoid establishing a division between euro area and non- euro area Member States, he highlighted the benefits to be gained, in particular for the countries that were members, from moving forward with the integration of financial markets and services, and their common interest in stimulating debate at EU level and in international bodies.

He also pointed out the importance of strengthening and deepening the surveillance instruments for all Member States and noted that advantage should be taken of the increased surveillance in order to provide more effective assistance to States that were trying to prepare and meet the convergence criteria, thereby ensuring stability even after the adoption of the euro. Finally, he acknowledged the importance of increased communication efforts regarding the benefits of the euro.

The Commission took note of the results of the policy debate.

## **9. TRENDS IN THE MEMBER STATES**

### ***SITUATION IN IRELAND***

Mr McCREEVY explained the political situation in Ireland, following Prime Minister Bertie Ahern's announcement that he would resign on 6 May after nearly eleven years in office.

Mr McCREEVY mentioned Mr Ahern's many qualities and his immense popularity in Ireland, citing the numerous political victories to which he had led his party. He explained that Mr Ahern had found that the current judicial enquiry into his dealings and speculation concerning the investigation were distracting the public from the true challenges currently facing the country.

He then mentioned the appointment of Mr Ahern's expected successor, Mr Brian Cowen, currently Deputy Prime Minister. The appointment would not have any particular implications from the European point of view, given that Mr Cowen was also a convinced European, already strongly involved in campaigning for a "yes" vote in the referendum on ratification of the Lisbon Treaty.

In the context of this campaign, Mr McCREEVY pointed out the risks related to the large percentage of voters who had stated that they were still undecided. He also mentioned the negative repercussions in Ireland of recent statements by politicians on the Common Consolidated Corporate Tax Base project, which, he added, had

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been the subject of much attention in the Irish press. He pointed out the importance of quickly spelling out intentions in this area, given the high potential this issue had to disrupt debate on the Irish referendum.

The Commission also discussed the sensitive nature of social issues in the Irish political debate, in particular the attention paid by unions to recent judgments of the Court of Justice of the European Communities in this area.

The Commission took note of this information.

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The meeting closed at 13.03 hours.