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OUTCOME OF THE COUNCIL MEETING

3475th Council meeting

Economic and Financial Affairs

Luxembourg, 17 June 2016

President	**Jeroen Dijsselbloem** Minister for Finance of the Netherlands

P R E S S

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17 June 2016

CONTENTS[1]

ITEMS DEBATED

[1]
- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's internet site (http://www.consilium.europa.eu).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's internet site or may be obtained from the Press Office.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

BUDGETS

TRADE POLICY

FOREIGN AFFAIRS

CUSTOMS UNION

INDUSTRY

HEALTH

ITEMS DEBATED

Corporate tax avoidance

The Council discussed, with a view to reaching a political agreement, a draft directive addressing some of the practices most commonly used by large companies to reduce their tax liability.

In the light of the discussion, the presidency put forward a final compromise text. The president of the Council noted that almost all member states could agree to it.

The presidency therefore announced a silence procedure until midnight on 20 June 2016.

The directive is part of the Commission's January 2016 package of proposals aimed at preventing tax avoidance by large companies. It implements and builds on the OECD's autumn 2015 recommendations to address corporate tax base erosion and profit shifting (BEPS).

The proposal addresses situations where corporate groups take advantage of disparities between national tax systems. It lays down anti-tax-avoidance rules in five specific fields:

- Interest limitation rules, to discourage the transfer of interest to low-tax jurisdictions;
- Exit taxation rules, to prevent tax base erosion when assets are transferred to a low-tax jurisdiction;
- General anti-abuse rule, to close off abusive tax arrangements not covered by specific anti-abuse rules;
- Controlled foreign company rules, reattributing the income of low-taxed foreign subsidiaries to the parent company;
- Rules on hybrid mismatches between national tax systems.

The directive will be adopted at a future meeting.

Anti tax avoidance proposals by the European Commission

Financial transaction tax

The Council discussed work on a proposal aimed at introducing a financial transaction tax (FTT) in 10 member states.

Work on the issue will continue during the second half of 2016.

The 10 participants – Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain – envisage introducing an FTT by 'enhanced cooperation'.

The president of the Council emphasised that the result must be satisfactory to all member states, both those wishing to have a common FTT system and those not participating in the enhanced cooperation.

The FTT proposal is aimed at:

– ensuring that the financial sector pays its fair share of tax;

– discouraging transactions that do not enhance the efficiency of financial markets.

The proposed directive would allow harmonised implementation of the tax in the participating member states.

Enhanced cooperation on an FTT was authorised in January 2013 by Council decision 2013/52/EU after a September 2011 proposal for an EU-wide FTT failed to obtain unanimous support. It was initially authorised for 11 member states, but Estonia withdrew from the enhanced cooperation in March 2016.

The proposed directive defines how the FTT would be implemented in the participating member states. Tabled in February 2013, it mirrors the scope and objectives of the Commission's initial proposal for an EU-wide FTT. It involves a minimum 0.1% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% tax rate.

The directive requires the unanimous agreement of the participating countries, after consultation of the European Parliament. All member states can participate in discussions on the proposal, though only participating countries can take part in the vote. (Legal basis: article 113 and articles 326 to 334 of the Treaty on the Functioning of the European Union.)

At least 9 member states are needed to conduct enhanced cooperation.

June 2016 presidency note on the state of play on the FTT

Proposal for a Council directive on enhanced cooperation on FTT

Press release on Council decision to authorise enhanced cooperation on FTT

Strengthening of banking union

The presidency provided an update concerning work on completing the EU's banking union.

The Council adopted the following conclusions, recalling steps already undertaken and setting out a number of key priorities and milestones for the period until 2024, in terms of both reducing and sharing risks in the financial sector, with a view to addressing outstanding challenges.

"THE COUNCIL OF THE EUROPEAN UNION:

1. RECALLS that major steps have been taken at unprecedented speed over the past years to establish the Banking Union. After a comprehensive assessment of all significant credit institutions in the Banking Union, the Single Supervisory Mechanism was fully established in 2014 and the Single Resolution Mechanism has become operational in 2016.

2. Furthermore, RECALLS the fact that almost all Member States have transposed and implemented into national law the relevant legal provisions of the single rulebook. This has ensured more consistent regulation and high-quality supervision across the EU by: stronger prudential requirements for banks, introduced under the Capital requirements Directive and Regulation (CRDIV/CRR); a new recovery and resolution framework for banks, established under the Bank Recovery and Resolution Directive (BRRD); the functioning of national Deposit Guarantee Schemes (DGSs), enhanced by the Deposit Guarantee Scheme Directive (DGSD).

3. As for the SRF, REITERATES that participating Member States agreed on 8 December 2015 on a harmonised Loan Facility Agreement with the Single Resolution Board (SRB), providing national credit lines to the SRB to support the national compartments of the SRF in case of possible funding shortfalls in that compartment following resolution cases of banks during the transition period. All Member States that have not yet signed the Loan Facility Agreement with the SRB commit to do so as soon as possible, ultimately by September 2016.

4. CONSIDERS that these achievements, combined with the ECB's measures as well as national measures, made a significant contribution to financial stability, reversing the fragmentation of financial markets, mitigating moral hazard and reducing the risk for the involvement of public financial means.

5. Building on the important progress made, and in the context of the deepening of the Economic and Monetary Union, REAFFIRMS the importance of the Banking Union with a view of its completion.

6. RECOGNIZES that, to this end, further steps will be have to be taken in terms of reducing and sharing risks in the financial sector, in the appropriate sequence, in order to address a number of remaining challenges.

7. UNDERLINES the importance of the work being carried out by several institutions at Banking Union, EU28 and international level, in particular work by the Commission to:

   a) propose amendments to the legislative framework in view of implementing the Total Loss Absorbing Capacity (TLAC) standard and reviewing the minimum requirement for own funds and eligible liabilities (MREL). The Council will seek to ensure consistent rules and adequate amounts for the bail-inable buffers that contribute to an efficient and orderly resolution process in line with BRRD for all credit institutions for which bail-in would be the validated resolution strategy.

   b) put forward a proposal on a common approach to the bank creditor hierarchy, to enhance legal certainty in case of resolution.

   c) propose amendments to the CRR/CRDIV as part of an overall review exercise, which would result in:

      i. harmonisation or further specification of options and national discretions (ONDs) granted to MS, which could also contribute to the objective of reducing financial fragmentation;

      ii. implementing and finalising remaining Basel reforms including the introduction of a leverage ratio, possibly set higher than 3% for systemic banks, and the introduction of a net stable funding ratio;

   d) propose a legislative proposal for minimum harmonisation in the field of insolvency law in the context of the Capital Markets Union (CMU), which may also support efforts to reduce future levels of non-performing loans;

   e) conduct further work on examining whether and how harmonizing the rules and application of moratorium tools can contribute to the stabilisation by the relevant authorities of an institution in the period before, and possibly after, an intervention.

8. In this context, UNDERLINES the following key steps:

   a) On the Commission´s banking proposals set out under paragraph 7, the Council invites the Commission to put forward the proposals as soon as possible and by no later than the end of 2016. On that basis, the Council will start technical work immediately in view of a swift implementation. The Council underlines the importance of considering European specificities when implementing global regulatory standards, including Basel standards, in the EU;

   b) On the common backstop for the Single Resolution Fund, the Council takes note of the intention of Member States to start work in September 2016 if and when all participating Member States have fully transposed the BRRD. In this context, the Council will also take stock of the establishment of the bridge financing arrangements, noting that participating Member States are committed to sign the Loan Facility Agreement by that time. They reaffirm the need to have the common backstop fully operational at the latest by the end of the transition period. When the work is completed, it may be decided, in line with the risk reduction measures mentioned in paragraph (a), that the backstop may become operational ahead of the end of the transition period;[1]

   c) On the regulatory treatment of sovereign exposures, the Council agrees to await the outcomes of the Basel Committee. Following the work of the Basel Committee the Council will consider possible next steps in the European context;

   d) On a European Deposit Insurance Scheme (EDIS), the Council will continue constructive work at technical level. Negotiations at political level will start as soon as sufficient further progress has been made on the measures on risk reduction, as mentioned above. In this context, the Council takes note of the intention of Member States to have recourse to an IGA when political negotiations on EDIS start;

   e) The Council will assess annually the progress made on the above mentioned measures towards completing the Banking Union.

9. REAFFIRMS that the discussions on measures relevant to all Member States continue to take place at the level of EU28 to ensure that the Banking Union remains open to all Member States and in view of preserving the single market within the EU."

Banking union

[1] Arrangements concerning the SRF backstop will be fiscally neutral over the medium term, ensure equivalent treatment across all Member states participating and incur no costs for Member states not participating in the Banking Union.

Implementation of banking union

The Commission provided a brief update on implementation of the EU's banking union, as part of a review made regularly at Council meetings since mid-2015.

The Council noted that significant progress had been made since January 2016.

The banking union is aimed at placing Europe's banking industry on a sounder footing, whilst ensuring that non-viable banks are resolved without recourse to taxpayers' money. It currently comprises the 19 countries of the euro area, whilst 7 other member states have indicated their intention to join.

It currently consists of two main initiatives, the single supervisory mechanism (SSM) and the single resolution mechanism (SRM). These are based on a regulatory framework, the 'single rulebook', which applies to all 28 member states.

On 1 January 2016, the SRM became operational and the single resolution fund (SRF), a component of the SRM, entered into force.

As of 10 June 2016:

- 20 member states, including all 19 current members of the banking union, had ratified an intergovernmental agreement (IGA) on the SRF;
- the transfer to the SRF of contributions raised in 2015 under a directive on bank recovery and resolution was almost complete;
- 9 of the 19 banking union member states had signed a loan facility agreement on bridge financing for the SRF.

As concerns the single rulebook, on 10 June 2016:

- 25 of the 28 member states had fully transposed the directive on bank recovery and resolution, whilst the three others had partially transposed it;
- 25 of the 28 member states had fully transposed a directive on deposit guarantee schemes (DGSs), and two others had partially transposed it.

Banking union

Terrorist financing

The Commission reported on implementation of various initiatives set out in its February 2016 action plan to prevent the financing of terrorism.

The Council held an exchange of views.

The action plan is intended as a strong and swift response to the challenges exposed by recent terrorist attacks in Europe. It builds on existing EU rules and practices, adapting them to new threats and in line with international standards.

The plan consists of two main strands:

– tracing and preventing the movement of terrorist funds;

– disrupting the sources of terrorist funding.

A timetable for action is included in annex to the plan.

In conclusions adopted on 12 February 2016, the Council asked the Commission to report every 6 months on progress in implementation of the plan.

Factsheet on the February 2016 action plan on the prevention of terrorist financing

February 2016 Commission action plan for strengthening the fight against terrorist financing

February 2016 Council conclusions on the fight against the financing of terrorism

VAT fraud - 'Reverse charge mechanism'

The Council discussed the possibility of allowing certain member states to apply a generalised reversal of liability for VAT payments ('reverse charge mechanism') as a means of preventing VAT fraud.

The Commission presented an analysis of the possible application of a generalised reverse charge mechanism (RCM) in Austria and the Czech Republic.

Use of the RCM normally requires a temporary derogation under VAT rules. However, a generalised RCM would require a change to VAT rules, and would differ from previous uses of the RCM, which have been confined to specific high-risk sectors. It would require a unanimous Council decision.

In a joint letter to the Commission in April 2016, Austria and the Czech Republic reiterated a request to be authorised to apply a generalised RCM for domestic supplies above €10 000.

With the reverse charge mechanism, liability for the payment of VAT in the business chain is shifted from the supplier (as normally required by EU rules) to the customer. The supplier that supplies to the final customer is liable for all of the VAT.

Excessive deficit procedure - Cyprus, Ireland and Slovenia

The Council closed excessive deficit procedures for Cyprus, Ireland and Slovenia.

Abrogating decisions on the existence of excessive deficits, it confirmed that the three countries have reduced their deficits below 3% of GDP, the EU's reference value for government deficits.

As a consequence, only 6 of the EU's 28 member states remain subject to the excessive deficit procedure, continuing an improvement observed since 2011. A peak was reached during a 12-month period in 2010 and 2011 when procedures were open for 24 member states.

Member states are required by article 126 of the Treaty on the Functioning of the European Union to avoid excessive government deficits. The excessive deficit procedure is used to support a return to sound fiscal positions.

Following exit from the excessive deficit procedure, member states are subject to the preventive arm of the EU's Stability and Growth Pact.

Press release on 2016 closure of the excessive deficit procedure for Cyprus, Ireland and Slovenia

Country-specific recommendations

The Council approved, under the 2016 'European Semester', draft recommendations to 27 member states[1] on their economic and fiscal policies.

The draft recommendations assess the economic policies set out in the member states' national reform programmes, and include draft opinions on the fiscal policies set out in their stability/convergence programmes.

The texts will be forwarded to the General Affairs Council on 24 June, and to the European Council for endorsement at its meeting on 28 and 29 June 2016.

Similar preparations were made by the Employment, Social Policy, Health and Consumer Affairs Council on 16 and 17 June as concerns member states' employment policies.

The whole package is due to be adopted in July 2016.

Press release on draft 2016 country-specific recommendations

[1] All except Greece, which is subject to a macroeconomic adjustment programmes. To avoid duplication, there is no country-specific recommendation for Greece.

Economic and monetary union - 'five presidents'' report

– **Economic and fiscal governance**

– **External representation of the euro**

– **National productivity boards**

With a view to the European Council meeting on 28 and 29 June 2016, the Council took stock of progress on initiatives regarding:

– EU economic and fiscal governance;

– the euro area's representation in international institutions.

It asked the Economic and Financial Committee to continue work on proposals to unify euro area representation and to analyse related issues. It asked it report back in autumn 2016.

The presidency will inform the President of the European Council of the outcome of the discussion.

Furthermore, the Council endorsed without discussion a draft recommendation on the establishment of national productivity boards within the euro area.

The draft recommendation will be submitted to the European Council for its June meeting, and subsequently referred for adoption by the Council.

Five presidents' report

These various elements all relate to the so-called five presidents' report on the further development of the EU's economic and monetary union (EMU).

The report was prepared by the president of the Commission, in close cooperation with the presidents of the European Council, the Eurogroup, the European Central Bank and the European Parliament. It was submitted to the European Council in June 2015.

The five presidents' report responds to an October 2014 request from the Euro Summit for stronger economic policy coordination in the aftermath of the economic and financial crisis. In autumn 2015 the Commission presented a package of measures to implement the report.

External representation of the euro

Under a Commission proposal to unify the euro area's external representation, the president of the Eurogroup would represent the euro area within the IMF as from 2025.

The Commission proposes to achieve this goal in several stages. Member states would strengthen their coordination; representation of the euro area at the IMF would be improved; the necessary adjustments to IMF governance would be made, and unified representation and a single seat for the euro area would be established.

These developments do not necessarily need to occur in succession but could take place in parallel.

European fiscal board and the European Semester

Initiatives to strengthen EU economic and fiscal governance include the establishment by the Commission of an independent advisory European fiscal board.

They also include improvements to the 'European Semester' annual policy monitoring process and to the economic imbalances procedure.

National productivity boards

The draft recommendation on productivity boards calls on each member state to set up a national board responsible for:

– diagnosis and analysis of productivity and competitiveness developments;

– independent analysis of policy challenges in this field.

Addressed to the eurozone countries, it encourages other member states to identify similar bodies. The intention is for productivity boards to engage in dialogue and exchange best practices amongst themselves, and where appropriate produce joint analyses.

The boards would have functional autonomy vis-à-vis public authorities as concerns public communication, procedures for nominating board members and access to information. As a rule, their analyses would be made public.

The independent expertise provided by the boards, including through annual reports, could be used by the member states and the Commission in the context of the 'European Semester' annual policy coordination process.

June 2016 draft recommendation on the establishment of national productivity boards

Commission October 2015 press release on completing economic and monetary union

Five presidents' report on completing Europe's economic and monetary union

<u>Investment plan for Europe - EIB action for refugees - Migration agenda</u>

With a view to the European Council meeting on 28 and 29 June 2016, the Council discussed:

– a Commission communication on implementation of the "investment plan for Europe";

– a European Investment Bank initiative to tackle the refugee crisis in Europe by boosting economic resilience in partner countries;

– the economic and financial aspects of a Commission communication on a new partnership framework with third countries under the EU's European agenda on migration.

The presidency will inform the President of the European Council of the outcome of the discussion.

<u>European fund for strategic investments</u>

In its communication on the investment plan for Europe, the Commission assesses implementation of the European fund for strategic investments (EFSI). After a year of EFSI operations, it makes suggestions for improvement.

According to the Commission, the EFSI has approved operations in 26 member states and is expected to have triggered €100 billion in investment so far. The fund has been particularly successful with loans to SMEs.

The Commission intends to present legislative proposals in autumn 2016 to extend the duration of the EFSI beyond the initial three-year period.

<u>Migration initiatives</u>

The EIB's so-called resilience initiative responds to a March 2016 request from the European Council for an initiative in favour of the EU's southern neighbourhood and the Western Balkan countries. The aim is to rapidly mobilise additional financing in support of sustainable growth, infrastructure and social cohesion in these countries.

In its communication on a new partnership framework, the Commission proposes a more coordinated, systematic and structured approach with partner countries for the short run. And it proposes an 'external investment plan' for the longer term, involving the creation of a new fund outside the EU budget.

The fund would be used to invest in economic and social infrastructure and the private sector, including micro enterprises and SMEs. It would start its activities in Africa and in the EU's southern and eastern neighbourhood, offering credit enhancement, risk sharing, investment grants and technical assistance.

The Commission intends to present a proposal for the creation of the fund in autumn 2016.

Communication "Taking stock of the Investment plan for Europe and next steps"

EIB press release on humanitarian efforts for refugees by building economic resilience

Communication on a new partnership framework under the European agenda on migration

Other business

– ***Financial services***

The Council was updated as concerns work on legislative proposals on financial services.

June 2016 secretariat note on progress on financial services legislative dossiers

Meetings in the margins of the Council

– **ESM board of governors**

The European Stability Mechanism board of governors held its annual meeting on 16 June 2016.

– **Eurogroup**

Ministers of the euro area member states attended a meeting of the Eurogroup on 16 June 2016. It discussed inflation and exchange rate developments, the sustainability of pension systems and the IMF's recommendations for the euro area.

Eurogroup statement on common principles for strengthening pension sustainability

Eurogroup main results

– **Ministerial breakfast**

Ministers held a breakfast meeting to discuss the economic situation. They also discussed European representation on the executive board of the IMF.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Capital markets union - Prospectus rules

The Council confirmed an agreement on proposed new rules on prospectuses for admission to trading and offering securities to the public.

It asked the presidency to start talks with the European Parliament.

The draft regulation is aimed at reducing one of the main regulatory hurdles that companies face when issuing equity and debt securities. It sets out to simplify administrative obligations whilst still ensuring that investors are well informed.

A reform of prospectus rules is amongst measures announced by the Commission under its 2014 "investment plan for Europe" with the aim of improving the business environment. And it is a second major building block of the EU's 2015 plan to develop a capital markets union.

The capital markets union is due to be fully functional by the end of 2019. It is aimed at strengthening the role of market-based finance, alongside bank finance, in the EU economy.

Press release on June 2016 Coreper agreement on prospectus rules

Money market funds

The Council confirmed an agreement on a draft regulation on money market funds, aimed at making such products more robust.

It asked the presidency to start talks with the European Parliament.

Money market funds (MMFs) are an important source of short-term financing for companies and government entities. With assets under management of around €1 trillion, they are mainly used to invest excess cash within short timeframes.

The draft regulation is intended to ensure the smooth operation of the short-term funding market, maintaining the essential role that MMFs play in the financing of the economy.

It lays down rules for MMFs, in particular the composition of their portfolios and the valuation of their assets. This will ensure the stability of their structure and guarantee that they invest in well-diversified assets of good credit quality. It introduces common standards to increase the liquidity of MMFs, to make sure they can face sudden redemption requests when market conditions are stressed.

Press release on June 2016 Coreper agreement on money market funds

Markets in financial instruments - Postponement of deadlines

The Council adopted a regulation and a directive enacting a one-year delay to new securities market rules.

The one-year postponement of transposition and application deadlines has become necessary because essential data infrastructures will not be in place on time. It will affect the provision of services for investments in financial instruments and the operation of regulated financial markets.

The postponement was agreed with the European Parliament on 2 May 2016.

June 2016 press release on one-year delay to securities markets rules

Markets in financial instruments - Market abuse - Securities transparency

The Council decided not to object to the following Commission regulations and directive:

– regulation supplementing regulation 596/2014 on market abuse with regard to regulatory technical standards for the appropriate arrangements, systems and procedures for disclosing market participants conducting market soundings (9735/16 + 9030/16);

– regulation supplementing directive 2004/109/EC on securities transparency requirements with regard to regulatory technical standards on access to regulated information at EU level (9726/16 + 9241/16 + ADD 1);

– regulation supplementing directive 2014/65/EU on markets in financial instruments with regard to regulatory technical standards for the ratio of unexecuted orders to transactions in order to prevent disorderly trading conditions (9749/16 + 9164/16 + ADD 1);

– regulation supplementing directive 2014/65/EU on markets in financial instruments as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that directive (9680/16 + 8356/16 + ADD 1);

– directive supplementing directive 2014/65/EU on markets in financial instruments with regard to the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (9681/16 + 7713/16).

These acts are delegated acts pursuant to article 290 of the Treaty on the Functioning of the European Union. They can now enter into force, unless the European Parliament objects.

Code of conduct on business taxation

The Council adopted the following conclusions:

"With regard to the Code of Conduct (Business Taxation), the Council:

– welcomes the progress achieved by the Code of Conduct Group during the Netherlands Presidency as set out in its report (doc. 9912/16 FISC 97 ECOFIN 558);

– welcomes in particular the agreement on the guidance and explanatory notes on hybrid permanent establishment mismatches involving third countries;

– asks the Group to continue monitoring standstill and the implementation of the rollback and invites the Group to continue its work under the Work Package 2015;

– invites the Commission to continue the dialogue with Liechtenstein on the application of the principles of the Code of Conduct, as set out in the report;

– invites the Group to continue to monitor the alignment of the Patent box regimes with the agreed nexus approach;

– invites the Group to report back to the Council on its work during the Slovak Presidency".

Taxation – Report to the European Council

The Council endorsed a six-monthly report to the European Council on tax issues.

Excessive deficit procedure

The Council adopted conclusions on a special report by the European Court of Auditors on the EU's excessive deficit procedure (10054/16).

BUDGETS

Budget surplus 2015

The Council adopted a position accepting draft amending budget no 2 for 2016.

Draft amending budget no 2 seeks to incorporate the budget surplus of 2015 into the revenue side of the EU budget for 2016. The 2015 EU budget closed with a surplus of €1.35 billion. The budgeting of this surplus will reduce member states' contributions to the financing of the 2016 EU budget accordingly.

Promoting a knowledge-based rural economy

The Council adopted the following conclusions on the European Court of Auditors' special report no 12/2015 entitled "The EU priority of promoting knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures":

"THE COUNCIL OF THE EUROPEAN UNION

(1) WELCOMES Special Report No 12/2015 from the European Court of Auditors entitled: "The EU priority of promoting knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures";

(2) NOTES the Court's findings with regard to the provision of knowledge-transfer and advisory activities co-funded through the EU budget for Rural Development (EAFRD) and Member States' own budgets for the programming period 2007-2013;

(3) REAFFIRMS the importance of vocational education and training, skills development, lifelong learning and knowledge transfer for rural development and WILL TAKE DUE ACCOUNT of the Court's recommendations, which are aimed at improving the situation for the current rural-development programming period 2014-2020, such as with regard to the following issues:

- specification and selection of knowledge transfer and advisory services, which correspond to identified knowledge and skills needs of rural operators;

- use of appropriate selection or award criteria in open, fair and transparent competitions, measured as a ratio price/quality, in order to choose the best service providers;

– assessment of the need to support activities, which are readably available on the market at a reasonable price;

– establishment of feedback systems that use monitoring and evaluation information to improve upcoming calls for proposals or tendering procedures;

– promotion of the exchange of good practices in evaluation through the European Network for Rural Development (ENRD);

– coordination in the use of EU funds so as to reduce the risk of double financing and the possible duplication of management structures;

(4) RECALLS the Council's conclusions (doc. 9134/15) based on the Court's Special Report No 22/2014 with regard to effective checks of cost reasonableness and UNDERLINES the aim for a qualitative improvement of controls while striking an appropriate balance between safeguarding the EU's financial interests with the administrative efforts and costs of Member States.

(5) WELCOMES the Commission's intention to update the measure fiche on knowledge-transfer, to carry out information activities in this respect and to promote exchange of good practices on methodological approaches in the context of networking activities."

The cost-effectiveness of rural development support

The Council adopted the following conclusions on the European Court of Auditors' special report no. 20/2015 entitled: "The cost-effectiveness of EU Rural Development support for non-productive investments in agriculture":

"THE COUNCIL OF THE EUROPEAN UNION

(1) WELCOMES Special Report No 20/2015 from the European Court of Auditors entitled: “The cost-effectiveness of EU Rural Development support for non-productive investments (NPIs) in agriculture" in the context of contributing to the environmental objectives of the rural development policy in the 2007-2013 programming period;

(2) WELCOMES the Court's overall conclusion that NPI support contributed to the achievement of environmental objectives linked to the sustainable use of agricultural land, such as landscape and biodiversity protection;

(3) NOTES the Court's findings, however, which suggest certain improvements to be made with the implementation of NPIs in the 2014-2020 programming period, such as:

– to ensure the overall effectiveness of NPI support through applying appropriate selection procedures with the result that unreasonably high or unjustified costs are avoided and that costs do not exceed the costs of similar work on the open market;

– the need to assess the extent to which NPIs are implemented in synergy with other environmental schemes and that this is specifically addressed during the evaluations of the 2014-2020 programming period;

– the need to define specific results indicators for the NPIs to allow for the monitoring and assessment of NPIs contribution to achieving the EU agri-environmental-climate objectives, including in the Member States' annual implementation reports and evaluation plans;

(4) WELCOMES the extensive guidance provided by the Commission for the 2014-2020 programming period to Member States/regions with the aim of ensuring that only the best operations and investments contributing to the programmes' objectives and priorities are selected, giving due account to ensure reasonableness of costs;

(5) ACKOWLEDGES the need for appropriate reporting, monitoring and evaluation of NPI projects, while balancing the administrative efforts required with the relatively low level of funding for NPIs."

EU support for rural infrastructure

The Council adopted the following conclusions on the European Court of Auditors' special report no. 25/2015 entitled: "EU support for rural infrastructure: potential to achieve significantly greater value for money":

"THE COUNCIL OF THE EUROPEAN UNION

(1) WELCOMES Special Report No 25/2015 from the European Court of Auditors entitled: "EU support for rural infrastructure: potential to achieve significantly greater value for money".

(2) WELCOMES the Court's finding that the audited projects delivered their expected physical outputs and contributed positively to the rural areas;

(3) AGREES with the Court, however, that further efforts could be taken to achieve more value-for-money by systematically directing aid towards the most cost-effective projects addressing the objectives set in the Rural Development Programmes (RDPs) and by collecting timely, relevant and reliable information on the projects and measures financed in order to determine the success or otherwise of the measures and to inform further decisions on how to best achieve the objectives set for infrastructure investments in rural areas;

(4) STRESSES THE IMPORTANCE, in line with the Court's recommendations, to follow the value-for-money principles (economy, efficiency and effectiveness), for example by setting selection criteria prioritising the most cost-effective projects, applying sound reference prices and ensuring open, fair and competitive public procurement procedures;

(5) NOTES that the provisions concerning strategic programming of investment priorities and the effective coordination in the use of different funds have been strengthened for the 2014-2020 programming period;

(6) WELCOMES the additional guidance provided by the Commission on eligibility conditions and selection criteria and procedures for the 2014-2020 programming period and NOTES the improvements proposed by the Commission to the monitoring and evaluation systems for the 2014-2020 programming period but UNDERLINES the need to find a balance between the benefits of monitoring and evaluation and the costs and administrative burden related to it."

TRADE POLICY

Information technology agreement

The Council concluded, on behalf of the EU, an international agreement on the expansion of trade in information technology products.

The agreement expands the product coverage of a 1996 agreement to reflect technological developments. It was agreed in Nairobi on 16 December 2015 in the margins of the World Trade Organisation's tenth ministerial conference.

The text commits 50 parties, including the EU's 28 member states, to eliminate tariffs on IT products in four stages over a three-year period ending on 1 July 2019.

Press release on EU approval of the expansion of the information technology agreement

FOREIGN AFFAIRS

Sanctions in response to the illegal annexation of Crimea and Sevastopol

The Council extended the restrictive measures included in decision 2014/386/CFSP in response to the illegal annexation of Crimea and Sevastopol by Russia until 23 June 2017.

For more information, see the press release.

EU–Montenegro Stabilisation and Association Council

The Council prepared the EU's position for the 7th meeting of the Stabilisation and Association Council with Montenegro, to take place in Luxembourg on 20 June 2016.

CUSTOMS UNION

Customs code

The Council adopted conclusions on the follow-up to the EU's customs code (10111/16).

The conclusions provide guidance for continuing work to keep the customs code up to date and able to cope with challenges.

A modernised EU customs code became applicable on 1 May 2016 but further work is planned to refine and fully implement the new rules over a transitional period until 2020.

INDUSTRY

Motor vehicles

The Council approved the conclusion of revision 3 of the agreement of the United Nations Economic Commission for Europe (UNECE) concerning the adoption of uniform technical prescriptions for wheeled vehicles, equipment and parts and the conditions for the reciprocal recognition of approvals ('Revised 1958 Agreement') (13954/15).

Revision 3 of the agreement introduces changes to address the procedures for developing, amending and adopting technical regulations for motor vehicles as well as their implementation by the contracting parties and the conditions for granting type approvals and their mutual recognition.

The revised 1958 agreement is the key instrument setting out the international framework for the harmonisation of technical regulations in the automotive sector.

The Council also adopted a decision aimed at supporting certain amendments to the agreement of the UNECE concerning the adoption of uniform technical prescriptions for wheeled vehicles, which need to be adapted to technical progress. The decision also includes support to:

– four new UN regulations which seek to harmonise safety provisions for the type-approval of brake assist systems, electronic stability control, tyre pressure monitoring systems and tyre installation,

– a new UN global technical regulation to harmonise the measurement procedure for two- or three-wheeled motor vehicles with regard to certain types of emissions, and

– a new special resolution to improve the implementation of the 1998 Global Agreement.

UNECE develops harmonised requirements intended to remove technical barriers to trade in motor vehicles between the contracting parties to the agreement. The EU is a contracting party to the agreement and votes on behalf of the member states.

HEALTH

Illicit trade in tobacco products

The Council approved the conclusion of a protocol to the Framework Convention on Tobacco Control of the World Health Organisation (WHO) aimed at eliminating illicit trade in tobacco products.

For more information see: statement by the European Commission.