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## OUTCOME OF THE COUNCIL MEETING

3366th Council meeting

### Economic and Financial Affairs

Brussels, 27 January 2015

President **Jānis REIRS**  
Minister for Finance of Latvia

# P R E S S

**CONTENTS**<sup>1</sup>**ITEMS DEBATED**

EUROPEAN FUND FOR STRATEGIC INVESTMENTS .....	4
PRESIDENCY WORK PROGRAMME .....	5
COMMISSION WORK PROGRAMME .....	6
ECONOMIC GOVERNANCE - STABILITY AND GROWTH PACT .....	7
PREPARATION OF G20 FINANCE MEETING.....	9
OTHER BUSINESS .....	10
MEETINGS IN THE MARGINS OF THE COUNCIL .....	10

**OTHER ITEMS APPROVED***ECONOMIC AND FINANCIAL AFFAIRS*

– Money laundering and terrorist financing .....	11
– Taxation: Parent-subsidiary directive - Anti-abuse clause .....	11
– European statistics .....	12
– VAT derogation - Romania .....	12
– Statistics: European sample schemes .....	12
– Bank supervision: ECB sanctions.....	13

*FOREIGN AFFAIRS*

– Relations with Georgia and the Republic of Moldova .....	13
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*JUSTICE AND HOME AFFAIRS*

– EU- Ethiopia agenda on migration and mobility .....	13
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<sup>1</sup>

- 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.

*TRADE POLICY*

- EU-South Korea - Tariff rate quota administration ..... 14

*AGRICULTURE*

- Scientific cooperation on food..... 14

*TRANSPORT*

- Marine equipment..... 15

*TRANSPARENCY*

- Public access to documents ..... 15

## **ITEMS DEBATED**

### **EUROPEAN FUND FOR STRATEGIC INVESTMENTS**

The Commission presented a proposal on the establishment of a European fund for strategic investments (EFSI), and ministers held a preliminary exchange of views.

#### [Proposal on the European fund for strategic investments](#)

The presidency announced its intention to return to this issue in February 2015 and to aim for an agreement in March 2015.

The fund is one of the core elements of the Commission's "investment plan for Europe", published in November 2014. It is expected to mobilise at least €15 billion in private and public investment across the EU.

#### [Communication from the Commission on the investment plan](#)

The European Council in December 2014 called for the proposal to be agreed in June to allow for new investments as early as mid-2015.

The EFSI would be built on €16 billion in guarantees from the EU budget and €5 billion in cash from the European Investment Bank. In order to ensure orderly execution of the budget despite potential calls on the guarantee, the proposed regulation provides for the creation of a guarantee fund that would gradually reach €8 billion (i.e. 50% of total EU guarantee obligations) by 2020.

Member states and other third parties would be able to join the EFSI agreement.

The EFSI would enhance risk-bearing capacity, it would support investments, mainly from private sources, in energy, broadband and transport infrastructure, and back risk finance for SMEs. By taking on part of the risk of new projects through a first-loss liability, it is estimated the fund will reach an overall multiplier effect of 1:15 in real investment.

Under the Commission's proposal, the EFSI would have a two-tier governance structure:

- a steering board setting the overall strategy, investment policy and risk profile of the fund;
- an investment committee, accountable to the steering board, that would select the projects receiving EFSI support.

A Council working group has been established to examine the proposal. It held its first two meetings on 19 and 23 January 2015.

## **PRESIDENCY WORK PROGRAMME**

The Latvian presidency presented a work programme on economic and financial matters for the duration of its term, which runs from January to June 2015. The Council held an exchange of views.

### [Presidency work programme for economic and financial affairs](#)

The presidency will continue work aimed at enabling a sustainable economic recovery in Europe. This will involve fiscal responsibility, in line with the EU's Stability and Growth Pact, and initiatives to develop growth. In particular, it will work to implement the first elements of the Commission's "investment plan for Europe" by June 2015, as decided by the European Council in December 2014.

The Council will continue a review of economic governance reforms made in 2011 and 2013. It will undertake a review of the EU's 2020 strategy for growth and jobs. The presidency will ensure a smooth handling of the "European Semester" policy monitoring process, with improvements initiated by the Commission. In March 2015, it will organise a Council debate on implementation of key structural reforms.

Further to decisions taken by the European Council in October 2014, the presidency will continue work towards a stronger, better-functioning and more resilient economic and monetary union.

It will also continue work on financial sector regulations and on measures to prevent tax fraud and tax evasion.

Together with the Commission and the European Central Bank, the presidency will represent the EU at meetings of G20 finance ministers and central bank governors.

It will prioritise work on macro-financial assistance to Ukraine.

## **COMMISSION WORK PROGRAMME**

The Commission presented its work programme for 2015, focusing on economic and financial matters. The Council held an exchange of views.

### [Commission work programme](#)

The work programme emphasises the Commission's intended efforts to boost jobs, growth and investment. As part of its "investment plan for Europe", investments will be mobilised through a new European fund for strategic investments. Additionally, the Commission proposes to double the use of innovative financial instruments to increase the impact of the EU's structural and investment funds for the 2014-20 period. It will also present proposals to improve the business environment by removing regulatory and non-regulatory barriers to investment and further strengthen the EU's single market.

For financial services, the Commission will seek to complete and implement the current overhaul of the regulatory framework, including the new rules on bank supervision and bank resolution. It will examine how the single market for retail financial services can deliver more benefits to consumers.

The Commission announces an action plan to build a capital markets union. In the short term, it will propose a framework for high-quality securitisation and consider how to extend successful private placement schemes. It will also review the prospectus directive with a view to reducing administrative burdens on SMEs.

Regarding economic and monetary union, the Commission is developing proposals that will involve further steps towards pooled sovereignty in matters of economic governance. There will also be actions to reinvigorate social dialogue at all levels.

The Commission will step up efforts to combat tax evasion and tax fraud and promote tax fairness and tax transparency. It will set out an action plan and promptly submit an early proposal on the automatic exchange of information on cross-border tax rulings. Work also continues in relation to VAT.

## **ECONOMIC GOVERNANCE - STABILITY AND GROWTH PACT**

The Council discussed two communications from the Commission dealing with the EU's fiscal and economic rules.

### Economic governance review

The first provides a review of reforms made in 2011 and 2013 to the EU's economic governance rules (the so-called six-pack and two-pack).

### [Commission communication on the review](#)

The discussion on this was inconclusive. The Council therefore called for more technical discussion in order to organise work on the further improvement of fiscal surveillance.

The communication assesses to what extent the new rules have been effective in achieving their objectives. It confirms that the rules have significantly strengthened the EU's economic governance framework. It also reveals scope for improved transparency and simplified policymaking, and for a better impact on growth, imbalances and convergence.

The 2011 and 2013 reforms strengthened fiscal rules and processes under the Stability and Growth Pact and introduced a macroeconomic imbalances procedure.

The aim was to:

- achieve closer coordination of fiscal and economic policies;
- enable a sustained convergence of the economic performances of the member states;
- ensure transparency, credibility and democratic accountability.

[Press release on the 2011 reform](#)

[Press release on the 2013 reform](#)

## Flexibility under the Stability and Growth Pact

In the second communication, the Commission sets out how it intends to make the best use of flexibility within the existing rules of the Stability and Growth Pact.

### [Commission communication on flexibility](#)

The discussion focused on the so-called structural reform clause and investment clause. The Council welcomed the Commission's effort to provide greater clarity in these areas. It called on the Economic and Financial Committee to continue discussing the communication.

The Commission's communication covers three main elements:

- Structural reforms. Member states will be granted conditional flexibility under the preventive arm of the pact in relation to structural reforms. They will be allowed temporary deviations of up to 0.5% of GDP from the fiscal adjustment paths leading to their medium-term budgetary objectives. This on condition that the reforms are major, that they are implemented, and that they have verifiable long-term budgetary benefits. Similarly, when opening an excessive deficit procedure (corrective arm of the pact), the Commission may recommend a later deadline for correction of the deficit. When the member state is already subject to an excessive deficit procedure, it may recommend an extension of the deadline.
- Public investments. The communication clarifies flexibility that was already granted in the past under the preventive arm of the pact. Member states are allowed temporary deviations from their fiscal adjustment paths. This on condition that: (a) GDP growth is negative or the output gap greater than 1.5% of GDP; (b) the deviation does not lead to the 3% of GDP limit being breached and a safety margin is preserved; (c) investment levels are increased as a result; (d) eligible investments are co-funded by EU programmes; (e) the deviation is compensated within the timeframe of the member state's fiscal programme (stability or convergence programmes). Additionally, member state contributions to the European fund for strategic investments (see separate item above) will not be counted when defining a fiscal adjustment under either the preventive or the corrective arm of the pact. Nor will funds provided to co-finance EFSI projects.
- Cyclical conditions. Under the preventive arm of the pact, the Commission will be more responsive to the economic cycle of a member state. It will use a more complex method to specify its fiscal adjustment path, depending on whether it is in good or in difficult economic times. Under the excessive deficit procedure (corrective arm of the pact), in line with past practice, the Commission will distinguish as much as possible those budgetary developments attributable to government control from those linked to an unexpected decline in economic activity.

The Stability and Growth Pact is aimed at ensuring that fiscal discipline is maintained in the member states. It sets reference values of 3% of GDP for annual budget deficits and 60% of GDP for public debt.



## **PREPARATION OF G20 FINANCE MEETING**

The Council endorsed EU terms of reference for a meeting of G20 finance ministers and central bank governors in Istanbul on 9 and 10 February 2015.

The terms of reference are a common position for EU representatives and those member states that participate in the G20. The Istanbul meeting is expected to cover six topics:

- the global economy,
- the framework for growth;
- investment and infrastructure;
- international financial architecture;
- financial regulation;
- taxation issues.

Turkey chairs the G20 from December 2014 to November 2015. The 2015 G20 summit will be held in Antalya on 15 and 16 November.

## **OTHER BUSINESS**

The Council, under "other business", took note of ongoing work on financial services dossiers.

## **MEETINGS IN THE MARGINS OF THE COUNCIL**

### - *Eurogroup*

Ministers of the euro area member states attended a meeting of the Eurogroup. They discussed the changeover to the euro in Latvia, the situation in Greece, the main findings of an IMF interim mission to the euro area, and the Commission's assessment of Latvia's draft budgetary plan for 2015.

### - *Ministerial breakfast meeting*

Ministers held a breakfast meeting to discuss the economic situation. They also discussed financial assistance to Ukraine and measures to stop the financing of terrorist organisations.

## **OTHER ITEMS APPROVED**

### **ECONOMIC AND FINANCIAL AFFAIRS**

#### **Money laundering and terrorist financing**

The Council endorsed an agreement with the European Parliament on new rules to prevent money laundering and terrorist financing.

[Draft directive on the prevention of money laundering and terrorist financing](#)

[Draft regulation on information accompanying transfers of funds](#)

Agreement with the Parliament was reached by the presidency in December 2014. Approval of that outcome paves the way for adoption of the package at second reading.

Following the recent terrorist attacks in Paris, the Council and the Commission agreed a statement highlighting the need to take decisive actions against terrorist financing.

To enhance the efficiency of the new rules, the statement calls for further efforts towards:

- speeding up national implementation of those rules;
- strengthening cooperation on terrorist financing between the member states' financial intelligence units;
- addressing terrorist financing risks via the EU's supranational risk assessment.

[Statements for the minutes](#)

#### **Taxation: Parent-subsidiary directive - Anti-abuse clause**

The Council amended the EU's parent-subsidiary directive, adding a binding anti-abuse clause to prevent tax avoidance and aggressive tax planning by corporate groups.

The aim is to stop the parent-subsidiary directive from being misused for the purposes of tax avoidance, and to achieve greater consistency in its application in different member states. The anti-abuse clause will prevent member states from granting the benefits of the directive to arrangements that are not "genuine", i.e. that have been put into place to obtain a tax advantage without reflecting economic reality.

[Press release](#)

## **European statistics**

The Council approved an agreement reached with the European Parliament on new rules aimed at ensuring the quality and reliability of EU statistics.

The draft regulation, amending regulation 223/2009, is intended to help policymakers take decisions on the basis of better statistics. It amends the legal framework for EU statistics, strengthening governance of the European statistical system.

[Press release](#)

## **VAT derogation - Romania**

The Council adopted a decision authorising Romania, by way of derogation from articles 26(1)(a) and 168 of directive 2006/112/EC on VAT, to continue to limit to 50 % the right to deduct VAT:

- as regards the purchase, intra-EU acquisition, importation, hire and lease of motorised road vehicles;
- on expenditure related to such vehicles, including fuel, when the vehicles are not used exclusively for business purposes.

The derogations will apply until 31 December 2017. The decision extends an earlier decision that expired on 31 December 2014; it will apply retroactively from 1 January 2015.

## **Statistics: European sample schemes**

The Council decided not to object to the adoption by the Commission of a regulation amending an annex to regulation 657/2007 on the transmission of data by member states participating in European sample schemes for short-term statistics.

Regulation 657/2007 implements the EU's common framework for the production of short-term European statistics on the business cycle.

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

## **Bank supervision: ECB sanctions**

The Council adopted a regulation proposed by the European Central Bank adjusting the powers of the latter to impose sanctions in the light of its new tasks as the single supervisor for euro area banks.

### [Regulation adjusting the ECB's powers to impose sanctions](#)

The regulation adapts the framework set out in regulation 2532/98 for the purposes of monetary policy, establishing a regime for the imposition of sanctions by the ECB relating to the performance of its supervisory tasks under the single supervisory mechanism (regulation 1024/2013).

## **FOREIGN AFFAIRS**

### **Relations with Georgia and the Republic of Moldova**

The Council approved EU positions within the sanitary and phytosanitary, customs and geographical indications sub-committees that are being set up under the EU's association agreements with Georgia and the Republic of Moldova.

The positions concern adoption of the committees' rules of procedure. The association agreements were signed in June 2014.

## **JUSTICE AND HOME AFFAIRS**

### **EU- Ethiopia agenda on migration and mobility**

The Council took note of the text of the draft joint declaration for the establishment of a common agenda on migration and mobility to be negotiated with Ethiopia.

The common agenda is a new framework which the EU and its member states may use along existing lines, in particular that used for mobility partnerships, to develop cooperation on migration with partner countries.

### [Commission communication: "Global approach to migration and mobility"](#)

## **TRADE POLICY**

### **EU-South Korea - Tariff rate quota administration**

The Council approved a draft decision of the EU-Korea committee on trade in goods on the adoption of rules for tariff rate quota administration and implementation.

The Council decision establishes the EU's position within the committee on trade in goods set up by the free trade agreement with South Korea.

## **AGRICULTURE**

### **Scientific cooperation on food**

The Council adopted a directive repealing directive 93/5/EEC on assistance to the Commission and cooperation by the member states in the scientific examination of questions related to food.

#### [Text of the directive](#)

Directive 93/5/EEC was adopted to ensure the smooth running of the scientific committee on food. It promotes scientific support from the member states and organises cooperation with national bodies on scientific issues regarding the safety of foodstuffs.

Scientific tasks entrusted to the scientific committee on food were transferred to the European Food Safety Agency following the latter's creation in 2002, and the scientific committee of food was repealed. Directive 93/5/EEC has therefore also become obsolete.

## **TRANSPORT**

### **Airworthiness: additional specifications**

The Council decided not to oppose adoption by the Commission of a regulation on additional airworthiness specifications for a given type of operations and amending regulation 965/2012.

#### [Text of the regulation](#)

#### [Annexes to the regulation](#)

Additional airworthiness specifications refer to specifications to be implemented after the initial issuance of a type-certificate in the interest of safety. They apply to aircraft registered in a member state or in a third country and used by an operator for which a member state ensures oversight.

The draft regulation is subject to the regulatory procedure with scrutiny. The Commission may now adopt it, unless the European Parliament objects.

### **Marine equipment**

The Council decided not to oppose adoption by the Commission of a directive updating technical aspects of a 1996 directive on marine equipment.

[Text of the directive](#)

[Annex to the directive](#)

The update incorporates amendments to international conventions and testing standards, and adapts lists of equipment contained in the directive's annexes to take account of new standards adopted by the International Maritime Organisation and European standardisation organisations.

The draft directive is subject to the regulatory procedure with scrutiny. The Commission may now adopt it, unless the European Parliament objects.

### **TRANSPARENCY**

#### **Public access to documents**

On 27 January 2015, the Council approved:

- the reply to confirmatory application No 40/c/01/14 ([17091/14](#))