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OUTCOME OF THE COUNCIL MEETING

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Economic and Financial Affairs

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President **Mr Jānis Reirs**
Minister for Finance of Latvia

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- 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.

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ITEMS DEBATED

EUROPEAN FUND FOR STRATEGIC INVESTMENTS

The Council discussed a proposal for a regulation on a European fund for strategic investments (EFSI).

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

The presidency briefed the Council on work being carried out on the proposal within a technical expert working group. It confirmed its intention for the Council to reach agreement in March 2015. To achieve this, work will continue in the coming days in light of comments made by ministers.

The Council broadly supported the approach outlined by the presidency on certain key issues:

- Review clause. The presidency proposes that a review take place after the first few years of operation, on the basis of an independent assessment, to determine whether the EFSI should be made a permanent instrument;
- Redeployment of EU funds to finance the EFSI. The presidency proposes that no change be made to the Commission's proposal on this point;
- Governance structure. Delegations supported a lean governance structure ensuring an independent decision-making process.

The EFSI would be established within the European Investment Bank by an agreement between the Commission and the EIB. Member states and other third parties would be able to join the EFSI agreement by means of capital contributions. The Commission has indicated that it would take a favourable attitude towards such contributions when assessing member states' public finances under EU fiscal rules.

The fund would be built on €16 billion in guarantees from the EU budget and €5 billion in cash from the EIB. To facilitate the payment of potential guarantee calls, a guarantee fund would be established that would gradually reach €8 billion (i.e. 50% of total EU guarantee obligations) by 2020. EU funding would mostly come from diverting grants from the Horizon 2020 programme (research and innovation) and the Connecting Europe facility, as well as unused margins in the budget.

The EFSI would enhance risk-bearing capacity. By taking on part of the risk of new projects through a first-loss liability, the fund would attract private investors who would join under more favourable conditions. Thereby the EFSI is estimated to reach an overall multiplier effect of 1:15 in real investment.

The fund would be active in a broad range of areas, including transport, energy and broadband infrastructure, education, health, research and risk finance for SMEs.

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

- a steering board would set the overall strategy, investment policy and risk profile of the fund. Its members would be appointed by the contributors of risk-bearing capacity with voting power proportional to the size of contributions. This is still under discussion in the Council;
- an investment committee would select projects to receive EFSI support. Accountable to the steering board, it would consist of a managing director and six independent market experts.

Any project supported by the EFSI would require approval by the EIB.

The regulation requires a qualified majority for adoption by the Council, after consulting the European Parliament. (Legal basis: articles 172, 173, 175(3) and 182(1) of the Treaty on the Functioning of the EU.)

The European Council in December 2014 called for an agreement to be reached between the European Parliament and the Council in June. This would allow for new investments as early as mid-2015.

The EFSI 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](#)

ECONOMIC GOVERNANCE

- *Annual growth survey*
- *Macroeconomic imbalances*

The Council considered growth prospects and macroeconomic imbalances under the "European Semester", the EU's annual policy monitoring process.

It adopted conclusions regarding two documents from the Commission:

- The annual growth survey, highlighting the Commission's main conclusions for 2015;
- An "alert mechanism report", marking the starting point of the EU's annual macroeconomic imbalances procedure.

[Council conclusions on the 2015 annual growth survey and alert mechanism report](#)

The 2015 European Semester will conclude in July, with the adoption of country-specific recommendations on the member states' economic, employment and fiscal policies.

The annual growth survey recommends for 2015:

- a coordinated boost to investment, with the Commission's €15 billion action plan (see page 4);
- a renewed commitment to structural reforms, to enable countries to grow out of debt and stimulate the creation of more and better jobs;
- pursuing fiscal responsibility, to secure control over deficit and debt levels in the long term.

The alert mechanism report identifies 16 member states for which further assessment is needed to determine whether macroeconomic imbalances exist: Belgium, Bulgaria, Croatia, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands, Portugal, Romania, Slovenia, Spain, Sweden and the United Kingdom.

For these, the Commission is due to publish in-depth reviews at the end of February 2015.

FOLLOW-UP TO G20 MINISTERIAL MEETING IN ISTANBUL

The presidency and the Commission reported on a meeting of G20 finance ministers and central bank governors in Istanbul on 9 and 10 February 2015.

The Council asked the Economic and Financial Committee to prepare G20 and IMF meetings to be held in Washington, D.C., on 16-19 April 2015.

Discussions at the Istanbul meeting covered six main topics: the global economy, the framework for growth, investment and infrastructure, international financial architecture, financial regulation and taxation issues.

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

EU BUDGET - DISCHARGE FOR 2013

The Council recommended the European Parliament to give a discharge to the Commission for implementation of the 2013 EU budget. This recommendation was prepared on the basis of the Court of Auditors' annual report.

The Council recalled the particular importance that better spending and sound financial management of EU funds have for the public perception of actions financed from the EU budget. It noted that the error rate for payments in 2013 remained relatively stable compared to the previous year. However, it regretted that the EU budget continues to be affected by an error rate above the materiality threshold of 2%. At the same time, the Council recalled that the error rate is not a measure of fraud, inefficiency or waste of funds.

The Council recognised the efforts made by the Commission and member states to implement the Court of Auditors' recommendations of previous years to improve the management and control of EU funds.

It noted that policies for which management is shared by the Commission and the member states remain more affected by error than policies directly managed by the Commission. The Council regretted that for an important part of the transactions under shared management affected by error, national authorities had enough information to detect and correct the errors concerned. It called on the Commission to continue exercising its supervisory role and to provide guidance to member states in order to ensure that spending is in line with the rules.

As far as the funds directly managed by the Commission are concerned, the Council regretted the recurrent increase in the error rate for most policies. It urged the Commission to continue improving its control system.

Some delegations emphasised the importance of member states taking full responsibility for maintaining - and where necessary improving - effective and efficient control mechanisms to manage EU funds at national level.

[Council recommendation on the discharge of the 2013 budget](#)
[Court of Auditors Annual Report for the financial year 2013](#)
[Note on the draft Council recommendation](#)

The Council's recommendation serves as the basis for the European Parliament's decision on a discharge to the Commission. This is in line with article 319 of the Treaty on the Functioning of the European Union.

The Council also adopted recommendations on the discharge to be given to the directors of 32 EU agencies, six EU executive agencies and seven joint undertakings for implementation of their 2013 budgets. In accordance with the EU's budgetary discharge procedure, the recommendations will now be submitted to the European Parliament. The President of the Council is due to present them to the European Parliament's Committee on Budgetary Control on 23 February.

[Council 2013 discharge recommendation to the agencies](#)

[Council 2013 discharge recommendation to the executive agencies](#)

[Council 2013 discharge recommendation to the joint undertakings](#)

EU BUDGET - GUIDELINES FOR 2016

The Council adopted conclusions setting its priorities for the 2016 EU budget. They will guide the presidency in negotiations with the European Parliament.

The 2016 budget will be the third in the EU's 2014-20 financial programming period. The conclusions emphasise the need to maintain budgetary discipline at all levels, given that budgetary constraints remain in many member states. They call for a balance to be struck between fiscal consolidation and investments to boost growth. Such a balance could be achieved through the prioritisation of objectives and the allocation of resources to measures that contribute the most to those aims.

From the Council's point of view, commitments and payments should be kept under strict control, taking into account real needs. At the same time, the payments level in the 2016 budget should notably reflect the commitments made during the previous programming period 2007-2013 and the expected needs for programmes relating to the period 2014-2020.

The Council took note of the decreasing amount of outstanding commitments, commonly known under their French acronym "RAL" (reste à liquider), and asked the Commission to carefully monitor these amounts. According to the Commission the level of "RAL" amounted to €189 billion at the end of 2014, compared to around €222 billion at the end of 2013.

[Council conclusions on priorities for the 2016 budget](#)

EU BUDGET - OWN RESOURCES

The Council took note of the first assessment report of a high-level group on own resources. The report was presented by the group's chairman, Mario Monti.

The high-level group on own resources was set up as part of a political agreement on the multiannual financial framework 2014-2020. It is tasked with reviewing the EU's current own resources system by 2016 with a view to making it simpler, more transparent, more equitable and more democratically accountable from 2021 onwards. The group meets at least once every 6 months.

National parliaments will be invited to an interinstitutional conference in 2016 to assess the outcome of the group's work. On the basis of the results of this work, the Commission will assess whether new own resources initiatives are appropriate for the period after 2020.

[First assessment report of the high-level group on own resources](#)

OTHER BUSINESS

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

MEETINGS IN THE MARGINS OF THE COUNCIL

- *Macroeconomic dialogue with the social partners*

A dialogue on macroeconomic issues was held on 16 February between:

- on the one hand the social partners, namely employers and trade unions at EU level and representatives of public enterprises and SMEs;
- on the other hand the Council presidency troika, the Commission, the European Central Bank, the president of the Eurogroup and the chairpersons of the Economic and Financial Committee and the Economic Policy Committee.

The dialogue focused on the priorities of the Latvian presidency, the economic situation and outlook, and the various policy responses.

- *Eurogroup*

Ministers of the euro area member states attended a meeting of the Eurogroup on 16 February. They discussed the way forward for Greece, considering the forthcoming expiry of the country's current economic adjustment programme. They gave political endorsement to Portugal's request to make an early repayment of a portion of its loans from the IMF. They discussed the economic situation in the euro area, in the light of the Commission's winter forecast, as well as Cyprus' economic adjustment programme. They were also briefed on the results of the EU summit on 12 February 2015 in relation to EU economic and monetary union.

- *EIB governors meeting*

Ministers met in their capacity as governors of the European Investment Bank for the an EIB governors' meeting. They discussed a Commission-EIB partnership for jobs, growth and investment.

- *Ministerial breakfast meeting*

Ministers held a breakfast to discuss the economic situation in the light of the Commission's winter economic forecast. They also discussed Portugal's plans for early repayment of IMF loans and financial assistance to Ukraine.

OTHER ITEMS APPROVED

BUDGETS

Revision of the multiannual financial framework 2014-2020*

The Council confirmed an agreement in principle reached by the Permanent Representatives Committee on 13 February 2015 on a revision of the EU's multiannual financial framework (MFF) for 2014-2020.

[Draft regulation of February 2015 amending the MFF](#)

[Statements on the February 2015 draft regulation amending the MFF](#)

The aim of the revision is to allow the EU to transfer €1.1 billion of unused commitments for certain funds from 2014 to subsequent years. This allows for the preservation of commitments needed to support a number of EU programmes which could not be adopted in 2014. It also makes it possible to adopt and implement the outstanding programmes.

The revised MFF regulation will be adopted by the Council once it has obtained the consent of the European Parliament. The revision of the MFF will be accompanied by the adoption of draft amending budget no. 2 translating the MFF revision into budgetary terms by increasing the commitments in the 2015 budget by €16.5 billion.

[Press release on the Council agreement on February 2015 draft regulation amending the MFF](#)

ECONOMIC AND FINANCIAL AFFAIRS

Own funds requirements

The Council decided not to object to the adoption by the Commission of a regulation supplementing the so-called capital requirements regulation ("CRR") 575/2013 with regard to regulatory technical standards for own funds requirements for institutions.

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.

The delegated act specifies whether and when multiple distributions would create a disproportionate drag on capital. It also clarifies the meaning of preferential distributions, namely preferential rights to payments of distributions and order of payments of distribution. The delegated act amends an earlier one (241/2014).

FOREIGN AFFAIRS

EU special representative for human rights

The Council extended the mandate of the EU special representative for human rights, Stavros Lambrinidis, until 28 February 2017.

A budget of €788 000 has been allocated for his activities from 1 March 2015 to 28 February 2016.

Organisation for the Prohibition of Chemical Weapons

The Council allocated €2.5 billion in support of the Organisation for the Prohibition of Chemical Weapons (OPCW).

The funds will go towards the promotion of the full implementation of the convention on the prohibition of the development, production, stockpiling and use of chemical weapons. They will also support activities enhancing the preparedness of states to prevent and respond to attacks involving toxic chemicals, international cooperation, and the ability of the OPCW to adapt to technological developments.

DEVELOPMENT POLICY

European Development Fund

The Council adopted recommendations regarding the discharge to be given by the European Parliament to the Commission in respect of the implementation of operations under the eighth, ninth and tenth European Development Funds for the financial year 2013.

[Recommendations concerning the eighth European Development Fund](#)

[Recommendations regarding the ninth European Development Fund](#)

[Recommendations on the tenth European Development Fund](#)

EUROPEAN ECONOMIC AREA

Rules of origin - Croatia

The Council approved the position to be adopted, on behalf of the EU, in the European Economic Area joint committee concerning an amendment to protocol 4 of the EEA agreement.

The amendment of protocol 4 on rules of origin is needed to reflect that Croatia has become a party to the EEA agreement.

[Council February 2015 decision on amendment to protocol 4 of the EEA agreement](#)

Rules of origin - Euro-Mediterranean rules on the origin of goods

The Council approved the position to be adopted, on behalf of the EU, in the European Economic Area joint committee on the replacement of protocol 4 of the EEA agreement.

[Council February 2015 decision on replacement of protocol 4 of the EEA agreement](#)

The decision involves replacing protocol 4 with a new protocol that is aligned to a regional convention on pan-Euro-Mediterranean preferential rules of origin. The regional convention lays down provisions on the origin of goods traded under relevant agreements.

FOOD LAW

Food additives

The Council decided not to oppose the adoption of the following four Commission regulations:

- a regulation amending the specifications for the food additive polyvinyl alcohol (E 1203);
- a regulation authorising the use of L-leucine as a carrier (tableting aid) for table-top sweeteners in tablets and to assign E 641 to that food additive;
- a regulation extending the use of aluminium lakes of cochineal, carminic acid, carmines (E 120) in dietary foods for special medical purposes which are not intended for infants and young children;
- a regulation increasing the maximum permitted level of benzoic acid – benzoates (E 210 - 213) in cooked shrimps in brine.

[Commission January 2015 draft regulation on specifications for E 1203](#)

[Commission January 2015 draft regulation on the use of E 641](#)

[Commission January 2015 draft regulation on the use of E 120](#)

[Commission January 2015 draft regulation on E 210-213](#)

The draft regulations are subject to the so called regulatory procedure with scrutiny. The Commission may now adopt them, unless the European Parliament objects.

TRANSPORT

Civil aviation aircrew

The Council decided not to oppose adoption by the Commission of a regulation amending regulation 1178/2011 as regards technical requirements and administrative procedures related to civil aviation aircrew.

The changes address, amongst other things, certain requirements that member states and general aviation stakeholders have found to be disproportionate.

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

[Commission December 2014 draft amending regulation on civil aviation aircrew](#)

[Annexes 1 to 5 of Commission December 2014 draft amending regulation on civil aviation aircrew](#)

INTERNAL MARKET

Motor vehicles - Type-approval for emergency breaking systems

The Council decided not to oppose the adoption by the Commission of an amendment to regulation 347/2012 with respect to type-approval requirements for certain vehicles with regard to advanced emergency braking systems (AEBS).

Regulation 347/2012 lays down procedures, tests and requirements for the type-approval of motor vehicles with regard to AEBS, and provides for the implementation of those requirements in two stages. As part of the first stage, certain new vehicle types were to be subject, as of 1 November 2013, to approval level 1. As part of the second stage, those vehicles that had not been subject to approval level 1, would be required to obtain approval level 2, entailing compliance with further and more extensive requirements. Approval level 2 will be implemented as of 1 November 2016 for new vehicle types.

The amendment is a draft delegated act. The Commission may now adopt it, unless the European Parliament objects.

ENVIRONMENT

Waste

The Council decided not to oppose the adoption by the Commission of an amendment to directive 2008/98/EC on waste.

[Commission December 2014 draft directive on waste](#)

The amendment is a draft implementing act. The Commission may now adopt it, unless the European Parliament objects.

RESEARCH

EU-Ukraine - Science and technology cooperation agreement

The Council decided to renew for five years an agreement with Ukraine on cooperation in science and technology.

The agreement entered into force in February 2003 and is renewable every five years.

The European Parliament gave its consent to the renewal of the agreement in December 2014.