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Economic and Financial Affairs

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P R E S S

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 • Documents for which references are given in the text are available on the Council's internet site (<http://www.consilium.europa.eu>).
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ITEMS DEBATED

European Semester

The Council adopted the following texts related to the 2020 European Semester economic policy coordination process:

- [conclusions on the annual sustainable growth strategy for 2020](#)
- [conclusions on the "alert mechanism report 2020"](#), marking the starting point of the annual macroeconomic imbalances procedure (MIP)
- a [Council recommendation on the economic policies of the euro area](#)

The recommendation will be formally adopted by the **European Council** at its March meeting.

The 2020 European Semester will conclude in July with the adoption of country-specific recommendations.

Annual sustainable growth strategy

The Commission's [report](#) is the starting point for the 2020 European Semester. It outlines the most pressing priorities on which the EU and the member states should focus in the economic and social field.

The report replaces the 'annual growth survey' as of this year, setting out a new strategy on how to address not only the short-term economic challenges but also the longer-term ones. These include the transition to a sustainable and inclusive economy, technological progress, sustainable solutions and demographic change, in line with the priorities set out in the European green deal.

For 2020, the Commission notes that the European economy is in its seventh consecutive year of growth and is forecast to continue expanding, although at a more moderate pace.

Alert mechanism report

The Commission's [report](#) identifies 13 member states that may have a macroeconomic imbalance and should be subject to in-depth review in 2020.

They are Bulgaria, Croatia, Cyprus, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Romania, Spain and Sweden.

Each of these member states was subject to a review in the previous annual MIP cycle and was found to experience imbalance or excessive imbalance. The new reviews will help to assess whether those imbalances are being corrected.

Recommendation on the economic policies of the euro area

This annual recommendation is a key part of the European Semester. It enables a focus on euro-area priorities when preparing country-specific recommendations in the spring.

In line with the new economic strategy, this year's recommendation has a stronger focus on tackling long-term challenges such as climate change, deteriorating demographics and technological transformation.

The Commission also recommends that all member states improve productivity, further deepen the single market and support a fair and inclusive transition towards a competitive, green and digital economy. It also calls for the strengthening of education and training systems and increased investment in skills.

On the fiscal side, the Commission puts the focus on differentiation: members with high levels of debt need to put debt on a sustainable downward path and those with a favourable fiscal position should use it to further boost high quality investments.

Finally, the Commission calls for ambitious progress in deepening the economic and monetary union, by completing the banking and capital markets union, with a view to strengthening the international role of the euro and Europe's economic sovereignty.

[Council timeline of the 2020 European Semester exercise](#)

Economic governance review

The Commission presented its [communication](#) on the review of EU economic governance published on 5 February.

The review assesses how effective the economic surveillance framework has been in achieving the following objectives:

- ensuring sustainable government finances and economic growth, as well as avoiding macroeconomic imbalances
- enabling closer coordination of economic policies
- promoting convergence in member states' economic performance

The cornerstones of the current setup are the six-pack and two-pack legislations, adopted respectively in 2011 and 2013 to address the vulnerabilities exposed by the economic and financial crises. The economic context has evolved materially since the rules were established. The European economy has experienced seven years of consecutive growth. No member state is now subject to the corrective arm of the Stability and Growth Pact, the 'excessive deficit procedure', compared to 24 member states in 2011.

The Commission is legally required to report on the application of existing rules and has chosen the start of the new political cycle to assess the effectiveness of the current framework for economic and fiscal surveillance.

The Commission has not made a legislative proposal, instead presenting its analysis as a starting point for a public debate, of which it will take stock by the end of 2020. Based on the results, it may consider submitting further initiatives.

The review finds that the surveillance framework has supported the correction of existing macroeconomic imbalances and the reduction of public debt. This, in turn, has helped to create the conditions for sustainable growth, strengthened resilience and reduced vulnerabilities to economic shocks. It has also promoted sustained convergence of member states' economic performances and closer coordination of fiscal policies within the euro area.

However, the review also notes that public debt remains high in some member states and that national fiscal stances have frequently been pro-cyclical. Moreover, the composition of public finances has not become more growth-friendly, with member states consistently opting to increase current expenditure rather than to protect investment. In addition, the review finds that the fiscal framework has become excessively complex as a result of the need to cater for a wide variety of evolving circumstances while pursuing multiple objectives. This complexity means that the framework has become less transparent and predictable, which hampers communication and political ownership.

The Commission has proposed a phase of consultations with a wide range of stakeholders on how to improve the current EU fiscal framework, with a particular focus on:

- ensuring sustainable public finances in all member states and helping to eliminate existing macroeconomic imbalances and avoid new ones arising
- ensuring responsible fiscal policies that safeguard long-term sustainability, while allowing for short-term stabilisation
- incentivising member states to undertake key reforms and investments needed to help tackle the economic, social and environmental challenges of today and tomorrow while preserving safeguards against risks to debt sustainability
- simplifying the EU framework and improving the transparency of its implementation
- ensuring effective enforcement, including the role of pecuniary sanctions, reputational costs and positive incentives
- strengthening national fiscal frameworks and improving their interaction with the EU fiscal framework

Preparation of February G20 meetings

The Council discussed preparations for the EU's participation in G20 meetings on 20-23 February 2020 in Riyadh (Saudi Arabia). Ministers approved the G20 EU terms of reference for this meeting.

Finance ministers and central bank governors will meet on 22 and 23 February. The meeting will feature discussions on the global economy, enhancing access to opportunities, financial resilience and development, infrastructure investment, international taxation and financial sector issues.

The G20 meeting of finance ministers and central bank governors provides a forum for key countries in the international financial system to discuss major international economic issues and to coordinate to achieve the stable and sustainable growth of the global economy. The meeting has been convened annually since 1999.

The participants in the meeting are: finance ministers and central bank governors of the G20 members (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the EU), representatives of international organisations including the IMF and the World Bank, and representatives of invited countries. The EU delegation is composed of the finance minister of the EU Council presidency, the European Commission and the president of the European Central Bank.

Saudi Arabia currently holds the G20 presidency. It will focus discussions, forums, working groups and ministerial meetings on the theme of 'realising opportunities of the 21st century for all'. The G20 leaders' summit is scheduled to take place on 21 and 22 November 2020 in Riyadh.

[Website of Saudi Arabia's 2020 G20 presidency](#)

EU budget

2021 EU budget guidelines

The Council adopted guidelines for the 2021 EU budget. The guidelines will serve as input for the Commission when it prepares the draft EU budget for 2021, which will be submitted for negotiations between the European Parliament and the Council.

The guidelines underline that the budgetary procedure for 2021 will be the first of the 2021-2027 programming period. In this regard, the budget will play an important role in the development and delivery of the EU's objectives and priorities.

The Council considers that the next budget should ensure prudent budgeting and leave sufficient margins under the ceilings to deal with unforeseen circumstances. At the same time, sufficient resources should be allocated to implementing the EU programmes and actions that contribute most towards achieving EU policies. In addition, the budget should allow commitments already made under the current MFF to be paid in due time, in order to avoid any unpaid claims.

[Council conclusions on the budget guidelines for 2021](#)

Budget discharge

Ministers recommended that the European Parliament grant discharge to the Commission for implementation of the 2018 EU budget. The recommendation was prepared on the basis of the Court of Auditors' annual report on the implementation of the budget, published in October 2019.

The estimated level of error in payments from the EU budget increased slightly in 2018 (2.6%) compared to 2017 (2.4%). Nevertheless, for 2018, for the third time in a row, the Court issued a qualified (rather than an adverse) opinion on payments from the EU budget. This means that a significant part of the audited expenditure was not affected by a material level of error (error rate is below the materiality threshold of 2%). And as for each year since 2007, the Court gave a clean opinion on the reliability of the accounts.

[Council recommendation on the 2018 budget discharge](#)

The Council also adopted recommendations on the discharge to be given to the directors of 32 EU 'decentralised' agencies, six executive agencies and eight joint undertakings for the implementation of their 2018 budgets. These recommendations follow the Court's 2018 annual reports on EU agencies and joint undertakings. The Council adopted these recommendations by qualified majority (legal basis: article 319 of the Treaty on the Functioning of the European Union).

[Court of Auditors report on management of the EU's general budget for 2018](#)

[Draft Council recommendation on 2018 discharge to the decentralised agencies](#)

[Draft Council recommendation on 2018 discharge to the executive agencies](#)

[Draft Council recommendation on 2018 discharge to the joint undertakings](#)

Other business

– *Current legislative proposals on financial services*

The presidency updated ministers regarding work on legislative proposals in the field of financial services.

[February 2020 progress report on financial services legislative proposals](#)

– *Opening of an excessive deficit procedure for Romania*

The Commission informed ministers of its report adopted on 14 February under article 126(3) of the Treaty on the Functioning of the EU in which it reviews Romania's compliance with the deficit criterion of the Treaty. The report concludes that Romania is not compliant with the deficit criterion and that the opening of an excessive deficit procedure is therefore warranted.

As a next step, the Economic and Financial Committee is expected to formulate its opinion on the report within the next two weeks.

[Commission report on Romania under Article 126\(3\) TFEU](#)

Events in the margins of the Council meeting

– *Eurogroup/Eurogroup in inclusive format*

Ministers of the euro-area member states attended a meeting of the Eurogroup on 17 February.

They discussed the Commission's priorities for the economic and monetary union, the euro-area-related issues of the economic governance review, the economic situation in the euro area and the 2020 euro-area economic policy recommendation. Ministers also held a thematic discussion on the tax wedge on labour and took stock of the 12th post-programme surveillance mission to Ireland.

The Eurogroup then met in an inclusive format to discuss the report on a possible intergovernmental agreement in the framework of the budgetary instrument for convergence and competitiveness.

[Eurogroup main results](#)

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

EU list of non-cooperative tax jurisdictions

The Council adopted revised conclusions on the EU list of non-cooperative jurisdictions for tax purposes.

In addition to the eight jurisdictions that were already listed, the EU decided to include the following jurisdictions in its list of non-cooperative tax jurisdictions:

- Cayman Islands
- Palau
- Panama
- Seychelles

These jurisdictions did not implement the tax reforms to which they had committed by the agreed deadline.

Annex II to the conclusions, which covers jurisdictions with pending commitments, reflects the deadline extensions granted to 12 jurisdictions to enable them to pass the necessary reforms to deliver on their commitments. Most of the deadline extensions concern developing countries without a financial centre which have already made meaningful progress in the delivery of their commitments.

16 jurisdictions (Antigua and Barbuda, Armenia, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cabo Verde, Cook Islands, Curaçao, Marshall Islands, Montenegro, Nauru, Niue, Saint Kitts and Nevis, Vietnam) managed to implement all the necessary reforms to comply with EU tax good governance principles ahead of the agreed deadline and are therefore removed from annex II.

For more information, see the [press release](#).

VAT reforms

The Council adopted two reforms of existing VAT rules.

The first reform concerns the detection of tax fraud in cross-border e-commerce transactions. The new rules will enable member states to collect, in a harmonised way, the records made electronically available by payment service providers, such as banks. In addition, a new central electronic system will be set up for the storage of payment information and for the further processing of this information by national anti-fraud officials.

For more information, see the [press release](#).

The second reform concerns VAT rules applicable to small businesses. The new rules will reduce the administrative burden and compliance costs for small enterprises and help create a fiscal environment in which SMEs can grow and trade across borders.

For more information, see the [press release](#).

Political agreement on sustainable finance regulation - taxonomy

The Council confirmed the political agreement on a draft regulation aimed at establishing a framework to facilitate sustainable investment ([5830/20ADD1](#), [5830/1/20REV1](#)).

The proposed regulation will establish an EU-wide classification system which will enable businesses and investors to identify environmentally sustainable activities and encourage investment in sustainable growth.

A provisional agreement on this file was reached by the Council presidency and the European Parliament and confirmed by Coreper on 18 December 2019 (see [press release](#)).

Political agreement has now been reached, which means that the text resulting from the negotiations with the European Parliament has been endorsed at political level. It now undergoes legal-linguistic revision before formal adoption by the Council at first reading. This is followed by final approval by the European Parliament at second reading.

BUDGET**2018 discharge to the decentralised agencies**

The Council adopted a recommendation to European Parliament on the discharge to be given to decentralised agencies in respect of the budget for 2018. ([5761/20 INIT](#)), ([5761/20 ADD 1](#))

2018 discharge to the executive agencies

The Council adopted a recommendation the European Parliament on the discharge to be given to the executive agencies in respect of the budget for 2018. ([5762/20 INIT](#)), ([5762/20 ADD 1](#))

2018 discharge to the joint undertakings

The Council adopted a recommendation to the European Parliament on the discharge to be given to the joint undertakings in respect of the budget for 2018. ([5763/20 INIT](#)), ([5763/20 ADD 1](#))

FOREIGN AFFAIRS**Council recommendations for discharge in respect of the EDFs for 2018**

The Council adopted recommendations regarding the discharge to be given by the European Parliament to the Commission in relation to the financial management of the European Development Funds (EDFs) for the financial year 2018, pursuant to article 11(7) of the internal agreement applicable to the 11th EDF ([5324/20](#), [5325/20](#), [5327/20](#), [5328/20](#)).

The financial provisions and accounts for the [EDF](#) are the main source of EU development aid for the African, Caribbean and Pacific (ACP) countries.

JUSTICE AND HOME AFFAIRS

Taking of evidence and service of documents regulations

The Council endorsed, as supplementary general approaches, the text of the annexes to the regulations on the taking of evidence and service of documents as well as the related changes in the text of the existing general approaches ([5719/20](#), [5722/20](#)).

The draft regulations provide for the modernisation of judicial cooperation in civil and commercial matters in the taking of evidence and service of documents. They improve the efficiency and speed of cross-border judicial proceedings by taking advantage of digitalisation and modern technology, and by these means advance access to justice and fair trial for the parties.

EU-Japan PNR

The Council adopted a decision authorising the opening of negotiations between the EU and Japan for an agreement on the transfer and use of passenger name record (PNR) data. The Commission will now start negotiations with Japan, on the basis of the negotiating directives adopted by the Council.

[See press release](#)

Council conclusions on ECA report 24/2019

The Council adopted conclusions on the European Court of Auditors' special report 24/2019, entitled 'Asylum, relocation and return of migrants: time to step up action to address disparities between objectives and results' ([5660/20](#)).

The Council took note of all the conclusions and recommendations in the special report and recalled that it adopted a partial general approach on the revised return directive in June 2019. The Council also reaffirmed that it was looking forward to the Commission's proposal for a new pact on migration and asylum and invited the Commission to take into account the conclusions and recommendations of the special report when developing that new pact.

AGRICULTURE AND FISHERIES**Correction of the German language version of regulation (EU) no 142/2011**

The Council decided not to oppose the adoption of a Commission regulation correcting the German language version of regulation (EU) no 142/2011 implementing regulation (EC) no 1069/2009 of the European Parliament and of the Council laying down health rules as regards animal by-products and derived products not intended for human consumption and implementing Council directive 97/78/EC as regards certain samples and items exempt from veterinary checks at the border under that directive.

The correction concerns an error in point (1)(b)(i) of annex XII of regulation (EU) no 142/2011 as regards the requirements for the import and transit of intermediate products destined for the production of medical devices, in vitro diagnostic medical devices and laboratory reagents (14904/19).

Use of MBM as a fuel in combustion plants

The Council decided not to oppose the adoption of a Commission regulation amending regulation (EU) no 142/2011 as regards the use of meat-and-bone (MBM) meal as a fuel in combustion plants. The new regulation amends article 6 of regulation (EU) no 142/2011 and annex III thereto and introduces rules concerning combustion plants in which MBM is used as a fuel for combustion, including emission limits and monitoring requirements (15185/19).

Commission delegated regulation derogating from Commission delegated regulation (EU) 2016/1149

The Council decided not to object to a Commission delegated regulation derogating from Commission delegated regulation (EU) 2016/1149 supplementing regulation (EU) no 1308/2013 of the European Parliament and of the Council as regards the national support programmes in the wine sector. The delegated act is adopted in the context of the imposition by the USA of a 25% duty on, among others, bottled still wines exported to the USA by Germany, France, Spain and the United Kingdom.

Council regulation amending regulation (EU) 2018/1977 opening and providing for the management of autonomous Union tariff quotas for certain fishery products for the period 2019-2020

The Council adopted a regulation amending regulation (EU) 2018/1977 opening and providing for the management of autonomous Union tariff quotas for certain fishery products for 2019-2020. The aim of the new act is to amend the third row of the annex to regulation (EU) 2018/1977 (order no 09.2750) ([5380/20](#)).

TRANSPORT**Regulation on electronic freight transport information**

The Council endorsed a political agreement on the proposed regulation of the European Parliament and of the Council on electronic freight transport information.

The general objective of the draft regulation is to establish a uniform legal framework for the transmission of digital freight transport information and thereby contribute to greater efficiency in the transport sector.

The endorsed text reflects an agreement reached in November 2019 with the European Parliament with a view to the early adoption of the regulation at second reading. This text, following legal-linguistic verification, should be adopted in the near future by the Council as the latter's position at first reading ([5394/20](#)).

Council decision for negotiating amendments to the protocols to the Interbus agreement

The Council adopted a decision authorising the Commission to open negotiations, on behalf of the EU, for the amendment of the protocol on regular and special regular services and of the protocol on Morocco in order to make certain technical changes regarding their signing and entry into force, and to reflect the change in the denomination of one contracting party to the Interbus agreement ([5587/20](#) + ADD 1).

ENVIRONMENT

Water reuse

The Council reached a political agreement on the regulation on water reuse ([5554/20](#)). Political agreement means that the full set of texts resulting from the negotiations with the European Parliament have been endorsed at political level. They now undergo legal-linguistic revision before formal adoption by the Council at first reading. This is followed by final approval by the European Parliament at second reading.

Zinc oxide

The Council decided not to object to a Commission decision concerning an extension of the derogation for zinc oxide to allow its use as a preservative stabiliser to cover 'in-can preservation' and preservation of 'tinting pastes' ([5552/20](#), [14838/19](#)).

The decision 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.
