Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 10 July 2015

ECONOMIC and FINANCIAL AFFAIRS COUNCIL
Tuesday 14 July in Brussels

The Council will discuss next steps for strengthening ***economic and monetary union****, on the basis of the "five presidents'" report, with a focus on short-term measures.*

It will adopt, without discussion, ***country-specific recommendations*** *to the member states on their economic, fiscal and employment policies, following endorsement by the European Council in June.*

The Luxembourg presidency will present its ***work programme*** *for an exchange of views.*

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Proceedings will start on Monday 13 July at 11.00 with a dialogue on macroeconomic issues between representatives of the EU institutions and the social partners: employers and trade unions at EU level and representatives of public enterprises and SMEs. The dialogue will focus on the country-specific recommendations on economic, fiscal and employment policies.

The ***Eurogroup*** *will meet on Monday at 15.00. It will elect its president, as the incumbent's term comes to an end in July 2015, and will discuss the situation in Greece. It will also discuss the tax burden on labour, the "five presidents'" report, and implementation of the budgetary provisions of the EU's fiscal compact (Treaty on Stability, Coordination and Governance in the Economic and Monetary Union).*

On Tuesday at 8.30, the presidency and the Commission will hold an informal meeting with representatives of the European Parliament. They will discuss ongoing work on financial services dossiers.

Ministers will then hold a breakfast meeting, starting at 10.00, to discuss the ***economic situation****. They will also discuss financial assistance to* ***Romania****. The Commission will report on implementation of the* ***fiscal compact****.*

The Council meeting is scheduled to start at 11.00.

Press conferences:

- after the Eurogroup meeting *(Monday evening)*;
- at the end of the Council *(Tuesday lunchtime).*

Eurogroup agenda highlights

Press conferences and public events by video streaming

Video coverage in broadcast quality (MPEG4) and photo gallery

1 This note has been drawn up under the responsibility of the press office.

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Presidency work programme

The Luxembourg presidency will present a work programme on economic and financial matters for the duration of its term of office, which runs from July to December 2015. The Council will hold an exchange of views.

Luxembourg takes up the presidency amid signs of economic recovery after several years of economic and financial crisis. The crisis required the adoption of strict regulatory measures to improve the resilience and stability of the financial sector. It prompted the creation of a banking union, and the presidency will oversee its continued implementation. The crisis also showed the need for an improved budgetary discipline and a better coordination of member states' economic policies. Luxembourg considers that the EU must now maintain its return to sustainable growth and employment through the creation of a business-friendly investment environment.

The presidency will follow the Commission's "investment plan for Europe" aimed at fostering investment and mobilising available funds for the financing of strategic investment projects with EU added value. For capital markets to play an important role in financing the European economy, it is necessary to remove barriers to cross-border investment and to diversify and expand funding sources. To that end, the Luxembourg presidency will fully support the creation of a capital markets union, as proposed by the Commission, which is essential for enhancing access to finance for European companies, including SMEs.

Sustainable growth in the context of budgetary constraints is not achievable without fair taxation of companies. The Luxembourg presidency intends to make the fight against tax fraud and tax evasion a high priority. The progress expected in OECD work on base erosion and profit shifting should guide the actions taken by the EU in the second half of 2015 to ensure a coherent approach to cross-border taxation of multinational companies. According to Luxembourg, transparency and the establishment of a "level playing field" worldwide are necessary for the fight against tax fraud and tax evasion.

- Luxembourg presidency work programme for economic and financial affairs (10483/15)

Economic and monetary union - "five presidents'" report

The Council will discuss a report on the further development of the EU's economic and monetary union, focusing on short-term measures.

The report was submitted in June 2015 to the European Council, which asked the Council to examine it rapidly.

It 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.

The economic and financial crisis has exposed a situation where unsustainable policies in some member states can undermine the development of the euro area as a whole. It has uncovered shortcomings in the EU's economic governance framework. Despite progress made in recent years, particularly with the launch of a banking union, economic and monetary union (EMU) remains incomplete.

In October 2014, the Euro Summit called for work on the development of stronger economic policy coordination. The five presidents' report follows the summit's request for them to identify next steps on better economic governance for the euro area. The report calls for a lasting, fair and democratically legitimate basis for the future that will contribute to more growth, jobs and prosperity for all citizens.

The five presidents identify measures to be implemented during three stages:

- Stage 1 (1 July 2015 to 30 June 2017): Using existing instruments under the current EU treaties to boost competitiveness and structural convergence, achieving responsible fiscal policies, completing financial union and enhancing democratic accountability;

- Stage 2: More far-reaching actions will be launched to make the convergence process more binding, through, for example, commonly agreed benchmarks for convergence that would be of a legal nature, as well as a treasury for the euro area;
- Final Stage (at the latest by 2025): Once all steps have been taken, a deep and genuine EMU would provide a stable and prosperous place for all citizens of member states that share the single currency. It would be an attractive union for other EU countries to join if they are ready to do so.

To prepare the transition from Stage 1 to Stage 2, the Commission intends to present a white paper in spring 2017 outlining the next steps to be taken, including legal measures to complete EMU in Stage 2.

- Report on completing Europe's economic and monetary union

Country-specific recommendations on economic, fiscal and employment policies

The Council is expected to adopt, without discussion, recommendations to 26 member states[2] on the economic and employment policies set out in their national reform programmes.

The recommendations include opinions on the member states' fiscal policies presented in their stability/convergence programmes.

The Council will also adopt a specific recommendation on the economic policies of the member states of the euro area.

Adoption of the texts will conclude the 2015 "European Semester". The texts were approved in draft form by the Council on 19 June (economic and fiscal policies) and 18 June (employment policies), and endorsed by the European Council on 25 and 26 June. The recommendation for France has since been updated.

Priorities for the European Semester were established in March 2015, when the European Council endorsed the following priorities: (1) a coordinated boost to investment, with the Commission's 2015-17 investment plan for Europe; (2) a renewed commitment to structural reforms, to enable member states to grow out of debt and stimulate the creation of more and better jobs; (3) the pursuit of fiscal responsibility, securing control over deficit and debt levels in the long term.

The European Semester is an annual policy monitoring process. In the light of policy guidance given by the European Council annually in March, the member states present each year in April:

- national reform programmes for their economic and employment policies. These include a macroeconomic scenario for the medium term, national targets for implementing the "Europe 2020" strategy for jobs and growth, identification of the main obstacles to growth, and measures for growth-enhancing initiatives in the short term;
- stability or convergence programmes for their fiscal policies. Euro area countries present stability programmes, whereas non-euro member states submit convergence programmes. These set out medium-term budgetary objectives, the main assumptions about expected economic developments, a description of fiscal and economic policy measures, and an analysis of how changes in assumptions will affect fiscal and debt positions.

The Council then adopts country-specific recommendations. It provides explanations in cases where the recommendations do not comply with those proposed by the Commission.

The recommendations and opinions require a qualified majority for adoption by the Council. (Legal basis: articles 121(2) and 148(4) of the Treaty on the Functioning of the EU.) The euro area recommendation (based on articles 121(2) and 136 TFEU) requires a qualified majority of euro area member states.

[2] To avoid duplication, there are no country-specific recommendations for Cyprus and Greece, which were both subject to macroeconomic adjustment programmes when the texts were drafted.

Draft recommendations and opinions:

- Austria (9254/15 + COR1 (DE) + COR2) ; Belgium (9231/15 + COR1), Bulgaria (9232/15 + COR1); Croatia (9245/15 + COR1 + REV1 (HR)) ; Czech Republic 9233/15 + COR1); Denmark (9234/15 + COR1); Estonia (9236/1/15 REV 1+ RE1Co1); Finland (9262/15 + COR1); France(9244/1/15 REV 1 REV1); Germany (9235/15+ COR1); Hungary (9251/15 + COR1); Ireland (9237/15 + COR1); Italy (9246/15 + COR1); Latvia (9248/15 + COR1 (HR) + COR2); Lithuania (9249/15 + COR1); Luxembourg (9250/15 + COR1); Malta (9252/15 + COR1); The Netherlands (9253/15 + COR1); Poland (9255/15 + COR1 + COR2 (PL)); Portugal (9258/15 + COR1); Romania (9259/1/15 REV 1 + RE1CO1 + RE1CO2); Slovakia (9261/15 + COR1); Slovenia (9260/15 + COR1 + REV1 (SL), RE1CO1 (SL)); Spain (9243/15 + COR1); Sweden (9263/15 + COR1); United Kingdom (9265/15 + COR1).
- Member states whose currency is the euro (9230/15).

Other issues

Under "other business", the Council will take note of on-going work on **legislative dossiers** and will be informed of procedural steps concerning discussions on **climate finance**.

Without discussion, it is due to adopt:

- an amendment to decision 2013/463/EU on **Cyprus**'s macroeconomic adjustment programme, following the sixth review of the programme's implementation;
- a recommendation on broad **economic policy guidelines** for the EU, following endorsement by the European Council;
- country-specific recommendations on economic, fiscal and employment policies (see previous item).