Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 15 April 2021

Video conference of economic and finance ministers
Friday 16 April 2021

The video conference of economic and finance ministers will start at 15.00. It will be chaired by Portugal's Minister for Finance, João Leão.

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Ministers will focus on economic recovery in Europe. They will discuss the economic situation and outlook with a focus on state aid instruments, the implementation of the Recovery and Resilience Facility and the financing of Next Generation EU.

The Commission will present the state of play of the Capital Markets Union, with a focus on the single access point.

Ministers will exchange views on the European financial architecture for development.

The presidency and the Commission will brief ministers on the meeting of the G20 finance ministers and central bank governors on 7 April.

The presidency will also present the state of play of legislative proposals in the field of financial services.

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The Eurogroup will hold a video conference at 9.30. In an 'inclusive format' (27 member states), it will take stock of the work on the completion of the Banking Union. At 11.00, in the regular format, ministers will focus on international meetings, insolvency frameworks, the euro as a digital currency and the Eurogroup transparency initiative.

Press conferences (virtual):

- after the Eurogroup meeting *(Friday afternoon)*
- after the video conference of economic and finance ministers *(Friday evening)*

Video conference page

Eurogroup meeting page

Video conference - video coverage in broadcast quality (MPEG4) and photo gallery

Eurogroup video conference - video coverage in broadcast quality (MPEG4) and photo gallery

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

Economic recovery in the European Union

a) Economic situation and outlook

Ministers will take stock of the current economic situation and outlook.

The Commission will be invited to share its views on the issue in the run-up to its Spring forecast, expected in early May. The European Central Bank will also present its assessment.

Under this agenda point, the Commission is also expected to provide an update on the implementation of the temporary framework for state aid, including on the sectoral use of such instruments and the link with the recovery and resilience plans.

The Commission's winter 2021 economic forecast, published in mid-February, projected that the euro area economy would grow by 3.8% in both 2021 and 2022, and the EU economy would grow by 3.7% in 2021 and 3.9% in 2022. The EU and euro area economies were expected to contract in the first quarter of 2021. Economic growth would resume in the spring and gather momentum in the summer as vaccination programmes progressed and containment measures would be gradually eased. An improved outlook for the global economy was also expected to support the recovery.

The ECB released its latest staff macroeconomic projections for the euro area in mid-March. The projections noted that the recent intensification of the pandemic had weakened the euro area outlook but it had not completely derailed the recovery. The exact speed and shape of the recovery would depend on health improvements and relaxation of containment measures. In the central scenario of the ECB, a stronger relaxation of containment measures due to a resolution of the health crisis is to be expected by early 2022. Thus, the medium-term outlook for real GDP is expected to be broadly similar to that foreseen in the previous ECB and Commission projections.

The temporary framework for state aid was adopted by the Commission on 19 March 2020 to enable member states to support their economy in the context of the COVID-19 outbreak. It complements other possibilities available to member states to mitigate the social-economic impact of the crisis in line with the EU state aid rules, notably the possibility to compensate specific companies or specific sectors for the damages directly caused by exceptional occurrences.

The temporary framework has been amended several times. With the latest amendment in January 2021, the Commission prolonged its validity until 31 December 2021.

Winter 2021 economic forecast (European Commission)

ECB staff macroeconomic projections for the euro area, March 2021

State aid and coronavirus (European Commission)

b) Implementation of the Recovery and Resilience Facility

Ministers will take stock of the implementation of the Recovery and Resilience Facility.

The Commission will give an overview of progress in the preparation of member states' national recovery and resilience plans. Ministers will be invited to share experiences on the preparation of their plans following their earlier discussions on the plans in January, February and March.

The regulation establishing the Recovery and Resilience Facility entered into force on 19 February. The deadline for the official submission of the plans to the Commission is 30 April, as a rule. To date there has been no official submission and therefore the bulk of the submissions are expected to take place before the end of the month.

Once a plan has been submitted, the Commission will generally have up to two months to assess it. After that, the Council will have four weeks to adopt its decision on the final approval the plan.

After the plans have been approved, the Commission will sign grant and loan agreements with the member states, commit resources and proceed with the payment of the pre-financing (13% of total grants and loans) within two months. However, such resources can be committed only if the own resources decision will have been ratified in the meantime.

EU recovery package: Council adopts Recovery and Resilience Facility (press release, 11 February 2021)

A recovery plan for Europe (background information)

c) Financing of Next Generation EU

The Commission will present its communication on a new funding strategy to finance the Next Generation EU (NGEU), published on 14 April.

NGEU will be funded by borrowing on the capital markets up to around €800 billion (in current prices) until the end of 2026. This will translate into borrowing volumes of up to €150-200 billion per year, which will make the EU one of the largest issuers in euro. All borrowing will be repaid by 2058.

In order to mobilise all funds when required on the most advantageous terms, the Commission plans to use a diversified funding strategy in line with the approaches of other large and frequent issuers, moving away from the back-to-back approach used so far (issuing bonds and transferring the proceeds directly to the beneficiary country on the same terms that it was received).

The Commission's diversified funding strategy will combine:

- annual decision on borrowing volumes and 6-monthly communication on the funding plan's key parameters, to offer transparency and predictability to investors and other stakeholders
- structured and transparent relationships with banks supporting the issuance programme (via a Primary Dealer Network)
- multiple funding instruments (medium and long-term bonds, some of which will be issued as NGEU green bonds, and EU-Bills) to maintain flexibility in terms of market access and to manage liquidity needs and the maturity profile
- a combination of auctions and syndications, to ensure cost efficient access to the necessary funding on advantageous terms

The borrowing operations will be embedded in a robust governance framework to ensure coherent and consistent execution.

In its communication, the Commission also outlines the next steps to be taken to operationalise the strategy and to be ready to start borrowing operations as soon as the own resources decision has been ratified by all the member states and enters into force.

Commission communication on a new funding strategy to finance the Next Generation EU

Own resources decision - formal notifications

Capital Markets Union

The Commission will update ministers on the implementation of the renewed action plan on the Capital Markets Union, published in September 2020. It is expected to focus on the main initiatives in the pipeline in the coming months, in particular the European Single Access Point for company data.

The Commission's action plan sets out sixteen targeted measures to achieve three main objectives:

- ensuring that the EU's economic recovery is green, digital, inclusive and resilient by making financing more accessible for European companies, in particular SMEs;
- making the EU an even safer place for individuals to save and invest long-term;
- integrating national capital markets into a genuine EU-wide single market for capital.

The Council adopted conclusions on the action plan in December 2020. The conclusions set out the Council's priorities among the outlined measures, to provide the Commission with guidance when preparing future legislation and non-legislative initiatives.

The Council stressed that, at this juncture, the highest priority should be given to those actions that are important for improving the funding of the economy and particularly of SMEs and that have the potential to support a swift economic recovery in the context of the COVID-19 pandemic. These actions should be delivered as soon as possible and not later than by the end of 2021. The measures that are considered to be the most important for mobilising private capital should also be delivered as soon as possible. These should be followed by measures that are deemed to be of major importance for progressing towards a more vibrant and globally competitive capital market in the short and medium term.

Among the most urgent measures, the Council highlighted the need to create a single access point to financial and non-financial company data for investors. Such a single access point should help investors to get easy, quick and comparable access to European company data, thereby facilitating the financing of European companies.

The Commission has recently conducted a public consultation with a view to preparing a legislative proposal on the European Single Access Point in the course of 2021.

Commission's communication on a new CMU action plan

Capital Markets Union: Council approves conclusions on the Commission's new action plan (press release, 4 December 2020)

European financial architecture for development

Ministers will exchange views on the state of play and way forward on improving the European financial architecture for development (EFAD) with the participation of the presidents of the EBRD and EIB, Odile Renaud-Basso and Werner Hoyer.

The discussion will take place against the background of reflections on the future of EFAD, which started in 2019. It will feed into the preparation of Council conclusions on the strengthening of EFAD, which the presidency plans to propose for approval in May. Development ministers are also expected to discuss the evolution of EFAD.

The European development financial architecture plays an important global role in fighting poverty and inequalities, working towards achieving the Sustainable Development Goals and tackling climate change. However, the structure is complex, with a multiplicity of EU and national actors, as well as financial instruments.

In October 2019, a High-level Group of Wise Persons, established by the Council, published a report, providing a system-wide perspective on the challenges and opportunities for improving and rationalising EFAD, looking in particular at the respective roles of the EIB and EBRD. The report outlined three options for creating a European Climate and Sustainable Development Bank, as well as a number of steps to be taken immediately.

In December 2019, the Council adopted conclusions on EFAD, in which it gave strong support to the short-term improvements proposed by the Wise Persons Group. It also requested further work on the feasibility of options for institutional change put forward by the group, as well as of possible enhancements to the current institutional set-up.

Such a feasibility analysis was carried out by independent external consultants, whose input will serve as background to the discussion among ministers.

Report by the High-Level Group of Wise Persons (October 2019)

Council conclusions on strengthening the European financial architecture for development (5 December 2019)

International meetings

The presidency and the Commission will debrief ministers on the outcome of the meeting of the G20 finance ministers and central bank governors on 7 April 2021.

This was the second meeting under the G20 Italian presidency. The discussions focused the state of the global economy, efforts to push forward the economic recovery and promote a more sustainable growth, support to the most vulnerable countries, international taxation and financial sector related issues. A Communiqué was issued at the end of the meeting.

The G20 ministers and governors renewed their commitment to avoiding any premature withdrawal of support measures and to using all available policy tools for as long as required to protect people's lives, jobs and incomes. They also agreed on an update of the G20 Action Plan to reflect recent changes in the economic and health outlook and to add the key dimension of addressing climate change and promoting environmental protection.

In order to support vulnerable countries, the G20 called on the IMF to make a proposal for a new Special Drawing Rights (SDR) general allocation of USD 650 billion to meet the long-term global need to supplement reserve assets. The G20 also agreed on a final extension of the Debt Service Suspension Initiative (DSSI) by 6 months until the end of 2021.

On international taxation, there was renewed commitment to reaching global and consensus-based solutions on the global taxation agenda by mid-2021.

The newly re-established Sustainable Finance Study Group, co-chaired by China and the United States, was upgraded to a fully-fledged working group.

Press release and communiqué (G20)

More information on Italy's G20 presidency

Financial services legislation

The presidency will update ministers on legislative proposals in the field of financial services.

Note on progress on financial services legislative files

Banking union (background information)

Capital markets union (background information)

Digital finance (background information)