Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 4 October 2021

Economic and Financial Affairs Council
Luxembourg, 5 October 2021

The Economic and Financial Affairs Council will take place in Luxembourg and will start at 10.00. It will be chaired by Slovenia's Minister for Finance, Andrej Šircelj.

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The meeting will be held physically in Luxembourg. Discussions will be held in public session during the legislative deliberations.

Ministers will focus on the economic recovery and take stock of the implementation of the Recovery and Resilience Facility and the SURE instrument, as well as considering lessons learned from the 2021 European Semester.

They will exchange views on the proposed Council implementing decision on the national recovery and resilience plan for Malta, with a view to its adoption.

Ministers are expected to approve conclusions on climate finance ahead of COP26.

The Commission will presents its review of the EU's Solvency II rules, after which ministers will have the opportunity to share their views.

In preparation for the G20, finance ministers, Central Bank governors and the IMF annual meetings ministers will approve the G20 EU terms of reference and the IMF statement.

The presidency will present the state of play of financial services legislative proposals. Ministers will also take note of the state of play in implementing the financial services directives.

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[1] This note has been drawn up under the responsibility of the Press Office.

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The Eurogroup will meet on Monday 4 October (15.00). The meeting will begin in 'regular format', in which ministers will discuss macro-economic developments in the euro area, including inflation and energy price developments. They will then take stock of the implementation of euro area priorities in the recovery and resilience plans. Ministers will also discuss exchange rate developments and the 11th enhanced surveillance report on Greece. In the 'banking union format' (19 MS + BG and HR) they will be briefed on the state of play of the operational aspects of banking union.

Press conferences:
• after the Eurogroup meeting *(Monday evening)*
• after the Economic and Financial Affairs Council *(Tuesday afternoon)*

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Ecofin Council - meeting page

Eurogroup - meeting page

Ecofin Council - video coverage in broadcast quality (MPEG4) and photo gallery

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

Press conferences and public events by video streaming

Implementation of the Recovery and Resilience Facility

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

They will discuss the proposed Council implementing decision (CID) on the recovery and resilience plan (RRP) for Malta, with a view to its adoption.

All member states except Bulgaria and the Netherlands have submitted their RRPs. The decisions on plans for Austria, Belgium, Denmark, France, Germany, Greece, Italy, Latvia, Luxembourg, Portugal, Slovakia and Spain were adopted at the Ecofin Council of 13 July. CIDs for Croatia, Cyprus, Lithuania and Slovenia were adopted on 28 July. On 8 September the Council adopted the decisions on Czechia's and Ireland's plans.

The procedure is that, once a plan has been submitted, the Commission has up to two months to assess it, unless a postponement is agreed with the member state involved. Positive assessment is followed by proposals for CIDs which the Council should, as a rule, adopt within four weeks. Following the CIDs' adoption, the Commission can sign grant and loan agreements with the member states, commit resources and proceed with the disbursement of the pre-financing (when requested, for the amount of up to 13% of total grants and loans). The payments are to be executed within two months to the extent possible.

By 1 October, the following countries received their requested pre-financing: Austria, Belgium, Croatia, Cyprus, Czechia, Denmark, France, Germany, Greece, Italy, Latvia, Lithuania, Luxembourg, Portugal, Slovenia and Spain. The total amount disbursed so far is €51.5 billion.

The Commission uses resources collected on the financial markets. So far, four bond issuance events have taken place, raising €54 billion for Next Generation EU (NGEU).

The national RRPs set out member states' reform and investment agendas up to 2026. The plans also address the country-specific recommendations identified in the course of the 2019 and 2020 European Semester discussions.

The adoption of the plans is a precondition for the member states' use of the Recovery and Resilience Facility, the central part of the NGEU. The facility makes available €672.5 billion to foster economic recovery from the COVID-19 fallout – €312.5 billion as non-repayable support (grants) and €360 billion in loans.

As provided for in the RRF regulation, at least 37% of expenditure should be dedicated to climate and at least 20% to digital targets. Apart from these two areas, investments and reforms under the facility will also focus on: smart, sustainable and inclusive growth; social and territorial cohesion; health, and economic, social and institutional resilience; and policies for the next generation.

Recovery fund: ministers welcome assessment of Czechia's and Ireland's plans (press release, 6 September)

Recovery fund: ministers welcome assessment of four more national plans (press release, 26 July 2021)

Council gives green light to first recovery disbursements (press release, 13 July 2021)

Infographic - Recovery fund: the EU delivers

The Recovery and Resilience Facility (European Commission)

The EU as a borrower – investor relations (European Commission)

European Semester 2021: Lessons learned and a way forward in the context of the Recovery and Resilience Facility (RRF)

Ministers will hold an exchange of views on lessons learned from the 2021 European Semester and ways forward in the context of the RRF.

The discussion is expected to focus, in particular, on the assessment of the European Semester 2021 and on the possibilities of aligning the implementation of the RRF with the next cycle of the European Semester.

The European Semester involves simultaneous monitoring of the member states' economic, fiscal and employment policies during the first semester of every year. It covers a broad range of policy areas and involves several Council configurations and preparatory committees.

In the light of policy guidance, each year member states present:

- national reform programmes for their economic and employment policies;
- stability/convergence programmes for their fiscal policies.

The European Semester concludes in July with the adoption of country-specific recommendations (CSRs).

The European Semester 2021 cycle was launched in September 2020, when the Commission published its Annual Sustainable Growth Strategy. The strategy established a link between the European Semester and the recovery and resilience plans (RRPs) and stated that member states' plans should address the challenges included in the 2019 and 2020 country-specific recommendations.

2021 CSRs focused solely on the budgetary situation. The RRPs were temporarily integrated into the European Semester cycle, as member states were encouraged to submit national reform programmes and recovery and resilience plans in a single document.

European Semester in 2021 (background information)

Annual Sustainable Growth Strategy 2021 (European Commission)

Changes to the 2021 European Semester cycle (European Commission)

Implementation of the SURE instrument

The Commission will present its second report on the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE). Ministers will exchange views on the implementation of the SURE instrument and on the experience acquired in the process.

SURE is a temporary facility which can provide up to €100 billion in loans under favourable terms to member states to help them finance national measures taken to address the socio-economic fallout from the pandemic. These measures primarily include short-time work schemes and similar measures, including for self-employed persons, and some health-related measures, in particular at the workplace.

In order to provide requesting member states with SURE financial assistance on favourable terms, the Commission raises funds on international capital markets, on behalf of the EU. The Council has already approved a total of €94.3 billion in SURE financial support to 19 member states.

So far, the EU has provided close to €90 billion in back-to-back loans benefiting all 19 member states that requested the support.

The Commission reports twice a year on the use of the instrument.

SURE instrument (European Commission)

Second report on the implementation of SURE (European Commission)

SURE disbursements (European Commission)

Conclusions on climate finance

Ministers are expected to adopt conclusions on climate finance ahead of the 26th UN climate change conference of the parties (COP26) in Glasgow from 31 October to 12 November 2021.

The conclusions will constitute a mandate for the EU's negotiators as concerns the financing aspects. The overarching mandate for COP26 will be adopted in the form of Council conclusions at the Environment Council of 6 October 2021.

The draft conclusions emphasise the continued strong support of the EU and its member states for the implementation of the goals or the Paris Agreement. They also highlight their commitment to scale up their contribution to international climate finance as part of the goal for developed countries to collectively mobilise $100 billion per year through to 2025.

The conclusions, among other things, also highlight the need to enhance the mobilisation of private finance, stress that carbon pricing and phasing out environmentally harmful fossil fuel subsidies are key to shifting financial flows towards climate-neutral and sustainable investments, and the need to strike a better balance between mitigation and adaptation actions, particularly in the most vulnerable countries.

The COP26 conference will follow up on the Paris agreement with a focus on the implementation of its commitments.

The Paris agreement is an international plan to tackle climate change by limiting the increase in the global average temperature and reducing greenhouse gas emissions. It was signed in New York in April 2016 by 195 countries, including the EU and its 27 member states, and more countries have signed since then.

In terms of financing, the agreement encourages the industrialised countries to take the lead in allocating resources to combat climate change. It commits them to continue providing finance to assist developing and vulnerable countries to deal with the impact of climate change.

Financing the climate transition

UN climate change conference (COP26)

Revision of prudential rules for insurance and reinsurance companies (Solvency II)

The Commission will present it new Solvency II review package. Ministers will then have the opportunity to take the floor.

The package consists of:

– an ordinary legislative proposal to amend the Solvency II directive (directive 2009/138/EC);

– an ordinary legislative proposal for a new insurance recovery and resolution directive; and

– a Communication on the review of the Solvency II directive.

The Solvency amending directive will, further to the Commission's recent review of the Solvency II directive, update and refine the directive in order to ensure that the insurance sector remains able to endure economic shocks and in order to protect policyholders. The existing methodology for calculating insurers' risk capital requirements margins will be refined. It is expected that this will result in a short-term increase in insurers' ability to invest in the EU's economic recovery and in green investment opportunities. It should also be possible to achieve a simpler and more proportionate approach for smaller and less complex (re)insurers.

The Commission has also proposed a directive to establish a new insurance recovery and resolution framework. This has been inspired by experience in the banking sector. Whilst the Solvency II directive is intended to prevent insurer failure, the insurance recovery and resolution framework will establish powers and procedures to ensure that any such failure can be handled in an orderly manner.

The Commission's communication sets out its intentions with regard to amending the Solvency II delegated act as well as its approach to insurance guarantee schemes.

Solvency II directive

Proposal for amendments to Solvency II directive

Proposal for the recovery and resolution of insurance and reinsurance undertakings

Communication on the review of Solvency II directive

International meetings

The Presidency will inform ministers about preparations for the upcoming international meetings taking place 13-14 October 2021:

- a G20 finance ministers' and central bank governors' meeting;
- the International Monetary and Financial Committee (IMFC) annual meeting.

The Council is expected to approve the EU's terms of reference for the G20 meeting.

The meeting of the G20 finance ministers and central bank governors is the fourth such meeting under the G20 Italian presidency. Ministers and governors will discuss how to take the international taxation agenda forward as well as support to vulnerable countries and climate issues. They are also expected to address the future of the global economy and related policy actions in the context of the recovery from the COVID-19 pandemic.

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 stable and sustainable growth of the global economy.

The Council is also expected to approve the EU's statement to the IMFC.

The IMFC is an advisory body to the IMF's Board of Governors. It is composed of 24 members and currently chaired by Magdalena Andersson, Sweden's finance minister. The committee provides guidance on the supervision and management of the international monetary and financial system and meets twice a year (annual and spring meetings).

More information on Italy's 2021 G20 presidency

More information on IMF meetings

Financial services legislation

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

The Commission will brief ministers on the state of play in implementing adopted legislation.

Banking union (background information)

Capital markets union (background information)

Digital finance (background information)