Council of the European Union

PRESS

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BACKGROUND BRIEF[1]
Brussels, 16 January 2023

Economic and Financial Affairs Council
Brussels, 17 January 2023

Chair: **Elisabeth Svantesson**, Minister for Finance of Sweden

European Commission representatives: Commission Vice-President Valdis Dombrovskis, Commissioner Paolo Gentiloni

Starting time: 10.00

Press conferences:

• after the Eurogroup meeting (Monday evening, +/- 19:00)

• after the Economic and Financial Affairs Council (Tuesday noon, +- 12:00)

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The **Swedish Presidency** will present its work programme in the field of economic and financial affairs for the first half of the year 2023.

The Council will take stock on the economic and financial impact of Russia's war against Ukraine as well as on the implementation of the **EU's macro-financial assistance to Ukraine**.

As regards the Recovery and Resilience Facility, the Council will aim to adopt an amending implementing decision on the **recovery and resilience plan of Luxembourg**.

Taking work forward on the **European Semester 2023**, the Council will approve conclusions on the alert mechanism report 2023 and the annual sustainable growth survey 2023. The Council is also expected to approve the 2023 recommendation on the economic policy of the euro area

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

The Eurogroup will meet on Monday 16 January (15.00).

In regular format, it will discuss:

- *Euro area enlargement: update on euro cash changeover in Croatia*
- *Digital euro - stocktake on the advancement of the project*
- *Fiscal policy coordination in the euro area - energy support to households and firms - case studies*
- *Economic situation and IMF Article IV review of euro area policies – interim staff visit*
- *Euro area aspects of the economic governance review*
- *The euro area recommendations for 2023*
- *Miscellaneous*

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Economic and Financial Affairs Council - meeting page

Eurogroup - meeting page

Economic and Financial Affairs 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

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Presidency work programme

The Swedish Presidency will present its **work programme** for the first semester of the year. Among other issues, the Presidency will work on:

- Support for Ukraine
- Implementation of the Recovery and Resilience Facility, taking into account REPowerEU. and the effective implementation of the European Semester
- Economic governance review
- Taxation
- Advancing efforts to combat money laundering and the financing of terrorism
- Advancing the capital markets union
- Digital euro
- EU budget
- Advancing the reform of the customs union

This may be followed by an exchange of views of ministers.

Indicative draft agendas for Council meetings under the Swedish Presidency

Swedish Presidency programme

Economic and financial impact of Russia's war against Ukraine

Ministers will exchange views on the economic and financial impact of Russia's war against Ukraine. Since the beginning of the war, this has been a regular agenda item for Economic and Financial Affairs Council meetings.

The Commission will update ministers on the **economic and financial situation in Ukraine** as well as on the **implementation of the EU's macro-financial assistance to Ukraine**. In December 2022, the Council and the European Parliament adopted legislation to lend Ukraine an additional €18 billion in 2023.

Background

Ukraine's financing needs are estimated at €38-40 billion, or over €3 billion/month. This is to maintain essential state functions, ensure macroeconomic stability and for the rehabilitation of destroyed critical infrastructure. The EU's contribution this year is of around €1.5 billion/month, or €18 billion for the whole year.

Throughout 2022, the EU disbursed a total of **€7.2 billion** to Ukraine as macro-financial assistance in the form of highly concessional loans. In December 2022, the European Parliament and the Council adopted legislation which enables the EU to provide, in 2023, a further **€18 billion** in highly concessional loans. The loans will have a 10-year grace period, and the interest costs will be subsidized. The guarantees for the Commission borrowing will be provided by the EU budget.

The support will be disbursed in regular instalments throughout 2023, averaging at **€1.5 billion** a month, to help cover part of the country's short-term financing needs, repairs of critical infrastructure and initial reconstruction effort.

In their interventions, ministers may also touch on the subject of the **reconstruction of Ukraine**. The European Council stressed in its conclusions of March 2022 that **the EU is committed to providing support for the reconstruction of a democratic Ukraine**, once the Russian onslaught has ended and called for work on setting up a **Ukraine Solidarity Trust Fund**. On 30 May, EU heads of state and government said that a Ukraine reconstruction platform should be considered and that this platform should bring together the Ukrainian government, the EU and its member states, the European Investment Bank as well as international partners, financing institutions and organisations. They also highlighted that EU support for reconstruction will be linked to the implementation of reforms consistent with its European path.

Council adopts €18 billion assistance to Ukraine (press release, 10 December 2022)

European Council conclusions of 24-25 March 2022

EU solidarity with Ukraine (background information)

EU response to Russia's invasion of Ukraine (background information)

Recovery and Resilience Facility (RRF)

The Council will aim to adopt an amending implementing decision as regards the recovery and resilience plan of **Luxembourg**. This is to take into account the updated reduced maximum financial contribution (€ 82.7 million instead of € 93.3 million).

Luxembourg had been among the very first member states whose national recovery and resilience plan was greenlighted (on 13 July 2021).

During 2023, it is expected that gradually **each of the 27 implementing decisions** concerning national recovery and resilience plans **will need to be amended** at least once, in order to access the new REPowerEU grants, or to request available loans, or to take into account the updated RRF allocation.

Background

The Recovery and Resilience Facility is the EU's programme of large-scale financial support in response to the challenges the pandemic has posed to the European economy. The facility's €672.5 billion are used to support the reforms and investments outlined in the member states' recovery and resilience plans.

Draft Council implementing decision amending the recovery and resilience plan for Luxembourg

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

A recovery plan for Europe (background information)

European Semester 2023

The Council will approve conclusions on the **alert mechanism report 2023** and the **annual sustainable growth survey 2023.** The Council is also expected to approve **the 2023 recommendation on the economic policy of the euro area** which will then be submitted to the European Council for endorsement at its meeting in March, so that it can then be formally adopted at the Ecofin Council in May. The euro area recommendation is expected to be already discussed and informally endorsed at the Eurogroup on 16 January.

The Council will also approve a comply-or-explain note which lays down the Council's rationale whenever it does not follow the Commission's recommendation.

Background

The European Semester, which was introduced in 2011, is the framework for integrated surveillance and coordination of economic, fiscal, labour and social policies in the EU. Its focus is on the six-month period from the beginning of each year, hence its name - the 'semester'. During the European Semester, the member states should make sure that their budgetary and economic policies are in line with the orientations agreed at EU level.

On 22 November, the Commission presented its autumn package containing its 2023 annual sustainable growth survey (ASGS), its 2023 alert mechanism report (AMR) and a draft 2023 euro area recommendation. These documents were presented to the Council in Ecofin formation at its meeting of 6 December.

Indicative forward planning

By the end of April 2023, member states have to submit their national reform programmes and stability or convergence programmes. In addition to their importance for the European Semester, the national reform programmes will also fulfil one of the two bi-annual reporting requirements of member states under the Recovery and Resilience Facility. In May-June, the Commission is expected to publish its spring package, including country reports, proposals for country specific recommendations 2023 and in-depth reviews under the macroeconomic imbalances procedure.

In June 2023, the Ecofin (in parallel with the EPSCO Council) will aim to agree on country specific recommendations to be submitted to the General Affairs Council and to be endorsed by the European Council.

In July 2023, the Ecofin Council will aim to adopt conclusions on the in-depth reviews and integrated country specific recommendations as endorsed by the European Council.

Draft conclusions on the annual sustainable growth survey

Draft conclusions on the alert mechanism report

Draft Council recommendation on the economic policy of the euro area

Draft explanatory note accompanying the euro area recommendation

European Semester (background information)