Council of the European Union

PRESS

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BACKGROUND BRIEF[1]
Brussels, 13 February 2023

Economic and Financial Affairs Council
Brussels, 14 February 2023

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

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

Starting time: 10.00

Press conferences:

• after the Eurogroup meeting (Monday evening, +/- 18:30)

• after the Economic and Financial Affairs Council (Tuesday +- 13:30)

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In public session, the Presidency will present the state of play as regards current legislative proposals in the field of **financial services**.

The Council will take stock on the economic and financial impact of **Russia's war against Ukraine**, focusing in particular on the **implementation of sanctions and their impact**.

Ministers will exchange views on the **economic governance review**.

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

The Council will also aim to approve the EU terms of reference for the upcoming **G20 meeting** of finance ministers and central bank governors in India.

As an item without discussion, the Council intends to adopt conclusions on a **revised EU list of non-cooperative jurisdictions** for tax purposes.

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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 13 February (15.00).

In regular format, it will discuss:

- *Recent developments in energy markets and their impact on the fiscal policy response in the euro area*
- *Thematic discussion – Euro area labour markets: recent developments and challenges ahead*
- *Macroeconomic and financial developments, and policy coordination in the euro area*
- *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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Financial services

In public session, the Presidency will present the state of play as regards current legislative proposals in the field of financial services.

Progress on financial services legislative files

Digital finance (background information)

Capital markets union (background information)

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.

At their meeting, ministers will focus in particular on the **implementation of sanctions and their impact**. Almost one year has passed since the first sanctions against Russia were agreed. It is therefore a good moment to take stock, and for the Commission to provide ministers with a detailed update.

Background

The unprecedented EU and international sanctions have had a significant effect on Russia's economy, as well as on Russia's ability to finance the war. However, the impact of sanctions on Russia's economic growth has been less pronounced than expected initially and the impact of some sanctions may take longer to manifest. Looking forward, the budget balance is expected to deteriorate further, as windfall revenues from oil and gas are expected to be significantly reduced by the sanctions, while expenditure might remain at the same level or even increase.

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

Economic governance

Ministers will have a substantive discussion on the economic governance review, following the Commission communication on orientations for a reform of the EU economic governance framework. The Commission first presented its communication to economy and finance ministers at the Ecofin Council of 6 December 2022. The **March Ecofin Council** will provide another opportunity to move forward.

Background

The EU's economic governance framework has been instrumental in **safeguarding macroeconomic stability and growth** in the Union and has helped member states **achieve their economic and fiscal policy goals.** These common rules serve to ensure the sustainability of public finances and promote macroeconomic convergence while addressing imbalances.

On 9 November 2022, the Commission released a communication on orientations for a reform of the EU economic governance framework. The main novelty concerning fiscal rules in the communication is the **introduction of 4-year medium-term fiscal structural plans** outlining **country-specific fiscal adjustment paths**, based on one single operational fiscal indicator (expenditure benchmark). The Commission would propose such adjustment paths based on a **debt sustainability analysis**, while member states could request an extension of the initial path against national reforms and investment.

Conditional on the outcome of discussions, the Commission may present legislative proposals.

Commission communication

Economic governance framework (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 **Germany**. The changes are of a **technical nature** and concern two measures in Germany's plan, one related to the digitalisation of rail, and the other to research and development of vaccines against SARS-CoV-2:

- As regards the **digitalisation of rail**, one of seven German projects had to postpone its completion date due to exceptional delays in construction.
- As regards **R&D for vaccines**, due to several factors of uncertainty inherent in research and development one of the German programmes had to amend its precise targets.

According to the Commission, the very limited modification put forward by Germany does not affect the relevance, effectiveness, efficiency and coherence of the German recovery and resilience plan.

Germany 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 member states** will request amendments **to their national recovery and resilience plans**, 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. It is the centrepiece of NextGenerationEU, a temporary recovery instrument that allows the Commission to raise funds to help repair the immediate economic and social damage caused by the COVID-19 pandemic. The facility currently makes available €724 billion (in current prices) 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 Germany

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

A recovery plan for Europe (background information)

G20: EU terms of reference

The Council will aim to approve the EU terms of reference for the G20 meeting of finance ministers and central bank governors of 24-25 February 2023 in Bengaluru, India.

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 the global economy's stable and sustainable growth.

G20 website

Taxation: EU list of non-cooperative jurisdictions

As an item without discussion, the Council intends to adopt conclusions on a **revised EU list** of non-cooperative jurisdictions for tax purposes.

This updated EU list of non-cooperative tax jurisdictions will include countries that either have not engaged in a constructive dialogue with the EU on **tax governance** or have failed to deliver on their commitments to **implement the necessary reforms**. Those reforms should aim to comply with a set of objective tax good governance criteria, which include tax transparency, fair taxation and implementation of international standards designed to prevent tax base erosion and profit shifting.

The code of conduct group, the Council body which prepares the updates of the list, is cooperating closely with international bodies such as the FHTP to **promote tax good governance worldwide**.

Background

The EU list of non-cooperative jurisdictions for tax purposes was established in December 2017. It is part of the EU's external strategy on taxation and aims to contribute to ongoing efforts to promote tax good governance worldwide.

Jurisdictions are assessed on the basis of a set of criteria laid down by the Council. These criteria cover tax transparency, fair taxation and implementation of international standards designed to prevent tax base erosion and profit shifting. Work on the list is a dynamic process. Since 2020, the Council updates the list twice a year.

The list is set out in annex I of the Council conclusions on the EU list of non-cooperative jurisdictions for tax purposes. The conclusions also include a state-of-play document (annex II) identifying cooperative jurisdictions which have made further improvements to their tax policies or related cooperation.

The Council's decisions are prepared by the Council's code of conduct group which is also responsible for monitoring tax measures in the EU member states. The chair of the group maintains regular dialogue with jurisdictions concerned.

EU list of non-cooperative jurisdictions (background information)

Code of Conduct Group (Business Taxation) (background information)