BACKGROUND BRIEF[1]
Brussels, 13 March 2023

Economic and Financial Affairs Council
Brussels, 14 March 2023

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

European Commission representatives: Commission Vice-President Valdis Dombrovskis, Commissioner Paolo Gentiloni, Commissioner Johannes Hahn, 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 +- 14:00)

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The Council will discuss how the **Recovery and Resilience Facility** and **REPowerEU chapters** can effectively contribute to the green transition and ensure Europe's independence from Russian energy sources in the context of high inflation and supply chain disruptions. In addition, the Council will adopt an implementing decision approving the revised recovery and resilience plan of **Finland**.

The Council will approve conclusions on orientations for a reform of the **EU economic governance framework**. The conclusions will contain **areas of convergence of views among member states** and issues for further work on a reformed framework.

The Commission will present its **fiscal guidance for 2024** to ministers with a view to informing the preparation by member states of their respective Stability and Convergence Programmes due for April. Ministers may give their **initial reactions** to this communication from the Commission which was published on 8 March.

The Council will take stock on the economic and financial impact of **Russia's war against Ukraine**, focusing in particular on **energy-related financial market aspects**.

As regards **international meetings**, the Presidency and the Commission will inform the Council on the outcomes of the latest G20 meeting of finance ministers and central bank governors, which took place in Bangalore on 24 and 25 February. The Presidency will also inform the Council on the preparation of the April G20 meeting of finance ministers and central bank governors and the IMF spring meetings.

Taking work forward on the **EU budget**, the Council will adopt a recommendation on the **discharge** to be given to the Commission in respect of the implementation of the EU budget for 2021. It will also approve conclusions on the **budget guidelines for 2024**.

Finally, the Commission will present the state of play as regards the status of transposition of legislation in the field of **financial services**.

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

The Eurogroup will meet on Monday 13 March (15.00).

In regular format, it will discuss:

- *Macroeconomic and fiscal developments in the euro area, including fiscal policy guidance for 2024*
- *Preparation of international meetings, including exchange rate developments and debrief from the February G7 meeting of finance ministers and central bank governors*
- *Inflation developments in the euro area and the member states*
- *The euro area aspects of the economic governance review*
- *The policy objectives of a digital euro – strategic discussion*
- *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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Recovery and Resilience Facility (RRF)

Ministers will hear from the Commission on the state of play of the Recovery and Resilience Facility (RRF) and exchange views, focusing on how the RRF and REPowerEU chapters can effectively **contribute to the green transition and ensure Europe's independence from Russian energy sources** in the context of high inflation and supply chain disruptions.

In addition, the Council will adopt an implementing decision approving the revised recovery and resilience plan of **Finland**. The plan has been amended to take into account the updated maximum financial contribution which the European Commission published on 30 June 2022 in order to take into account changes in real GDP over time.

According to the Commission, this modification put forward by Finland does not affect the relevance, effectiveness, efficiency and coherence of the Finnish recovery and resilience plan.

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 €744 billion (in current prices) to support the reforms and investments outlined in the member states' recovery and resilience plans.

Article 11(2) of the RRF regulation says that the maximum financial contribution for non-repayable financial support of each member state shall be updated by the Commission by 30 June 2022 on the basis of Eurostat outturn data on the change in real GDP growth over 2020 and the aggregate change in real GDP for the period 2020-2021.

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

RRF - note by the Commission services on update of the maximum financial contribution of 30 June 2022

Recovery fund: ministers welcome assessment of Estonia's, Finland's and Romania's plans (press release, 28 October 2021)

A recovery plan for Europe (background information)

Economic governance

The Council will approve conclusions on orientations for a reform of the EU economic governance framework. The conclusions will contain **areas of convergence of views among member states** and issues for further work on a reformed framework. These orientations will give **political guidance** to the European Commission for the preparation of relevant legislative proposals.

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 (inspired from the existing 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 eligible national reforms and investments.

Commission communication

Economic governance framework (background information)

Fiscal policy guidance

The Commission will present its **fiscal guidance for 2024** to ministers. The intention is to help member states in coordinating their economic policies and in preparing their Stability and Convergence Programmes due in April. In this year's guidance the Commission confirms that the General Escape Clause of the Stability and Growth Pact will be deactivated at the end of 2023. Ministers may give their **initial reactions** to this communication from the Commission which was published on 8 March.

Communication from the Commission of 8 March 2023

European Semester: a guide to the main rules and documents (background information)

Economic governance framework (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 **energy-related financial market aspects**.

The Commission will inform ministers about the impact of the EU's measures on the functioning of financial markets.

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

International meetings

The Presidency and the Commission will inform the Council on the outcomes of the latest **G20** meeting of finance ministers and central bank governors, which took place in Bangalore on 24 and 25 February.

The Presidency will also inform the Council on the preparation of the April **G20** meeting of finance ministers and central bank governors and the upcoming **IMF** spring meetings, and the Council will give **guidance for further work** regarding the preparations for these meetings.

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

IMF website

EU budget discharge

The Council will adopt a **recommendation on the discharge** to be given to the Commission in respect of the implementation of the EU budget for 2021.

Draft Council recommendation

EU budget (background information)

EU budget guidelines for 2024

The Council will approve conclusions on the **budget guidelines for 2024**.

The budget guidelines serve as a **mandate** to the Council for the first budgetary trilogue of the year, scheduled for 25 April 2023. They also provide **political guidance** to the Commission in preparing the budget for next year. The Commission is expected to present its draft budget for 2024 in June 2023.

The EU's annual budget (background information)

Financial services

The Commission will present the state of play as regards the **status of transposition** of legislation in the field of financial services.

Digital finance (background information)

Capital markets union (background information)