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Economic and Financial Affairs

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President **Mr Jānis Reirs**
Minister for Finance of Latvia

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (<http://www.consilium.europa.eu>).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

ITEMS DEBATED

EUROPEAN FUND FOR STRATEGIC INVESTMENTS

The Council agreed its negotiating stance on a proposed regulation on a European fund for strategic investments (EFSI).

[Council negotiating stance on the EFSI regulation](#)

This will allow the presidency, on behalf of the Council, to start negotiations with the European Parliament as soon as the EP has agreed its own negotiating stance. The aim is to reach an overall agreement by June, so that new investments can begin as early as mid-2015.

The EFSI will be established within the European Investment Bank by an agreement between the Commission and the EIB. The fund will support projects in a broad range of areas, including transport, energy and broadband infrastructure, education, health, research and risk finance for SMEs. It will target socially and economically viable projects without any sectoral or regional pre-allocation, in particular to address market failures. The EFSI will complement and be additional to ongoing EU programmes and traditional EIB activities.

The Council agreed that the fund would be built on €16 billion in guarantees from the EU budget and €5 billion from the EIB. To facilitate the payment of potential guarantee calls, a guarantee fund would be established that would gradually reach €8 billion (i.e. 50% of total EU guarantee obligations) by 2020.

In line with the Commission proposal, EU funding would mostly come from the redeployment of grants from the Horizon 2020 programme (research and innovation) and the Connecting Europe Facility (transport, energy and digital networks), as well as unused margins in the budget.

The EFSI would enhance risk-bearing capacity. By taking on part of the risk of new projects through a first-loss liability, the fund would enable private investors to join under more favourable conditions. As a result, the EFSI is estimated to reach an overall multiplier effect of 1:15 in real investment.

Third parties, including member states' national promotional banks, would be able to co-finance projects together with the EFSI, either on a project-by-project basis or through investment platforms.

Under the compromise agreed by the Council, the EFSI would have a two-tier governance structure:

- A steering board would set the overall strategy, investment policy and risk profile of the fund. It would adopt investment guidelines for the use of the EU guarantee to be implemented by the investment committee (see below). To ensure an impartial steering board and avoid political influence over the selection of projects, the board's members would come from the Commission and the EIB only. Their numbers would reflect the institutions' size of contributions in the form of cash or guarantees. The steering board would take decisions by consensus.
- An independent investment committee would select projects to receive EFSI support. Accountable to the steering board, it would consist of eight independent experts and a managing director. It would take decisions by simple majority. Any project supported by the EFSI would require the approval of the EIB.

The proposed regulation would also set up a "European investment advisory hub" to provide advisory support for the identification, preparation and development of projects across the EU. It would further establish a "European investment project directory" to improve investors' knowledge of existing and future projects.

The EFSI is one of the core elements of the Commission's "investment plan for Europe", published in November 2014. The plan foresees:

- The mobilisation of at least €315 billion in new investments between 2015 and 2017, maximising the impact of public resources and unlocking private investment. This will be done by establishing the EFSI within the EIB Group;
- Targeted initiatives to ensure this extra investment meets the needs of the real economy;
- Measures to provide greater regulatory predictability and to remove barriers to investment.

[Communication from the Commission on the investment plan](#)

The proposed regulation creates a legal framework and provides budgetary allocations for the first two work strands.

BANKING UNION

The Council reviewed the implementation of Europe's banking union, with specific regard to instruments to manage the recovery and resolution of failing banks.

The Commission provided an update on:

- Work on recovery and resolution planning for 2015;
- Ratification of the intergovernmental agreement on the single resolution fund (SRF);
- Implementation of the directive on bank recovery and resolution.

The president of the single resolution board (SRB), Elke König, briefed the Council on the establishment of the board and the work ahead.

The Council called on member states to speed up the necessary measures to be taken at national level.

The SRF and SRB are components of a single resolution mechanism (SRM) aimed at ensuring the orderly resolution of failing banks. The intergovernmental agreement contains provisions on the transfer and the mutualisation of contributions to the SRF.

The 19 countries of the euro area are participating in the banking union, and seven other member states have indicated their intention to join.

[Press release on the adoption of the regulation establishing the SRM](#)

[Press release on the signature of the intergovernmental agreement on the SRF](#)

[Press release on SRF contributions and the appointment of members of the SRB](#)

[Press release on the adoption of the bank recovery and resolution directive](#)

ECONOMIC GOVERNANCE – COUNTRY REPORTS

The Commission presented reports on the economic policies of the member states, prepared as part of the European Semester, the EU's annual policy monitoring process.

[Commission 2015 country reports on the economic policies of the member states](#)

[Commission 2015 communication on growth challenges, imbalances and in-depth reports](#)

The reports analyse the economic challenges and the policies of each member state¹. The package includes a report covering the euro area as a whole.

The reports contain in-depth reviews on 16 member states identified as experiencing macroeconomic difficulties: Belgium, Bulgaria, Croatia, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands, Portugal, Romania, Slovenia, Spain, Sweden and the United Kingdom².

The Council is due to discuss the in-depth reviews on 12 May 2015, and to discuss the country-specific recommendations for all member states on 19 June. The 2015 European Semester will conclude in July.

¹ Except Greece, for which a report will be made at a later stage.

² The list does not include Cyprus or Greece, as they are already under enhanced surveillance under their macroeconomic adjustment programmes.

EXCESSIVE DEFICIT PROCEDURE - FRANCE

The Council granted France two extra years to bring its government deficit below 3% of GDP, the reference value for deficits set by the EU's Stability and Growth Pact.

In a recommendation adopted under the excessive deficit procedure, the Council called for the deficit to be corrected by 2017. It asked France to fully implement measures already adopted for 2015, and called for an additional fiscal effort by the end of April. This should involve additional structural measures equivalent to 0.2% of GDP, enabling France to close the gap with a recommended improvement in the structural budget balance of 0.5% of GDP for 2015.

[Council 2015 recommendation to France under the excessive deficit procedure](#)

The Council also took stock of the implementation of the Stability and Growth Pact, the EU's fiscal rulebook, in the light of the Commission's winter economic forecast.

As regards France, the Council found that extending the deadline for correcting the deficit was justified by the fiscal effort made since 2013, and by the current weak economic conditions and other factors.

According to the Commission's 2015 winter economic forecast, the government deficit is projected to reach 4.3% and 4.1% of GDP in 2014 and 2015, respectively. France is thus set to miss the previous 2015 deadline for correcting its deficit.

The cumulated adjustment in the country's structural balance over 2013-2014 is estimated to have reached 1.9% of GDP. This falls short of the 2.1% of GDP recommended by the Council in June 2013. However, the Commission estimates that the fiscal effort made by France amounted to -0.1% in 2013 and 1.1% in 2014. The cumulated effort is thus in line with the "above 1.0% of GDP" indicated by the Council. The evidence did not lead the Council to conclude that no effective action had been taken.

In setting 2017 as a new deadline, it took into account economic conditions and other relevant factors, such as the implementation of structural reforms. It required an annual adjustment in the structural balance at least equal to the minimum benchmark of 0.5 % of GDP set by the EU's Stability and Growth Pact.

This is the third time the deadline for the correction of France's deficit has been extended. The country has been subject to an excessive deficit procedure since April 2009, when an initial Council recommendation called for its deficit to be corrected by 2012.

In December 2009, however, the Council extended this deadline to 2013, after the Commission's forecast that France's 2009 general government deficit would reach 8.3% of GDP, nearly three percentage points higher than its previous estimate.

In June 2013, the Council extended the deadline again, this time to 2015, on account of a worse-than-expected deterioration in France's economy.

In its new recommendation, the Council set headline deficit targets of 4.0% of GDP for 2015, 3.4% for 2016 and 2.8% for 2017. This is consistent with improvements in the structural budget balance of 0.5 % of GDP in 2015, 0.8 % in 2016 and 0.9% in 2017. To achieve the targets, additional measures of 0.2% of GDP in 2015, 1.2% in 2016 and 1.3% in 2017 will be required.

The Council set a deadline of 10 June 2015 for France to take effective action.

OTHER BUSINESS

– *Ongoing work on legislative dossiers*

The Council took note of the ongoing work on financial services dossiers.

– *Corporate taxation*

The presidency briefed the Council on work planned to stop tax fraud, tax evasion and tax avoidance in the field of corporate taxation in relation to base erosion and profit shifting (BEPS).

It indicated that the subject would be discussed at an informal meeting of finance ministers and central bank governors in Riga on 24 and 25 April 2015.

A presidency "roadmap" on BEPS has already been discussed in the Council's high-level working group on tax issues.

MEETINGS IN THE MARGINS OF THE COUNCIL

– *Eurogroup*

Ministers of the euro area member states attended a meeting of the Eurogroup on 9 March. They discussed the current review of Greece's commitments under its macroeconomic adjustment programme, and the situation regarding implementation of Cyprus' programme. They discussed member states' 2015 draft budgetary plans, as well as services sector reform in the euro area.

[Main results of the Eurogroup meeting on 9 March 2015](#)

– *Ministerial breakfast meeting*

Ministers held a breakfast meeting to discuss the economic situation. They also discussed financial assistance to Romania.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Bank of Lithuania - External auditors

The Council adopted a decision approving the appointment of PricewaterhouseCoopers as external auditors of the Bank of Lithuania for the financial years 2015 to 2017.

Taxation - Joint transfer pricing forum

The Council adopted [conclusions on the EU joint transfer pricing forum](#).

TRADE POLICY

Trade in services agreement

The Council decided to declassify the mandate given to the Commission to negotiate an international agreement on trade in services.

The decision reflects a growing public interest in this plurilateral agreement, which is currently being negotiated by 24 members of the WTO that account for 70% of world trade in services. The agreement will be based on the WTO's general agreement on trade in services, and is open to other WTO members. It is aimed at opening markets and improving rules in areas such as licensing, financial services, telecommunications, e-commerce, maritime transport and professionals moving abroad temporarily to provide services.

The Council agreed the EU's negotiating mandate in March 2013, and the talks started in the same month. The Commission is leading the negotiations on behalf of the EU and the member states. Eleven negotiating rounds have now taken place, and there is no set deadline for concluding the talks.

The decision to declassify the mandate was taken by common accord.

TRANSPORT

Driving licences

The Council decided not to oppose the adoption by the Commission of a directive amending directive 2006/126/EC on driving licences.

The new text updates codes in the light of technical and scientific progress, in particular vehicle adaptations and technical support for drivers with disabilities. It also introduces a code restricting drivers to drive only vehicles equipped with an alcohol interlock.

The draft directive is subject to the regulatory procedure with scrutiny. The Commission may now adopt the directive, unless the European Parliament objects.

[2014 draft Commission directive amending the directive on driving licences](#)

[Annex to 2014 draft Commission directive amending the directive on driving licences](#)
