



ECONOMIC and FINANCIAL AFFAIRS COUNCIL

Tuesday 10 March in Brussels

A meeting of the **Eurogroup** will be held on Monday 9 March, starting at 15.30. It will take stock of the situation in Greece and progress made towards resuming the final review of the macroeconomic adjustment programme. The Eurogroup will discuss Cyprus and the delay to the sixth review of its programme. Implementation of member states' 2015 draft budgetary plans will be considered on the basis of recent analysis by the Commission. The Eurogroup will also discuss service sector reform in the euro area.

On Tuesday, ministers will attend a breakfast meeting, starting at 9.00, to discuss the economic situation. They will also take stock of financial assistance to Romania. The Council meeting will start at 10.00.

The Council is expected to agree on a proposal for a European fund for strategic investments, as part of the Commission's action plan on **investment**.

It will take stock of implementation of **banking union**, in particular as concerns instruments to deal with the recovery and resolution of failing banks.

The Commission will present reports on the **member states' economic policies** under the European Semester annual policy monitoring process.

The Council also is expected to decide, under the excessive deficit procedure, to extend the deadline for **France** to correct its deficit.

Press conferences:

- after the Eurogroup meeting (*Monday evening*);
- at the end of the Council (*Tuesday lunchtime*).

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[Eurogroup agenda highlights](#)

[Press conferences and public events by video streaming](#)

[Video coverage in broadcast quality \(MPEG4\) and photo gallery](#)

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

European fund for strategic investments

The Council is expected to agree its negotiating stance on a proposed regulation establishing a European fund for strategic investments (EFSI).

- Council negotiating stance on the EFSI regulation (6831/15)

This will enable the presidency to start negotiations with the European Parliament. The European Council in December 2014 called for an overall agreement by June that will enable new investments to begin as early as mid-2015.

Technical experts agreed a compromise on 4 March. Subsequently, the general approach was confirmed by the Permanent Representatives Committee on 5 March.

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

The fund would be built on €16 billion in guarantees from the EU budget and €5 billion in cash 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. EU funding would mostly come by diverting 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. Thereby the EFSI is estimated to reach an overall multiplier effect of 1:15 in real investment.

Third parties 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 proposed by the presidency, 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). The members of the steering board would come from the Commission and the EIB, with their numbers reflecting the institutions' size of contributions. The steering board would take decisions by consensus.
- An 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 approval by the EIB.

The proposed regulation would also set up a "European investment advisory hub" to help with 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 regulation requires a qualified majority for adoption by the Council, in agreement with the European Parliament. (Legal basis: articles 172, 173, 175(3) and 182(1) of the Treaty on the Functioning of the EU.)

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.

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

Banking union

The Council will take stock of implementation of Europe's banking union, in particular as concerns instruments to deal with the recovery and resolution of failing banks.

The Commission will provide an update on :

- implementation of the directive on bank recovery and resolution;
- ratification of the intergovernmental agreement on the single resolution fund (SRF).

The president of the single resolution board (SRB) will brief the Council on the establishment of the board and the work ahead.

The SRF and SRB are components of a single resolution mechanism (SRM) aimed at ensuring the orderly resolution of failing banks. Established by regulation in July 2014, the SRM will be applicable from 1 January 2016.

The single resolution fund, entirely financed by banks, will be set up for possible intervention in resolution cases along with the bail-in of shareholders. It will be built up over eight years to reach a target level of at least 1% of the covered deposits of all credit institutions in the participating member states. It is estimated that this will amount to about €55bn.

The intergovernmental agreement on the SRF contains provisions on the transfer and the mutualisation of contributions to the fund. It was signed in May 2014 by the 26 member states participating in the banking union (all except Sweden and the United Kingdom).

The single resolution board will be responsible for putting into place a resolution scheme in the event of a bank being placed into resolution. It will determine the resolution tools to be applied, and decide on the use of the single resolution fund. The board's six full-time members were appointed in December 2014.

The bank recovery and resolution directive identifies the powers and instruments at the disposal of national authorities to resolve failing banks. It sets out to preserve essential bank operations and minimise taxpayers' exposure to losses during the resolution process. Adopted in May 2014, it applies to all 28 member states.

For member states participating in the banking union, national resolution funds set up under the directive as of 1 January 2015 will be replaced by the SRF as of 1 January 2016.

- [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 will present 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 state (except Greece, for which a report will be made at a later stage). The package includes a report on the euro area as a whole.

For 16 member states identified as experiencing macroeconomic imbalances, the reports contain in-depth reviews. These are: Belgium, Bulgaria, Croatia, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands, Portugal, Romania, Slovenia, Spain, Sweden and the United Kingdom. (The list does not include Cyprus or Greece, as they are already under enhanced surveillance under their macroeconomic adjustment programmes.)

The Council is expected to discuss the country reports at its meeting on 12 May 2015, following examination by national experts.

The 2015 European Semester will conclude in July, with the adoption of country-specific recommendations on economic, employment and fiscal policies. In March, the European Council will assess implementation of the 2014 country-specific recommendations and provide guidance for 2015.

The country reports are an innovation in the European Semester process. In past years they took the form of working documents submitted by the Commission in May or June to accompany its draft country-specific recommendations. Advancing the publication by three months allows more time for discussion with the member states and other stakeholders.

Excessive deficit procedure - France

The Council is expected to adopt a recommendation addressed to France extending the deadline for the correction of its excessive deficit by two years to 2017.

- [Draft 2015 recommendation to France extending the deadline for the correction of its deficit](#)

It is expected to call on France to fully implement measures already adopted for 2015, and ensure an additional fiscal effort by the end of April. This would involve additional structural measures equivalent to 0.2% of GDP to close the gap with a recommended improvement in the structural budget balance of 0.5% of GDP for 2015.

According to the Commission's 2015 winter economic forecast, France's 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 current 2015 deadline for reducing its deficit below 3% of GDP, the reference value for government deficits set by the EU's Stability and Growth Pact.

The cumulated adjustment in France's structural balance over 2013-2014 is estimated to have reached 1.9% of GDP, falling 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 Commission concludes that France has taken effective action to correct its excessive deficit, in compliance with the Council's June 2013 recommendation.

The proposed 2017 deadline takes into account economic conditions and other relevant factors, such as the implementation of structural reforms. The annual adjustment in the structural balance would be at least equal to the minimum benchmark of 0.5 % of GDP set by the pact.

According to the Commission, granting France the standard one additional year would be too demanding in the current weak economic environment. It would require an average annual improvement in the structural balance in 2015 and 2016 of more than 1.0 % of GDP. This would surpass the annual average effort recommended by the Council in June 2013 for 2013-2015.

Instead, with a two-year extension, the underlying improvement in the structural budget balance would be 0.5 % of GDP in 2015, 0.8 % in 2016 and 0.9% in 2017.

This will be 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 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 again extended the deadline, to 2015, on account of a worse-than-expected deterioration in France's economy.

In its new recommendation, the Council will set a deadline of 10 June 2015 for France to take effective action.

It is expected to set the following headline deficit targets: 4.0% of GDP in 2015, 3.4% in 2016 and 2.8% in 2017. Additional measures of 0.2% of GDP in 2015, 1.2% in 2016 and 1.3% in 2017 would be required to achieve this.

The recommendation will be adopted (legal basis: article 126(7) of the Treaty on the Functioning of the EU) unless a qualified majority amongst 18 of the 19 eurozone member states is opposed, in line with article 7 of the fiscal compact (Treaty on Stability, Coordination and Governance). The delegation concerned does not vote.

Other issues - Financial services - Corporate taxation

Under "other business".

- the Council will take stock of ongoing work on financial services dossiers;
 - the presidency will update the Council on work on corporate tax issues in relation to base erosion and profit shifting. The French minister is also expected to intervene on this topic.
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