Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 13 January 2021

Video conference of economics and finance ministers
Tuesday 19 January 2021

The video conference of economics and finance ministers will start at 10:00. It will be chaired by Portugal's Minister of State for Finance, João Leão.

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The Portuguese presidency will present its work programme on economic and financial matters and the state of play of financial services legislative proposals.

The Commission will present its communication on tackling non-performing loans in the aftermath of the COVID-19 pandemic. Ministers will hold a policy debate on the action plan.

As part of the 2021 European Semester exercise, ministers will have an exchange of views on the conclusions on the 2021 alert mechanism report and the draft recommendation on the economic policy of the euro area.

Ministers will discuss the implementation of the Recovery and Resilience Facility.

Under 'Any other business', they will hear a presentation on the latest EIB Investment Survey.

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On 18 January, the ***Eurogroup*** *will hold a video conference at 15.00 in its regular format. It will discuss imbalances in the euro area in the wake of the COVID-19 crisis and the envisaged priorities for upcoming Recovery and Resilience Plans. At 16.30, in an 'inclusive format' (27 member states), ministers will exchange views on prospects of future relations with the US in the monetary and financial area.*

Press conferences (virtual):

- after the Eurogroup meeting *(Monday evening)*
- at the end of the Council *(Tuesday afternoon)*

Video conference page

Eurogroup meeting page

Press conferences and public events by video streaming

Video conference - video coverage in broadcast quality (MPEG4) and photo gallery

Eurogroup video conference - 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.

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Presentation of the Presidency work programme

The Portuguese presidency will present its priorities for economic and financial affairs for the duration of its term, which runs from January to June 2021.

Ministers may hold an exchange of views.

The priorities of Portugal's Council presidency will be pursued along five lines of action:

1) promoting Europe's recovery, cohesion and values (Resilient Europe)
2) promoting the EU as a leader in climate action (Green Europe)
3) accelerating digital transformation in the service of citizens and enterprises (Digital Europe)
4) promoting and strengthening the European social model (Social Europe)
5) promoting Europe’s openness to the world (Global Europe)

In the field of economic and financial affairs, the priorities will be across three main areas:

1. Relaunching the economy in Europe, where the Presidency’s top priority will be the implementation of the Recovery and Resilience Facility. It will also play an active role in the European Semester, move forward with initiatives related to non-performing loans and support a timely resumption of the discussion on the fiscal rules framework.
2. Strengthening the EMU, where the Presidency will take forward discussions on the Banking Union initiatives, in particular the establishment of a European deposit insurance scheme, as well as on deepening the Capital Markets Union. In addition, it plans to start discussions on amendments to the Capital Requirements Directive and Regulation, as well as the legislative proposals on preventing money laundering and terrorist financing.
3. New challenges, incl. green and digital transitions, where the focus will be on advancing with the Digital Finance Package, working on a Renewed Sustainable Finance Strategy and continuing work on the tax challenges related to the digital economy. The Presidency will also start discussions on the introduction of new own resources and follow up on the Customs Union action plan.

Programme of the Portuguese presidency

Action plan for non-performing loans

The Commission will present its new action plan on non-performing loans (NPLs) in the banking sector, published on 16 December 2020. Ministers will hold an exchange of views.

Non-performing loans are bank loans that are subject to late repayment or are unlikely to be repaid without requiring the sale of collateral. High NPL levels can drag heavily on investment, and hence on the economy. A legacy of the financial crisis, NPLs remain at historically high levels within the EU despite significant progress in reducing them over the past few years.

In its new action plan the Commission proposes actions and measures aiming at preventing a future build-up of NPLs across the EU as a result of the COVID-19 crisis, thus ensuring that EU households and businesses continue to have access to the funding they need throughout the crisis.

The action plan builds on the first action plan to tackle NPLs agreed by the Council in July 2017. It includes a series of actions with four main goals:

1. Further developing secondary markets for distressed assets. This will allow banks to move NPLs off their balance sheets, while ensuring further strengthened protection for debtors. A key step in this process would be the adoption of the Commission's 2018 proposal on credit servicers and credit purchasers, which would reinforce debtor protection. The Commission sees also merit in the establishment of a central electronic data hub at EU level to ensure a better exchange of information between all actors in the NPL market (credit sellers, credit purchasers, credit servicers, asset management companies and private NPL platforms) so that NPLs are dealt with in an effective manner.

2. Converging insolvency frameworks across the EU, either through a legislative or a non-legislative proposal, while maintaining high standards of consumer protection. This would increase legal certainty and speed up the recovery of value for the benefit of both creditor and the debtor. The Commission urges the Parliament and Council to reach an agreement swiftly on its 2018 proposal for minimum harmonisation rules on accelerated extrajudicial collateral enforcement.
3. Supporting member states in the set-up of national asset management companies (AMCs) – if they wish to do so – and exploring the merits of establishing a network of national AMCs at EU level. AMCs can be very effective in freeing banks from the burden of high NPLs. In addition, through a cross-border network, national AMCs could exchange best practices, enforce data and transparency standards and, where necessary, coordinate creditor actions.
4. Implementing precautionary measures. Given the special circumstances of the COVID-19 crisis, authorities have the possibility to implement precautionary public support measures, where needed, to ensure the continued funding of the real economy under the EU's Bank Recovery and Resolution Directive and state aid frameworks.

Council conclusions on Action plan to tackle non-performing loans in Europe (11 July 2017)

Action plan: Tackling non-performing loans in the aftermath of the COVID-19 pandemic (European Commission)

European Semester 2021

As part of the annual 'European Semester' process for the monitoring of the member states' economic, employment and fiscal policies, the Presidency will inform ministers about an agreement on two documents:

- draft Council conclusions on the 'alert mechanism report' 2021
- a draft Council recommendation on the economic policies of the euro area

Ministers will hold an exchange of views.

Both texts will be approved after the video conference either at a physical Council meeting or by written procedure.

Alert mechanism report

The report marks the starting point of the annual macroeconomic imbalances procedure. It identifies 12 member states for which in-depth reviews need to be prepared to identify and assess the severity of possible macroeconomic imbalances - Croatia, Cyprus, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Romania, Spain and Sweden. These member states were already identified as having imbalances or excessive imbalances in February 2020. The new reviews will help to assess progress in correcting those imbalances.

Overall, the report concludes that the COVID-19 crisis aggravated a number of existing macroeconomic imbalances in member states and is posing new risks. This highlights the need to make the best use of available EU support measures.

Recommendation on the economic policies of the euro area

In the context of the current crisis, the 2021 euro area recommendation focuses on short-term measures to support the recovery and ensure the proper functioning of the EMU.

The recommendation places a strong emphasis on the use of the Recovery and Resilience Facility, providing policy guidance on priorities that member states should include in their Recovery and Resilience Plans. It calls on member states, including through their Recovery and Resilience Plans, to:

- ensure a policy stance which supports the recovery;
- further improve convergence, resilience and sustainable and inclusive growth;
- strengthen national institutional frameworks;
- ensure macro-financial stability; and
- complete the EMU and strengthening the international role of the euro.

The annual sustainable growth strategy, which marks the start of the 2021 European Semester cycle, highlighting the main challenges for 2021 and setting out strategic guidance for the implementation of the Recovery and Resilience Facility, was presented to ministers on 6 October. Council conclusions on the strategy were approved on 6 November.

Council's timeline for the 2021 European Semester exercise

European Semester 2021 (background information)

Implementation of the Recovery and Resilience Facility

Ministers will exchange views on the implementation of the Recovery and Resilience Facility.

The Presidency is expected to summarise main features of the final agreement with the European Parliament and indicate the next steps in order for the facility to enter into force. The Commission will be invited to provide information on the state of the preparation of the national plans.

Ministers will also be invited to share their experience with the preparation of the national plans and to give indications about the expected date for formal submission.

The German presidency and the European Parliament's negotiators reached a provisional agreement on the Recovery and Resilience Facility on 18 December 2020. The agreement was confirmed by the Permanent Representatives Committee on 22 December 2020.

The Parliament is expected to vote on the text at its February plenary session, followed by formal adoption by the Council.

Regulation establishing a Recovery and Resilience Facility – final compromise text and declarations (21 December 2020)

A recovery plan for Europe (background information)

Other items

a) Financial services legislation

The Presidency will update ministers on legislative proposals in the field of financial services.

January 2021 note on the progress on financial services legislative files

Banking union (background information)

Capital markets union (background information)

Digital finance (background information)

b) EIB Investment Survey – Investment gaps

Under 'Any other business', the EIB President Werner Hoyer will present to ministers the main findings of the latest EIB Investment Survey.