



Brussels, 11 October 2013

BACKGROUND¹
ECONOMIC and FINANCIAL AFFAIRS COUNCIL
Tuesday 15 October in Luxembourg

*Proceedings will start on Monday 14 October at 15.00 with a meeting of the **Eurogroup**.*

*On Tuesday at 9.00, ministers will meet their counterparts from the **EFTA countries** – Iceland, Liechtenstein, Norway and Switzerland – to discuss cooperation in the field of financial services and economic dynamics in Europe.*

*At a breakfast meeting starting at 10.30, ministers will assess the economic situation. They will discuss **backstop arrangements** for banks in the context of the forthcoming asset quality review and stress test exercises and proposed single resolution mechanism. They will also discuss how to accommodate **public investment** in the preventive arm of the EU's Stability and Growth Pact.*

*The Council is scheduled to start at 12.30. It will notably prepare the October meeting of the European Council, in particular as concerns **access to finance for SMEs**.*

*The follow-up to October **international finance meetings** in Washington DC and the financing aspects of **climate policy** are amongst other issues on the agenda.*

Press conferences:

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

Press conferences and public deliberations: <http://video.consilium.europa.eu/>

Video coverage: <http://tvnewsroom.consilium.europa.eu>

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

P R E S S

Further development of EMU - Economic policy coordination

The Council will discuss, in preparation for the European Council meeting to be held on 24 and 25 October, possible areas for strengthened coordination of the economic policies of the member states.

The October European Council will discuss the further development of the EU's economic and monetary union (EMU), assessing on-going work in all fields. It will look at economic policy coordination and the social dimension of EMU.

As concerns strengthened economic policy coordination, an opinion from the Economic and Financial Committee and the Economic Policy Committee emphasises the importance of effectively implementing the EU's existing governance framework. In particular, implementation of annual country-specific recommendations should be improved, and monitored on a country-by-country basis. The existing framework already makes use of a broad set of economic indicators; the EFC/EPC opinion notes that whilst most member states consider them to be the right ones, some believe that there could be policy areas in which closer coordination and monitoring would be needed.

Should such policy areas be agreed on, work could proceed in defining the best-suited indicators. Furthermore, some member states consider that the priorities for reform should be assessed not only for each country but also for the euro area as a whole.

The Council will consider the EFC/EPC opinion as a possible basis for a report from the presidency to the European Council.

Access to finance for SMEs

The Council will discuss, in preparation of the European Council on 24 and 25 October, an initiative led by the Commission and the European Investment Bank and aimed at facilitating access to finance for SMEs.

It will consider parameters for the design of risk-sharing instruments to be co-financed by the Commission, essentially under the EU structural funds, and by the EIB Group².

This initiative stems from the fact that the financial crisis and the weak macroeconomic situation in Europe have created a climate of uncertainty and risk aversion in the financial sector, particularly for member states under financial pressure and for SMEs.

A EUR 10 billion increase in the EIB's capital was agreed in January by the member states – the bank's shareholders – enabling it to provide, over a three-year period, up to EUR 60 billion in additional lending to projects in support of growth and employment. In June, the Commission and the EIB submitted a joint report to the European Council on implementation of the capital increase, examining in particular the development of joint initiatives to support SMEs (*doc. 11031/13*).

The European Council welcomed the intention of the Commission and the EIB to develop risk-sharing in order to leverage private sector and capital market investments in SMEs, whilst respecting the principles of financial soundness and transparency as well as agreed spending limits. It called on the Council to specify without delay the parameters for the design of financial instruments, to be co-financed by the structural funds, with the aim of achieving high leverage effects. It stated that the necessary preparations should be made to allow the new instruments to start operating in January 2014, i.e. at the start of the 2014-20 programming period for the structural funds.

² European Investment Bank/European Investment Fund.

The joint report presents three broad options for the design of the new instruments:

- Option 1: a joint guarantee instrument (potentially combined with a joint securitisation instrument) for portfolios of new SME loans. This option would have the lowest leverage but is considered the easiest to implement;
- Option 2: a joint securitisation instrument allowing for the securitisation of portfolios of both new and existing SME loans. Similar except that it would apply to both new and existing loans, this option would have higher leverage than Option 1;
- Option 3: a joint securitisation instrument allowing for the securitisation of portfolios of both new and existing SME loans with the pooling of resources and risks. This option would enable an overall higher leverage, but is more controversial.

The options were discussed at an informal meeting of EU finance ministers and central bank governors in Vilnius on 13 September.

The presidency will report to the European Council in the light of discussions in the Council and at the Vilnius meeting, and on the basis of a report from the Economic and Financial Committee.

All three options require changes to a draft regulation on common provisions applicable for the EU's structural and investment funds for the 2014-20 period, for which negotiations with the European Parliament are near conclusion. The timetable for the programming of national allocations from the funds is therefore tight.

European Semester – Lessons learned

The Council will discuss, on the basis of a questionnaire prepared by the presidency (*doc. [14448/13](#)*), lessons learned from the 2013 *European Semester* monitoring exercise and possible improvements for next year's exercise.

The 2013 exercise concluded on 9 July with the adoption of country-specific recommendations to the member states.

The *European Semester* involves the simultaneous assessment of the member states' economic, employment and fiscal policies during a six-month period every year. In the light of policy guidance from the European Council in March, the member states present their national reform programmes (economic and employment policies) and stability/convergence programmes (fiscal policies) annually in April. The exercise was introduced in 2011.

The 2013 *European Semester* covered a broad range of policy areas involving several Council configurations and preparatory committees. Considering it to be the most successful to date, having built on lessons learned from the two previous exercises, a note from the Economic and Financial Committee identifies areas for potential further improvement (*doc. [14465/13](#)*).

In particular, it suggests that greater attention be given to the monitoring of implementation throughout the year, and highlights pension reforms as a particular challenge. Furthermore, the tight timeframe applied to the whole exercise continues to be a constraint, with little time for the preparatory committees to discuss and coordinate.

The Employment, Social Policy, Health and Consumer Affairs Council will also discuss lessons learned from the 2013 *European Semester* at its meeting on 15 October. A report synthesizing these contributions will be presented to the General Affairs Council on 22 October.

The next *European Semester* will begin next month with the publication by the Commission of its annual growth survey.

Follow-up to international finance meetings

The presidency and the Commission will report on the outcome of international meetings held in Washington on 10-13 October, namely:

- G20 finance ministers' and central bank governors' meeting;
- annual meetings of the IMF and World Bank Group.

The Council will hold an exchange of views.

Terms of reference for EU representatives and those member states that participate in the G20 meeting were prepared by the Economic and Financial Committee on 4 October.

Climate change

The Council is expected to adopt conclusions in preparation for the 19th conference of the parties to the UN framework convention on climate change (UNFCCC), to be held in Warsaw on 11-22 November.

The conclusions will focus on the financing aspects of climate policy, given that the Environment Council is also due to adopt conclusions at its meeting on 14 October.

At a UNFCCC conference in at Copenhagen in 2009, developed countries agreed to increase to USD 100 billion, as from 2020, their annual contribution to climate mitigation and adaptation measures in developing countries, if certain conditions are fulfilled. The draft conclusions deal mainly with ways of scaling up the EU's share of that contribution, using both public and private sources (*doc.* [14459/13](#)).

For the 2010-12 period, the EU and its members states exceeded their commitment to provide EUR 7.2 billion for so-called "fast-start" measures as part of an agreed USD 30 billion of new and additional resources from developed countries.

Other business

The Council will take stock of on-going work on financial services dossiers, including a draft regulation on **central securities depositories**, draft "Omnibus II" legislation for the **insurance** sector, draft rules relating to **markets in financial instruments**, the proposed **single resolution mechanism** for the banking sector, and draft directives on **bank recovery and resolution** and on **deposit guarantee schemes**.
