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PRESS RELEASE

3076th Council meeting

Economic and Financial Affairs

Brussels, 15 March 2011

President **György MATOLCSY**
Minister for National Economy of Hungary

P R E S S

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Main results of the Council

*The Council reached agreement on a package of measures aimed at strengthening **economic governance** in the EU, and more specifically in the euro area.*

As part of the EU's response to the challenges posed by the sovereign debt crisis, the measures are aimed at enhancing budgetary discipline in the member states and addressing macroeconomic imbalances within the EU.

The agreement will enable the presidency to start negotiations with the European Parliament, with the aim of reaching an overall agreement in June, thus respecting the timetable set by the European Council.

*The Council also adopted conclusions welcoming the outcome of the United Nations conference on **climate change** held in Cancún late last year.*

CONTENTS[1]

[1]
- 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.

PARTICIPANTS

Belgium:

Mr Didier REYNDERS	Deputy Prime Minister and Minister for Finance and Institutional Reforms

Bulgaria:

Mr Boyko KOTZEW	Permanent Representative

Czech Republic:

Mr Miroslav KALOUSEK	Minister for Finance

Denmark:

Mr Claus HJORT FREDERIKSEN	Minister for Finance

Germany:

Mr Wolfgang SCHÄUBLE	Minister for Finance
M. Jörg ASMUSSEN	State Secretary

Estonia:

Mr Jürgen LIGI	Minister for Finance

Ireland:

Mr Michael NOONAN	Minister for Finance

Greece:

Mr Giorgos PAPACONSTANTINOU	Minister for Finance

Spain:

Ms Elena SALGADO	Vice-President of the Government and Minister for Economic Affairs and Finance

France:

Ms Christine LAGARDE	Minister for Finance

Italy:

Mr Giulio TREMONTI	Minister for Economic Affairs and Finance

Cyprus:

Mr Charilaos STAVRAKIS	Minister for Finance

Latvia:

Mr Andris VILKS	Minister for Finance

Lithuania:

Ms Ingrida SIMONYTE	Minister for Finance

Luxembourg:

Mr Luc FRIEDEN	Minister for Finance

Hungary:

Mr György MATOLCSY	Minister for Economic Affairs
M. András KÁRMÁN	State Secretary

Malta:

Mr Tonio FENECH	Minister for Finance

Netherlands:

Mr Jan Kees de JAGER	Minister for Finance

Austria:

Mr Josef PRÖLL	Vice Chancellor and Federal Minister for Finance

Poland:

Mr Jan VINCENT-ROSTOWSKI	Minister for Finance

Portugal:

Mr Fernando TEXEIRA DOS SANTOS	Minister for Finance

Romania:

Mr Mihnea MOTOC	Permanent Representative

Slovenia:

Mr Franci KRIŽANIČ	Minister for Finance

Slovakia:	
Mr Ivan KORČOK	Permanent Representative
Finland:	
Mr Jyrki KATAINEN	Minister for Finance
Sweden:	
Mr Anders BORG	Minister for Finance
United Kingdom:	
Mr George OSBORNE	Chancellor of the Exchequer

Commission:	
Mr Olli REHN	Member
Mr Michel BARNIER	Member

Other participants:	
Mr Jean-Claude TRICHET	President of the European Central Bank
Mr Philippe MAYSTADT	President of the European Investment Bank
Mr Thomas WIESER	Chairman of the Economic and Financial Committee
Mr Lorenzo CODOGNO	Chairman of the Economic Policy Committee

ITEMS DEBATED

ECONOMIC GOVERNANCE

The Council agreed a general approach on a package of legislative proposals aimed at strengthening economic governance in the EU – and more specifically in the euro area – as part of the EU's response to the challenges highlighted by recent turmoil on sovereign debt markets.

The agreement will enable the presidency to start negotiations with the European Parliament, with the aim of reaching an overall agreement in June, thus respecting the timetable set by the European Council.

Recognising that existing EU instruments have not generated a satisfactory decline in public debt levels and catered insufficiently for macroeconomic imbalances, the proposals are aimed at enhancing budgetary discipline in the member states and broadening the surveillance of their economic policies. They implement the recommendations of a task force[1], chaired by the President of the European Council, Herman Van Rompuy, which concluded that the EU's monetary union will not be able to function properly in the long term without increased economic policy coordination.

Four of the proposals deal with reform of the EU's Stability and Growth Pact. They are aimed at enhancing the surveillance of fiscal policies, introducing provisions on national fiscal frameworks, and applying enforcement measures for non-compliant member states more consistently and at an earlier stage. The other two proposals target macroeconomic imbalances within the EU.

For details, see press release *7691/11*.

[1] Final report of the task force, 21 October 2010: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/117236.pdf

CLIMATE CHANGE

The Council adopted the following conclusions.

"The Council of the European Union

WELCOMES the positive and forward-looking outcomes of the Cancún Climate Conference ("Cancún Agreements"), which pave the way for immediate and concrete actions on the ground, provide a solid basis for further development and implementation of the agreed institutional architecture in the course of 2011 and lay the foundation for a global, comprehensive and legally binding post-2012 framework.

REAFFIRMS the EU and its Member States' commitment to provide EUR 7.2 billion cumulatively over the period 2010 – 2012 to fast start finance; UNDERLINES that despite the difficult economic situation and tight budgetary constraints, the EU and all 27 Member States are contributing to this funding and have advanced notably in the implementation of this commitment; REITERATES that the EU and its Member States have already reported and will submit further comprehensive and transparent reports on the implementation of this commitment to the UNFCCC Secretariat by May 2011, 2012 and 2013 in line with the Cancún Agreements, and will provide an additional update on progress with implementation in 2011 at the COP-17 in Durban.

RECALLS that the developed countries have committed, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries; NOTES that funds provided to developing countries may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources.

REITERATES the importance of further studying the contribution and economic implications of all potential sources of revenue to address the need for international finance to support climate change actions in developing countries; LOOKS FORWARD to discussions on climate finance in the context of the UNFCCC and in other international fora; RECALLS that the Commission and the EFC/ EPC have been invited to prepare a detailed analysis based on the AGF report setting out the key elements of the mix of international and national, public and private finance instruments needed to deliver scaled-up financial flows after 2012 in the context of a binding and comprehensive global agreement.

WELCOMES the decision to establish the Green Climate Fund and the setting up of the Transitional Committee to design it; UNDERLINES the need for the Transitional Committee to work in an open and transparent manner; and CONFIRMS that the EU will engage actively, in a coordinated manner, in the process of designing the Green Climate Fund; EMPHASISES that experts with technical financial and climate experience, e.g. from financial institutions including finance ministries, IFIs and MDBs, should play a key role in the work of establishing the fund; WELCOMES the initiative of the EIB together with European financial institutions to support jointly the work of the Transitional Committee; and LOOKS FORWARD to the establishment of an effective and efficient fund which could manage large scale financial resources from a number of sources and is equipped with the financial instruments needed to achieve its priorities.

Also UNDERLINES the need to further define the roles and functions of the Standing Committee established by the Cancún Agreements; and STRESSES the need to explore financing options for the implementation of the results-based actions under REDD+, with a view to preserving environmental and market integrity."

EXCESSIVE DEFICIT PROCEDURES

Hungary and Poland

The Council was informed by the Hungarian and Polish ministers of measures they are taking in order to reduce their deficits below 3 % of GDP, the reference value set by the EU treaty. It held an exchange of views.

The Council called on them to ensure strict compliance with the recommendations it issued under the excessive deficit procedure.

Hungary has been subject to the excessive deficit procedure since July 2004, and has since then received a number of recommendations from the Council on corrective action to be taken. Most recently in July 2009, the Council called on Hungary to reduce its deficit below the 3 % of GDP reference value at the latest by 2011.

Poland been subject to excessive deficit procedures since July 2009. The Council issued a recommendation calling on Poland to ensure an annual fiscal effort of at least 1¼ % of GDP, starting in 2010, so as to bring the deficit below 3 % of GDP in 2012.

SHORT SELLING AND CREDIT DEFAULT SWAPS

The Council was briefed by the presidency on ongoing work on a draft regulation on short selling and credit default swaps[1].

It asked the Permanent Representatives Committee to rapidly resolve the remaining outstanding issues so as to establish a general approach that will enable the presidency to start negotiations with the European Parliament.

The draft regulation is aimed at harmonising rules for short selling and certain aspects of credit default swaps. It introduces common EU transparency requirements and harmonises the powers that national regulators may use in exceptional situations where there is a serious threat to financial stability.

[1] The short selling of securities is a practice whereby an investor sells a security he doesn't own with the intention of buying it back when the price has fallen.
A credit default swap is a financial instrument with the characteristics of an insurance, guaranteeing the creditworthiness of a loan.

OTHER BUSINESS

Reform of financial regulations

The Council took stock of progress in complying with the commitments entered into by the EU within the G-20 as regards the regulation of financial services.

G-20 ministerial meeting in Paris

The Council was informed by the French minister of the outcome of a G-20 meeting of finance ministers and central bank governors held in Paris on 18-19 February. It held an exchange of views.

MEETINGS IN THE MARGINS OF THE COUNCIL

The following meetings were held in the margins of the Council:

- ***Euro Group***

Ministers of the euro area member states attended a meeting of the Euro Group on 14 March.

- ***Ministerial meeting on the European Stability Mechanism***

Ministers attended a meeting on 14 March on the preparation of a European Stability Mechanism to ensure the financial stability of the euro area.

- ***Ministerial breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation, in the light of an interim economic forecast from the Commission.

The presidency issued the following statement on policy response to higher oil prices:

"In light of the present situation in global energy markets Ministers confirmed the Manchester Agreement of 9 September 2005 ('ECOFIN Minister's Statement on Policy response to higher oil prices').

Specifically, 'Ministers emphasise their continuous effective coordination in reaction to rising oil prices and agreed that distortionary fiscal and other policy interventions that prevent the necessary adjustments should be avoided. In particular, Ministers confirm that where short-term targeted measures are taken to alleviate the impact of higher oil prices on the poorer sections of the population, they should avoid distortionary effects. Beyond any short term measures, Ministers highlight the importance of structural reforms to make the EU economy more resilient to shocks.' "

OTHER ITEMS APPROVED

BUDGETS

Mobilisation of the EU Solidarity Fund for six countries

The Council adopted its position, by qualified majority, on draft amending budget no. 1 for 2011, accepting the mobilisation of EUR 182.4 million in commitments from the EU Solidarity Fund in order to cover damages caused by heavy rainfall and flooding in Poland, Slovakia, the Czech Republic, Hungary, Romania and Croatia during the first half of 2010.

Financial assistance amounting to EUR 105.6 million should be provided to Poland, EUR 25.0 million for Romania, EUR 22.5 million for Hungary, EUR 20.4 million for Slovakia, EUR 5.11 million for the Czech Republic and EUR 3.83 million for Croatia. The corresponding payments will be covered by a negative reserve to be neutralised before the end of the year.[1]

TAXATION

Implementing regulation on the common VAT system

The Council adopted a regulation (*5531/11*) laying down the rules for the implementation of directive 2006/112/EC on the common system of value added tax (VAT), in particular in respect of taxable persons, the supply of goods and services, and the place of taxable transactions.

The regulation, which recasts regulation 1777/2005, clarifies certain aspects of the VAT directive (2006/112/EC) with the aim of ensuring better compliance with the objectives of the internal market.

It provides for:

- implementing measures for directive 2008/8/EC as regards the place of supply of services;
- adaptation of regulation 1777/2005 to the VAT directive after its recast in 2006;
- implementing measures for other elements of the VAT directive.

[1] The Austrian, Belgian, Finnish, Latvian and Swedish delegations voted against, and Portugal, Slovenia and the United Kingdom abstained.