



Brussels, 8 February 2008

## **BACKGROUND<sup>1</sup>**

### ***ECONOMIC and FINANCIAL AFFAIRS COUNCIL***

#### **Tuesday 12 February in Brussels**

*The Council will be preceded as usual by a meeting of the **eurogroup**, on Monday starting at 17.00, which will discuss, in particular, the economic situation and inflation developments, as well as a first series of annual updates of euro area member states' stability programmes.*

*Ministers will hold a breakfast meeting on Tuesday at 9.30 to discuss the economic situation and financial markets. The president of the eurogroup will report on deliberations of the previous evening.*

*Starting at 10.00, the Council is due to adopt opinions on a number of annual updates of the member states' **stability and convergence programmes**. It will adopt a **key issues paper** on economic and financial affairs to be submitted to the spring meeting of the European Council, as well as conclusions on the efficiency of economic instruments in reaching **energy and climate change** targets. The Council is also due to approve a discharge for EU's general **budget for 2006**.*

*At lunch, ministers will discuss issues related to the European Bank for Reconstruction and Development (EBRD).*

#### **Press conferences:**

- after the eurogroup meeting (*Monday, as from 20.00*);
- at the end of the Council, before lunch (*Tuesday, around 13.00*).

#### ***Press conferences and public events can be followed by video streaming:***

<http://www.consilium.europa.eu/videostreaming>

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#### ***Other meetings in the margins of the Council:***

*Monday, 15.00: Macroeconomic dialogue with the social partners. The Council troika (current and two following presidencies) will meet representatives of European employers and union federations for an exchange of views on the economic situation and policy response;*

*Tuesday, 16.00: Meeting with the European Parliament. The Council troika will brief an EP delegation on preparations for the spring meeting of the European Council.*

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<sup>1</sup> This note has been drawn up under the responsibility of the press office

## **Stability and convergence programmes**

The Council is due to adopt opinions on a number of annual updates of the member states' stability and convergence programmes, namely:

- updated stability programmes presented by Germany, France, Italy, Luxembourg, the Netherlands and Finland;
- updated convergence programmes presented by Hungary, Romania, Slovakia, Sweden and the United Kingdom.

Under the EU's stability and growth pact, member states having the euro as their currency are required to present stability programmes; those not participating in the single currency are required to present convergence programmes.

The programmes are required to set out the member states' medium-term budgetary objectives (MTOs), the main assumptions about expected economic developments and important economic variables, a description of budgetary and other economic policy measures, and an analysis of how changes in assumptions will affect their budgetary and debt position.

The aim is to ensure sound government finances as a means of strengthening the conditions for price stability and for sustainable growth conducive to employment creation.

The Council is due to adopt opinions on a second series of updated stability and convergence programmes at its meeting on 4 March.

Based on article 99(5) of the European Community treaty, the opinions require a simple majority within the Council for adoption.

## **Preparation of the European Council**

### **- Key issues paper on economic and financial affairs**

The Council is due to adopt a key issues paper, to be submitted to the spring meeting of the European Council (13 and 14 March), outlining the main policy objectives to be set for 2008 as concerns economic and financial affairs (ecofin) (*doc. 5267/1/08 REV 1*).

At its meeting on 22 January, the Council held a policy debate on the basis of a draft prepared by the presidency.

The key issues paper examines in particular:

- the economic situation, economic growth and risks;
- structural reforms under the EU's strategy for growth and jobs (future priorities, implementation in member states and at Community level), the economic perspective on the EU's single market and on energy and climate policies;
- public finances and their contribution to macroeconomic stability;
- the efficiency and stability of financial markets;
- economic and monetary union in the EU;

It also contains a response to a proposal from the Commission for a Community-level programme under the strategy for growth and jobs.

The Ecofin Council is one of a number of Council configurations contributing key issues papers to the European Council. The permanent representatives committee and the General Affairs and External Relations Council will draw on the main messages from those papers in preparing draft European Council conclusions for the spring meeting.

As regards the economic situation and developments on the financial markets, the Ecofin Council will review the situation at its meeting on 4 March and submit a report to the European Council. It is also due on 4 March to approve a report on the broad economic policy guidelines and on country-specific recommendations.

#### **- Energy and climate change**

The Council is due to adopt conclusions examining the efficiency of economic instruments for achieving policy objectives with regard to energy and climate change (*doc. 5848/1/08 REV 1*). The conclusions will be submitted to the European Council as a contribution to discussions at its spring meeting (13 and 14 March).

The draft conclusions are based on a report from the economic policy committee reviewing the member states' experience in this field (*doc. 5850/08*). They highlight the costs of action to deal with climate change at global level, which – at up to three percent of global gross domestic product by 2030 – are estimated to be far lower than the costs of inaction, so long as the solutions implemented are global and measures are cost-effective.

The conclusions note that a key challenge will be to ensure that the transition to a low-carbon economy is handled in a way that is consistent with EU competitiveness and with sound and sustainable public finances, and that contributes positively to broader growth objectives under the EU's strategy for growth and jobs.

The Council will be called on to resolve an issue that remains outstanding, concerning the risk of so-called carbon leakage (reallocation) to countries outside the EU with lower environmental standards.

#### **Better regulation**

The Council will hold an exchange of views on progress with the EU's "*better regulation*" initiative, on the basis of a communication from the Commission (*doc. 6077/08*).

*Better regulation* involves the simplification of legislation, reducing administrative burdens on businesses, broader use of economic impact assessments and other efforts to reduce unnecessary costs for businesses for compliance with regulations. Businesses, voluntary groups and citizens consistently cite "red tape" as a major concern; the initiative is therefore a central element of the EU's strategy for strengthening competitiveness and supporting growth and employment.

In its communication, the Commission assesses progress made in simplifying existing legislation and in progress towards the objective set by the European Council last March of a 25% reduction by 2012 in the administrative burden on businesses created by EU legislation. The European Council also called on member states to set national targets of comparable ambition by 2008.

The communication sets out plans for taking the initiative forward over the next two years.

## **EU general budget for 2006**

The Council, on the basis of a report from the Court of Auditors<sup>2</sup>, is expected to approve a recommendation on the discharge to be given to the Commission for implementation of the EU's general budget for 2006 (*doc. 5842/08 + ADD 1 + ADD 2*).

It will also approve recommendations on the budgetary discharge to be given to the directors of 22 specialised EU agencies for 2006 (*docs 5843/08 + ADD 1 and 5855/08 + ADD 1*).

The recommendations will then be submitted to the European Parliament, as well as conclusions on a series of Court of Auditors special reports, in accordance with the budgetary discharge procedure.

Based on article 276 of the European Community treaty, the recommendations require a qualified majority within the Council for adoption.

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<sup>2</sup> OJ C/273, 15.11.2007, p. 1