



Brussels, 18 January 2008

BACKGROUND¹

ECONOMIC and FINANCIAL AFFAIRS COUNCIL

Tuesday 22 January in Brussels

*The Council will be preceded as usual by a meeting of the **eurogroup**, on Monday 21 January starting at 17.00, which will discuss, in particular, the economic situation and recent developments on the financial markets, preparation of a meeting of G7 finance ministers in Tokyo on 9 February, as well as financial stability and the Lamfalussy regulatory process for financial services.*

Ministers will hold a breakfast meeting on Tuesday at 9.30 where they will discuss IMF reform with Dominique Strauss-Kahn, the new managing director of the IMF.

The Council will start at 10.30 with the Slovenian presidency presenting its priorities in public session.

*The Council is due to adopt conclusions on the creation of a single **euro payments** area, an integrated and competitive market for payment services with no distinction between national and cross-border payments in euros, by 2010.*

*The main item on the agenda concerns preparation of the spring meeting of the **European Council**, with the launch of a new three-year cycle of the Lisbon strategy for **growth and jobs**, review of the EU's **single market** and identification of **key issues** related to economic and financial affairs.*

At lunch, ministers will discuss the economic situation, in particular as regards financial markets. The president of the eurogroup will report on deliberations the previous evening.

Press conferences:

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

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

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

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

Presidency work programme

- *public debate*

The Slovenian presidency will present a work programme on economic and financial affairs (ecofin) for the duration of its mandate (January to June 2008), and the Council will hold an exchange of views (*doc. 16495/2/07 REV2*).

The item will be taken in public debate and can be followed on the internet by video streaming (<http://www.consilium.europa.eu/videostreaming>).

The focus of the Ecofin Council will be on financial stability issues and on the launch of a new three-year cycle of economic reforms.

The Council will also take forward work started last year in the light of common objectives and priorities set by the German, Portuguese and Slovenian presidencies, namely:

- ensuring efficient and effective management of economic policy;
- taking further steps towards completion of the internal market, in particular with regard to financial services and taxation;
- improving the quality of public finances.

Enlargement of the euro area - Introduction of the euro in Cyprus and Malta

The Commission and the Cypriot and Maltese delegations will report on introduction of the euro in Cyprus and Malta on 1 January.

Both countries put euro notes and coins into circulation at the same time as adopting the euro as their currency ("big bang approach"). The Commission is expected to approve next month a full report on the changeover in Cyprus and Malta.

The Commission will also present a recommendation (already adopted) on measures to facilitate future changeovers to the euro (*doc. 5256/08*). Whereas initial participants in the single currency experienced a transition phase (from 1999 to 2002), during which the euro was their currency but euro notes and coins had not yet been introduced, the more recent changeovers (2007 and 2008) involved putting euro notes and coins into circulation at the same time as adopting the euro.

The Commission's recommendation addresses the following issues:

- organisation of the changeover;
- preparing citizens for the changeover;
- ensuring the rapid introduction of notes and coins;
- preventing abusive practices and the wrong perception of price developments.

Preparation of the spring meeting of the European Council

- **The Lisbon strategy for growth and jobs: the next three-year cycle**

The Council will hold a policy debate on the next three-year cycle of the EU's Lisbon strategy for growth and jobs (2008-10), to be launched by the European Council at its meeting on 13 and 14 March.

The debate will be held on the basis of:

- two texts prepared by the economic policy committee, one dealing with the EU's broad economic policy guidelines (BEPGs) for the 2008-2010/11 period, the other with country-specific recommendations;
- two communications from the Commission, one a report on the new three-year cycle (*doc. 16714/07 + ADD1 + ADD2 + ADD3 + ADD4 REV1*), the other a proposal for a new Community-level Lisbon programme (*16752/07*).

In the run-up to the European Council, the Council is expected to approve on 4 March a report on the BEPGs and on the country-specific recommendations.

The main focus of the new three-year cycle will be on implementation and delivery of reforms, given that the Lisbon strategy is now considered to be delivering on its objectives. The four current pillars of the strategy – knowledge and innovation, employment, the business environment and energy and climate change – continue to be valid. And whilst evolving challenges need to be addressed, the current guidelines are not considered to need a fundamental overhaul.

Nevertheless, implementation of reforms and recommendations needs to be improved in a number of areas. These include research, innovation mechanisms, SMEs, the single market, the modernisation of public administration, education and skills, "flexicurity" (flexibility and security on labour markets), social inclusion, territorial cohesion, energy, climate change, visibility of the social dimension, and the sustainability and quality of public finances.

The Lisbon strategy is implemented, as regards the member states, under national reform programmes, with a Community-level Lisbon programme to complement these.

- **Single market review**

The Council is expected to adopt conclusions, prepared by the economic policy committee, the economic and financial committee and the financial services committee, as part of a review of the EU's single market strategy (*5184/08*).

These will enable the European Council, at its meeting on 13 and 14 March, to establish priorities for action aimed at better realising the single market's potential and better responding to new challenges.

The draft Council conclusions, which are based on a communication from the Commission (*15651/07*), emphasise that the core focus of the new measures should be the single market's role as a vehicle for growth. Consumer confidence and improved partnerships between member states and the Commission will be essential to the successful implementation of the single market strategy.

The Commission considers that the single market, launched in 1993 and a key factor in a whole range of EU policies, now needs to deliver better results for citizens, consumers and SMEs, take better advantage of globalisation and open new frontiers for knowledge and innovation, whilst encompassing a strong social and environmental dimension.

At its meeting on 14 December, the European Council stated the single market to have been an undisputed success and to remain a pre-requisite for growth and prosperity in the EU. Recalling conclusions adopted by the Competitiveness Council on 22-23 November, the European Council called for an integrated approach to European competitiveness, using a sustainable industrial policy combined with innovation and skills, whilst developing the single market's external dimension in order to ensure a level playing field.

The Competitiveness Council is expected to adopt further conclusions at a meeting on 25 February.

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

The Council will hold an exchange of views, on the basis of a draft key issues paper prepared by the presidency, on the main messages to be conveyed to the spring meeting of the European Council (13 and 14 March) as regards economic and financial affairs.

The draft key issues paper takes account of discussions held in both the economic policy committee and the economic and financial committee.

The Economic and Financial Affairs (Ecofin) Council is one of a number of Council configurations contributing key issues papers to the European Council; it will approve the document at its meeting on 12 February.

The presidency draft examines the following issues:

- the economic situation: economic growth and downside risks;
- structural reforms for growth and jobs: implementation in member states and actions at Community level;
- public finances and their potential contribution to macroeconomic stability;
- the efficiency and stability of financial markets;
- economic and monetary union in the EU.

Financial services - Single euro payments area

The Council is due to adopt conclusions, prepared by the economic policy committee and the economic and financial committee, on the creation of a single euro payments area (5195/08).

The payments industry has committed itself to establishing a single euro payments area (SEPA) by 2010. The project is aimed at achieving an integrated and competitive market for payment services within the EU, with no distinction between national and cross-border payments in euros. Its success depends on the participation of public authorities, given that completion of SEPA requires the removal of all technical legal and commercial barriers between member states.

In October, the Council adopted, in co-decision with the European Parliament, a directive creating a legal framework for payment services, complementing the SEPA initiative. The directive is aimed at facilitating and reducing the cost of payments throughout the EU, whether in euros or not. Member states have until 1 November 2009 to bring into force the necessary provisions to comply with the new framework (see press release 13764/07).

Now that the SEPA project has moved from the preparatory to the operational stage, the Council will encourage industry to develop attractive new products and to market them actively, so that there is a real incentive for customers to migrate from existing payment instruments to SEPA products. The draft conclusions also acknowledge the catalytic role to be played by public authorities in helping drive forward the migration process.