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Economic and Financial Affairs

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President

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Main results of the Council

*The Council adopted a decision on financial assistance to **Ireland** and a recommendation setting out the conditions for granting that assistance.*

Loans amounting to EUR 22.5 billion will be granted under the European Financial Stability Mechanism as part of an EUR 85 billion package of financial assistance, on the basis of a programme negotiated with the Irish authorities by the Commission and the International Monetary Fund. The programme will involve an overhaul of Ireland's banking system, growth-enhancing reforms and the reduction of Ireland's government deficit below 3 % of gross domestic product by 2015.

*The Council approved a draft directive aimed at strengthening administrative cooperation between the member states in the field of taxation, one of a number of savings taxation and tax governance measures aimed at **preventing tax fraud**.*

In the light of greater taxpayer mobility and a growing volume of cross-border transactions, the draft directive sets out to fulfil the member states' growing need for mutual assistance – especially via the exchange of information – so as to enable them to better assess taxes due. It will also ensure that an OECD standard for the exchange of information on request is implemented in the EU. In addition, it will provide for the automatic exchange of information to be introduced on a step-by-step basis.

*The Council approved reports to the December European Council on **bank levy schemes**. It also adopted conclusions on **crisis management** in the financial sector, on **healthcare** and on **harmful tax competition** with regard to business taxation.*

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Member

Mr Michel BARNIER

Member

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Member

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Mr Philippe MAYSTADT

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Mr Thomas WIESER

Chairman of the Economic and Financial Committee

Mr Lorenzo CODOGNO

Chairman of the Economic Policy Committee

ITEMS DEBATED

COMBATING TAX FRAUD: ADMINISTRATIVE COOPERATION

The Council reached political agreement on a draft directive aimed at strengthening administrative cooperation in the field of direct taxation so as to enable the member states to better combat tax fraud.

It will adopt the directive without further discussion at a forthcoming Council meeting, after finalisation of the text.

In the light of greater taxpayer mobility and a growing volume of cross-border transactions, the draft directive sets out to fulfil the member states' growing need for mutual assistance – especially via the exchange of information – so as to enable them to better assess taxes due.

One of a number of measures implementing the EU's strategy against tax fraud, launched in 2006, the text provides for an overhaul of directive 77/799/EEC, on which administrative cooperation in the field of taxation has been based since 1977.

The directive will also ensure that the OECD standard for information exchange on request is implemented in the EU. In addition, it will provide for the automatic exchange of information to be introduced on a step-by-step basis.

For details, see press release [15094/10](#).

ECONOMIC GOVERNANCE

The Council took note of work in progress since the October meeting of the European Council on legislative proposals aimed at strengthening the EU's economic governance provisions.

It encouraged member states to continue work within the Council's ad hoc working group, with a view to enabling the Council to reach an agreement on the proposals as rapidly as possible.

On 28 and 29 October, the European Council endorsed the final report from a task force established in March to devise proposals to provide for better budgetary discipline in member states and a budgetary crisis resolution framework at EU level. Further to this:

- as regards budgetary discipline and the coordination of economic policies, it called on the Council and the European Parliament to reach agreement on the ensuing legislation by the summer of 2011, on the basis the Commission's proposals, so as to enable a rapid and effective implementation of the group's recommendations;
- on budgetary crisis resolution, further to the work of the task force, the European Council asked its President to undertake consultations on a limited change to the EU treaties in order to establish a permanent mechanism to safeguard the financial stability of the euro area. It will revert to this at its meeting on 16 and 17 December with a view to taking a final decision both on the outline of a crisis mechanism and on a limited treaty amendment.

The proposals currently being examined within the Council deal in particular with budgetary discipline in the member states and the coordination of economic policies.

FINANCIAL SUPPORT FOR IRELAND

The Council adopted:

- a decision providing financial assistance to Ireland, on the basis of regulation 407/2010 on the European Financial Stability Mechanism (EFSM);
- a recommendation setting out conditions for that assistance, in the framework of the EU's excessive deficit procedure.

Loans amounting to EUR 22.5 billion will be granted under the EFSM as part of an EUR 85 billion package of financial assistance, on the basis of a programme negotiated with the Irish authorities by the Commission and the International Monetary Fund, in liaison with the European Central Bank. The programme will involve an overhaul of Ireland's banking system, growth-enhancing reforms and the reduction of Ireland's government deficit below 3 % of gross domestic product by 2015.

The package, agreed by ministers at an informal meeting on 28 November in response to a request submitted by the Irish authorities on 22 November, includes:

- o EUR 10 billion to be used immediately to recapitalise Irish banks, with a EUR 25 billion contingency reserve;
- o EUR 50 billion to cover the financing needs of the Irish government's budget.

Half of the banking support measures (EUR 17.5 billion) will be financed by an Irish contribution through its treasury cash buffer and investments in Ireland's National Pension Reserve Fund. The remainder of the overall package (i.e. EUR 22.5 billion each) will be shared equally amongst: (i) the EFSM, (ii) the European Financial Stability Facility, together with bilateral loans from the United Kingdom, Denmark and Sweden¹, and (iii) the International Monetary Fund.

The Council's recommendation takes up the conditions set in the programme agreed with the Irish government. On the basis of article 126(7) of the Treaty on the Functioning of the European Union, it sets out the measures necessary for correcting Ireland's deficit by 2015, extending a previous 2014 deadline.

Ireland has been the subject of an excessive deficit procedure since April 2009.

¹ EFSF, EUR 17.7 billion; UK, EUR 3.8 billion; Sweden, EUR 600 million; Denmark, EUR 400 million.

PREPARATION OF THE DECEMBER EUROPEAN COUNCIL

Impact of pension reforms on implementation of the stability and growth pact

The Council discussed how the impact of pension reforms should be accounted for in implementing the EU's Stability and Growth Pact. In the light of the discussion, the presidency agreed to submit a report to the European Council, with a view to its meeting on 16 and 17 December.

Some member states have introduced or are introducing so-called multi-pillar pension systems (both public and private)¹ and have asked for a review of the way in which the costs generated by such reforms are accounted for. Such reforms can increase a government's budget deficits in the shorter term despite creating benefits for the sustainability of public finances in the longer term.

A report was requested by the European Council in October, in the context of the current review of EU economic governance provisions.

Levies on banks

The Council approved a report on bank levy schemes, examining how different schemes in place should be coordinated so as to avoid the multiple charging of banks that operate in several member states. It agreed to submit the report to the European Council, with a view to its meeting on 16 and 17 December.

Bank levies are amongst the measures being examined as part of a new crisis resolution framework for the financial industry. They can also help ensure that the industry makes a fair contribution to the consolidation of public finances, thus relieving the pressure on taxpayers.

Consequently, a number of member states have imposed levies on banks or are in the process of doing so. However, the nature of those levies differs from one country to another, creating a risk of competitive distortions and the multiple charging of banks that operate in several member states.

The Council's report comes in response to a request by the European Council in October, which noted the need for further work – both at the international level and within the EU – on both bank levies and the introduction of taxes on financial institutions. The report focuses on the short term issues raised by bank levies; it suggests that practical recommendations be developed with a view to minimising the risks of multiple charging and other distortions.

¹ A multi-pillar pension framework consists of a public pillar without a specific fund allocation (often referred to as a "pay-as-you-go" scheme), a fully-funded second pillar, and possibly individual private funds that constitute a third pillar.

HEALTHCARE

The Council adopted the following conclusions on a joint report from the Economic Policy Committee and the Commission on health systems in the EU:

"The Council of the 5 May 2009, in its Conclusions on the long-term sustainability and quality of public finances, INVITED the Economic Policy Committee and the Commission to continue to work on improving the measurement of the quality of public finances including through a systematic analysis of the efficiency and effectiveness of expenditure. Further to this call, the EPC and the Commission carried out a thorough investigation of the institutional features of health systems in the EU to better understand the drivers of health expenditure and health expenditure differences across Member States in view of the consequences they could have on the financial sustainability of health systems.

The Council WELCOMES the Joint Report and HIGHLIGHTS that

- Health spending contributes to better health, which contributes to economic prosperity through higher labour market participation and productivity and will therefore be crucial in the context of an ageing society and longer working lives. Health spending absorbs a significant and growing share of resources and all EU Member States face strong and growing pressures on their health systems. The health sector in Europe is also a major employer and a source of innovation and hence supports jobs and knowledge creation.
- In the coming decades, Member States will have to balance the need to provide universal health care with an increasing demand related to an ageing population, technological development and growing patient expectations. At the same time, the financial and economic crisis has led to a strong deterioration in fiscal positions in most EU countries, implying the need for significant budgetary constraint to reduce high deficits and debt-to-GDP ratios in order to put public finances on a sustainable path. This enhances the need to assess the performance of health systems and implement sound and needed reforms to achieve both a more efficient use of public resources and the provision of high quality health care.
- In many countries, there appears to be scope to improve the health status of the population without increasing health spending. Getting more value for money is therefore crucial if countries are to ensure universal access and equity in health, under conditions of severe constraints on public budgets.

Given increasing age-related pressures on health expenditure and the current economic situation the Council REAFFIRMS the commitment to the three-pronged strategy agreed by the 2001 Stockholm European Council for meeting the economic and budgetary consequences of ageing (reducing debt at a fast pace, raising employment rates and productivity and reforming pension, health and long-term care systems). Ensuring the long-term sustainability of public finances is a challenge which should be reflected in all fields of economic policy coordination in the EU.

The Council RECOGNISES that measures introduced in the last two decades aimed at improving value for money and constraining excessive growth in health care spending will need to be strengthened to achieve the consolidation of public finances while continuing to promote innovation and ensure universal access to quality care, equity and solidarity in health and better health outcomes. In light of this report, key *policy challenges that will need to be addressed by Member States include:*

- ensuring a sustainable financing basis, a high degree of pooling of funds and a good resource allocation that ensures equity of access;
- encouraging a cost-effective use of care, through adequate incentives including cost-sharing and provider payment schemes, and as appropriate through the involvement of non-public providers while ensuring the protection of those more vulnerable;
- encouraging the provision and access to primary health care services to improve general health and reduce unnecessary use of specialist and hospital care.;
- curbing supply-induced demand by considering the interaction between demand side factors and supply side factors, etc.;
- ensuring the cost-effective use of medicines through better information, pricing and reimbursement practices and effectiveness assessment;
- improving data collection and information channels and the use of available information to increase overall system performance;
- deploying health-technology assessment of the effectiveness, costs and broader impact of healthcare treatments more systematically in decision-making processes;
- improving health promotion and disease prevention also outside the health sector.

The Council *INVITES* Member States and the Commission to factor these findings into its analysis and proposals in the framework of the Europe 2020 strategy."

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The Employment, Social Policy, Health and Consumer Affairs Council also discussed the EPC-Commission joint report on 7 December.

CRISIS MANAGEMENT IN THE FINANCIAL SECTOR

The Council took note of the presentation by the Commission of a communication entitled "*An EU framework for crisis management in the financial sector*" (doc. [15375/10](#)). It adopted the following [conclusions](#).

HARMFUL TAX COMPETITION - CODE OF CONDUCT

The Council adopted the following conclusions:

"With regard to the Code of Conduct (Business Taxation), the Council:

- welcomes the progress achieved by the Code of Conduct Group (Business Taxation) during the Belgian Presidency and takes note of the report as set out in doc. 16766/10 FISC 139;
- asks the Group to continue monitoring standstill and the implementation of rollback, as well as to carry on the work under the Work Package agreed by the Council (ECOFIN) on 5 December 2008 (*doc. [16410/08](#)*);
- in order to facilitate the work of the Group in promotion of the adoption of the principles of the Code of Conduct in third countries, encourages the Commission to continue discussions with Switzerland and Liechtenstein on the application of the principles and criteria of the Code as requested in the Council conclusions adopted on 8 June 2010 (*doc. [10595/10](#) FISC 57*) and to keep the Group regularly informed of the progress;
- takes note that the Hungarian Presidency will address the scope of the Code of Conduct at the Council High Level Working Party and invites the Hungarian Presidency to report back to the Council by the end of the Hungarian Presidency;
- invites the Group to report back on its work to the Council by the end of the Hungarian Presidency."

MEETINGS IN THE MARGINS OF THE COUNCIL

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

Informal dialogue with the European Parliament

The presidency troika (the current and next two presidencies) met representatives of the European Parliament on 6 December for an informal dialogue, focusing on economic governance issues.

Euro Group

Ministers of the euro area member states attended a meeting of the Euro Group on 6 December.

Ministerial breakfast meeting

Ministers held a breakfast meeting to discuss the economic situation.

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Over lunch, the French delegation presented the programme for its country's presidency of the G-20 and ministers discussed EU representation at G-20 meetings.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Minimum VAT standard rate

The Council adopted a directive maintaining the current minimum standard rate of value-added tax (VAT) at 15% until 31 December 2015 ([15495/2/10](#) + [16900/10 ADD 1](#)).

This does not preclude a revision of VAT legislation before that date to address the outcome of work on a new VAT strategy.

External auditors of the national central banks - Estonia

The Council adopted a decision approving the appointment of "AS Deloitte Audit Eesti" as the external auditor of the Eesti Pank (Bank of Estonia) for the financial years 2011 to 2015 ([15506/10](#)).

The accounts of the European Central Bank (ECB) and of the national central banks of the Eurosystem must be audited by independent external auditors recommended by the governing council of the ECB and approved by the Council.

VAT for postal services

The Council took note of a presidency progress report regarding work on value-added tax (VAT) for services provided in the postal sector.

The report comes in response to the Council's request in 2009 for all options to be examined and for a report on progress to be made in December 2010 at the latest.

Short selling and credit default swaps

The Council took note of a presidency progress report regarding work on a draft regulation on short selling and certain aspects of credit default swaps ([17039/10](#)).

It took also note of a presidency compromise proposal, as set out in document [16676/10](#).

Climate finance – Conclusions

The Council adopted the following conclusions:

"The Council:

1. REAFFIRMS the collective commitment by developed countries in the Copenhagen Accord to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010 - 2012. RECALLS the European Council Conclusions of 25th March, and the commitment of the EU and its Member States to provide EUR 7.2 billion cumulatively over the period 2010 – 2012, and to present a comprehensive fast start finance report in Cancun and thereafter on an annual basis.
2. In this context, EMPHASISES that the EU and its Member States have notably advanced in the implementation of their fast start commitments for 2010 in line with our commitment in the Copenhagen Accord to tackle climate change in developing countries.
3. ENDORSES the final report¹ from the EPC/EFC on finance provided by the EU and its Member States in 2010 for "fast-start" measures to be presented at the UNFCCC Conference of the Parties (COP 16) from 29 November to 10 December in Cancun.
4. INVITES the Commission to integrate fast start finance reporting into its annual EU accountability and development finance report, with a further end-of-year update for UNFCCC meetings as needed.
5. RECALLS its conclusions of 14 October 2010 that institutional arrangements must be guided by considerations of coherence, improved coordination, efficiency, effectiveness, responsiveness, balanced representation and institutional economy; UNDERLINES that decisions on institutional architecture should take due account of the functions of existing institutions and how they can be strengthened.

¹ doc. 15889/1/10 REV 1, [15889/10 ADD 1 REV 1](#)

6. REAFFIRMS its commitment to establishing the Copenhagen Green Climate Fund as an operating entity of the financial mechanism of the Convention and SUPPORTS the launch in Cancún, as part of a balanced package, of a process for setting up the Fund with a view to operationalising it at COP 17; UNDERLINES that technical financial experts, e.g. from financial institutions including finance ministries, IFIs and MDBs, shall play a leading role in the process of establishing the fund.

7. TAKES NOTE OF the Final Report of the UN Secretary General's Advisory Group on Climate Finance (AGF), in particular the conclusion that it is challenging but feasible to meet the Copenhagen Accord goal of mobilising \$100bn per annum by 2020 for climate change in developing countries, subject to meaningful mitigation actions of developing countries and transparency on implementation through a combination of public finance, including innovative sources, and private finance.

8. INVITES the Commission and the EFC/ EPC 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."

FOREIGN AFFAIRS

Somalia - Restrictive measures - Inspections of cargoes

The Council adopted a regulation amending regulation 147/2003 on restrictive measures against of Somalia as regards cargoes going to or coming from Somalia, in order to ensure the strict implementation of decision 2010/231/CFSP ([16323/10](#)).

Decision 2010/231/CFSP provides for the inspection of certain cargoes to and from Somalia and, in the case of aircraft and vessels, for the supply of additional pre-arrival and pre-departure information in respect of goods brought into or out of the EU. The new regulation requires that information be provided in accordance with the provisions of the EU's customs code.

In resolution 1907 (2009), the UN Security Council called for all cargoes to or from Somalia to be inspected where the cargo may contain items prohibited by the resolution or the arms embargo on Somalia.

EU military operation on acts of piracy off the Somali coast

The Council adopted a decision amending joint action 2008/851/CFSP as regards the EU's military operation to contribute to the deterrence, prevention and repression of acts of piracy and armed robbery off the Somali coast ([16245/10](#)).

EU-Morocco association council

The Council took note of preparations with a view to the EU-Morocco association council meeting, to be held in Brussels on 13 December.
