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Subject: Slovenian Presidency's Work Programme for the Council (ECOFIN)

Delegations will find attached the Slovenian Presidency's Work Programme for the ECOFIN Council and the draft provisional Council agendas for the first half of 2008.

Encl.:



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ECOFIN PRIORITIES AND PROGRAMME FOR THE 2008 SLOVENE PRESIDENCY OF THE COUNCIL OF EU

Introduction

Slovenia is taking up the Presidency of the Council in the first half of 2008 as the first of the Member States who acceded to the European Union since 2004. Slovenia will work with its partners in the Council, the Commission and the European Parliament in responding to the opportunities and challenges the Union is facing.

Building on the work taken forward under the German and the Portuguese Presidencies, Slovenia will aim at progressing the work in the areas of common objectives and priorities defined by the three Presidencies:

- To ensure efficient and effective management of economic policy;
- To improve the quality of public finances in the EU;
- To take further steps towards completing the Internal Market, in particular with regard to financial services and taxation.

Slovenia is assuming the Presidency at a time when the growth momentum continues to be robust and is underpinned by relatively solid employment growth. However, uncertainties remain in relation to financial market turbulence. It is therefore important for the ECOFIN Council to make the most of the current favourable conditions and accelerate the process of economic reform. At the same time, it is necessary to draw the lessons from financial markets turbulences and to review whether regulatory or other action may be warranted.

The Slovenian Presidency of the ECOFIN Council will aim at deepening the achievements brought about by the renewed Lisbon Strategy and focus on the key elements for strengthening the integration of the Internal Market. The Provisional ECOFIN agendas of the Slovenian Presidency are attached.



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The Lisbon Strategy

The challenges faced by Europe and its citizens today are manifold and in order to succeed in the age of globalisation, climate change and ageing populations, Europe must work together. The renewed Lisbon Strategy for Growth and Jobs and its Integrated Guidelines have set the framework, instruments and governance to effectively face these challenges.

2008 will be the year of stock-taking. At its meeting in March, the European Council is due to carry out a **mid-term review of the renewed Lisbon process**. This will be done on the basis of the Commission's comprehensive Strategic Report. As a result, a new 3-year cycle for the **Integrated Guidelines** will be launched. Given that stability is a key element for the effectiveness of the Lisbon strategy, the Slovenian Presidency will aim for a streamlined approach that will maintain the present guidelines and strengthen the national ownership of reform programmes and the effectiveness of multilateral surveillance.

The four priority areas (knowledge and innovation; employment; business potential; energy and climate change) should remain the focal point of Lisbon and should be reflected in the Integrated Guidelines and the Community Lisbon Programme. The Strategy should take fully into account the opportunities and challenges of globalisation.

In parallel, we should enhance our communication efforts. In particular, we must be in a position to better underscore the benefits that the Lisbon process has brought and continues to bring to our citizens.

Macroeconomic and EMU issues

Sound fiscal policies and a stable macroeconomic environment are fundamental to the Lisbon Strategy as is a well-functioning economic and monetary union (EMU). The Presidency is committed to ensure the implementation of the **Stability and Growth Pact** in an economically sound manner. In February and March the ECOFIN Council will deliver Council Opinions on Member States' Stability and Convergence Programmes. The Presidency, together with the Commission and the EFC, will guide the deliberations on the programmes focusing on key horizontal issues.

The Commission and the European Central Bank (ECB) will present their regular Convergence Reports during the Slovenian Presidency, which will be discussed at ECOFIN



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level. On this basis the Council will examine whether any Member State(s) fulfil the convergence criteria for the adoption of the euro as of 2009.

On 1 January 2008, Cyprus and Malta will introduce the single currency thereby enlarging the euro area further. Ten years after moving to the third stage of economic and monetary union marks a good opportunity to assess the achievements and reflect on the future functioning of the EMU. The success, stability and the positioning of the euro are internationally recognised. This would not have been achieved without the solid functioning of the ECB, which will also celebrate the **10th anniversary of its operation** in June 2008.

The focus of the three consecutive Council presidencies on the **quality of public finances** will be continued as it is closely linked to the sustainability of economic growth and employment. The Slovenian Presidency will primarily focus on the efficiency and effectiveness of **social spending** and continue the discussions on the effectiveness of public education expenditures.

Integrated market for financial services

Financial services form an essential element in completing the Lisbon Strategy. The Slovenian Presidency will therefore focus on pushing forward the legislative proposals stemming from the Commission's White Paper on the Financial Services Policy 2005–2010 which was welcomed by the ECOFIN Council in May 2006.

The key legislative proposal in this respect will be **the Solvency II Directive** in the area of insurance, where the Slovenian Presidency intends to work closely with the Member States, the Commission and the European Parliament in forging a legislative text, which will strengthen policy holder protection and enhance the competitive edge of the European insurance industry while respecting its diversity.

The discussion on two new legislative proposals will begin under the Slovene Presidency:

- Amendments to the investment fund directive (**UCITS III directive**);
- Amendments to the Directive on **Financial Collateral Arrangements** and the **Directive on settlement finality** in payment and securities settlement systems.

In the area of financial market infrastructure, the Presidency intends to monitor closely progress in relation to **clearing and settlement**, where reports on the functioning of the Code of Conduct; ensuring prudential safety of the post-trading sector; and removing Giovannini



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barriers are forthcoming. In the same vein, the Council will continue to follow progress with regard to the »Target 2 Securities« project and look for alternatives to move forward with the ESCB-CESR standards.

Strengthening financial integration in retail financial services is one of the key objectives for the near future. The Presidency will promote a debate on **financial education** based on a forthcoming Commission Communication. The Commission has also announced a White Paper on **mortgage credit** and the Council may wish to adopt a set of conclusions thereon.

Finally, the Council is committed to continue its work in the area of **financial stability**. This includes both the longer-term stability arrangements discussed under the Portuguese Presidency, as well as an effective response to the current market turbulence and volatility. On the first aspect, an extended Memorandum of Understanding on financial stability arrangements is expected to be discussed by the ECOFIN in Spring 2008. On the latter point, the Slovenian Presidency will continue to advocate that the primary responsibility for addressing the current market turbulence rests with the market participants. The Union, in close co-operation with its international partners, needs to reinforce market efforts and identify areas where additional discipline is required to make markets more resilient. In this respect, the Presidency will focus on better risk management, enhancing market transparency and improvements in valuation standards, including of illiquid assets.

Taxation

The Slovenian Presidency will continue work on tax dossiers in order to increase transparency and simplicity and to reduce administrative and compliance costs, thereby improving the business environment in the Internal Market and the competitiveness of the European economy as a whole, without putting tax revenues at risk.

The Presidency will promote the modernisation and simplification of the common rules on value added taxes and excise duties. In this regard, discussions will be started on a new legislative proposal for a Council directive as regards the **VAT on financial and insurance services**. The Presidency intends to continue the strategic debate on **VAT rates** other than the standard rate.

In the field of excise duties the Presidency will focus on the **revised horizontal Directive 92/12** (the recast) to assure a modern regime with electronic exchange of information of products subject to excise duty.



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Special attention will also be devoted to the **fight against tax fraud** and the Presidency expects Commission studies on the introduction of an optional general reverse charge mechanism and on the taxation of intra-Community supplies, as well as the proposal on conventional measures to fight tax fraud.

Energy and climate change

Energy and climate change feature among the Union's key challenges and will continue to be addressed throughout the Slovenian Presidency of the EU. It is essential for the ECOFIN Council to engage in the policy formulation on these issues to ensure that the common approach is cost-effective and anchored in market-based instruments.

Better regulation

Better regulation is a key element in improving the framework conditions for European enterprises and reducing unnecessary administrative burdens. The Slovenian Presidency intends to continue the efforts by the Council to improve the regulatory environment in Europe. Slovenia will advocate stringent impact assessments for all new legislative measures, while reinforcing the drive for simplification of existing legislation.

Other business

In addition to the priorities set out above, the Slovenian Presidency will endeavour to make progress in other areas of ECOFIN competence, including sound financial management in the implementation of the 2008 budget, and the adoption of balanced priorities for the 2009 budget. It also intends to foster the economic dialogue with third countries to enable closer cooperation with the Union's Transatlantic, Neighbourhood, ASEM and other partners.



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ANNEX to the Programme

on the EU agenda for financial stability

Financial stability issues will be among the key priorities of the Ecofin Council under the Slovenian Presidency. The Ecofin will focus mainly on three sets of issues in line with the roadmaps agreed until 2008/2009: (i) the EU policy response to the current turmoil in the financial markets in the light of developments since October 2007, and possible further lessons to be drawn; (ii) follow-up on the Lamfalussy review with a main focus on ensuring that the supervisory framework keeps up with market developments and progress in financial integration; and (iii) enhancements to the EU arrangements for financial crisis management.

1. The roadmap on financial 'turmoil'

In response to the turmoil on the financial markets that emerged in August 2007, the Ecofin Ministers at their informal meeting in Porto drew first lessons from the turmoil and agreed on key issues which call for particular policy measures. The Council (ECOFIN) in October 2007 endorsed a note prepared by the Economic and Financial Committee which included a specific roadmap for work¹ and was submitted to the Heads of State and Government at the Lisbon informal Summit of October 2007. **The roadmap identifies four key areas where enhancements will be considered in the course of 2008, namely: (i) transparency for investors; (ii) improving valuation standards, including of illiquid assets; (iii) the prudential framework, including risk management; and (iv) market functioning, including the role of credit rating agencies.**

In March 2008, in preparation for the Spring European Council, the Ecofin Council will review the situation in the financial markets and the progress made to date with the roadmap. For this discussion, the EFC will prepare a report providing an update on the developments in the markets and risks to financial stability; and examining the progress made with the roadmap as well as reviewing the adequacy and urgency of the priorities in the light of the most recent developments. The Commission will also provide a progress report for this occasion.

¹ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/96375.pdf, pp. 27ff.



2. Financial supervision in the Lamfalussy roadmap

As part of the review of the Lamfalussy process, the Council on 4 December 2007 adopted conclusions aimed at enhancing financial supervision in the EU, as outlined in a roadmap setting out actions to be undertaken in the short term i.e. mainly up to 2008². This work is also intended to contribute to the overall financial stability. In line with the agreed roadmap, **the Council at its informal meeting in April will review progress made in the area of supervision, including in particular as regards co-operation between national supervisory authorities. The Informal Ecofin will discuss the role of the Level 3 Committees and options to strengthen their working arrangements; the inclusion in the mandates of national supervisors of the objective of EU supervisory cooperation and convergence, as well as issues related to the supervision of cross-border financial groups, especially the introduction of the EU-wide reporting formats, and the operation of colleges of supervisors.**

3. Roadmap on EU financial stability arrangements and crisis management

The EU has in recent years significantly stepped up efforts to develop arrangements for financial stability and crisis management. The Ecofin Council on 9 October 2007 adopted a roadmap setting out further policy actions on crisis management to be taken by 2009. The Informal Ecofin in April 2008 will be the first milestone in responding to this roadmap. **Ministers and Governors are expected to agree upon a new Memorandum of Understanding (MoU) on financial crisis management that will extend the MoU signed in 2005 between the Heads of the EU Banking Supervisory Authorities, Central Banks and Finance Ministries. The extended MoU will include common principles on crisis management and set out common procedures and practical guidelines for managing cross-border financial crises.**

² http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/97420.pdf, pp. 20 ff.



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4. Conclusions and possible course of action

Under the Slovenian Presidency, the Council (Ecofin) will continue to review very closely the developments in the above mentioned areas. The main objectives are to implement the agreed work programmes, propose further policy action where appropriate, and to speed up measures where needed. The Presidency will also strive to further strengthen the communication towards the public.

The informal Ecofin of April 2008 will provide a specific opportunity for a better communication of the actions taken and planned to the public, highlighting the synergies between the three existing roadmaps (turmoil, financial stability arrangements and Lamfalussy process); and possibly identify new actions on the basis of the inputs foreseen, including in view of identifying the longer term policy issues beyond 2009. Moreover, the Ecofin Council will also prepare for discussions on financial stability matters and highlight the issues to be addressed with key EU counterparties, such as main standard setting bodies, with a view to enhance the EU voice in these discussions on financial stability.



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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 22 JANUARY 2008**

Presidency work programme

= Presentation

Introduction of the euro in Cyprus and Malta

= Exchange of views

(poss.) **Implementation of the Stability and Growth Pact** (*restricted session*)

Preparation of the European Council (13-14 March 2008)

- **Lisbon strategy**

= Follow-up to the December European Council

- **The next three-year cycle: Strategic report, Broad Economic Policy Guidelines 2008- 2010/2011, and Country-Specific Integrated Recommendations**

= Orientation debate

- **Contribution to the Spring European Council conclusions: Key Issues Paper**

= Orientation debate

- **Single Market Review**

= Council conclusions

Financial services

- **SEPA**

= Council conclusions

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p.m.

Eurogroup - Monday 21 January



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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 12 FEBRUARY 2008**

Implementation of the Stability and Growth Pact (*restricted session*)

- **Stability and Convergence Programmes: First series of Member States**
= Adoption of Council Opinions

Preparation of the European Council (13-14 March 2008)

- **Contribution to the Spring European Council conclusions: Key Issues Paper**
= Adoption
- **EPC report on the efficiency of economic instruments for energy and climate change**
= Council conclusions
- (poss.) **Better regulation**
= Council conclusions

General budget of the European Union

- **Discharge procedure in respect of the implementation of the budget for 2006**
= Council Recommendation

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Eurogroup – Monday 11 February
Macro-Economic Dialogue - Monday 11 February
Troika with the EP - Tuesday 12 February



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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 4 MARCH 2008**

Implementation of the Stability and Growth Pact (*restricted session*)

- **Stability and Convergence Programmes: Second series of Member States**
= Adoption of Council Opinions

Preparation of the European Council (13-14 March 2008)

- **Broad Economic Policy Guidelines 2008-2010/2011 and Country-Specific Integrated Recommendations**
= Adoption of Council Report to European Council
- **Interim report on financial stability issues**
= Adoption of Council Report to European Council

General budget of the European Union

- **Council priorities for the 2009 budget**
= Council conclusions

Taxation

- (poss.) **Fight against tax fraud**
= Orientation debate
- (poss.) **Taxation of Savings**
= Update on international negotiations

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Eurogroup - Monday 3 March



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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 14 MAY (Wednesday)**

Broad Economic Policy Guidelines 2008-2010/2011 and Country-Specific Integrated Recommendations

= Adoption of Council Recommendation

(poss.) **Preparation of the European Council (19-20 June 2008)**

(poss.) **Implementation of the Stability and Growth Pact** (*restricted session*)

Preliminary draft General Budget 2009³

= Presentation by the Commission

Quality of Public Finance: Efficiency of public expenditure on social transfers and education

= Follow-up to the Informal Ministerial Meeting

= Council conclusions

Structural reforms: Methodology of the progress and impact evaluation

= Exchange of views

(poss.) **Financial markets: Financial Supervision and Stability Arrangements in the EU and Financial market situation**

= Follow-up to the Informal Ministerial Meeting

= Council conclusions

Financial services

- (poss.) **Communication on financial education**

= Council conclusions

³ Under the Council's Rules of Procedure Article 19(6), this item is chaired by the Presidency for the second half of 2008.



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- **White book on mortgage credits**
= Council conclusions

Dialogue with third countries

- **Report on dialogue with third countries**
= Commission information
- **EU-US summit: Economic and financial issues**
= Exchange of views
- **ASEM Finance Ministers Meeting on 16 June 2008**
= Exchange of views

- (poss.) **Strategy for Customs in the EU - Identifying financial/economic impacts**
= Council conclusions

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Eurogroup - Tuesday 13 May
Meeting with candidate countries (date to be confirmed)



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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
LUXEMBOURG – 3 JUNE 2008**

(poss.) **Implementation of the Stability and Growth Pact** (*restricted session*)

10 years of EMU

= (poss.) Council conclusions

Convergence reports by the Commission and the European Central Bank

= Exchange of views

(poss.) **Preparation of the European Council (19-20 June 2008)**

Taxation

- **Fight against tax fraud**

= Council conclusions

- **VAT on financial and insurance services**

= Orientation debate

- **Excise duties: Recast of Council Directive 92/12/EEC**

= Orientation debate

- (poss.) **Commercial diesel**

= Orientation debate

- **Report of the Code of Conduct Group (business taxation)**

= Council conclusions

- (poss.) **Tax coordination**

= Council conclusions



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Financial Services

- (poss.) **UCITS**
= Orientation debate

- **Solvency II**
= General approach

- (poss.) **Clearing and settlement**
= Council conclusions

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Eurogroup - Monday 2 June

EIB Governors' Meeting - Tuesday 3 June