



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from:	Presidency
to:	Delegations
Subject:	Work programme of the European Union Economic and Financial Affairs Council during the Danish Presidency

Delegations will find attached the Work programme of the European Union Economic and Financial Affairs Council during the Danish Presidency and the draft provisional Council agendas for the first half of 2012.

Encl:

WORK PROGRAMME OF THE ECOFIN DURING THE DANISH PRESIDENCY

The EU and its Member States have all been deeply affected by the international financial, economic and sovereign debt crises and the effects are likely to influence EU cooperation for many years to come. All efforts must be made to exit the economic crisis and create the foundation for future growth and employment. This requires credible and sustainable public finances and implementation of structural reforms.

Overcoming the crisis – short term cure and long term prevention

The EU and the euro area have taken a number of significant steps to solve the crises. These steps include multiannual financial assistance programmes for Greece, Ireland and Portugal and the creation of new lending facilities, i.e. the EU instrument EFSM and the euro area instrument EFSF to help Member States in difficulties caused by exceptional circumstances beyond their control and to safeguard financial stability, soon to be replaced by the euro areas permanent stability mechanism, ESM. In the autumn of 2011 additional steps have been taken to strengthen the crisis resolution capabilities of the EFSF and to ensure the health of the European banking sector.

In parallel, EU Member States have strengthened the common framework and rules for the coordination of economic policies. Member States have agreed on a reinforced Stability and Growth Pact, a new surveillance mechanism for macroeconomic imbalances and common requirements for national budgetary frameworks. Moreover, with the European Semester fully developed, the framework for the coordination of national economic policies has been strengthened. In addition, all euro area Member States and six non euro area Member States, including Denmark, Bulgaria, Latvia, Lithuania, Poland and Romania, have agreed on a Euro Plus Pact focusing on improving competitiveness, employment, sustainable public finances and financial stability.

The EU and euro summits in October and December 2011 agreed on additional economic governance initiatives currently being discussed with a view to rapid implementation, further focusing and strengthening fiscal discipline in euro area member states in particular. Moreover, the Commission has proposed two regulations focusing on strengthening monitoring of economic policies and budget implementation in euro area Member States with excessive deficits, and strengthening procedures surrounding programmes for Member States in need of external assistance or otherwise in a difficult financing situation. Lastly, following the December 2011 summit, a new Fiscal Compact was agreed with concrete commitments to strengthen governance and fiscal discipline even further. The Fiscal Compact is to be implemented through a new international agreement currently being negotiated, with a view to finalisation in early 2012.

The Danish presidency is committed to play its part in managing and working towards containing the financial, economic and sovereign debt crises. The reformed economic governance, including the Euro Plus Pact, and the latest governance initiatives are key instruments to help re-establish sound, responsible and sustainable economic policies in Member States and help breaking the vicious circle of large deficits, growing debt and increasing interest rates. The implementation of the new instruments will be a prerequisite for bringing Europe out of the crisis and reduce the risk of new crises. Implementation will also help to build room for manoeuvre to counter new setbacks and promote stronger growth and job creation in Europe.

Key priorities for the Danish ECOFIN presidency

In the ECOFIN Council the Danish presidency will prioritise:

- Continuing the work to overcome the economic crisis, including through effective implementation of the reformed economic governance within the framework of the European Semester and work towards agreement on the new economic governance initiatives.
- Speedy progress and agreement on the key initiatives to strengthen financial regulation and supervision
- A strengthening of tax cooperation, including energy taxation and effective taxation of cross border savings through information sharing
- Representation of the Member States in G20

Stronger economic governance – the consolidation and reform agenda

The EU has adopted a comprehensive **reform of the economic governance** (the so-called “six-pack”). The reform includes inter alia a strengthened Stability and Growth Pact, a new mechanism for addressing macroeconomic imbalances and a strengthening of national budgetary frameworks. The Danish presidency will oversee the first full round of the European Semester after the activation of the reformed economic governance.

Ensuring that the **implementation of the reform** actually contributes to ensure better outcomes of economic policies including sounder public finances through compliance and enforcement of the common rules will be a high priority during the Danish presidency. The reform should lay the foundation for a stable economic development, growth, employment, and the transition to a green economy. As an integrated part of the implementation of the governance reform, the Danish presidency will put emphasis on the implementation and enforcement of existing consolidation and reform plans and the recommendations under the excessive deficit procedure (EDP) both to ensure maximum credibility of the reformed economic governance and to minimise the risk of a further escalation of the sovereign debt crisis.

In the context of the European Semester, the Danish presidency will also continue the work in the framework of the **Euro Plus Pact** which was agreed by the euro area Member States and six non-euro area Member States to increase focus on the most important reforms to promote competitiveness, employment, sustainable public finances and financial stability. A follow up on national Euro Plus Pact commitment is foreseen at the European Council in March 2012 in line with the European Council conclusions of December 2011.

Following the EU and euro area summits in October and December 2011 additional economic governance initiatives are being considered, focusing in particular on euro area member states, notably the new fiscal compact. In particular, the Danish presidency expects to swiftly take forward the Commission’s proposals for the regulation on stronger economic and budgetary surveillance of euro area member states with serious financial stability difficulties and the regulation on stronger monitoring and assessments of draft budgetary plans in the euro area member states (the “**two-pack**”), with the aim that the regulations will be in force ahead of the next budget cycle.

Following the December 2011 summit, a new **Fiscal Compact** was agreed with commitments to strengthen governance and fiscal discipline even further. The Fiscal Compact is to be implemented through a new international agreement which is being negotiated during the Danish Presidency. The Danish presidency will support the work to ensure a rapid conclusion and implementation of the agreement.

As part of **the European Semester** the ECOFIN (alongside other Council formations) is expected to prepare the European Council Annual Economic Summit in March including through preparing Council conclusions to be adopted by the ECOFIN Council in February setting out the overall economic policy orientations regarding macroeconomic, fiscal and structural policy for the Member States' stability and convergence programmes (SCP's) and their national reform programmes (NRP's), including commitments under the Euro Plus Pact where applicable.

On the basis of the national reform programmes and stability or convergence programmes the ECOFIN should adopt council opinions and country specific recommendations in June 2012 to be put forward to the European Council in June. The presidency is committed to ensure that the assessments of the national programmes result in integrated and consistent recommendations identifying the most relevant reform areas for the individual Member States and underpinning the consolidation agenda. The Danish presidency will also contribute to promoting the structural reform agenda supporting growth, employment and fiscal sustainability in the EU in line with the **Europe 2020 reform strategy**.

The Danish presidency will ensure follow-up to the implementation of the Member States' **EDP recommendations**. While consolidation took hold and the overall fiscal stance turned from expansion to a broadly neutral stance in 2010, 2011 was the first year where all Member States with recommendations and notices were recommended to consolidate and implement structural budgetary improvements. During the Danish presidency the Commission and the ECOFIN will for the first time be able to assess – on the basis of actual figures on public finances in 2011 and the Commission's 2012 spring forecast – whether Member States' consolidation are on track. Specifically, the ECOFIN will be in a position to decide on abrogation of the deficit procedure or on possible further steps in the procedure for individual Member States.

Furthermore, the ECOFIN will for the first time consider the **identification, prevention and correction of macroeconomic imbalances**. In February 2012 the ECOFIN is expected have an exchange of views on the Commission's forthcoming Alert Mechanism Report, which is based on a scoreboard of indicators aiming at identifying possible macroeconomic imbalances. On this basis the Commission is expected to conduct in-depth reviews in order to present its assessment on the possible existence of macroeconomic balances in individual Member States ahead of the June ECOFIN Council. For countries where macroeconomic imbalances exists, relevant recommendations for its correction should be included in the country specific recommendations addressed to those Member States to be adopted by the June ECOFIN Council. For Member States where an *excessive* macroeconomic imbalance exists, the June ECOFIN Council should open a formal **excessive imbalance procedure (EIP)** specifying the steps the Member State in question should take to correct the excessive imbalance.

Supporting the aim of the European Semester and the different elements of the reformed economic governance the **2012 ageing report** is expected to be presented to the ECOFIN Council for endorsement in May 2012. The report provides long term projections of EU Member States as a basis for the Commission's sustainability report expected later in 2012. The ageing report identifies the long run sustainability challenges of Member States and will guide the setting of medium and long term targets for Member States' structural balance and improve the credibility of their economic policies.

Strengthening financial regulation and supervision

The financial crisis has also underlined the need for strengthened regulation and supervision of the financial sector to ensure healthy financial institutions in a self-sustained financial system guided by sound incentives and responsible risk management.

During the Danish presidency another key focus area will therefore be to continue the work to ensure the health of the European banking sector and the gradual return to a self-sustaining financial sector inter alia through the **follow-up to and monitoring of the extraordinary support measures for the financial sector**, including the capital exercise agreed in the European Council in October and the agreement on possible national bank guarantees in ECOFIN in November.

The Danish presidency is also committed to ensure speedy progress on the financial regulatory agenda. In particular the Commission proposal on **revised capital and liquidity requirements for credit institutions (CRD IV)**. Implementing the global Basel III standards in European law is a cornerstone of the upgraded financial regulation and supervision to help overcome the causes that resulted in the 2008 financial crisis, and urgent agreement is necessary to deliver on the ambitious timetable agreed by Member States and the European institutions and to help provide maximum transparency and certainty for markets on the future financial regulatory landscape. Therefore the presidency will work towards a general approach in the ECOFIN and if possible an agreement with the European Parliament. The Danish presidency will also work for a general approach in the ECOFIN on a number of other financial regulatory proposals, including the Commission's proposal on a further **revision of the regulation of credit rating agencies (CRA III)** and the **revision of the transparency directive**. The Danish presidency will also prioritise the finalisation of negotiations with the European Parliament on the **regulation of derivatives trade (EMIR)** and the **revised directive on deposit guarantee schemes (DGS)** and the **Omnibus II directive**.

The Danish presidency will also strive to progress on other financial legislative initiatives, including the revised rules for securities trade etc. (MiFID) and the revised rules on market abuse (MAR). Work is also expected on the forthcoming proposals from the Commission on crisis management in the financial sector. Finally the Danish Presidency will generally work to improve consumer protection in the financial sector i.a. the mortgage credit directive.

Taxation

The Danish presidency will work to ensure significant progress regarding adoption of the technical amendments to the **savings taxation directive** and corresponding amendments of the agreements with relevant third countries. The overall aim is to ensure an effective taxation of cross border savings within the EU and in relation to important third countries.

Furthermore, it is a priority for the Danish presidency to ensure significant progress in the work on the Commission's proposal on a **revised energy taxation directive** to create tax revenue and deliver on the EU's ambitions regarding climate and energy.

The Danish presidency will begin and take forward technical discussions of the Commission's proposal on a financial transactions tax (FTT). In addition, the Danish presidency will take forward work on the Commission's proposals on a common consolidated corporate tax base (CCCTB) to reduce costs for companies operating in the internal market. The Danish presidency will also work for a revision of the interest and royalties directive.

The Danish presidency will continue the **structured dialogue on tax policy** within the framework provided by the Euro Plus Pact, notably to ensure the exchange of best practices, avoidance of harmful practices and promote proposals to fight fraud and tax evasion. The ECOFIN is expected to report on progress in the dialogue to the European Council in June 2012.

Representing the EU in G20

The Danish presidency will work to ensure effective and thorough preparation in the ECOFIN of **G20 meetings of finance ministers and central bank governors**, which have evolved into an important international forum for economic and financial policy coordination. It is important that the EU's positions in the G20 are well coordinated ensuring the EU speaks with one voice.

The ECOFIN is thus expected to prepare EU participation in the G20 meetings of finance ministers and central bank governors taking place in Mexico on February 25-26 and in Washington on April 20-22 (in connection with the IMF spring meetings) and contribute to the preparation of EU participation in the G20 summit on June 18-19.

Other priorities

Depending on the progress in the technical work, **EU's multiannual financial framework (MFF)** for 2014-2020 may also be put on the agenda in order to give the ECOFIN ministers an opportunity to debate relevant aspects of the MFF, given its significant impact on public finances.

The ECOFIN will also continue to have a role regarding financing aspects of the global work on preventing **climate change**, including through following up on the COP17 Durban Conference and the reporting on EU's contribution towards fast track financing.

PROVISIONAL AGENDA
1.1. ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS - 24 JANUARY 2012

Adoption of the agenda

Legislative deliberations

Adoption of the list of “A” items

- (poss.) Proposal for a Regulation on OTC derivatives, central counterparties and trade repositories EMIR
= *Exchange of views*
- Proposals from the Commission on Economic Governance
= *First exchange of views*

Non-legislative activities

Adoption of the list of “A” items

Presentation of the Presidency work programme¹
= *Exchange of views*

(poss.) Follow-up to the European Council meeting on 9 December 2011
= *Exchange of views*

European Semester (incl. Annual Growth Survey and EuroPlus Pact)
= *Exchange of views*

- Follow-up to the G20 Meeting of Finance Deputies (Mexico, 19-20 January 2012)
= *Information by the Presidency and the Commission*
- (poss.) Implementation of the Stability and Growth Pact (*restricted session*)
= *Council Decision*
- (poss.) Revised Code of Conduct of the Stability and Growth Pact
= *Endorsement*

¹ Public debate pursuant to Article 8 of the Council's Rules of Procedure

Any other business

- (poss.) Information from the Presidency on current legislative proposals

p.m.:

- Euro group
 - Break fast
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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS - 21 FEBRUARY 2012**

Adoption of the agenda

Legislative deliberations

Adoption of the list of “A” items

- (poss.) Savings Taxation Directive
= *Orientation debate*
- (poss.) Proposals from the Commission on Economic Governance
= *General approach*

Non-legislative activities

- Adoption of the list of “A” items
 - (poss.) Negotiating mandate on Savings Taxation Directive and anti-fraud agreements with third countries
 - Agreement with Liechtenstein
 - Negotiating mandate for other third countries
 - Preparation of G20 Meeting of Finance Ministers and Governors (Mexico, 25-26 February 2012)
= *Terms of reference*
 - Preparation of the European Council meeting on 1-2 March 2012
= *Council conclusions*
 - European Semester
 - EuroPlus Pact
- (poss.) Climate finance: Follow-up to the Durban Conference
= *Council Conclusions*

Discharge in respect of the implementation of the budget for 2010

= *Council Recommendation*

– Budget guidelines for 2013

= *Council conclusions*

– (poss.) Economic aspects of energy road map and resource efficiency road map

= *Council conclusions*

– Macro Economic Imbalances – Alert Mechanism Report

= *Exchange of views/Council Conclusions*

Any other business

– (poss.) Information from the Presidency on current legislative proposals

p.m.:

– Macro-economic Dialogue

– Eurogroup

– Break fast

– Lunch

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS - 13 MARCH 2012**

- Adoption of the agenda

Legislative deliberations

- Adoption of the list of “A” items
- (poss.) Energy Taxation Directive
= *Orientation debate*
- (poss.) Regulation on administrative cooperation in the field of excise duty
= *General approach*
- Revised capital requirements rules
 - Proposal for a Regulation on prudential requirements for credit institutions and investment firms
 - Proposal for a Directive on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms
- = *General approach*

Non-legislative activities

- Adoption of the list of “A” items
- (poss.) Follow-up European Council 1-2 March 2012
- Follow-up to the G20 Meeting of Finance Ministers and Governors (Mexico, 25-26 February 2012)
= *Information by the Presidency and the Commission*

Any other business

- (poss.) Information from the Presidency on current legislative proposals
- (poss.) Information on the informal ECOFIN (30-31 March 2012)

p.m.:

- Informal dialogue of representatives of the Council (ECOFIN) and of the European Parliament
 - Euro group
 - Break fast
 - Lunch
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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS - 15 MAY 2012**

- Adoption of the agenda

Legislative deliberations

- Adoption of the list of “A” items
- (poss.) Credit Rating Agencies (CRAIII)
= *General approach*
- (poss.) Recovery and resolution of credit institutions
= *Orientation debate*
- (poss.) Common Consolidated Corporate Tax Base (CCCTB)
= *Orientation debate*
- (poss.) Interest and royalties directive
= *Political agreement*

Non-legislative activities

- Adoption of the list of “A” items
- Follow-up to the G20 Meeting of Finance Ministers and Governors and IMF Spring Meetings (Washington, 20-22 April 2012)
= *Information by the Presidency and the Commission*
- Preparation for the G20 Finance Minister meeting on 14-15 June 2011
= *Exchange of views*
- 2012 Ageing Report
= *Exchange of views/Council Conclusions*
- Draft general budget for 2013
= *Presentation by the Commission*
- (poss.) State of play on bank recapitalization
= *Exchange of views*
- (poss.) Fast track climate finance
= *Council conclusions*
- Commission Communication on the new VAT strategy
= *Council Conclusions*

Any other business

- (poss.) Information from the Presidency on current legislative proposals

p.m.:

- Euro group
 - Break fast
 - Dialogue with candidate countries
 - Lunch
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**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
LUXEMBOURG - 22 JUNE 2012**

- Adoption of the agenda

Legislative deliberations

- Adoption of the list of “A” items
- (poss.) Revision of the Transparency Directive
= *General approach*
- Energy Taxation Directive (*)
= (poss.) *Political agreement [or orientation debate if not on agenda in March]*
- (poss.) Financial Transaction Tax
= *Orientation debate*

Non-legislative activities

- Adoption of the list of “A” items
- (poss.) Implementation of the Excessive Imbalance Procedure
- Code of Conduct (Business Taxation)
= *Council conclusions / Report to the Council*
- (poss.) Implementation of the Stability and Growth Pact (*restricted session*)
= *Council Decision*
- Convergence Report from the Commission and the ECB
= *Presentation*
- Preparation of European Council meeting on 28-29 June 2012 - European Semester, including Euro Plus Pact (*)
 - Council Recommendations (on the National Reform Programmes and delivering a Council opinion on the updated Stability and Convergence Programmes)
= *Agreement*
- Follow-up to the G20 Summit (Mexico, 18-19 June 2012)
= *Information by the Commission*
- (poss.) New Multiannual Financial Framework
= *Orientation debate*

Any other business

- (poss.) Information from the Presidency on current legislative proposals

p.m.:

- Euro group
 - Annual EIB Governors meeting
 - Break fast
 - Lunch
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(*) Item on which a vote may be requested