



**COUNCIL OF
THE EUROPEAN UNION**



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3015th Council meeting

Economic and Financial Affairs

Brussels, 18 May 2010

President

Ms Elena SALGADO

Second Vice-President of the Government and Minister for
Economic Affairs and Finance of Spain

P R E S S

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9804/10 (Presse 123)

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Main results of the Council

*The Council agreed a mandate for negotiations with the European Parliament on draft EU rules for entities engaged in the management of alternative investment funds, such as **hedge funds** and private equity.*

The draft directive is aimed at establishing a framework for monitoring and supervising the risks posed by alternative investment funds, whilst allowing fund managers to market their funds throughout the EU single market, subject to strict requirements.

The negotiations with the Parliament will aim to enable adoption of the text in first reading.

*The Council took note of additional consolidation measures to be introduced by **Spain and Portugal** in their 2010 and 2011 budgets, in accordance with the conclusions of its extraordinary meeting on 9 May, which led to a EUR 500 billion package of measures to preserve financial stability in Europe.*

It also adopted conclusions on:

- **financial stability and crisis management;**
- *budgetary frameworks for **exit strategies** with regard to measures taken during the economic and financial crisis;*
- *the unwinding of **government guarantee schemes** for the financial sector;*
- *the financing of fast-start measures in developing countries to tackle **climate change**.*

*The Council also decided to extend the EU police mission in Afghanistan, **EUPOL Afghanistan**, for three years.*

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (<http://www.consilium.europa.eu>).
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PARTICIPANTS

The governments of the Member States and the European Commission were represented as follows:

Belgium:

Mr Didier REYNDERS

Deputy Prime Minister and Minister for Finance and Institutional Reforms

Bulgaria:

Ms Ana MIHAYLOVA

Deputy Minister for Finance

Czech Republic:

Mr Eduard JANOTA

Minister for Finance

Denmark:

Mr Claus HJORT FREDERIKSEN

Minister for Finance

Germany:

Mr Wolfgang SCHÄUBLE

Federal Minister for Finance

Estonia:

Mr Jürgen LIGI

Minister for Finance

Ireland:

Mr Rory MONTGOMERY

Permanent Representative

Greece:

Mr George PAPACONSTANTINO

Minister for Finance

Spain:

Ms Elena SALGADO

Second Vice-President of the Government and Minister for Economic Affairs and Finance
State Secretary for Economy

Mr José Manuel CAMPA

France:

Ms Christine LAGARDE

Minister for Economic Affairs, Industry and Employment

Italy:

Mr Giulio TREMONTI

Minister for Economic Affairs and Finance

Cyprus:

Mr Charilaos STAVRAKIS

Minister for Finance

Latvia:

Mr Normunds POPENS

Permanent Representative

Lithuania:

Mr Rytis MARTIKONIS

Permanent Representative

Luxembourg:

Mr Luc FRIEDEN

Minister for Finance

Hungary:

Mr Péter OSZKÓ

Minister for Finance

Malta:

Mr Tonio FENECH

Minister of Finance, Economy and Investment

Netherlands:

Mr Jan Kees de JAGER

Minister for Finance

Austria:

Mr Josef PRÖLL

Vice Chancellor and Federal Minister for Finance

Poland:

Mr Jan VINCENT-ROSTOWSKI

Minister for Finance

Portugal:

Mr Fernando TEIXEIRA DOS SANTOS

Ministro de Estado, Minister for Finance

Romania:

Mr Alexandru NAZARE

State Secretary, Ministry of Finance

Slovenia:

Mr Franc KRIŽANIČ

Minister for Finance

Slovakia:

Mr Peter KAŽIMÍR

State Secretary at the Ministry of Finance

Finland:

Mr Jyrki KATAINEN

Deputy Prime Minister, Minister for Finance

Sweden:

Mr Anders BORG

Minister for Finance

United Kingdom:

Mr George OSBORNE

Chancellor of the Exchequer

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Commission:

Mr Olli REHN

Member

Mr Michel BARNIER

Member

Mr Janusz LEWANDOWSKI

Member

.....

Other participants:

Mr Jean-Claude TRICHET

President of the European Central Bank

Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Thomas WIESER

Chairman of the Economic and Financial Committee

Mr Lorenzo CODOGNO

Chairman of the Economic Policy Committee

ITEMS DEBATED

FOLLOW-UP TO THE EXTRAORDINARY COUNCIL MEETING ON 9 MAY

The Council took stock of the follow-up to be given to its extraordinary meeting on 9 May.

It welcomed the presentation by the Spanish and Portuguese delegations of additional budgetary consolidation measures for 2010 and 2011, in accordance with the conclusions of that meeting, and agreed that the adequacy of these measures should be assessed by the Commission in June in the framework of the excessive deficit procedure.

At its 9 May meeting, the Council and the member states decided on a comprehensive package of measures to preserve financial stability in Europe, including a European financial stabilisation mechanism, with a total volume of up to EUR 500 billion.

In this context, the Council expressed a strong commitment to ensuring fiscal sustainability and enhanced economic growth in all member states, and agreed that plans for fiscal consolidation and structural reforms would be accelerated, where warranted.

It also underscored the need to make rapid progress on financial market regulation and supervision, in particular with regard to derivative markets and the role of rating agencies.

ALTERNATIVE INVESTMENT FUNDS - HEDGE FUNDS

The Council agreed on a general approach regarding a draft directive aimed at introducing harmonised EU rules for entities engaged in the management of alternative investment funds, such as hedge funds and private equity (*doc.* [7377/10](#)).

The Council noted concerns expressed by some delegations on certain aspects of the general approach, in particular with regard to third country provisions. It invited the presidency to start negotiations with the European Parliament on the basis of the general approach, taking into account the concerns expressed by delegations, with a view to adopting the directive at first reading.

The draft directive is aimed at:

- establishing a harmonised framework for monitoring and supervising the risks that alternative investment funds pose to their investors, counterparties, other market participants and to financial stability;
- allowing alternative investment fund managers (AIFM) to provide services and market funds throughout the EU single market, subject to compliance with strict requirements.

It is aimed at fulfilling commitments made within the G-20, in the wake of the global financial crisis, as well as the European Council's pledge to regulate all players in the market that might pose a risk to financial stability.

For details, see press release [7500/10](#).

DRAFT EU BUDGET FOR 2011

The Council took note of the presentation by the Commission of its draft for the EU's general budget for 2011.

It asked the Permanent Representatives Committee to examine the draft, with a view to enabling the Council to establish its position.

On 16 March, the Council set out principles for preparation of the 2011 budget (*doc. [6794/10](#)*). These will be used by the incoming Belgian presidency as a reference in negotiations later in the year with the European Parliament and the Commission.

In its draft budget, the Commission proposes a total of EUR 142.6 billion in commitment appropriations (+0.8% compared with 2010) and EUR 130.1 billion in payment appropriations (+5.9% compared with 2010). Commitment appropriations represent 1.15% of EU gross national income, and payment appropriations amount to 1.05%.

The key objective is to support economic recovery in Europe by reinforcing growth and employment opportunities, in line with the new "Europe 2020" strategy for growth and jobs. To accelerate the recovery process, the draft budget provides for significant increases in payment appropriations for activities under sub-headings 1a (competitiveness for growth and employment) and 1b (cohesion for growth and employment).

ECONOMIC POLICY GUIDELINES

The Council held an exchange of views on a draft recommendation on broad guidelines for the economic policies of the EU and the member states, aimed at implementing the EU's new "Europe 2020" strategy for jobs and growth.

The draft recommendation, together with a draft decision on guidelines for the employment policies of the member states, form integrated guidelines setting a framework for structural reforms to be carried out by the member states.

The Council is expected on 8 June to adopt a report to the European Council meeting on 17 June for endorsement. It will then formally adopt the recommendation at its subsequent meeting on 13 July.

The European Council is expected to agree on the Europe 2020 strategy on 17 June, upgrading and replacing the current strategy for jobs and growth, launched in Lisbon in March 2000. The new strategy will involve the enhanced coordination of economic policies, focusing on key areas where action is needed to boost Europe's potential for sustainable and inclusive growth and competitiveness.

ENHANCED ECONOMIC POLICY COORDINATION

The Council took note of the presentation by commissioner Olli Rehn of a communication from the Commission on initiatives to be taken on enhanced economic policy coordination in the euro area and the EU as a whole.

It held an exchange of views.

The communication will contribute to the work of a task force established at the request of the European Council, at its meeting on 25-26 March, on the measures needed for an improved crisis resolution framework and better budgetary discipline in the EU.

Composed of representatives of the member states, the Council presidency and the European Central Bank, and chaired by the President of the European Council, the task force is expected to report to the European Council in October. Its first meeting is scheduled for 21 May.

BUDGETARY FRAMEWORKS - *Council Conclusions*

The Council adopted the following conclusions:

- "1. The Council **ACKNOWLEDGES** that resilient and effective domestic fiscal frameworks play a crucial role in strengthening fiscal consolidation and sustainable public finances. In the current circumstances, the Council **REITERATES** the importance of their contribution to the fiscal exit strategies, the implementation of the Stability and Growth Pact and to the credibility of the corresponding fiscal commitments. The Council also **EMPHASISES** the contribution of fiscal frameworks to the sustainability of public finances and to the three pronged strategy to cope with fiscal challenges related to ageing populations.
2. The Council **WELCOMES** the report of the Commission on “Domestic Fiscal Frameworks: How National Fiscal Governance Can Contribute to Budgetary Consolidation over the Medium Term” and the issues note prepared by the EPC on “Strengthening Domestic Fiscal Frameworks”.
3. While the strengthening of national fiscal governance must take into account the political, institutional and cultural background of each country, the Council **CONSIDERS** that certain desirable features of resilient and effective domestic fiscal frameworks can be identified.
4. The Council **HIGHLIGHTS** the value of comprehensive fiscal frameworks, encompassing numerical fiscal rules, medium-term budgetary frameworks, transparent credible control and enforcement instruments, budgetary procedures and credible fiscal institutions, and **ENCOURAGES** Members States to enhance the arrangements to strengthen their fiscal governance. These elements interact and can complement each other and should therefore be considered together when undertaking reforms. An appropriate sequencing of reforms is also important. Specifically, prior to introducing more sophisticated reforms, statistical, accounting and monitoring functions should meet international standards.

5. The Council AGREES that a strong national ownership and clear political support are instrumental for ensuring the effectiveness and credibility of fiscal frameworks. This commitment should involve all levels of government, in particular in highly decentralized countries. With due respect to national specificities, the Council INVITES Member States to strengthen coordination across their administration levels and promote effective enforcement mechanisms by all government layers. This is particularly relevant for fiscal numerical rules and also applies to medium-term fiscal frameworks and budgetary procedures. The design of domestic fiscal frameworks is equally important for effectiveness and credibility. In this context enforcement mechanisms – allowing for an adequate degree of flexibility to deal with unforeseen events – are crucial as they strengthen fiscal discipline and can also anchor market confidence in the sustainability of public finances.
6. The Council ENCOURAGES Member States to improve budgetary procedures, in particular by strengthening those dimensions that are most conducive to fiscal discipline, such as the centralization of budget planning and top down budgeting.
7. The Council also UNDERLINES the importance that fiscal rules are designed to avoid pro-cyclical budgetary policies and effects, as well as to support the effectiveness and efficiency of public spending. Judging from successful country experiences, numerical fiscal rules embedded into a medium-term budgetary framework for fiscal planning appear to be conducive to this end.
8. While there is no one-size-fits-all solution, the Council ACKNOWLEDGES several successful country experiences combining different types of numerical fiscal rules with other fiscal arrangements. These policy examples seem to have facilitated fiscal discipline and macroeconomic stabilization objectives over the economic cycle, including in good times. In these countries, budget balance rules combined with multi-annual spending rules and in some cases supplemented by a revenue rule have strengthened the countercyclical behavior of fiscal policy while ensuring budgetary discipline. Some examples show that independent fiscal institutions are conducive to enhancing credibility of fiscal policies. Independent bodies entrusted with some technical tasks of the budgetary process have also proved effective in promoting sound fiscal policies. However, the context and conditions associated with independent institutions are different from country to country, implying that national specificities need to be carefully considered.

9. In light of their contribution to an efficient implementation of the Stability and Growth Pact, the Council **CALLS FOR** a regular assessment and peer review of Member States' fiscal frameworks drawing on:
- A check list of desirable features of domestic fiscal frameworks, building on best practices and acknowledging differences in political, institutional and cultural contexts;
 - Member States' policy experiences in reforming fiscal governance, particularly of those countries having fiscal frameworks that have proved effective in budgetary discipline and macroeconomic stabilization; and
 - Analysis of the impact of the crisis on existing frameworks and ongoing reforms.
10. The Council **INVITES** the Commission and the EPC to promote the exchange of best practices, in particular in view of elements that have proven to be most successful in underpinning fiscal consolidation efforts and in contributing to build up sustainable public finances, and to continue monitoring the development of fiscal frameworks. The Council **ENCOURAGES** the Commission and the EPC to report on the main features of successful examples of fiscal framework reforms in specific Member States. "

FINANCIAL STABILITY AND CRISIS MANAGEMENT - *Council Conclusions*

The Council adopted conclusions set out in document [9378/10](#) + [COR 1](#)

PREPARATION OF G-20 FINANCE MINISTERS' MEETING

The Council took stock of preparations for the meeting of G-20 finance ministers and central bank governors that is due to take place in Busan (South Korea) on 4-5 June.

It endorsed terms of reference setting out the EU position for the meeting.

FINANCIAL SERVICES - COMMISSION WORK PROGRAMME

The Council took note of a presentation by commissioner Michel Barnier of the Commission's work programme for financial services.

It held a brief exchange of views on the approach to be followed.

At an extraordinary meeting on 9 May (see page 7), the Council underscored the need to make rapid progress on financial market regulation and supervision, in particular with regard to derivative markets and the role of rating agencies. It also emphasised the need to work on a so-called stability fee to ensure that in future, in the event of a crisis, the financial sector bears its share of the burden incurred (see page 6).

MEETINGS IN THE MARGINS OF THE COUNCIL

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

- ***Euro Group***

Ministers of the euro area member states attended a meeting of the Euro Group on 17 May.

- ***Ministerial breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation, taking note of spring economic forecasts from the Commission.

- ***Ministerial dialogue with EU candidate countries***

Ministers held their annual economic policy dialogue with the finance ministers and central bank representatives of the EU candidate countries: Croatia, the former Yugoslav republic of Macedonia and Turkey.

Conclusions of this meeting can be found in document 9563/10.

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Ministers held a joint lunch with the finance ministers of the EU's Mediterranean partner countries to discuss implementation of the Euro-Mediterranean Investment and Partnership Facility (FEMIP).

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Climate change - Fast-start finance in developing countries - *Council conclusions*

The Council took note of a report from the Economic Policy Committee and the Economic and Financial Committee providing a preliminary assessment of finance provided by the EU and its member states for so-called fast-start measures in developing countries to tackle climate change (*doc. [9437/10](#)*).

It adopted the following conclusions:

"The European Council on 25th March reiterated that the EU and its Member states will implement their commitment to provide EUR 2.4 billion annually over the 2010-2012 period for fast start financing, in the framework of the implementation of the Copenhagen Accord; and committed the EU and its Member States to present a preliminary state of play at the May/June 2010 UNFCCC session.

The Ecofin Council CONFIRMS the EU and Member States' commitments on fast start finance over 2010-2012 and UNDERLINES that the EU and its Member States have notably advanced in the implementation of their fast start commitments for 2010. The Ecofin ENDORSES the report on the preliminary state of play on fast start finance commitments to be presented at the May/June 2010 Session in Bonn.

The Ecofin Council calls on the EU and its Member States to report fully and in a coordinated manner, on their contributions to fast start climate financing, before Cancún and on a yearly basis thereafter."

Exit strategies: Financial sector - *Council conclusions*

The Council adopted the following conclusions:

"The Council AGREED in December 2009 that it was appropriate to start designing a coordinated and transparent strategy for the phasing out of the different support schemes in favour of financial institutions.

The Council also AGREED on a number of elements that should be taken into account while undertaking such exit strategies, mainly related to macro-economic and financial stability, the functioning of credit channels and the pace of natural phasing out by banks, as well as to start with the phasing out of government guarantees on banks' debt, and INVITED the EFC, in cooperation with the Commission, CEBS and the ECB, to further discuss possible solutions.

Following-up to this, the Council in March WELCOMED the preliminary analysis by the Commission services of the actual use of guarantee schemes and INVITED the Commission to continue its work, in cooperation with the ECB, in particular on the cost of guaranteed and non guaranteed funding in the EU banking sector. It also URGED the EFC to discuss the findings resulting from this work, to promote a coordinated phasing out and analyse how to take country-specific circumstances into account, reporting to the Council on a regular basis in view of the European Council of June 2010.

The Council WELCOMES the work of the Commission, on the basis of close cooperation with the ECB, which includes a thorough assessment of the use and costs of government guarantees, also in comparison with non-guaranteed market funding. The Council SHARES the view that risks of competitive distortion between banks whose funding is obtained at market prices and banks strongly relying on government guarantees persist.

The Council WELCOMES the thrust of the comprehensive orientations announced by the Commission with a view to further incentivising the phasing out of guarantee schemes. In particular, the Council RECOGNISES that it is appropriate to apply an adequate increase of the guarantee fees in order to bring funding costs closer to market conditions and URGES the application of new conditions as from July 2010.

The Council also AGREES that, at the current juncture, access to liquidity in markets is generally less difficult than it was in the most acute crisis period and that cases of extended use of government guarantees should be monitored. Therefore, the Council WELCOMES the Commission's intentions to introduce specific prerequisites in view of the renewed provision of guarantees after the deadline of 30 June 2010. To this end, banks continuing to heavily rely on guarantees and drawing on new guarantees thereafter and not under restructuring obligations should undergo a review of their long-term viability which will be conducted by the Commission. The combination of tighter pricing conditions and the need to present a viability plan would incentivise banks to either gradually exit guarantee schemes or address their structural weaknesses, including by going through a restructuring process if needed. This approach will also allow sufficient flexibility so that the risk of negative spill-over effects, the possibility of setbacks or of renewed stress in financial markets and the diversity of circumstances in individual Member States, can be duly taken into account. "

COMMON SECURITY AND DEFENCE POLICY

EUPOL Afghanistan - Extension of mission

The Council adopted a decision on the European Union police mission in Afghanistan (EUPOL Afghanistan), extending the mission and its mandate for a period of three years, from 31 May 2010 until 31 May 2013.

EUPOL Afghanistan was established on 30 May 2007 under joint action 2007/369/CFSP, and was due to expire on 30 May 2010.

It aims to contribute to the establishment under Afghan ownership of sustainable and effective civilian policing arrangements, which will ensure appropriate interaction with the broader criminal justice system. The mission supports the process of reform towards a trusted and efficient police service, within the framework of the rule of law and respect for human rights. Sustainable police reform is a prerequisite for a successful transition of the responsibility for security to the Afghan authorities. EUPOL offers special expertise in civilian policing methods and addresses the strategic reform of the Afghan police. The mission uses mentoring and training to improve the performance of the police in Afghanistan.

EUPOL Afghanistan works closely, coordinates and cooperates with the government of Afghanistan and relevant international players, including the NATO training mission, provincial reconstruction team lead nations, the United Nations assistance mission for Afghanistan (UNAMA) and third states currently involved in police reform in Afghanistan.

The decision will be reviewed every six months in order to adjust the mission's scope as necessary.

More information on EUPOL Afghanistan: www.eupol-afg.eu/

Videos: tvnewsroom.consilium.europa.eu

BUDGETS

Additional resources for the European Parliament

The Council adopted its position and accepted without any changes draft amending budget no1 to the general budget for 2010, providing the European Parliament with additional budgetary and human resources in order to cover the impact of the entry into force of the Lisbon Treaty (extension of codecision procedure and an increased legislative activity).

The main elements of draft amending budget 1/2010 are:

- reinforcement of the committee secretariats and of the directorate for relations with national parliaments with the creation of 75 additional permanent posts (EUR 2.3 million);
- reinforcement of the assisting capacity of political groups through the creation of 75 additional temporary posts (EUR 2.3 million);
- reinforcement of personal assistance to members through an increase in their secretariat allowances (EUR 8.8 million);
- decrease of the buildings reserve (EUR 4.0 million).

The net financial impact of draft amending budget 1/2010 is EUR 9.4 million.

SOCIAL POLICY

European Institute for Gender Equality - Appointments to the management board

The Council adopted a decision appointing members and alternate members for the management board of the European Institute for Gender Equality (doc. [9311/10](#)).
