



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 2 July 2007
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NOTE

from:	Presidency
date of receipt:	25 June 2007
Subject:	Portuguese Presidency's Work Programme for the ECOFIN Council

Delegations will find attached the Portuguese Presidency's Work Programme for the ECOFIN Council (Annex I) and the draft provisional Council agendas (Annex II).

Annexes

Translation provided by the Portuguese Presidency

ECOFIN programme for the Portuguese Presidency of the EU

The Portuguese Presidency of the Economic and Financial Affairs Council will focus on pursuing the following three key objectives, defined together with the German Presidency and the future Slovenian Presidency:

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

The Presidency will strive for strategic action by the EU on those key objectives, contributing to the promotion of economic growth and of employment against the background of demographic change and globalisation.

In order to achieve the referred to strategic objectives, the Portuguese Presidency has defined the following priorities for the ECOFIN Council in the second half of 2007:

Growth and stability-oriented economic policy

Enlargement of the euro area

The euro area will expand as more countries demonstrate stable macroeconomic development and a high degree of sustainable convergence, thus meeting the requirements for **adoption of the euro**.

On the basis of a rigorous assessment of the fulfilment of the criteria laid down in the Treaty establishing the European Community and supported by Convergence Reports of the European Commission and the European Central Bank, the Portuguese Presidency will take the necessary procedures to ensure that Member States meeting those criteria may join the euro area. In this context, the July ECOFIN Council is expected to approve the legislative acts that will enable Cyprus and Malta to adopt the Euro from January 1st, 2008. Applications for participation in the Exchange Rate Mechanism II can also be expected.

Implementation of the Stability and Growth Pact

The Portuguese Presidency will continue to promote an economically sound application of the Stability and Growth Pact, in both its corrective and its preventative arms. Focusing on the improvement of the quality of public finances and on their long-term sustainability will contribute to enhancing the coherence between budgetary and structural policies. On the basis of Commission's input, the ECOFIN Council will also analyse and promote ways of improving the effectiveness of the preventative arm of the Pact.

Quality of public finances

Improving the quality of public finances in the Member States, through strengthening budgetary frameworks and the effectiveness and efficiency of public revenues and expenditure, is key in guaranteeing the sustainability of economic and social policies and robust economic growth. The demand for quality and sustainability in public policies is especially pressing in view of current trends associated with globalisation and demographic change.

In line with the Lisbon Strategy, we shall pay particular attention to the role played by modern and efficient public administrations in the development of a competitive business environment and the well-being of citizens. The impact of the modernisation effort on the improvement of the efficiency of the State and on competitiveness and growth will be specifically analysed during the Portuguese Presidency.

The Lisbon Strategy

The review of the Lisbon Strategy carried out in 2005 has reinforced the need to foster productivity and employment and, at the same time, has put more emphasis on the process of implementation, both at the European level, by means of the "Community Lisbon Programme", and at the national level, through the National Reform Programmes.

The Portuguese Presidency will pay particular attention to the assessment of the National Reform Programmes, identifying the progress achieved in the reorientation of policies to foster research and innovation, in particular by SMEs, to improve the business environment, to invest in human capital, to modernise labour markets, to improve energy efficiency and to strengthen the internal market.

In parallel, the debate on the new cycle of the Lisbon Strategy will be launched, laying sound foundations for the definition, under Slovenia's Presidency, of the new Integrated Guidelines, which encompass the Broad Economic Policy Guidelines and the Employment Guidelines.

European Growth Initiative

As a complement to this vast programme of structural reforms, the mid-term review of the European Growth Initiative will be carried out under our Presidency. This will be an opportunity to emphasise the role of the EIB as a strategic partner in the support of human capital qualification and of SMEs engaged in innovation and research.

Better regulation to strengthen competitiveness

The achievement of significant progress in the field of "better regulation" is a key vector of the Lisbon Strategy, crucial to improve productivity, competitiveness, competition and innovation. Building on the work of preceding Presidencies, we will seek to promote a legislative and regulatory environment that is more favourable to economic activity, reducing the administrative burden on firms, in particular SMEs. With this aim, particular importance will be attached to the simplification of rules – without putting at risk the protection of consumers and investors or the quality of statistics – to the modernisation of existing legislation, and to the cost-benefit analysis to be applied to new legislative initiatives.

Moving forward towards the completion of the Internal Market

The completion of the Internal Market is a keystone in the development of the European Union. An economic policy conducive to the intensification of competition, particularly in the services sector and network industries, will make a decisive contribution to gains in productivity and in the efficiency of the EU economies.

On the basis of the report to be submitted by the Commission, the ECOFIN Council will provide its contribution to the review of the Internal Market strategy, in order to ensure a Europe competitive on a worldwide scale.

Taxation

In the field of taxation the Portuguese Presidency intends to give particular impetus to the definition of an EU strategy **to improve the fight against tax fraud and evasion**. The reduction of tax fraud is embedded in the objectives of the Lisbon Strategy. On the one hand, it is critical to safeguarding Member States' public finances and their consequent capacity to protect the public interest. On the other hand, it allows for better conditions of competition for European economic operators, thus contributing to the strengthening of the internal market. Therefore, the Portuguese Presidency will endeavour to support initiatives that aim to reinforce that fight, in particular through the improvement of administrative cooperation mechanisms and mutual assistance between tax authorities.

The contribution of tax policies to the improvement of environmental sustainability must be enhanced. Accordingly, the Portuguese Presidency intends to stimulate the debate on initiatives that contribute to the effort to combat climate change and to achieve the EU objectives for global reduction of greenhouse-gas emissions, recognising the impact that tax policies and measures may have as preferential instruments for changing polluting and consumption behaviours.

On the assumption that environmental and energy principles and concerns must be foremost in sectors such as road transport and passenger cars, the Portuguese Presidency plans, amongst other initiatives, to give a new impetus to **the proposal for a Directive on car taxation**. The debate launched by the Commission on the contribution of indirect taxation to the achievement of EU objectives related to energy efficiency and climate change will also merit special attention.

The modernisation and simplification of common rules on taxation is indispensable not only to improving the effectiveness of tax rules, potentially reducing doubts and uncertainties regarding their interpretation and application, but also to ensure a dynamic perspective of the legal framework, adapting it to the new, evolving economic realities. The Portuguese Presidency will promote the adoption of the VAT package, and also the discussion of any new legislative proposals made during its term of office in the field of taxation, in particular as regards VAT and excise duties.

During the Portuguese Presidency the Commission will submit a report on the global assessment of the impact of the application of **reduced VAT rates**, in particular on job creation, economic growth and the proper functioning of the internal market. The Portuguese Presidency will promote constructive discussion in the Council of the initiatives and legislative proposals to be presented by the Commission in this area.

Integration of financial markets

Integrated and efficient financial markets are essential to ensuring a better allocation of resources, thus providing more favourable conditions for investment. To that extent they are a key factor in strengthening competitiveness and growth, while safeguarding financial stability and providing adequate protection for consumers.

In this context, with a view to achieving significant progress on the European Union's strategy for financial services, the main priorities of the Portuguese Presidency are the following:

- To seek agreement on **the Solvency II Directive**, which aims at more efficient risk-management practices in the insurance sector, enhancing the financial soundness of insurance undertakings and the protection of policyholders and beneficiaries;
- To enhance the efficiency of regulatory and supervisory frameworks, in particular by **reviewing the Lamfalussy Process** – on the basis of the final report by the Inter-Institutional Monitoring Group, expected in the autumn of 2007 – as well as strengthening **supervisory convergence and examining long-term issues**;

- To deepen the **financial stability** framework, to further improve the efficiency of crisis-management and resolution arrangements, in particular through adequate coordination between authorities;
- To enhance market integration in the field of **clearing and settlement of securities transactions**, namely by closely monitoring the application of the recent code of conduct and reviewing issues related to the safety and soundness of infrastructures, to the Target 2 Securities project and to the progress made in removing legal and tax obstacles;
- To promote the completion of **the single payments area within the European Union**, on the basis of the recent agreement between the European Parliament and the Council on the Directive on payment services in the internal market, which will make payments within the European Union more efficient and secure, thereby enhancing the benefits of the internal market and the introduction of the euro;
- To increase the integration of the **retail financial services market**, so that consumers take full advantage of the benefits of the single market;
- To develop the growth potential of the **venture capital** industry at European level, identifying existing obstacles, on the basis of the Commission's work, with a view to future initiatives in this field;
- To deepen and widen **the regulatory dialogue** with the European Union's main partners at world level, with the objective of promoting regulatory convergence, mutual understanding and the further opening of global financial markets; in this context, the mutual recognition of accounting standards, without the need for reconciliation, assumes particular importance in the context of the EU/US transatlantic dialogue.

The EU budget

As regards budgetary issues, the main priority of the Portuguese Presidency is to ensure agreement with the European Parliament leading to the approval of the budget for 2008, so as to guarantee the financing of the European Union's policies and priorities through the annual budget procedure, within the framework of the Inter-institutional Agreement on budgetary discipline and sound financial management.

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 10 JULY 2007**

- Presidency Work Programme
 - = Presentation

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

- (poss.) Adoption of the Euro
 - = Adoption of legal acts

- Public Finances in EMU 2007
 - = Exchange of views

- Relations with Third Countries
 - a) Follow up to the EU-US Summit
 - = Debriefing by the Presidency and the Commission

 - b) Dialogues with Other Third Countries: Economic, financial and regulatory aspects
 - = Information by the Commission and exchange of views

- International Accounting Standards Board: governance and financing
 - = Council conclusions

- (poss.) Global Navigation Satellite System (GALILEO): Financing aspects
 - = Exchange of views

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Monday 9 July 2007

17h00: Eurogroup

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS (BUDGET) COUNCIL
BRUSSELS – 13 JULY 2007**

- Preparation of the conciliation meeting with the European Parliament
- Establishment by the Council of the draft budget of the European Union for 2008
- A.O.B.

Comment:

This is the customary "first reading" by the Council, preceded by a conciliation meeting with the EP.

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
LUXEMBOURG – 9 OCTOBER 2007**

- (poss.) Implementation of the Stability and Growth Pact (*restricted session*)
- Better Regulation: Improving competitiveness
= Council conclusions
- Flexicurity: Economic Aspects
= Exchange of views
- Financial Services
 - Clearing and Settlement
= Council conclusions
 - EU arrangements for financial stability
= Council conclusions
- Public Finances in EMU – Improving the effectiveness of the preventive arm of the Stability and Growth Pact
= Council conclusions

D.m.

- Eurogroup (8 October 2007)
- Macroeconomic Dialogue (12 November 2007)

Possible "A" Item

- (poss.) Extension/amendment of Common Position (2004/694/CFSP on further measures in support of the effective implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia) - expires 10/10/2007

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 13 NOVEMBER 2007**

- (poss.) Implementation of the Stability and Growth Pact (*restricted session*)
- Lisbon Strategy: The new three year cycle
 - = Exchange of views
- European Growth Initiative: Mid-term Review
 - = Council conclusions
- Quality of Public Finances
 - = Council conclusions
- Globalisation: capital and labour flows
 - Report by the Commission on migration
 - = Exchange of views
- Single Market Review
 - = Council conclusions
- Statistics
 - a) Statistical Governance
 - = Political agreement
 - b) 2007 Status Report
 - = Council conclusions
 - c) Reduction of the statistical burden
 - = Council conclusions
 - d) Proposal by the Committee for Monetary, Financial and Balance of Payments Statistics on public communication of major statistical revisions
 - = Council conclusions

- Taxation
 - a) Reduced VAT rates
 - = Orientation debate
 - b) Green Taxation: passenger car-related taxes
 - = Political agreement/Adoption
- Financial Management
 - Presentation of the Annual Report Concerning the Financial Year 2006 by the Court of Auditors

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- Eurogroup (12 November 2007)
- Ministerial Meeting with the EFTA Countries (13 November 2007)
- Macro-Economic Dialogue (or 12 November 2007)
- Meeting of the ECOFIN-Troika with Representatives of the European Parliament (12 November 2007)

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS (BUDGET) COUNCIL
BRUSSELS – 23 NOVEMBER 2007**

- Preparation of the conciliation meeting with the European Parliament
- Letter of amendment to the preliminary draft budget for 2008
- Draft EU Budget for 2008 as amended and accompanied by proposals for modifications by the European Parliament: second reading
- A.O.B.

Comment:

This is the customary "second reading" by the Council, preceded by a conciliation meeting with the EP.

**PROVISIONAL AGENDA
ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
BRUSSELS – 4 DECEMBER 2007**

- (poss.) Implementation of the Stability and Growth Pact (*restricted session*)
 - Lisbon multilateral surveillance
 - = Council Conclusions

- Financial Services
 - a) Directive on the solvency of insurance companies (Solvency II)
 - = General approach
 - b) Lamfalussy review
 - = Council conclusions
 - c) Risk Capital
 - = Council conclusions

- Taxation
 - a) Combating tax fraud
 - = Council conclusions
 - b) VAT Package
 - = Adoption
 - c) Reduce VAT rated
 - = Adoption
 - d) Code of Conduct on Business Taxation
 - = Report to the Council
 - e) (poss.) Coordination of Tax Systems

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- Eurogroup (3 December 2007)