



Malta-EU Steering & Action Committee

# ECONOMIC AND FINANCIAL AFFAIRS



**12.06.09**

## Monitoring the implementation of Structural Funds

An analysis of the budgetary implementation of the Structural and Cohesion Funds in 2008 is [available](#). Overall, the year 2008 was marked by high commitments (€47.2 billion) but relatively low payments (€35.4 billion, €3 billion less than 2007). The high payments for the previous programming period (€23.8 billion) could not entirely compensate the very low level of payments (€1.5 billion) for the 2007-2013 programming period. Due to this evolution of commitments and payments the overall level of outstanding commitments has reached €5.3 billion. This still corresponds to a level of two years of commitments which is a normal pattern for the Structural Funds. According to the report, in Malta's case 5% of the 2004-06 allocation is still to be executed.

## *From the European Commission*

### **COM (2009) 258: Report from the Commission: Annual report from the Commission on the Guarantee Fund and the management thereof in 2008**

The Guarantee Fund for external actions was set up in order to repay the Community's creditors in the event of default by beneficiaries of loans granted or guaranteed by the Community.

At the close of the 2008 financial year, the Fund totalled €1.09 billion. The total net balance sheet of the Fund (i.e. the Fund's net cash resources) at 31 December 2008 amounts to €1.18 billion. This figure is the sum of the financial position of the Fund (i.e. the €1.09 billion), less accrued EIB and audit fees of € 689,972 of which € 658,322 are management fees and the transfer from the budget of €91.96 million, as established in 2008 for the 2009 budget.

The outstanding lending and loan guarantee operations for third countries plus accrued interest totalled €4.18 billion at 31 December 2008, of which €36.8 million was accrued interest. The ratio between the Fund's resources and outstanding capital liabilities was 8.34%. Since this is lower than the target amount of 9% of the total guaranteed outstanding amount (rounded amount of €1,276,530,000, a transfer from the general budget of the European Union to the Fund has to



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be made. The amount to be included in 2009 as provisioning in the Preliminary Draft Budget of 2010 is €3.81 million.

While the Fund was not called for default payments in 2008, it received a penalty interest of \$1.448 million which was recovered from the Republic of Argentina on 12 December 2008.

### *From the Council*

This week's ECOFIN Council meeting, held on the 9<sup>th</sup> June, discussed a wide range of matters, particularly in preparation of the European Council's meeting (gathering all Heads of State) on 18-19 June. The Council approved conclusions on the reform of the EU's supervisory framework for financial services, wherein it has asked the Commission to present legislative proposals to ensure that the new supervisory framework will be in place during 2010. Discussions on a number of issues in this regard are set to continue at the European Council, including on the role of the supervisory bodies and their chairmanship.

The Council also approved conclusions on the international financing of climate change measures – in preparation to the UN Climate Change Conference in Copenhagen at the end of this year. It reiterates that the private sector should remain the main source of financing of mitigating measures, acknowledges the need for further collaboration between private and public funds, and looks towards a mechanism which will support developing countries to tackle climate change. Importantly it emphasizes on the need for all countries including developed ones to contribute to an international financing mechanism, where only the least developed should not be obliged to commit.

The Council also adopted conclusions on the international promotion of good governance in tax matters and called on accounting “standard setters to work urgently to achieve clarity and consistency in the application of standards used for the valuation of assets in distressed and inactive markets”. It also approved a report that noted that “the level of public resources that are potentially committed by the [bank] support measures” amount to 31.4% of gross domestic product.

Political agreement was reached on a directive tightening the rules for the [exemption from VAT upon importation](#); agreed on a general approach aimed at including technical amendments into Directive 2006/11/EC on the common system of VAT; adopted conclusions on [packaged retail investment products](#); and decided not to oppose the adoption by the Commission of a directive on technical provisions concerning the risk management of credit institutions and a regulation concerning certain international accounting standards as well as measures proposed by the Commission in a draft regulation amending regulation 1842/2005 on Community statistics concerning the balance of payments and such as regards the update of data requirements.

The provisional Council Conclusions are available [online](#).



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*Eurogroup* discussions, held the day before on the 8<sup>th</sup> June, focused on common budgetary orientations ahead of the preparation of the national budgets for 2010. These discussions take a particular significance this year in view of the necessity to balance the needs for stabilisation of the economy and sustainability of public finances. Ministers also had their regular, twice a year exchange of views with the International Monetary Fund on euro-area policies. The agenda also included a discussion on the impact of structural measures taken within the framework of the European Economic Recovery Plan on the competitiveness positions of the euro area Member States. Source: [DG ECOFIN website](#).

### *Economic indicators*

[Industrial orders](#) were down in the euro area by 1.9% and in the EU27 by 0.9% in April over March. In April 2009 compared with April 2008, industrial production declined by 21.6% in the euro area and by 19.4% in the EU27.

The EU27's [external current account](#) recorded a deficit of €50.8 billion in the first quarter of 2009, compared with a deficit of €46.2 billion in the first quarter of 2008 and a deficit of €7.3 billion in the fourth quarter of 2008.

### *From the European Central Bank*

On 10<sup>th</sup> June, the ECB and Sveriges Riksbank (Sweden's Central Bank) decided to activate their temporary reciprocal currency agreement (swap line) whereby the Swedish central bank can borrow euro from the ECB in exchange for Swedish kronor.

The ECB and Sveriges Riksbank signed a swap agreement on 20 December 2007 with the aim of facilitating the functioning of financial markets and providing euro liquidity to the latter if needed. The maximum amount that can be borrowed by Sveriges Riksbank is €10 billion, for a maturity of up to three months.

On its part the Executive Board of the Riksbank has [announced](#) that it has decided to borrow €3 billion from the ECB, "to ensure that the Riksbank is well-prepared to continue safeguarding financial stability".

### *From the European Court of Justice*

In its Judgment on the 11<sup>th</sup> June, the Court of Justice (X and E.H.A. Passenheim-van Schoot v Staatssecretaris van Financiën) declared that an [extended recovery period where taxable assets which have been concealed](#) from the tax authorities are held in another Member State is in accordance with Community law. In so far as the tax authorities have no evidence of the



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existence of such assets, an extended recovery period does not go beyond what is necessary to guarantee the effectiveness of fiscal supervision and to prevent tax evasion.

### *Other news*

11 June: The European Investment Bank and Banco Popolare signed yesterday an agreement for the allocation of a total of €300 million divided into two credit lines: €200m to finance SMEs' investment projects and initiatives in the industrial, services and tourism sectors; and €100 million to support public entities and utilities.

11 June: The Council adopted a revised regulation on the [European Globalisation Adjustment Fund](#) (EGF)<sup>2</sup>, following a first reading agreement with the European Parliament. The main objective of the new regulation is to enable the EGF to make earlier interventions in favour of workers made redundant as a result of globalisation as well as to improve the attractiveness of the fund and to strengthen the solidarity in the context of the current economic and financial crisis.

10 June: The European Commission has provided new and detailed guidance on [state aid granted to ship management companies](#). These rules complement the 2004 guidelines on state aid to maritime transport. Under the guidance adopted today, the tonnage tax may be applied to all ship managers, as long as they contribute to the development of the European maritime cluster and, more importantly, that they make a commitment to implement the Maritime Labour Convention 2006 ahead of its entry into force.

### *Current European Commission Consultations*

#### **Possible end-dates for SEPA migration (end date: 03/08/09)**

The SEPA (Single Euro Payments Area) project holds much promise in terms of improved efficiency, dynamism and competitiveness of the European economy. Significant progress has been made since 2002, but migration to SEPA remains slow. It is therefore necessary to analyse whether some deadline(s) should be defined for the migration of corresponding legacy payment products to the new SEPA credit transfers and direct debits. Setting (a) clear deadline(s) for the migration of legacy products to SEPA products would provide certainty so that stakeholders can adopt a SEPA strategy, an adequate migration planning and allocate the necessary budgets for SEPA in the next few years. Concerns have however been expressed that more time might be needed to see how the market develops spontaneously before assessing whether there is a market failure or not.



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This consultation is seeking to get a more comprehensive view of stakeholders' positions on this issue. The consultation paper presents all the options available today regarding the definition of such (an) end-date(s) and regarding its potential practical modalities, e.g. if (an) end-date(s) is(are) seen as needed, there could be one common end-date for SCT and SDD migration or two separate end-dates; (an) end-date(s) could be set at national level and/or at European level; it(they) could be left to self-regulation or could be set by regulation.

Further information is available online:

[http://ec.europa.eu/internal\\_market/consultations/2009/sepa\\_en.htm](http://ec.europa.eu/internal_market/consultations/2009/sepa_en.htm)

### **The review of the Directive on Deposit Guarantee Schemes (end date: 27/07/09)**

This consultation intends to gather contributions from the public for the review of the Directive on Deposit Guarantee Schemes (DGS). DGS reimburse a limited amount of deposits to depositors whose bank has failed. From the depositors' point of view, this protects a part of their wealth from bank failures. From a financial stability perspective, this promise prevents depositors from making panic withdrawals from their bank, hereby preventing severe economic consequences.

In order to ensure greater effectiveness of the Deposit-Guarantee Schemes Directive and to respond adequately to any deficiencies or risks that may have arisen as evidenced in the current financial crisis, the Commission has to submit a report and if appropriate, legislative proposals by the end of 2009.

Further information is available online:

[http://ec.europa.eu/internal\\_market/consultations/2009/deposit\\_guarantee\\_schemes\\_en.htm](http://ec.europa.eu/internal_market/consultations/2009/deposit_guarantee_schemes_en.htm)

### **European Financial Supervision (end date 15/07/09)**

The European Commission adopted on 27 May 2009 a Communication on Financial Supervision in Europe proposing a set of ambitious reforms to the current architecture of financial services committees, with the creation of a new European System of Financial Supervisors (ESFS), composed of new European Supervisory Authorities, and a European Systemic Risk Council (ESRC). The Commission is inviting comments on its Communication to be received by 15 July 2009.

Further information is available online:

[http://ec.europa.eu/internal\\_market/consultations/2009/fin\\_supervision\\_may\\_en.htm](http://ec.europa.eu/internal_market/consultations/2009/fin_supervision_may_en.htm)



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### ***Meetings of interest***

The Ministry of Finance, the Economy and Investment is holding a consultation session for all stakeholders in the context of Council Directive 2008/117/EC of 16 December 2008 amending Directive 2006/112/EC setting up a common system of value added tax to combat tax evasion connected with intra-Community transactions. The aim of the Directive is to speed up the collection and exchange of information on intra-Community transactions as from 2010.

The session is intended to review the consequences of this new recapitulative statements system and facilitate any transition that needs to be done. It is being held on Tuesday 18<sup>th</sup> June 2009 at 2.00pm at 30, Maison Demandols, South Street, Valletta. The Permanent Secretary, Mr Alfred Camilleri, will chair this meeting. Mr Joe Sammut, Director General – VAT Department will also be present.

Participation should be confirmed attendance by email to Ms. Oriana Agius on [oriana.agius@gov.mt](mailto:oriana.agius@gov.mt) or tel. no. 25998412.

### ***Papers of interest***

European Economy. Economic Papers. **381**. June 2009:

[The euro and prices](#): changeover-related inflation and price convergence in the euro area –

Jan-Egbert Sturm, Ulrich Fritsche, Michael Graff, Michael Lamla, Sarah Lein, Volker Nitsch, David Liechti and Daniel Triet