



**COUNCIL OF
THE EUROPEAN UNION**

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REVISED NOTE

from: General Secretariat of the Council
to: Permanent Representatives Committee / Council
Subject: European Council (28-29 June 2012)
- Draft conclusions

In accordance with Article 2(3)(a) of the Council's Rules of Procedure, delegations will find attached the draft conclusions prepared by the President of the European Council, in close cooperation with the member of the European Council representing the Member State holding the six-monthly Presidency of the Council and with the President of the Commission.

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During the last two and a half years, the European Union has taken important and far-reaching steps to overcome the crisis. However, the current economic situation remains unsatisfactory and continued efforts are needed to address challenges in relation to the sovereign debt crisis and the banking sector. While growth is expected to pick up in the second half of 2012 and gradually gain more momentum in 2013, it still remains too low.

This is why today we adopted a "Compact for Growth and Jobs", encompassing action to be taken by the Member States and the European Union with the aim of relaunching growth, investment and employment as well as making Europe more competitive. We also endorsed the country specific recommendations to guide Member States' policies and budgets. Finally we emphasised the role that the forthcoming Multiannual Financial Framework should play in strengthening growth. [p.m. PEC report on EMU]

We are determined to take the measures required to ensure a financially stable, competitive and prosperous Europe and thus enhance the welfare of citizens.

I. GROWTH, INVESTMENT AND JOBS

1. The European Union will continue to do everything necessary to put Europe back on the path of smart, sustainable and inclusive growth. Recalling the importance of fiscal consolidation, structural reform and targeted investment for sustainable growth, the European Council adopted a "Compact for Growth and Jobs", providing a coherent framework for action at national, EU and euro area levels, using all possible levers and instruments (see annex).
2. The European Council endorsed the country-specific recommendations which Member States will translate into their forthcoming national decisions on budgets, structural reforms and employment policies, thus bringing the 2012 European Semester to a close.
3. p.m. Report on EMU

II. MULTIANNUAL FINANCIAL FRAMEWORK

4. The European Council held an in-depth discussion with the President of the European Parliament on the future Multiannual Financial Framework.
5. The European Council discussed how the new MFF can best contribute to the creation of growth and jobs in line with the Europe 2020 Strategy. It welcomed the progress achieved under the Danish Presidency, which provides a basis for the final stage of the negotiations. It called on the incoming Presidency and the President of the European Council to work closely together to further develop the Negotiating Box, with a view to the European Council reaching an agreement among Member States before the end of 2012. The relevant legislative texts should then be adopted as soon as possible following the procedures enshrined in the Treaty and fully respecting the role of the European Parliament.

III. OTHER ITEMS

- (a) Enlargement: p.m. in the light of GAC discussion on Montenegro.
- (b) Justice and Home Affairs: the European Council welcomed the progress achieved on the Dublin Regulation, the Directive on Reception Conditions and the Directive on Asylum Procedures, and in relation to resettlement. It reiterated its commitment to the completion of the Common European Asylum System by the end of 2012. It also underlined the importance of free movement within the Schengen area and noted the state of play on the proposals relating to its governance and to the Visa Regulation. It underlined the importance of solidarity and cooperation in the management of external borders, asylum and the fight against illegal immigration. It will return to these matters as necessary.

- (c) Nuclear energy: the European Council welcomed the work done on the nuclear safety stress tests requested at its December 2011 meeting, invited Member States to ensure the full and timely implementation of the recommendations presented in the report from ENSREG and noted the Commission's intention to present a comprehensive communication later this year. It also welcomed the completion of the work of the Ad Hoc Group on Nuclear Security and called for the rapid implementation of its recommendations. It called for further efforts to enhance the EU's cooperation with all the EU's neighbours on nuclear safety and security.
- (d) Syria: the European Council underlined its grave concern and strongly condemned the brutal violence and massacres of civilians. All those responsible for those crimes must be held accountable. This underlines the urgent need for action by the international community, including through the Kofi Annan initiative. The European Council urged the Syrian regime to stop immediately its attacks against the civilian population. All parties, including the armed opposition, must stop violence, cooperate in the full, immediately implement the Annan Plan and guarantee the necessary security conditions for the UN observer mission. All opposition groups should agree on a set of shared principles for working towards an inclusive, orderly and peaceful transition in Syria. The Syrian authorities must fully cooperate and ensure the rapid implementation of the humanitarian response plan, including accelerating access to humanitarian workers and delivering of humanitarian aid.
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"COMPACT FOR GROWTH AND JOBS"

The Members of the European Council,

Expressing their determination to stimulate smart, sustainable, inclusive, resource-efficient and job-creating growth, in the context of the Europe 2020 Strategy,

Stressing the need to mobilise all levers, instruments and policies to that end,

Recalling the importance of sound public finances, structural reform and targeted investment for sustainable growth,

Have adopted the following Compact:

ACTION TO BE TAKEN AT THE LEVEL OF THE MEMBER STATES

- 1) All Member States remain fully committed to taking the immediate action required at national level to achieve the objectives of the Europe 2020 Strategy. The European Union's new tools for economic governance must be applied fully and effectively and the recourse to "peer pressure" should be enhanced. The pending proposals aimed at completing this framework ("two-pack") must be adopted swiftly.
- 2) In the implementation of the country-specific recommendations, Member States will put particular emphasis on the following aspects:
 - (a) pursuing differentiated growth-friendly fiscal consolidation taking into account country-specific circumstances, preserving investment into future-oriented areas directly related to the economy's growth potential and ensuring the sustainability of pension systems;

- (b) restoring normal lending to the economy and urgently completing the restructuring of the banking sector;
- (c) promoting growth and competitiveness, notably by addressing deep-rooted imbalances and going further in structural reforms to unlock domestic potential for growth, including through opening up network industries, promoting the digital economy and removing unjustified restrictions on service providers;
- (d) tackling unemployment and addressing the social consequences of the crisis effectively, pursuing reforms to improve employment levels, in particular of young people, and developing and implementing effective policies to combat poverty and support vulnerable groups. Member States will swiftly implement their National Job Plans and develop for the next European Semester more ambitious and precise ones;
- (e) modernising public administration, in particular by tackling delays in the judicial system, reducing administrative burdens and developing e-government services.

***THE CONTRIBUTION OF EUROPEAN POLICIES TO GROWTH
AND EMPLOYMENT***

- 3) Further urgent measures are needed at the level of the European Union in order to boost growth and jobs, enhance the financing of the economy in the short to medium term and make Europe more competitive as a location for production and investment.

- (a) Deepening the Single Market by reducing remaining barriers will be a key factor in promoting growth and jobs, in particular in digital and network industries. The Commission intends to present further growth-enhancing measures to that end in autumn 2012 as part of the second Single Market Act. Important progress has already been achieved on the measures part of the first Single Market Act, including with the adoption of the proposal on standardisation, the [agreement reached between Council and Parliament on the proposal on venture capital and social entrepreneurship funds] and the agreement reached in Council on the proposals on accounting and on alternative dispute resolution and online dispute resolution. Agreement should be reached as soon as possible on the proposals on public procurement, on e-signature and on the recognition of professional qualifications. The Commission's proposals to improve Single Market governance and to maximise the benefits of the Services Directive are welcomed.
- (b) Swift progress is required to achieve a well-functioning Digital Single Market by 2015, which will provide new dynamism to the European economy. In particular, priority should be given to measures aimed at further developing cross-border online trade, including by facilitating the transition to e-invoicing, e-identification and other e-services. It is also crucial to boost demand for the roll-out of high-speed internet, modernise Europe's copyright regime and facilitate licensing.
- (c) Further efforts are needed to reduce the overall regulatory burden at EU and national level. The Commission will present a communication on further steps in "smart regulation", including measures to support micro-enterprises, by the end of 2012.
- (d) Fully completing the internal energy market by 2014 and ensuring that that no Member State remains isolated from the European gas and electricity networks after 2015 will significantly contribute to the EU's competitiveness, growth and employment. Following the formal adoption of the Energy Efficiency Directive, Member States must rapidly implement it, making full use of its provisions in order to exploit the significant potential for job creation in this sector. The proposal on trans-European energy infrastructure should be adopted as soon as possible.

(e) Efforts must continue in order to ensure that research efforts are swiftly translated into innovations meeting market demands and thus strengthen Europe's competitiveness and help respond to societal challenges. The European Research Area must be strengthened, in particular by improving investment opportunities for innovative start-ups and SMEs. The future COSME and Horizon 2020 programmes will help innovative SMEs access to financing. It is of particular importance to strengthen key enabling technologies which are of systemic importance for the innovativeness of industry and the whole economy, including in areas such as nanotechnology, biotechnology and advanced materials.

(f) p.m. patent

(g) It is crucial to boost the financing of the economy. We have adopted a financing plan of EUR x billion in support to fast-acting growth measures:

- The EIB's paid in capital should be increased by EUR 10 billion, with the aim of strengthening its capital basis as well as increasing its overall lending capacity by EUR 60 billion, and thus unlock up to EUR 180 billion of additional investment, spread across the whole European Union, including in the most vulnerable countries. This decision should be taken by the EIB Board of Governors so as to ensure that it enters into force no later than 31 December 2012.
- The Project Bond pilot phase should immediately be launched, bringing additional investments of up to EUR 4.5 billion for pilot projects in key transport, energy and broadband infrastructure. Provided that the lessons to be drawn from the pilot phase are positive, the volume of such financial instruments should be developed further in the future.
- Where appropriate, Member States will work with the Commission in using part of their Structural Funds allocation to share the EIB loan risk and provide loan guarantees for knowledge and skills, resource efficiency, strategic infrastructure and access to finance for SMEs. To date, EUR 20 billion of Structural Funds have been reprogrammed in support of research and innovation, SMEs and youth employment.

- The action of the European Investment Fund should be developed, particularly as regards its venture capital activity.
- (h) The European Union's budget must be a catalyst for growth and jobs across Europe, notably by leveraging productive and human capital investments. The future Multiannual Financial Framework must be fully mobilised to support growth, competitiveness and convergence, in line with the Europe 2020 Strategy.
- (i) Tax policy must contribute to fiscal consolidation and sustainable growth. Work should be rapidly carried forward on the Commission proposals on energy taxation, on the common consolidated corporate tax base and on the revision of the Savings Tax Directive. [*p.m. FTT in the light of ECOFIN Council on 22 June 2012*]. The Commission is pursuing work on concrete ways to improve the fight against tax fraud and tax evasion and will soon present an Action Plan including options to that end. Rapid agreement must be reached on the negotiating directives for savings taxation agreements with third countries.
- (j) Boosting employment, for both women and men, in particular for young people and the long-term unemployed, is a clear priority. The Council will swiftly examine and decide on the proposals contained in the Commission's "Employment package", putting emphasis on quality job creation, structural reform of labour markets and investment in human capital. It is crucial to address youth unemployment, in particular through the Commission's initiatives on youth guarantees and the quality framework for traineeships. Labour mobility should be facilitated. The EURES portal should be developed into a true European placement and recruitment tool; the possibility of extending it to apprenticeships and traineeships should be examined. New EU instruments to better track new skills required should be established, the recognition of professional qualifications and language skills improved, the number of regulated professions reduced and the acquisition and preservation of pension rights and other social rights strengthened. EU governance, including multilateral surveillance of employment policies, must be improved.

- (k) Trade must be better used as an engine for growth. The European Union is determined to promote free, fair and open trade whilst at the same time asserting its interests, in a spirit of reciprocity and mutual benefit in relation to the world's largest economies. In this perspective, whilst strengthening the multilateral system remains a crucial objective, the ongoing and potential upcoming bilateral negotiations have a particularly high economic importance. Such efforts should in particular be geared to the removal of trade barriers, better market access, appropriate investment conditions, the protection of intellectual property and the opening up of public procurement markets. Agreements which have been finalised must be rapidly signed and ratified. The Free Trade Agreements with Singapore and Canada should be finalised by the end of the year; negotiations with India need a new impulse from both sides, and work should continue towards the deepening of the EU's trade relationship with the US and Japan.
- (l) Financial stability is a prerequisite for growth. The report presented by the President of the European Council sketches out important ideas in that respect. Looking to the immediate future, the Council should rapidly examine the Commission's proposals on EU-wide rules for bank recovery and resolution with a view to their adoption by the end of the year. The proposals on deposit guarantee schemes and capital requirements should be adopted as a matter of urgency. It is important to maintain credit flows to the economy by strengthening bank's capital positions without harmful deleveraging. The signatories of the ESM Treaty will ensure its entry into force by 9 July 2012.

EMU-RELATED GROWTH FACTORS

- 5) There are areas where the Member States sharing a single currency, and others willing to join the effort, want to go further in their efforts to coordinate and integrate their economic policies, whilst ensuring coherence between those efforts and the activities of the European Union and fully respecting the integrity of the Single Market and of the European Union as a whole.
- 6) The Member States taking part in the Euro Plus Pact are committed to further deepen the coordination of their economic policies, with the objective of improving competitiveness, employment, sustainability of public finance and financial stability, and thereby leading to a higher degree of convergence reinforcing the social market economy. Participating Member States accordingly agree to identify common concrete objectives and sharpen and develop their commitments at national level.
- 7) Together with the other elements of this Compact, the Treaty on Stability, Coordination and Governance will further strengthen economic and fiscal coordination. The signatories of the Treaty underline their determination to quickly ratify it.

p.m. other financial stability measures

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p.m. PEC report on EMU

