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COUNCIL OF THE EUROPEAN UNION				Brussels, 15 June 2012
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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 half years, the European Union has taken important and far-reaching steps to overcome the crisis. Today, while 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. Growth is expected to pick up in the second half of 2012 and gradually gain more momentum in 2013.

We agreed today on a "Compact for Growth and Jobs", encompassing action to be taken by the Member States and the European Union with the aim of enhancing our competitiveness. We also endorsed the country specific recommendations to guide Member States' policies and budgets. Finally, we stressed the role the forthcoming Multiannual Financial Framework should play in strengthening growth. [p.m. PEC report on EMU]

All of this underscores our determination to take the required measures to ensure a financially stable, competitive and prosperous Europe and thus enhance the welfare of citizens.

I. GROWTH AND JOBS

1. The European Union is determined to continue to do everything necessary to put Europe back on the track of growth. Recalling the importance of fiscal consolidation, structural reform and targeted investment for sustainable growth, the European Council adopted a new Compact for Growth and Jobs for Europe, 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 endorses the country-specific recommendations which Member States will implement in their upcoming 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, including how to prioritise the quality of European Union spending, enhance its quality and better align it with the objectives of the Europe 2020 Strategy.
6. It welcomed the progress achieved under the Danish Presidency, 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, further to which the relevant legislative texts will be adopted following the procedures enshrined in the Treaty and fully respecting the role of the different institutions.

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, 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 in the Schengen area and noted the state of work on the proposals relating to its governance and to the Visa Regulation. It underlined the importance of solidarity, the management of external borders and the fight against irregular immigration. It will revert to these matters as necessary.

c. Nuclear energy: the European Council welcomed the work on the nuclear safety stress tests, invited Member States to ensure the full and timely implementation of the recommendations presented in the report from ENSREG and looked forward to the Commission's final report later this year. It also welcomed the completion of the work of the Ad Hoc Group on nuclear security and call for the rapid implementation of its recommendations. It called for further efforts to cooperate with all EU neighbouring countries on these issues.

d. Foreign policy: p.m.

"COMPACT FOR GROWTH AND JOBS"

The Members of the European Council,

Expressing their determination to stimulate job rich growth, in the context of the Europe 2020 Strategy,

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

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

Have agreed on the following Compact:

ACTION TO BE TAKEN AT THE LEVEL OF THE MEMBER STATES

1. All Member States remain fully committed to taking 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.

2. In the implementation of the Country-specific Recommendations, Member States will put particular emphasis on the following aspects:

apursuing differentiated growth-friendly fiscal consolidation, preserving public investment in research and innovation, education and energy and ensuring the sustainability of pension systems;

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;

d. tackling unemployment and addressing the social consequences of the crisis effectively, by pursuing reforms to improve employment levels and developing efforts to alleviate poverty and help vulnerable groups; Member States will swiftly implement their National Job Plans;

e. modernising public administration, in particular by tackling delays in the legal system, reducing administrative burdens and developing e-government services.

3. Member States will address deep-rooted imbalances and go further with structural reforms, with particular efforts to improve the investment environment, including through the digital economy, the opening up of network industries, the removal of disproportionate restrictions on service providers and improvements in the quality of public administration.

THE CONTRIBUTION OF EUROPEAN POLICIES TO GROWTH

4. Further urgent measures are needed at the level of the European Union in order to boost growth and jobs in Europe and enhance the financing of the economy in the short to medium term.
 - a. Deepening the Single Market in new areas will be a key factor in promoting growth, in particular in digital and network industries. The Commission intends to present further measures to that end in autumn 2012 as part of the second Single Market Act. All Single Market Act measures presently on the table should be adopted before the end of the year; in particular, agreement should be reached as soon as possible on the proposals on accounting, on alternative dispute resolution and online dispute resolution, on public procurement 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 the Digital Single Market, which will provide new dynamism to the European economy. In particular, new initiatives are required in this respect with a view to developing online sales and facilitating the transition to e-invoicing.**
- c. The full implementation of the internal energy market by 2014 will significantly contribute to the EU's competitiveness, growth and employment. Following the timely 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.
- d. p.m. patent
- e. It is crucial to boost the financing of the economy. The EIB's paid in capital should be increased by x billion euro, which will substantially increase its overall lending by x billion euro and thus unlock up to x billion euro of additional investment, spread across the European Union, including in the most vulnerable countries. This decision should be taken by the EIB Board 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 4.5 billion euro for pilot projects in key transport, energy and broadband infrastructure. The use of such financial instruments should be developed in the future, in the light of the lessons to be drawn from the pilot phase. 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 SMEs. To date, 20 billion euro of Structural Funds have been reprogrammed in support of research and innovation, SMEs and youth employment.
- f. The European Union's budget must be a catalyst for growth across Europe, notably by leveraging productive investments. The future Multiannual Financial Framework must be fully mobilised in support to growth, competitiveness and convergence.

- g. Tax policy must contribute to fiscal consolidation and growth. 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 for dealing with tax haven issues and aggressive tax planning. Rapid agreement must be reached on the negotiating directives for savings taxation agreements with third countries. [*p.m. FTT in the light of ECOFIN Council on 22 June 2012*].
- h. Boosting employment, for both women and men, in particular for young people, is a clear priority. The Council will further examine and decide on the proposals contained in the Commission's "Employment package", putting emphasis on 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 quality framework for traineeships. Labour mobility should be facilitated, notably by developing the EURES portal into a true European placement and recruitment tool, establishing new EU instruments to better track new skills required, improving the recognition of professional qualifications, reducing the number of regulated professions and strengthening the portability of pensions and other social rights. EU governance, including multilateral surveillance of employment policies, must be enhanced.
- i. 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, the ongoing and potential upcoming negotiations have a particularly high economic importance. Agreements which have been concluded must be rapidly ratified. The FTA agreements with Singapore and Canada should be finalised by the end of the year, negotiations with India also need to be rapidly finalised, and work should continue towards the deepening of the EU's trade relationship with the US and Japan.

- j. 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, deposit guarantee schemes and capital requirements. 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 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 and thereby leading to a higher degree of convergence reinforcing the social market economy. Participating Member States accordingly agree to identify common concrete political objectives and subscribe to additional concrete commitments.**
- 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