



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 10 June 2013

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NOTE

from: General Secretariat of the Council
to: Permanent Representatives Committee

Subject: European Council (27-28 June 2013)
- Draft guidelines for the conclusions¹

With a view to the forthcoming meeting of the European Council, delegations will find below the state of progress regarding the various topics on its agenda. Where possible, first indications are given on the elements the President of the European Council intends to include in the draft of the conclusions.

Member States are invited to give their reactions, to help guide the preparations of the draft European Council conclusions which will be submitted next week.

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¹ pursuant to Art. 3(1) 3rd subparagraph of the EC's rules of procedure.

I. ECONOMIC POLICY

p.m.: the usual "chapeau" will be used to set the general narrative underpinning the conclusions.

Concluding the European Semester

The 20 June EPSCO Council, the 21 June ECOFIN Council and the 25 June GAC are expected to approve the country-specific recommendations and a recommendation for the euro-area. As regards the conclusions of the European Council, the intention is to cover the following elements:

- ⌚ **conclusion of the 2013 European Semester and endorsement of the CSRs;**
- ⌚ **Member States to fully implement these recommendations in their forthcoming decisions on budgets, structural reforms and employment and social policies;**
- ⌚ **Council and Commission to enhance the monitoring of CSR implementation and take action as required;**
- ⌚ **implementing the CSRs will help promote growth and competitiveness and tackle unemployment and the social consequences of the crisis;**
- ⌚ **commitment to pursuing differentiated growth-friendly fiscal consolidation, there cannot be sustainable growth and job-creation without sound public finances;**
- ⌚ **extension of certain EDP deadlines reflects current economic conditions and goes hand-in-hand with accelerated efforts to achieve structural reforms.**

Implementing the Compact for Growth and Jobs

EU action will continue to be pursued in implementation of the Compact for Growth and Jobs. The letter sent by the President of the European Council will help identify where progress has been made and where renewed impetus may be necessary and the European Council will continue to monitor progress, in particular through its thematic discussions.

As agreed last March, this European Council will focus its attention on two major aspects where enhanced initiatives are to be taken in the short term: youth employment and the financing of the economy. In this context, the European Council will assess the report from the Commission and the EIB. As regards the conclusions of the European Council, the intention is to cover the following elements:

Youth employment

- ⌚ **Member States with high youth unemployment to step up active labour market measures (training and employment services);**
- ⌚ **importance of shifting taxation away from labour (reference to CSRs);**
- ⌚ **such efforts to be supported by the EU, in particular by focusing on youth unemployment as a particular priority in the Structural Funds;**
- ⌚ **all preparations to be made so that Youth Employment Initiative (YEI) is fully operational by January 2014 and first disbursements begin; funding to be frontloaded in 2014 and 2015;**
- ⌚ **Member States benefitting from YEI to adopt by the end of the year a plan for the implementation of the "Youth Guarantee" agreed in April; other Member States to do so by summer 2014; Commission to report in 2016 on implementation of Youth Guarantee and on operation of YEI with a view to improvements/strengthening as appropriate;**

- ⌚ **Commission and Member States to explore possibilities offered by ESF to support youth employment;**
- ⌚ **new efforts to promote the mobility of young workers, including strengthened "Your First Eures Job" programme to boost cross-border recruitment; Member States to use part of ESF allocations and national funding for cross-border mobility schemes; "Erasmus for All" to be fully operational from January 2014; rapid adoption of proposal to tackle remaining barriers to the mobility of workers; Professional Qualifications Directive;**
- ⌚ **high quality apprenticeships and work-based learning to be promoted; European Alliance for Apprenticeships to be launched in July; Quality Framework for Traineeships to be rapidly put into place.**

Financing of the economy

- ⌚ **implementation of 120 billion euro package of the Compact to be accelerated; take note of Commission/EIB report;**
- ⌚ **[p.m. EIB investments and financing of the economy / Investment Plan];**
- ⌚ **implementation of project bonds pilot phase;**
- ⌚ **timely adoption of MFF and sectoral programmes;**
- ⌚ **role to be played by COSME programme;**
- ⌚ **Commission/EIB to report on implementation before October European Council.**

More generally, European Council to reiterate importance of full and timely implementation of all elements of the Compact, in particular as regards:

- **industrial competitiveness - refer to Commission Action Plan for a competitive and sustainable steel industry and look forward to forthcoming input to February 2014 discussion;**
- **reduction of overall burden of regulation: reference to Commission communication on top ten burdensome regulations and look forward to future work.**

Completing the Economic and Monetary Union

The European Council will take stock of progress as regards the completion of the elements agreed last December for a "banking union". Agreement has been reached in Council on CRR/CRDIV and on the Single Supervisory Mechanism. On 21 June ECOFIN will aim to agree on the proposal on banking recovery and resolution. The Commission is about to present its proposal on a Single Resolution Mechanism. Work is also ongoing on the operational framework for direct bank recapitalisation by the ESM. In its conclusions, the European Council is expected to refer to the following elements:

- ⌚ **key short term priority to complete the banking union in line with December 2012 and March 2013 EC conclusions; this is key to boost confidence, reduce financial fragmentation and restore normal lending to the economy;**
- ⌚ **CRR/CRDIV and SSM have key role in ensuring stability of banking sector and must therefore be formally adopted this summer;**
- ⌚ **p.m. Bank Recovery and Resolution Directive, Deposit Guarantee Scheme Directive;**
- ⌚ **p.m. guidelines for ESM direct bank recapitalisation;**
- ⌚ **fully effective SSM requires a Single Resolution Mechanism with strong resolution powers, allowing quick and coherent decision-making and an effective backstop arrangement, including a fiscal backstop; look forward to Commission proposal with a view to reaching agreement in the Council in the autumn and adoption by the end of the current legislature;**
- ⌚ **Commission intention to revise state aid rules for financial sector.**

The President of the European Council in close cooperation with the President of the Commission will present further orientations for the completion of EMU in the light of the work undertaken since the December 2012 European Council. It is recalled that several Council formations have held debates on these issues: EPSCO in February, ECOFIN in March and the informal COMPET ministerial in May. On 20 March the Commission adopted a communication on ex-ante coordination of national reforms which could be followed by a legislative proposal. It also adopted a communication on a convergence and competitiveness instrument. A communication on the social dimension of the EMU may be adopted before the summer. The Cabinet of the President has furthermore held several sherpa meetings to ensure that Member States fully contribute to this process. In its conclusions, the European Council is expected to refer to the following elements:

- ⌚ **recall rationale underlying this work and recall issues on which work has been progressing since December; note that there is convergence on many points while other issues require further work;**
- ⌚ **in particular:**
 - **Commission intention to make proposal on ex ante coordination of major economic reforms;**
 - **Commission to present a communication before October European Council on ways to complement the EU framework for economic policy coordination, with a view to the December 2013 European Council;**
 - **need to better monitor and take into account social imbalances within EMU notably by using social and employment indicators within European semester (p.m. expected Commission communication on this issue);**
- ⌚ **taking note of the relationship between the different building blocks of a genuine EMU, invite the President of the European Council in close collaboration with the President of the Commission to continue work in this regard.**

Further to ECOFIN's discussions on 21 June, the European Council will hold a discussion (pursuant to Article 140(2) TFEU) on Latvia's application to adopt the euro as its currency.

II. OTHER ITEMS

(poss.) The European Council will take stock of developments as regards relations with strategic partners.

p.m. enlargement

The European Council will be invited to adopt without discussion the Decision establishing the future composition of the European Parliament. This Decision will be reflected in the minutes of the meeting rather than in the conclusions.

The European Council will be invited to adopt without discussion the Decision on the examination by a conference of representatives of the Governments of the Member States of the draft Protocol on the application of the Charter of Fundamental Rights to the Czech Republic, and not to convene a Convention. This Decision too will be reflected in the minutes of the meeting rather than in the conclusions.
