



**COUNCIL OF  
THE EUROPEAN UNION**

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**NOTE**

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from:	General Secretariat of the Council
to	Permanent Representatives Committee / Council
Subject:	European Council (27-28 June 2013) - Draft conclusions

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*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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*Against the background of a weak short term economic outlook, Europe is facing unacceptably high levels of unemployment, particularly for the young. Immediate action must be taken in that respect. Today, the European Council focussed its attention on the issue of youth unemployment and agreed on concrete measures. It also took important decisions to boost the financing of the economy and investment.*

*Financial stability has been ensured, but further actions by the EU and its Member States are needed to put Europe firmly back on the track of sustained growth and jobs. Sound public finances remain a crucial condition for sustainable growth and jobs. At the same time, more determined efforts are required at all levels to carry forward structural reforms and boost competitiveness, growth and jobs. In this context, the European Council endorsed country-specific recommendations to guide Member States' policies and budgets, thus concluding the 2013 European semester.*

*It also addressed progress towards the banking union, which is crucial for financial stability and the smooth functioning of the EMU. Finally, the European Council set out the next steps in the reinforcement of the EMU architecture and called for work to continue on all these issues.*

*The European Council warmly welcomed Croatia as a member of the European Union as of 1 July 2013. It also congratulated Latvia on fulfilling the convergence criteria of the Treaty, thus allowing it to adopt the euro on 1 January 2014.*

*[p.m. enlargement]*

## **I. YOUTH EMPLOYMENT**

1. Combating youth unemployment is a particular and immediate priority, considering the unacceptably high number of young Europeans who are unemployed. All efforts must be mobilised around the shared objective of getting unemployed young people back to work or into education or training within four months, as set out in the Council's recommendation on the "Youth Guarantee". This requires determined action both at the national and the EU levels.

2. At the national level, Member States with high youth unemployment should step up active labour market measures and effective vocational and education systems to facilitate the transition from school to work, linking the worlds of work and education more closely together and ensuring a better match between skills and new labour market needs. All Member States should advance with their structural reforms, in particular as regards labour markets and education systems and the business environment for start-ups. In this context, the European Council recalls the importance of shifting taxation away from labour, while recognising Member States' competences in this area, as a means of increasing employability and boosting job creation and competitiveness. The European Council called for increased sharing of best national practices.
  
3. In parallel, the EU will mobilise all instruments in support to youth employment. The European Council agrees that:
  - (a) in implementing the Structural Funds, a particular focus will be given to youth employment. The Commission and the Member States will exploit all possibilities offered by the European Social Fund (ESF), which is the main financial tool at EU level to support youth employment. Where appropriate, the Member States will improve their administrative capacity using enhanced technical assistance from the Commission and build on best practices;
  
  - (b) all preparations will be made so that the Youth Employment Initiative (YEI) is fully operational by January 2014, allowing first disbursements to beneficiaries in EU regions experiencing youth employment rates above 25% to begin. [*p.m. YEI frontloading 2014/2015*] Member States benefitting from the YEI should adopt a plan for the implementation of the "Youth Guarantee" before the end of the year. The Commission will report in 2016 on the implementation of the "Youth Guarantee" and on the operation of the YEI with a view to its possible improvement and strengthening as appropriate;

- (c) new efforts will be made to promote the mobility of young job-seekers and workers, including by strengthening the "Your First EURES Job" programme to boost cross-border recruitment. Member States should use part of their ESF allocations in support to cross-border mobility schemes. The "Erasmus for All" programme, which also fosters cross-border vocational training, must be fully operational from January 2014;
- (d) legislative proposals which can contribute to labour mobility must be prioritised. [The agreement between the European Parliament and the Council on the recognition of professional qualifications is particularly welcome in this regard.] More efforts are required, notably on the proposal relating to the preservation of supplementary pension rights, which is to be adopted during the present legislature.
- (e) high quality apprenticeships and work-based learning will be promoted, notably through the European Alliance for Apprenticeships to be launched in July. The Quality Framework for Traineeships will be rapidly put into place;
- (f) the social partners need to be fully involved and actively engaged in these efforts. The European Council welcomes the "Framework of Actions on Youth Unemployment" agreed by the social partners on 11 June 2013.

## **II. ECONOMIC POLICY**

4. Following an in-depth exchange of views, the European Council concluded the 2013 European semester by endorsing the country-specific recommendations. Member States will now translate these recommendations into their forthcoming decisions on budgets, structural reforms and employment and social policies. The Council and the Commission will closely monitor their implementation.

5. Member States are fully committed to pursuing differentiated growth-friendly fiscal consolidation, as there can be no sustainable growth and job-creation without sound public finances. This is crucial in order for public authorities to retain their capacity to invest in sustainable growth. As provided for in the EU fiscal framework, the pace of fiscal consolidation may be adjusted to respond to economic conditions. At the same time, Member States should accelerate their structural reforms. This will underpin efforts for a rebalancing of the EU economy, restoring competitiveness and addressing the social consequences of the crisis.

### ***Implementing the Compact for Growth and Jobs***

6. One year ago, the European Council agreed a Compact for Growth and Jobs, a package of fast-acting growth measures underpinned by a financing of EUR 120 billion. While good progress has been made in delivering on these measures, some of which are already bearing fruit, more efforts are required. EU institutions and Member States should do their utmost to ensure that all the elements set out in the Compact are rapidly implemented, as set out in previous European Council conclusions. The European Council looks forward to an updated progress report on the Compact, in particular on youth unemployment and the financing of the economy, in December 2013.
7. In the present economic context it is crucial to restore normal lending to the economy and facilitate the financing of investment, in particular as regards SMEs. The European Council agrees on the following measures and invites the Commission and the EIB to implement them as a matter of priority and to report back on their implementation ahead of its October 2013 meeting:
  - (a) [*p.m. Commission/EIB report, effect of EIB increased resources, further steps from EIB, Investment Plan*];

- (b) the EU's Multiannual Financial Framework for the coming seven years will be a catalyst for growth and jobs across Europe, notably by leveraging productive and human capital investments, and must therefore be adopted as soon as possible. [*p.m. latest state of play*];
  - (c) the different EU programmes which support the achievement of the Europe 2020 Strategy must be adopted before the end of the year and Member States should accelerate their preparations, including their partnership agreements with the Commission, so that these programmes are operational from January 2014. The Structural Funds as well as the programmes for the competitiveness of enterprises and SMEs (COSME) and for research and innovation (Horizon 2020) are particularly relevant in the context of supporting SMEs.
8. As agreed last March, the European Council will monitor closely the implementation of the orientations it sets to boost economic growth and promote competitiveness, notably by holding regular thematic discussions. In this context, the European Council held a first exchange of views on two key issues:
- (a) as regards industrial competitiveness and policy, the European Council welcomed the Commission Action Plan for a competitive and sustainable steel industry. With a view to the February 2014 European Council, it looked forward to further inputs from the Commission in line with the March and May 2013 European Council conclusions. The incoming Presidency is invited to take preparatory work forward within the Council;
  - (b) the European Council welcomed the Commission communication on the top ten most burdensome regulations and looked forward to the full range of proposals reducing the overall burden of regulation, resulting from the "Regulatory Fitness" programme in the autumn, as well as continuing efforts to make EU regulation more efficient and simple. It will return to these issues in the light of these proposals.

## ***Completing the Economic and Monetary Union***

9. Since the presentation last December of the report "Towards a genuine EMU" identifying four key building blocks to strengthen the architecture of the EMU, work has been advancing in particular on the economic policy framework, along the four strands identified by the European Council: the coordination of national reforms; the social dimension of the EMU, including social dialogue; the feasibility and modalities of mutually agreed contracts for competitiveness and growth; and solidarity mechanisms in support of such arrangements. Concrete new steps towards strengthening economic governance will need to be accompanied by further steps towards stronger democratic legitimacy and accountability.
10. In the short run, the key priority is to complete the banking union in line with the European Council conclusions of December 2012 and March 2013. This is key to ensure financial stability, reduce financial fragmentation and restore normal lending to the economy. The European Council recalls that it is imperative to break the vicious circle between banks and sovereigns. It agrees that:
- (a) the new rules on capital requirements for banks (CRR/CRD) and the new Single Supervisory Mechanism (SSM), which have both been finalised, will have a key role in ensuring the stability of the banking sector, and must therefore be formally adopted this summer;
  - (b) the forthcoming asset quality reviews and balance sheet assessment are particularly important to restore trust in banks by providing transparency on banks' assets and liabilities and speeding up the process of bank's balance sheet repair, where needed;
  - (c) [*p.m. proposals for a Recovery and Resolution Directive and for a Deposit Guarantee Scheme Directive, in light of outcome of June ECOFIN*];

(d) [*p.m. guidelines for ESM direct bank recapitalisation, in light of outcome of June Eurogroup*];

(e) a fully effective SSM requires a Single Resolution Mechanism (SRM) for banks covered by the SSM, with strong resolution powers, allowing quick, effective and coherent decision-making at the central level. It should include appropriate funding arrangements, based on contributions by the financial sector itself, and an appropriate and effective backstop. The integrity of the Single Market will be fully respected and a level playing-field ensured between all EU Member States. The European Council looks forward to the Commission's proposal establishing a SRM with a view to reaching agreement in the Council in the autumn so that it can be adopted before the end of the current legislature. The Commission intends to revise state aid rules for the financial sector with a view to ensuring a level-playing field in resolution decisions involving public support;

11. It is necessary to pursue the work on all the building blocks of a reinforced EMU, as they are closely interrelated. The European Council agrees that :

(a) it is necessary to put into place a more effective framework for the coordination of economic policies. Following its communication of 20 March, the Commission intends to present a proposal on the *ex ante* coordination of major economic reforms in the autumn;

(b) while there is a degree of convergence around the key principles underpinning the concepts of mutually agreed contracts and associated solidarity mechanisms, further work is required on these issues in the coming months. The Commission intends to present a communication on economic policy coordination in the autumn;

(c) it is important to better monitor and take into account social and labour market imbalances within EMU, notably by using social and employment indicators within the European semester. The role of the social partners and social dialogue, including at national levels, is also key. The Commission will present shortly a communication on the social dimension of the EMU.



12. The European Council will further discuss these issues in October 2013 with a view to taking decisions in December 2013.
13. The European Council discussed Latvia's application to adopt the euro. It congratulated Latvia on the convergence it has achieved, based on sound economic, fiscal and financial policies, and welcomed its fulfilment of all the convergence criteria as set out in the Treaty. It welcomed the Commission's proposal that Latvia adopt the euro on 1 January 2014.

## **II. OTHER ITEMS**

14. [*p.m. enlargement*]

15. The European Council will hold a discussion at its June 2014 meeting to define strategic guidelines for the legislative and operational planning in the area of freedom, security and justice (pursuant to Article 68 TFEU). In preparation of this meeting, the incoming Presidencies are invited to begin a process of reflection within the Council. The Commission is invited to present a communication.
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**DOCUMENTS ENDORSED BY THE EUROPEAN COUNCIL**

- Report to the European Council adopted by the Council on 25 June 2013 on the 2013 Country Specific Recommendations
- Conclusions adopted by the Council on 25 June 2013 on enlargement
- Annual report on EU Official Development Assistance adopted by the Council on 28 May 2013
- Conclusions adopted by the Council on 25 June 2013 on the follow-up to the UN Conference on Sustainable Development ("Rio+20") - "An Overarching Framework Post-2015"
- Conclusions adopted by the Council on 25 June 2013 on the Action Plan for the implementation of the Maritime Strategy for the Atlantic ocean area

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