



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: The General Secretariat of the Council
to: COREPER/General Affairs Council

Subject: European Council (24-25 March 2011)
- 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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I. ECONOMIC POLICY

1. The European Council today adopted a comprehensive package of measures to respond to the crisis, preserve financial stability and lay the ground for a sustainable and job-creating growth. It remains determined to do whatever is necessary to support the Euro and strengthen the economic governance of the European Union.

Implementing the European Semester: fiscal consolidation and structural reform

2. The European Council concluded the first phase in the European semester by endorsing the priorities for fiscal consolidation and structural reform identified by the Council further to the Commission's Annual Growth Survey.¹ Priority will be given to restoring sound budgets, reducing unemployment through labour market reforms and making new efforts to frontload growth. All Member States are committed to translating these priorities into their Stability or Convergence Programmes and their National Reform Programmes.
3. In particular, Member States will present a multi-annual consolidation package including specific deficit, revenue and expenditure targets, the strategy envisaged to reach these targets and a timeline for its implementation. Fiscal policies for 2012 should aim to restore confidence by bringing debt trends back on a sustainable path and ensuring that deficits are brought back below 3 % of GDP in the timeframe agreed upon by the Council. This requires in most cases an annual structural adjustment well above 0.5% of GDP. Consolidation should be frontloaded in Member States facing very large structural deficits or very high or rapidly increasing levels of public debt.

¹ See Council conclusions of 15 February and 7 March 2011 and Presidency's synthesis report of 16 March 2011.

4. Fiscal consolidation efforts must be complemented by growth-enhancing structural reforms. To that end, Member States should spell out the measures they intend to implement in order to make work more attractive, get the unemployed back to work, balance security and flexibility, reform pension systems and allow a cost-effective access to energy. They will set out the main measures required to move towards the Europe 2020 headline goals as agreed in June 2010. They will also present policy measures to correct harmful and persistent macroeconomic imbalances and improve competitiveness.

5. It is crucial to also mobilise instruments at the EU level. In particular, the Single Market should be deepened in a way that drives growth and promotes competitiveness. The European Council welcomes the Commission's intention to present the Single Market Act and invites the European Parliament and the Council to adopt a first set of priority measures to relaunch the Single Market by the end of 2012. Particular emphasis should be laid on measures which create growth and jobs, bring tangible results and constitute new initiatives. The European Council calls on Member States to fully implement the services Directive.

The external dimension of the Single Market is also important and focus should be on promoting free and open trade. Work should be rapidly taken forward following the Commission report setting out priorities for dismantling barriers to trade.

Providing a new quality of economic policy coordination: the Pact for the euro

6. The Pact for the Euro as agreed by the euro area Heads of State or government will further strengthen the economic pillar of EMU and achieve a new quality of economic policy coordination, with the objective of improving competitiveness and leading to a higher degree of convergence. The European Council notes the intention of [XXX] to participate in the Pact, whilst emphasising that the Pact remains open for other non-euro area Member States to join.

7. The Member States that have signed up to the Pact are required, on the basis of the indicators and principles it contains, to announce a set of concrete actions to be achieved within the next twelve months. These pledges should be reflected in the Stability or Convergence Programmes and in the National Reform Programmes. The European Council welcomes the announcement of the first measures by a number of Member States (see Annex X) and calls on all the Member States taking part in the Pact to announce their commitments as soon as possible.

Strengthening governance

8. The package of six legislative proposals on economic governance is key to ensuring enhanced fiscal discipline and avoidance of macroeconomic imbalances. It includes a reform of the Stability and Growth Pact aimed at enhancing the surveillance of fiscal policies and applying enforcement measures more consistently and at an earlier stage, new provisions on national fiscal frameworks and an excessive imbalances procedure.
9. The European Council welcomes the general approach reached in the Council on the proposals, opening the way for negotiations with the European Parliament. It called for work to advance with a view to their adoption in June 2011.

Restoring the health of the banking sector

10. The EBA and relevant authorities are carrying out stress tests. The European Council underlines the importance of the peer review process to be conducted in close cooperation with national supervisors, the ESRB, the Commission and the ECB in order to increase the consistency and quality of the results. Banks disclosure will be enhanced, including on sovereign debt holdings on the trading and banking book.
11. Member States will prepare, ahead of the publication of the results, specific and ambitious strategies for the restructuring of vulnerable institutions, including private sector solutions (direct financing to the market or asset sales) but also solid framework for the provision of government support in case of need.

Strengthening stability mechanisms for the Euro area

12. Recalling the importance of ensuring financial stability in the euro area, the European Council adopted the decision amending the TFEU with regard to the setting up of a future European Stability Mechanism. It calls for the rapid launch of national approval procedures with a view to its entry into on 1 January 2013.
13. The European Council welcomes the agreement reached by the euro area Heads of State or government on the reform of the EFSF and the features of the ESM.

p.m. to be updated in light of work conducted by Finance Ministers on EFSF and ESM

II. LIBYA / SOUTHERN NEIGHBOURHOOD

p.m. latest political developments in Libya, to be drafted in the light of FAC discussions

p.m. concrete follow-up to 11 March declaration (humanitarian assistance, response to migratory movements, EIB, EBRD, rules of origin, etc.)

III. JAPAN

p.m. emergency humanitarian aid and further assistance

p.m. energy situation (to be completed in the light of extraordinary Energy Council meeting on 21 March)

p.m. general economic aspects
