



EUROPEAN COUNCIL

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COVER NOTE

from : General Secretariat of the Council
to : Delegations
Subject : **EUROPEAN COUNCIL
25/26 MARCH 2010**

CONCLUSIONS

Delegations will find attached the conclusions of the European Council (25/26 March 2010).

The European Council discussed the European Union's new strategy for jobs and growth. It agreed on its main elements, including the key targets which will guide its implementation and arrangements for its improved monitoring. Heads of State or government also held an exchange of views on competitiveness, a critical aspect of Europe's growth prospects, and discussed the state of preparation for the next G20 Summit. On climate change, the European Council agreed that it is now necessary to bring a new dynamic to the negotiation and mapped out the next steps.

I. EUROPE 2020: A NEW EUROPEAN STRATEGY FOR JOBS AND GROWTH

1. Over the last two years, we have faced the world's worst economic crisis since the 1930s. This crisis has reversed much of the progress achieved since 2000. We are now facing excessive levels of debt, sluggish structural growth, and high unemployment. The economic situation is improving, but the recovery is still fragile.
2. Restoring macroeconomic stability and returning public finances on a sustainable path are prerequisites for growth and jobs. As agreed in December 2009, the exit from the exceptional support measures adopted to combat the crisis, once recovery is fully secured, will be important in that respect.
3. Structural reforms are essential for a strong and sustainable recovery and for preserving the sustainability of our social models. Jobs and social welfare are at stake. If we do not act, Europe will lose ground. The European Council's responsibility is to show the way ahead.
4. The EU needs a new strategy, based on an enhanced coordination of economic policies, in order to deliver more growth and jobs. Following the Commission's communication "Europe 2020: a strategy for smart, sustainable and inclusive growth" and the discussions held in the Council, the European Council agreed on the following elements of this new strategy, which will be formally adopted in June.

5. Our efforts need to be better focused in order to boost Europe's competitiveness, productivity, growth potential and economic convergence:
- a) The new strategy will focus on the key areas where action is needed: knowledge and innovation, a more sustainable economy, high employment and social inclusion.
 - b) The European Council agreed on the following headline targets, which constitute shared objectives guiding the action of the Member States and of the Union:
 - aiming to bring to 75% the employment rate for women and men aged 20-64, including through the greater participation of youth, older workers and low skilled workers and the better integration of legal migrants;
 - improving the conditions for research and development, in particular with the aim of bringing combined public and private investment levels in this sector to 3% of GDP; the Commission will elaborate an indicator reflecting R&D and innovation intensity;
 - reducing greenhouse gas emissions by 20% compared to 1990 levels; increasing the share of renewables in final energy consumption to 20%; and moving towards a 20% increase in energy efficiency;
the EU is committed to take a decision to move to a 30% reduction by 2020 compared to 1990 levels as its conditional offer with a view to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities;
 - improving education levels, in particular by aiming to reduce school drop-out rates and by increasing the share of the population having completed tertiary or equivalent education; taking into account the Commission's proposal, the European Council will set the numerical rates of these targets in June 2010;
 - promoting social inclusion, in particular through the reduction of poverty. Further work is needed on appropriate indicators. The European Council will revert to this issue at its June 2010 meeting.

These targets cover the main areas where efforts are rapidly needed. They are interrelated and mutually reinforcing. They will help measure progress achieved in implementing the strategy. While some of these targets are reflected in EU legislation, the others are not of a regulatory nature and do not imply burden-sharing; they represent a common aim to be pursued through a mix of national and EU level action.

- c) In the light of the headline targets, Member States will set their national targets, taking account of their relative starting positions and national circumstances. They will do so according to their national decision-making procedures, in a dialogue with the Commission in order to check consistency with the EU headline targets. The results of this dialogue will be examined by the Council by June 2010.
- d) The new strategy will address the main bottlenecks constraining growth at national and at EU level, including those related to the working of the internal market and infrastructure.
- e) The Member States will draw up National Reform Programmes setting out in detail the actions they will undertake to implement the new strategy, with a particular emphasis on efforts to meet the national targets as well as on measures to lift the bottlenecks that constrain growth at the national level.
- f) The Commission will further develop and submit to the Council the actions it proposes to take at the EU level, notably through the flagship initiatives.

- g) All common policies, including the common agricultural policy and cohesion policy, will need to support the strategy. A sustainable, productive and competitive agricultural sector will make an important contribution to the new strategy, considering the growth and employment potential of rural areas while ensuring fair competition. The European Council stresses the importance of promoting economic, social and territorial cohesion as well as developing infrastructure in order to contribute to the success of the new strategy.
 - h) The strategy will include a strong external dimension, to ensure that EU instruments and policies are deployed to promote our interests and positions on the global scene through participation in open and fair markets worldwide.
6. Efficient monitoring mechanisms are key for the successful implementation of the strategy:
- a) Building on the monitoring by the Commission and the work done in the Council, the European Council will, once a year, make an overall assessment of progress achieved both at EU and at national level in implementing the strategy. The development of productivity is an essential indicator of progress. Macroeconomic, structural and competitiveness developments will be considered simultaneously, together with the assessment of overall financial stability, based on input from the European Systemic Risk Board.
 - b) The European Council will regularly hold debates dedicated to economic developments and the main priorities of the strategy. In October 2010, it will discuss research and development, in particular looking at how to boost Europe's innovation potential in the light of current challenges. In early 2011 it will discuss energy policy, including how it can best support the shift towards an efficient low-carbon economy and greater security of supply.

- c) Overall economic policy coordination will be strengthened by making better use of the instruments provided by Article 121 of the Treaty (TFEU)
- d) Coordination at the level of the eurozone will be strengthened in order to address the challenges the euro area is facing. The Commission will present by June 2010 proposals in that respect, making use of the new instruments for economic coordination offered by Article 136 of the Treaty (TFEU).
- e) The EU needs to focus on the pressing challenges of competitiveness and balance of payments developments. The European Council will revert to this issue in June 2010.
- f) The timing of the reporting and assessment of the National Reform Programmes and Stability and Convergence Programmes should be better aligned, in order to enhance the overall consistency of policy advice to Member States. These instruments will however be kept clearly separate. The integrity of the Stability and Growth Pact will be fully preserved, as will the specific responsibility of the ECOFIN Council in overseeing its implementation.
- g) A close dialogue between Member States and the Commission will help increase the quality of surveillance and promote the exchange of best practices. This could include bringing together experts from the Commission and the Member States to review the situation.

- h) Ensuring the quality, reliability and timeliness of statistical data provided by national statistical offices will be central in ensuring credible and effective monitoring. Rapid decision is required on the Commission's proposals in this field.
- i) Close cooperation will be maintained with the European Parliament and other EU institutions. National parliaments, social partners, regions and other stakeholders will be involved, so as to increase ownership of the strategy.



- 7. The European Council asks the President of the European Council to establish, in cooperation with the Commission, a task force with representatives of the Member States, the rotating presidency and the ECB, to present to the Council, before the end of this year, the measures needed to reach the objective of an improved crisis resolution framework and better budgetary discipline, exploring all options to reinforce the legal framework.
- 8. Rapid progress is required on the strengthening of financial regulation and supervision both within the EU and in international fora such as the G20, while ensuring a level-playing field at the global level. Progress is particularly needed on issues such as capital requirements; systemic institutions; financing instruments for crisis management; increasing transparency on derivative markets and considering specific measures in relation to sovereign credit default swaps; and implementation of internationally agreed principles for bonuses in the financial services sector. The Commission will shortly present a report on possible innovative sources of financing such as a global levy on financial transactions.

9. This requires that the EU make rapid progress on all these issues internally. In particular, work on the new European supervisory framework needs to be concluded in time for the European Systemic Risk Board and the three European Supervisory Authorities to begin work in early 2011.
10. The Council and the Commission will report back on these issues to the June 2010 European Council, ahead of the Toronto Summit.

II. CLIMATE CHANGE: REFOCUSING OUR EFFORTS AFTER COPENHAGEN

11. A global and comprehensive legal agreement remains the only effective way to reach the agreed objective of staying below 2°C increase in global temperatures compared to pre-industrial levels. On the basis of the conclusions reached by the Council on 15 and 16 March 2010, and taking note of the Commission's communication of 9 March 2010, it is now necessary to bring a new dynamic to the international negotiation process.
12. A stepwise approach should be followed, building on the Copenhagen Accord, which should be swiftly implemented:
 - a) As a first step, the next meetings in Bonn should set the roadmap for taking the negotiations forward. The focus should be on integrating the political guidance of the Copenhagen Accord into the various negotiating texts.
 - b) The COP-16 in Cancun should at least provide concrete decisions anchoring the Copenhagen Accord to the UN negotiating process and addressing remaining gaps, including as regards adaptation, forestry, technology and monitoring, reporting and verification.

13. The EU is prepared to play its part in this process:
- a) The EU and its Member States will implement their commitment to provide EUR 2.4 billion annually over the 2010-2012 period for fast-start financing, alongside contributions by other key players and in the framework of the implementation of the Copenhagen Accord. The swift implementation of this commitment will be crucial. To that end, the EU will initiate consultations on practical ways to implement fast start funding in specific areas. The EU and its Member States will present a preliminary state of play of their commitments at the May/June 2010 UNFCCC session and submit coordinated reports on implementation in Cancun and thereafter on an annual basis.
 - b) The EU and other developed countries have committed to jointly mobilise USD 100 billion per year by 2020 to help developing countries fight climate change. Financial contributions in the longer term need to be seen in the context of meaningful and transparent actions to be taken by developing countries to mitigate climate change as well as the overall balance of the global effort to tackle climate change.
 - c) The European Council remains firmly committed to the UNFCCC process. It supports ongoing efforts to make it more effective. Given the short time available before Cancun, this process could usefully be complemented and supported by discussions in other settings and on specific issues.
 - d) The EU will strengthen its outreach to third countries. It will do so by addressing climate change at all regional and bilateral meetings, including at summit level, as well as other fora such as the G20. The Presidency and the Commission will engage in active consultations with other partners and rapidly report back to the Council.

e) Opportunities for cooperation, including with industrialised partners, need to be exploited in areas such as green technologies and norms and verification techniques. Common interests with emerging countries on issues which could create leverage in the climate change debate should be rapidly identified.

14. There is an urgent need to reverse continuing trends of biodiversity loss and ecosystem degradation. The European Council is committed to the long term biodiversity 2050 vision and the 2020 target set out in the Council's conclusions of 15 March 2010.

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15. The President of the European Council announced that he would convene a special meeting of the European Council in September 2010, in the presence of the Ministers of Foreign Affairs, in order to discuss how the Union can better engage with its strategic partners on global issues.

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The European Council appointed Mr Vítor Constâncio as Vice-President of the ECB.

It also endorsed the Internal Security Strategy.

NEW EUROPEAN STRATEGY FOR JOBS AND GROWTH

NEXT STEPS

- a) Taking account of the EU headline targets, the Commission will rapidly present, in accordance with the Treaty, its proposals for more focused integrated guidelines, including the employment guidelines and the broad economic policy guidelines. The guidelines will be discussed by the Council so that, after the consultation of the European Parliament and other institutions on the employment guidelines, they can be endorsed by the June 2010 European Council.
- b) The main bottlenecks constraining growth at EU level are being identified by the Commission and will be discussed by the Council; the same will be done by the Member States at their level, in close cooperation with the Commission. The June 2010 European Council will take stock of this work, so that it can be taken into account in the drawing up of the National Reform Programmes.
- c) The national targets, as set out in paragraph 5c) of these conclusions, should be submitted in time to be taken into account in the drawing up of the National Reform Programmes.
- d) In this first year of the new strategy, the Member States will present their National Reform Programmes in the Autumn 2010, setting out in detail the actions they will undertake to implement the strategy. These should be fully supported by mobilising all relevant EU instruments, including innovative financing instruments in cooperation with the EIB Group, as incentives for reform.

- e) The Commission will present by October 2010 the actions required at EU level to implement the new strategy, notably through the flagship initiatives.

- f) The Council will better align the timing of processes with a view to enhancing the overall consistency of policy advice to Member States.

