

José Manuel Barroso
President of the European Commission

Brussels, 20/06/2013

Dear colleagues,

We will have a very full agenda when we meet in Brussels on 27/28 June. Expectations are high that we will be able to deliver clear and concrete decisions to help restore growth and tackle unemployment. Although there are no easy solutions to the difficult problems we face, by working together and harnessing the scale that the EU represents I believe we can use our meeting as a turning point.

Europe is doing a lot to work its way out of crisis. The Commission has documented this in the detailed analysis that accompanies our country specific recommendations. But still our growth performance is very unsatisfactory. What we need most is a return of confidence – so that companies invest and hire staff and that banks and alternative investors provide adequate normal lending for sound projects in the real economy.

We can use our meeting at the end of next week to bring a new consensus, uniting the EU around agreement on what we will do to get our economy growing again. The ingredients of this consensus are on the table, now we need to take decisions and to accelerate their implementation.

We have a growth fund for Europe – it is the almost EUR 1 trillion of the Multiannual Financial Framework (MFF). The Council and the European Parliament now need to close the negotiations so that Member States can complete programming by the end of 2013. This means choosing growth by concentrating programming on growth-enhancing and job-creating investment and being ready to spend the 2014 EU budget effectively.

We all agree that tackling youth unemployment is a top priority. While most of the means are in Member States' hands, the EU level can help make a difference. The Commission has proposed a number of practical and achievable measures that have the potential for immediate impact, but some measures are yet to be agreed at EU level, in particular those linked to the MFF. This is namely the case as concerns the Youth Guarantee where the priority must now be to accelerate and front-load implementation. Member States and the European Parliament urgently need to adopt the legal base for the Youth Employment Initiative, which the Commission proposed in March to finance in particular the Youth Guarantee schemes. The EUR 6 billion of the Youth Employment Initiative should be frontloaded so that this money is committed in 2014 and 2015 rather than over the seven year period of the MFF. Finally Member States need to bring forward their youth employment programmes in the autumn, even before the overall programming of the future European Structural and Investment Funds (ESIF) is complete. In parallel the Commission will develop

To the Members of the European Council

a number of EU-level tools to help Member States, such as the EU Alliance for Apprenticeships, the coalition for digital employment, EURES and the 'your first EURES job' initiative. All these measures need to be taken forward in close partnership with the social partners and relevant stakeholders. I enclose a Communication which sets out these concrete ideas in more detail.

I also welcome the bilateral or multilateral initiatives taken between Member States. In a number of fields, essential competences, expertise and resources are at the national level, e.g. employment agencies. Naturally, I expect that such initiatives are coordinated and made to fit with our common framework and activities.

One of the biggest obstacles to recovery at the moment is the lack of normal lending to the real economy, a point highlighted by the Commission in the Annual Growth Survey. In particular, SMEs need better access to funding – now. I enclose a joint report from the Commission and the EIB which sets out how the recently-agreed capital increase of the EIB will be allocated. It also sets out a number of options for launching an ambitious programme to help SMEs get access to funding in the very near future. As you will see, by working together and harnessing the scale of the EU we could make a real impact. Our proposals are built around existing schemes to ensure that they can be quick acting, delivering a much needed boost to SME activity. I look forward to discussing these options with you at our meeting and will urge you to be ambitious in this area. And next week the Commission will present legislation to promote long-term investment funds which can be another alternative source of lending to the real economy.

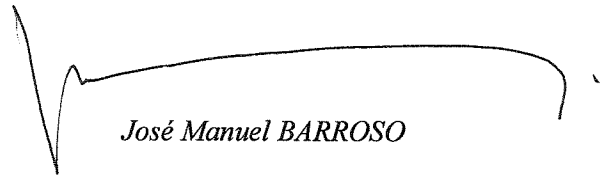
In tabling our country specific recommendations in May, the Commission pointed to areas where more could be done. This means implementing the country specific recommendations so that structural reform brings competitiveness and growth. On the whole I feel that we have succeeded in ensuring this year's process has been conducted with a much deeper partnership between us and that there is widespread recognition that the Commission has highlighted the right areas for action by Member States. I hope we will have time at our meeting to discuss the substance, without the need to go into individual recommendations.

Another way in which Member States could help themselves is to step up implementation of the Compact for Growth and Jobs. I enclose a report which shows what has been done and what remains to be done. I would like to underline the need to complete Single Market Act I and to make good inroads into Single Market Act II before the European Parliament elections. The Commission will present the last few remaining proposals in the coming weeks. These measures are designed to open up new opportunities for business to expand, which would help reduce unemployment too. We cannot afford not to take every opportunity to stimulate growth by opening up new avenues for growth.

Having a business friendly environment is also an important part of the mix. Regulating at EU level rather than twenty seven different ways at national level has proven to be an effective way of creating new opportunities. As I have explained on many occasions, the Commission is strongly committed to smart regulation. At our March meeting we discussed the "Top Ten" irritants for SMEs in connection with EU regulation. I enclose a Communication which details the action taken or to be taken to address each of them. This is

part of our on-going work to review and ensure that the entire "acquis communautaire" is fit for purpose (the 'REFIT' programme) - I will report on this at our October meeting.

I am looking forward to discussing all this with you when we meet next week.



José Manuel BARROSO

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Working together for Europe's young people – A call to action on youth unemployment

Joint Commission-EIB report to the European Council – Increasing lending to the economy: implementing the EIB capital increase and joint Commission-EIB initiatives

The Compact for Growth and Jobs: one year on – Report to the European Council, 27-28 June 2013

Commission follow-up to the 'Top Ten' consultation of SMEs on EU regulation