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THE EUROPEAN UNION

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PRESS RELEASE

3220th Council meeting

Economic and Financial Affairs

Brussels, 12 February 2013

President **Mr Michael Noonan**
Minister for Finance of Ireland

P R E S S

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Main results of the Council

The Council adopted conclusions under the 2013 European Semester on the basis of two reports submitted by the Commission: the annual growth survey and the alert mechanism report.

Regarding the ***annual growth survey****, the Council agreed that the priorities identified in the 2012 survey remain valid for 2013. It considered that improving confidence, reviving economic growth, ensuring debt sustainability and improving competitiveness, whilst creating the conditions for sustainable growth and jobs in the longer term, are of particular importance at the current juncture.*

As concerns the ***alert mechanism report****, the Council acknowledged that many EU economies continue to face important challenges in correcting macroeconomic imbalances accumulated before the economic crisis. It welcomed implementation of structural reforms in the member states, leading to gains in competitiveness and a rebalancing in the EU and within the euro area.*

In March, the European Council will provide guidance on the next steps in this year's European Semester process.

The Council also adopted conclusions on the Commission's 2012 ***fiscal sustainability report****. The report assesses the sustainability of public finances in the member states on the basis of long-term budgetary projections, incorporating the implications of the financial, economic and fiscal crisis, as well as the impact of ageing populations. It is the first such report since 2009.*

Furthermore, the Council adopted:

– *a recommendation to the European Parliament on the discharge to be given for implementation of the EU's general* ***budget for 2011****;*

– *conclusions setting the Council's priorities for negotiation with the Parliament of the EU's* ***budget for 2014****.*

CONTENTS[1]

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (http://www.consilium.europa.eu).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

TRANSPARENCY

APPOINTMENTS

PARTICIPANTS

Belgium:	
Mr Steven VANACKERE	Deputy Prime Minister and Minister for Finance and Sustainable Development, with responsibility for the Civil Service
Bulgaria:	
Mr Simeon DJANKOV	Deputy Prime Minister and Minister for Finance
Czech Republic:	
Mr Tomáš ZÍDEK	Deputy Minister for Finance
Denmark:	
Ms Margrethe VESTAGER	Minister for Economic Affairs and the Interior
Germany:	
Mr Wolfgang SCHÄUBLE	Federal Minister for Finance
Estonia:	
Mr Jürgen LIGI	Minister for Finance
Ireland:	
Mr Michael NOONAN	Minister for Finance
Mr Brian HAYES	Minister of State with responsibility for Public Service Reform and the OPW (Department of Public Expenditure and Reform)
Greece:	
Mr Ioannis STOURNARAS	Minister for Finance
Spain:	
Mr Luis DE GUINDOS JURADO	Minister for Economic Affairs and Competitiveness
France:	
Mr Pierre MOSCOVICI	Minister for the Economy and Finance
Italy:	
Mr Ferdinando NELLI FEROCI	Permanent Representative
Cyprus:	
Mr Vassos SHIARLY	Minister for Finance
Latvia:	
Mr Andris VILKS	Minister for Finance
Lithuania:	
Mr Rimantas ŠADŽIUS	Minister for Finance
Luxembourg:	
Mr FRIEDEN Luc	Minister for Finance
Hungary:	
Mr Csaba ZSARNÓCI	Deputy State Secretary, Ministry of the National Economy
Malta:	
Mr Tonio FENECH	Minister for Finance, the Economy and Investment
Netherlands:	
Mr Jeroen DIJSSELBLOEM	Minister for Finance
Austria:	
Ms Maria FEKTER	Federal Minister for Finance
Poland:	
Mr Jacek DOMINIK	Deputy State Secretary
Portugal:	
Mr Vítor GASPAR	Ministro de Estado, Minister for Finance
Romania:	
Mr Liviu VOINEA	Minister Delegate for Budget, Ministry of Public Finance

Slovenia:	
Mr Andrej ŠIRCELJ	Minister for Finance
Slovakia:	
Mr Ivan KORČOK	Permanent Representative
Finland:	
Ms Jutta URPILAINEN	Deputy Prime Minister, Minister for Finance
Sweden:	
Mr Anders BORG	Minister for Finance
United Kingdom:	
Mr George OSBORNE	Chancellor of the Exchequer

Commission:	
Mr Olli REHN	Vice President
Mr Michel BARNIER	Member
Mr Algirdas ŠEMETA	Member
Mr Janusz LEWANDOWSKI	Member

Other participants:	
Mr Jörg ASMUSSEN	Board Member of the European Central Bank
Mr Werner HOYER	President of the European Investment Bank
Mr Thomas WIESER	President of the Economic and Financial Committee
Mr Hans VIJLBRIEF	President of the Economic Policy Committee

The Government of the Acceding State was represented as follows:

Croatia:	
Mr Vladimir DROBNJAK	Permanent Representative

ITEMS DEBATED

EU BUDGET

Discharge for 2011

The Council adopted a recommendation to the European Parliament on the discharge to be given to the Commission for implementation of the EU's general budget for 2011 (*5752/13 ADD 1*).

The recommendation was prepared on the basis of the Court of Auditors' annual report[1].

The Council reaffirmed the importance it attaches to the sound management of EU funds, given the proportion of spending that continues to be affected by material error. A significant number of transactions in important policy areas such as agriculture, cohesion policy and research remain affected, and the Court's estimate for the overall error rate is even slightly higher than for the previous year.

The Council called on the Commission and the member states to fully assume their responsibilities in implementing the budget, so as to reassure Europe's citizens and taxpayers that EU funds are used in a responsible and accountable manner.

Some delegations emphasised the importance of taking full responsibility for putting into place effective and efficient controls for the management of EU funds (*5752/1/13 REV 1)*

The Council also adopted recommendations on the discharge to be given to the directors of 30 EU agencies, six EU executive agencies and seven joint undertakings for implementation of their 2011 budgets (*5753/13* + *ADD 1* + *5754/13* + *ADD 1* + *5755/13* + *ADD 1*).

In accordance with the EU's budgetary discharge procedure, the recommendations will now be submitted to the Parliament. They also refer to Council comments on a series of Court of Auditors special reports.

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[1] OJ C 344, 12.11.2012, p. 1 (+ corrigendum: OJ C 345, 13.11.2012, p. 63).

Guidelines for 2014

The Council adopted conclusions setting its priorities for the EU's general budget for 2014.

The conclusions can be found in document *5757/13*. They will be used by the presidency as the basis for negotiations with the European Parliament and the Commission on the 2014 budget.

The 2014 budgetary procedure will be the first of the new programming period. The conclusions emphasise the need to maintain budgetary discipline at all levels, in a context where many member states are seeking to reduce their deficit and debt levels. They call for a balance to be struck between fiscal consolidation and the need to continue investment, in particular through the prioritisation of objectives and the allocation of resources to actions that best contribute to growth and employment. According to the conclusions, the 2014 budget should provide the necessary resources to respect commitments already made and to implement the EU's policy priorities for 2014.

The conclusions emphasise the importance of quickly taking the necessary steps to ensure that all EU programmes under the new multiannual financial framework can commence without delay and in an efficient way.

PREPARATION OF G-20 MINISTERIAL MEETING

The Council endorsed EU terms of reference in preparation for a meeting of G-20 finance ministers and central bank governors to be held in Moscow on 15 and 16 February.

The terms of reference contain common positions, for both EU representatives and those member states that participate in the G-20, on the various issues to be discussed at the meeting, namely: the global economy and framework for growth; reform of the international financial system; financial regulation and inclusion; financing for investment; and energy, commodities and climate finance.

EUROPEAN SEMESTER

– ***Annual growth survey***

The Council adopted the following conclusions:

"The Council:

I THE 2013 EUROPEAN SEMESTER

1. WELCOMES the Commission's third Annual Growth Survey, marking the starting point of the 2013 European semester, and AGREES that the five broad priority areas outlined by the Commission on which national and EU level efforts should concentrate in 2013 remain valid.

2. EMPHASISES that the growth and debt challenges confronting the EU economy continue to be serious, and that improving confidence and reviving economic growth, ensuring debt sustainability and improving competitiveness, while creating conditions for sustainable growth and jobs in the longer-term, are the main priorities at the current juncture; and UNDERLINES that this requires coherent national responses that will take into account interactions between different policies as well as spill over effects between Member States. Continued efforts are needed especially in the area of breaking the vicious cycle between weak financial systems, tensions in the sovereign debt market and low economic growth. In view of the duration of the economic and financial crisis and prospects of a slow recovery, STRESSES the need to sustain fiscal consolidation and ensure debt sustainability, while resolutely addressing the underlying causes of the crisis, thereby preparing the ground for robust sustainable economic growth and a notable reduction in unemployment.

3. CALLS ATTENTION to the progress made in 2012, but UNDERLINES that there is no room for complacency. Significant steps are being taken with regard to the consolidation of public finances, which is contributing to reducing high debt levels and tensions in financial markets. Structural reforms have also contributed to reducing macroeconomic imbalances in both the EU and the euro area, in particular in vulnerable Member States. Adjustment in external positions appear to significant extent structural and the gains in competitiveness, if sustained, are set to support the export contribution to rebalancing and further adjustment going forward. Current account surpluses in euro area Member States have also been reduced, though less than deficits, while maintaining the surplus with non-EU countries and competitiveness vis-à-vis the rest of the world.

4. UNDERLINES that the horizontal macroeconomic and fiscal guidance provided in 2012 remains overall valid[1]; and RECALLS that strong emphasis should be put on implementation of earlier reform commitments, in particular those set out in National Reform Programmes and underlined by country-specific recommendations.

5. In this respect and in line with the integrated surveillance framework of the Europe 2020 strategy and the Integrated Guidelines, CALLS ON Member States to present a comprehensive response with concrete, detailed and ambitious and effective measures to fiscal, macroeconomic and structural challenges, taking into account national starting positions, in their Stability or Convergence Programmes and National Reform Programmes; and ENCOURAGES the Commission to propose ambitious, relevant, well-targeted and evidence based country-specific recommendations on this basis, building on and refining recommendations delivered in 2012, taking into full consideration reforms already undertaken in countries as a response to previous recommendations.

6. EMPHASISES that euro area Member States are in a specific situation due to their stronger financial and economic inter-linkages and the resulting spill-overs and UNDERLINES that a prerequisite for growth and adjustment is to continue on the path of fiscal consolidation and structural reforms and to reverse financial fragmentation, to improve financing conditions for investors, especially in the vulnerable countries and to encourage the inflow and efficient allocation of capital to support adjustment; further RECALLS that the reform momentum is supported by the on-going efforts to strengthen EMU governance based on deeper integration and reinforced solidarity in the euro area as agreed by the European Council in December 2012, with the immediate priority of implementing the reformed economic and fiscal governance and financial regulation and developing the banking union; and STRESSES the importance of developing possible further measures and a time-bound roadmap at the June 2013 European Council.

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[1] 2012 European Semester: macroeconomic and fiscal guidance, Council (Ecofin) conclusions of 21 February 2012.

7. REITERATES the importance of the entry into force and strict implementation of measures strengthening economic governance, notably the six pack legislation and the Treaty on Stability, Coordination and Governance; RECALLS that the entry into force of this Treaty creates an obligation on the Member States that are bound by the Treaty to ensure, with a view to best-practise benchmarking, that all major economic policy reforms that they plan to undertake will be discussed ex-ante and, where appropriate, coordinated among themselves; WELCOMES progress made on the Commission's proposals for further strengthening of euro area surveillance (the 2-pack); and CALLS FOR swift agreement with the European Parliament on the 2-pack and timely implementation of the new governance framework.

II FISCAL AND MACROECONOMIC POLICY ORIENTATIONS

<u>Pursuing differentiated growth-friendly fiscal consolidation</u>

8. EMPHASISES that sound and sustainable public finances are an essential prerequisite for market confidence and macroeconomic stability, and hence for growth. Fiscal adjustment has to continue along the path of a differentiated growth friendly consolidation strategy, also in view of high debt levels and medium to long term challenges to public finances.

9. REAFFIRMS that the Stability and Growth Pact offers the appropriate framework to guide the differentiated speed of adjustment. Therefore, STRESSES that Member States should continue to respect their commitments according to the rules of the Stability and Growth Pact, which require a swift correction of excessive deficits and allow the automatic stabilisers to work around the agreed path of structural adjustment, while ensuring the long term sustainability of public finances. Once excessive deficit situations are corrected in line with agreed recommendations, Member States should reach their medium-term budgetary objective, thereby ensuring a reduction in debt levels and that public finances are maintained at sustainable levels.

10. At the same time, REITERATES that those Member States which have lost financial market access for the refinancing of their debt should continue to pursue a rapid pace of fiscal adjustment to restore investors' confidence. In particular, Member States under an economic adjustment programme should fully and timely implement the policy measures and achieve the targets agreed in the respective Memorandum of Understanding, underpinning their prospects for market re-entry.

11. LOOKS FORWARD to the Commission's winter forecast and assessment of its implications for fiscal surveillance, in particular whether Member States are respecting their commitments under the Stability and Growth Pact.

12. STRESSES the role of well-designed fiscal frameworks for enhancing credibility, improving the budgetary process and budgetary outcomes at national level, for ensuring effective surveillance and for strengthening long-term fiscal sustainability.

13. RECALLS that credible fiscal adjustment strategies firmly anchored in effective governance frameworks enhance confidence and thereby mitigate the short-term effects of fiscal consolidation on growth, which should be further contained by choosing an appropriate mix of measures on the expenditure and revenue sides of government budgets; and EMPHASIZES that there is a need to devise an overall growth-friendly mix of revenue and expenditure, with targeted measures within the overall fiscal strategy to protect and if possible strengthen key growth drivers and essential social safety nets while increasing the efficiency and the effectiveness of spending. In particular, investments in education, research, innovation and energy should be prioritised, while ensuring and where necessary improving their efficiency.

14. RECALLS that the design and structure of tax systems can importantly contribute to enhance macroeconomic performance. While recognising Member States' competences in the area of taxation, INVITES Member States to consider reducing the tax burden on labour where it is comparably high to stimulate job creation and employability. To ensure that reforms are revenue neutral, a shift of the tax burden to taxes that are less detrimental to growth and job creation could be considered as well as concrete measures to improve tax compliance and the efficiency of tax collection. Broadening tax bases and removing unmotivated or harmful subsidies and tax expenditure could also be prioritised in preference to creating new taxes; and NOTES the role tax policy can play in tacking climate change.

Restoring lending to the economy

15. RECALLS the importance of restoring lending to the economy, in particular to SMEs, as part of the economic recovery and for safeguarding potential growth rates, UNDERSCORES in this regard the importance of completing the cleaning up of banks' balance sheets, including for non-performing loans, and of rebalancing companies' traditional dependence on bank financing through considering alternative sources of financing, and removing market failures and other obstacles to access to finance by SMEs, consistent with the need to preserve financial stability.

16. RECALLS the urgency the December European Council has put on moving towards a more integrated financial framework, including through finalising the negotiations with the European Parliament on the Single Supervisory Mechanism (SSM) and bank capital and liquidity (CRD IV and CRR), on the basis of the position agreed by the Council, and reaching a swift agreement in the Council on the deposit guarantee and bank resolution proposals, to provide a more effective framework for the prevention and management of financial crises; and that, when an effective SSM is established, the ESM will have the possibility, following a regular decision, to recapitalize banks in the euro area directly; REAFFIRMS that action is under way at the EU level to address possible distortions within regulation and supervision systems, including in view of reducing the fragmentation of markets which has in some cases resulted in limited and/or inappropriately costly access to lending.

17. RECALLS the importance of fast-acting growth measures included in the June 2012 Compact for Growth and Jobs; WELCOMES the planned pilot evaluation of proposed new EU financial instruments such as the project bonds that may play a key role in providing financing for investments in infrastructure across Europe and the enhancement of existing ones as well as the reprogramming and accelerated use of EU structural funds, within agreed ceilings, and the provision of additional funding by the EIB as a catalyst for targeted investment.

Promoting growth and competitiveness

18. EMPHASISES that in the current economic circumstances it is crucial that fiscal consolidation and restoring financial stability go hand-in-hand with well-designed structural reforms aimed at promoting sustainable growth, competitiveness and a sustained correction of macroeconomic imbalances through productivity increases and strengthening the adjustment capacity of the economy as well as reducing distortive tax reliefs that promote excessive indebtedness; UNDERLINES that a more coordinated approach to reforms at Member State and EU level could provide positive synergies both in economic terms as in terms of political momentum facilitating the reform process.

19. In line with fiscal consolidation strategies and a longer-term structural reform agendas aimed at promoting competitiveness, EMPHASISES that priority should be given to low cost reforms with short term growth benefits, such as competitiveness and competition-enhancing reforms in product markets, as well as reduction of unwarranted regulatory and administrative burden on companies.

20. STRESSES that Member States should focus on establishing appropriate framework conditions for strong, smart, sustainable and inclusive growth also in the longer term, focusing on conditions driving innovation, including new technologies and public and private R&D investment; raising performance in education and training systems and overall skills levels; and tapping the potential of a sustainable economy, so as to contribute both to overall resource efficiency and environmental benefits. Also financial regulation and supervision have an important role to play in ensuring orderly rebalancing and reducing the scope for boom-bust cycles.

21. WELCOMES the publication of the Commission's analysis of large sustained current account surpluses and of the main driving forces. In this context, STRESSES the important financial and trade inter-linkages between deficit and surpluses within the euro area, and the importance of appropriate financial supervision to overcome financial market fragmentation and ensuring an adequate allocation of savings, RECALLS that unlike current account deficits, large and sustained current account surpluses do not raise concerns about the sustainability of external debt or financing capacity that affect the smooth functioning of the euro area; the risks of negative spill-overs for current account surpluses are therefore less pressing than for current account deficits. While it is particularly urgent for deficit countries to continuing current efforts addressing their competitiveness challenges, UNDERLINES that addressing market failures and structural reform needs, and wages growing in line with productivity in surplus countries would contribute to rebalancing within the euro area. In particular, measures aimed at improving the functioning of specific sectors, such as services, financial intermediation and other non-tradables could be considered. Finally, EMPHASISES the need to preserve the competitiveness of the EU economies vis-à-vis the rest of the world.

22. While the performance of labour markets differs between Member States, NOTES that the duration of the crisis and the rapid restructuring of economies have highlighted weaknesses in labour market regulation. To address high and rising unemployment, in particular structural unemployment, and risks of labour market exclusion, EMPHASISES that reforms should focus on making labour markets more inclusive, flexible and dynamic, thereby providing conditions for a job-rich recovery and improving employability and adequate social protection, in particular of young people. Well-targeted measures to promote the hiring of hard hit groups should be considered to reduce the risk of persistence of unemployment and dropping out from the labour force, including through cost-effective active labour market policies. As part of a broader strategy, tax-shifts away from labour, notably low paid, could also contribute to increasing employability. While respecting the role of social partners and national systems for wage formation, wage-setting frameworks need to be monitored and where appropriate reformed to ensure that they reflect productivity developments and contribute to safeguarding competitiveness, and indexation mechanisms should be reconsidered. Minimum wage levels should strike an appropriate balance between employment creation and adequate income.

23. HIGHLIGHTS the role of effective public administrations for supporting national and EU level growth strategies and that more should be done to modernising and making full use of public procurement; ensuring interoperable, user-friendliness provision and use of services, including eGovernment tools; and improving the quality, independence and efficiency of the judicial system. Improving administrative capacity should also ensure a better use of EU Structural funds and speedier deployment.

III MOBILISING EU LEVEL GROWTH DRIVERS

24. RECALLS the conclusions of the October 2011 European Council that steps should be taken by the Council, working with the Commission, to ensure that actions at the EU level fully support economic growth and job creation, in particular through the full implementation of the "Compact for growth" adopted by the European Council in June 2012, contribute to reduce disparities between regions, as well as support and complement actions at the national level; and UNDERLINES that the EU budget should, through appropriate prioritisation and within agreed ceilings, focus on smart, sustainable and inclusive growth, jobs and competitiveness.

25. REAFFIRMS the call on the Commission to pursue EU actions supporting potential growth, jobs and competitiveness notably in the area of the Single Market Act and the Digital Single Market; WELCOMES the Commission proposals pertaining to the four drivers and twelve key actions outlined in Single Market Act II (SMA II), noting that the measures have a significant potential to contribute to growth, employment and social cohesion and thereby to contribute to attaining the Europe 2020 objectives; LOOKS FORWARD TO the Commission concrete proposals for the twelve actions outlined in the SMA II and ENCOURAGES Member States and the European Parliament, in close cooperation with the Commission and in a spirit of partnership, to make every possible effort to ensure the rapid examination of the proposals for the twelve key action of the SMA II in order to allow their adoption by the end of the current Parliament cycle at the latest so as to bring new impetus to the Single Market; UNDERLINES the need to monitor closely the progress on the key proposals of the SMA I and SMA II and ENCOURAGES the Presidency to take all necessary steps to speed up and increase the quality of the process, where progress is insufficient.

26. REAFFIRMS that Member States should deliver the full potential of the Single Market, including by removing barriers to the smooth functioning of internal market for services, including: unjustified and disproportionate restrictions to the provision of professional and business services, retail services and construction. RECALLS the Council conclusions of June 2012 on the Single Market in services, noting the significant gains in terms of growth, as well as additional trade and FDI, that can be achieved from farther reaching implementation of the Services Directive. EMPHASISES the important impetus to the economic growth that can be provided by well-performing network industries, including through a rapid roll-out of high-speed internet infrastructure, access to wireless broadband, creating open and competitive markets in energy and transport and further developing network connections.

27**.** UNDERLINES that trade must be better used as an engine for growth; and REITERATES the need of resisting protectionism, reinforcing the external dimension of the Single Market and enhancing coherence and complementarity between EU's internal and external policies. Focus should be on promoting free, fair and open trade at a global level, whilst at the same time asserting its interests, in a spirit of reciprocity and mutual benefit especially in relation to the world's largest economies. More efforts should in particular be geared to the removal of trade barriers, better market access, appropriate investment conditions, the protection of intellectual property rights and the opening up of public procurement markets."

– *Macroeconomic imbalances: Alert mechanism report*

The Council held an exchange of views and adopted the following conclusions:

"The Council (ECOFIN):

1. WELCOMES the Commission's second Alert Mechanism Report providing the starting point of the macroeconomic imbalances procedure in the context of the 2013 European Semester. Many EU economies continue to face large challenges to correct the external and internal imbalances accumulated in the pre-crisis period, including high public and private debt levels, divergences in competitiveness and financial imbalances. TAKES NOTE of the initial economic screening presented by the Commission in the Alert Mechanism Report, leading to an identification of 14 Member States warranting further analysis in in-depth reviews, on the basis of which any imbalances and their severity may be identified; while there are positive signs that rebalancing in both the EU and within the euro area is progressing, mainly in the Member States with the largest imbalances, and supported by gains in competitiveness and significant structural reforms, RECOGNISES the need to further analyse the developments in the Member States already covered by a review in 2012 to assess the persistence of imbalances, the risks involved and progress in unwinding those imbalances taking in to account the implementation of policies followed and previously recommended measures. While programme countries are not assessed in the Commission's report as they are subject to specific enhanced surveillance, UNDERLINES the need for sustaining, as part of their adjustment programmes, the good progress achieved so far with reforms aimed at correcting the significant imbalances. WELCOMES that significant structural reforms have been implemented in the Member States with the largest imbalances, leading to gains in competitiveness in these countries, and contributing to the rebalancing in the EU and within the euro area.

2. WELCOMES the inclusion of a new financial sector indicator to the scoreboard, as requested by the Council on 8 November 2011 and CONSIDERS that the current set of scoreboard indicators broadly focuses on the most relevant dimensions of macroeconomic imbalances and competitiveness developments. EMPHASISES the need to ensure stability, continuity and consistency of the scoreboard, while recalling the invitation to the Commission to assess the appropriateness of the scoreboard on a regular basis and report back on this assessment to the Council. When necessary, the Commission should, in close co-operation with Member States, update the indicators and thresholds so as to take due account of enhanced availability of relevant statistics, the evolving nature of the challenges to macroeconomic stability and also developments in the economic literature. UNDERLINES the need for continuing the work by the Commission and the Economic Policy Committee with a view to further improve and develop analytical tools and frameworks for assessing developments and drivers behind the building up and unwinding of imbalances, including the role played by catching up effects, and supporting overall transparency of the Macroeconomic Imbalances Procedure.

3. EMPHASISES that the in-depth reviews should encompass a thorough examination of sources of imbalances in the Member State under review, taking due account of analysis already undertaken, country specific economic conditions and of a wide set of analytical tools, the most up-to-date indicators and qualitative information of country specific nature, so that the driving forces behind the observed developments are examined in detail and consistently; INVITES the Member States and the Commission to cooperate and to provide and exchange all relevant and most recent information.

4. WELCOMES the intentions of the Commission to publish the in-depth reviews in March, which will facilitate a multilateral discussion of the findings; INVITES the Commission to present the evidence underpinning the analysis with a view to also ensure a clear link between the Macroeconomic Imbalances Procedure and the forthcoming proposals for country-specific recommendations in the context of European Semester. To ensure the focus and full effectiveness of the procedure, UNDERLINES the need to concentrate on addressing key challenges, particularly the loss of competitiveness, while clearly distinguishing between Member States with different challenges and different urgencies to address them.

5. Finally, INVITES Member States to address in an ambitious and concrete manner in their upcoming National Reform Programmes and Stability or Convergence Programmes the issues identified in the framework of the macroeconomic imbalances procedure."

FISCAL SUSTAINABILITY REPORT

The Council held an exchange of views and adopted the following conclusions:

"The Council (ECOFIN), having considered the Commission 'Fiscal Sustainability Report 2012':

1. WELCOMES the fact that sustainability-enhancing reforms enacted in some Member States since the Sustainability Report 2009, notably in the field of pensions, have reduced the projected cost of ageing in these countries; against the background of the crisis RECOGNISES challenges in some countries are primarily of a short- to medium-term nature partly related to possible risks for fiscal stress or to elevated government debt levels, while for others they are of a more long-term nature, reflecting a need to address long-term age-related public spending trends, notably on pensions, healthcare and long-term care, making fiscal sustainability an acute policy challenge. The appropriate combination of policies that deal with the fiscal sustainability challenge should be embedded into the overall EU three pronged strategy consisting of reducing government debt, increasing productivity and employment and reforming pension and care systems will depend on the main reasons behind the fiscal sustainability challenges the different Member States are facing; against this background WELCOMES the work of the Commission on the multidimensional approach for assessing fiscal sustainability, based on short-, medium- and long-term challenges developed in the Commission "Fiscal Sustainability Report 2012".

2. UNDERLINES the need to return to sustainable positions through determined action to improve fiscal positions further in a continuous and steadfast manner in line with the Stability and Growth Pact. The attainment by EU Member States of their medium-term budgetary objectives would put EU government debt on a clear downward path; and consequently REAFFIRMS that strict adherence to the EU fiscal rules, recognising Member States' obligations, is necessary to ensure sustainable debt levels. The reduction in debt ratios will have to come mainly from fiscal consolidation and reform of pension and care systems, but structural reforms are essential to support potential growth.

3. REAFFIRMS the key importance of a determined implementation of the Europe 2020 strategy for ensuring macro and financial stability, fiscal consolidation and action to foster sustainable growth, including ensuring the sustainability of pension systems.[1] Ensuring the sustainability of public finances is a challenge which should be reflected in economic policy coordination in the EU.

[1] See Conclusions of the European Council (28/29 June 2012), EUCO 76/12, Brussels, 29 June 2012.

4. UNDERLINES that comprehensive and adequate reforms, notably of pension, health care and long-term care systems, can have a substantial positive impact on long-term fiscal sustainability. Several Member States have recently implemented or are planning such reforms; regarding pension systems, STRESSES that the adoption and rigorous implementation of measures to counteract the financial effects of the expected gains in longevity on pension spending, such as the extension of working lives, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and enhancing employment of younger people is a key issue and should merit serious consideration. Regarding health care systems, further STRESSES that implementing sound reforms to achieve both a more efficient use of public resources and adequate provision of high quality health care is crucial. In many countries, there appears to be scope to improve the health status of the population without increasing health spending. Getting more value for money is therefore key in order to ensure universal access and equity in health, under conditions of severe constraints on public budgets; RECOGNISES that measures introduced in the last decade aimed at improving value for money and constraining excessive growth in health care and long-term care spending will need to be, in some cases, strengthened to achieve the needed consolidation of public finances while continuing to ensuring universal access to quality care, equity and solidarity in health and better health outcomes especially in an ageing society.

5. CALLS ON Member States to focus attention to sustainability-oriented strategies in their upcoming stability and convergence programmes; and INVITES Member States and the Commission to factor sustainability findings into their analysis and proposals in the framework of implementing the Europe 2020 strategy. These strategies and developments of the sustainability of public finances will continue to be regularly assessed by the Council and the Commission, including by incorporating new developments in macroeconomic conditions, fiscal policies and reforms of pension, health care and long-term care systems.

6. INVITES the Commission, together with the Economic Policy Committee to improve further methodologies for assessing the sustainability of public finances, including for possible short-term fiscal risks, in time for the Fiscal Sustainability Report 2015."

OTHER BUSINESS

Financial services

The Council was informed by the presidency of developments with regard to a number of legislative dossiers, in particular:

- ***Bank supervision*** *(single supervisory mechanism);*
- ***Bank capital requirements:*** *("CRD 4" package);*
- ***Bank recovery and resolution****;*
- ***Markets in financial instruments*** *("MIFID/MIFIR");*
- ***Market abuse*** *("MAD/MAR").*

MEETINGS IN THE MARGINS OF THE COUNCIL

The following meetings were held in the margins of the Council:

- ***Eurogroup***

Ministers of the euro area member states attended a meeting of the Eurogroup on 11 February.

- ***European Stability Mechanism***

A meeting of the ESM board of governors was held on 11 February.

- ***Breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation. They also discussed preliminary findings and recommendations of the IMF's financial sector assessment programme for the EU, as well as developments with regard to the "two-pack" of economic governance rules for the eurozone. They were also informed by the German and French delegations of banking reforms being undertaken in their respective countries.

OTHER ITEMS APPROVED

FOREIGN AFFAIRS

EU guidelines on restrictive measures

The Council approved additional elements for the EU's guidelines on the implementation and evaluation of restrictive measures.

The additional elements relate to the prohibition of making funds or economic resources indirectly available to listed persons or entities.

JUSTICE AND HOME AFFAIRS

SISNET budget for 2013

The states[1] participating in the project related to the installation and the functioning of the communication infrastructure for the Schengen environment 'SISNET', meeting within the Council, adopted its budget for the year 2013 (*5520/13*).

The SISNET budget is governed by a specific financial regulation established by Council decision 2000/265/EC[2]. The amount of the budget for 2013 is 2.027.200 EUR.

TRADE POLICY

Ukraine: WTO tariff concessions

The Council adopted a decision authorising the Commission to start negotiations with Ukraine, under article 28 of the 1994 General Agreement on Tariffs and Trade, to obtain full compensation for any modification of tariff concessions by Ukraine.

In September 2012, Ukraine notified WTO members of its intention to modify certain concessions in its WTO schedule related to about 370 products.

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[1] Belgium, Denmark, Germany, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden, Iceland, Norway and Liechtenstein

[2] OJ L 85, 6.4.2000

ENVIRONMENT

Biosafety - Protocol on liability and redress

The Council adopted a decision approving the conclusion of a supplementary protocol on liability and redress to the Cartagena protocol on biosafety (*13582/12*).

For details: http://bch.cbd.int/protocol/supplementary/.

TRANSPARENCY

Transparency - public access to documents

The Council approved:

– the reply to confirmatory application No 01/c/01/13 made by Mr Bednarski, the Danish, Estonian, Finnish, Hungarian, Dutch, Slovenian and Swedish delegations voting against *(5089/13*);

– the reply to confirmatory application No 02/c/01/13, the Danish, Estonian, Finnish and Swedish delegations voting against *(5338/13)*.

APPOINTMENTS

Committee of the Regions

The Council appointed Ms Ulrike HILLER (Germany) as member of the Committee of the Regions for the remainder of the current term of office, which runs until 25 January 2015 *(5940/13)*.