EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2013) 2039 final

Strasbourg, 16 April 2013

MINUTES

of the 2039th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 20 March 2013

(morning)

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Single sitting: Wednesday 20 March 2013 (morning)

The sitting opened at 8.12 with Mr BARROSO, President, in the chair.

Present:

Mr BARROSO	President	
Baroness ASHTON	High Representative/ Vice-President	Items 1 to 8 (in part)
Ms REDING	Vice-President	Items 1 to 8 (in part)
Mr KALLAS	Vice-President	
Ms KROES	Vice-President	
Mr TAJANI	Vice-President	Items 8 (in part) to 10
Mr ŠEFČOVIČ	Vice-President	
Mr REHN	Vice-President	
Mr POTOČNIK	Member	
Mr PIEBALGS	Member	Items 8 (in part) to 10
Mr BARNIER	Member	
Ms VASSILIOU	Member	
Mr DE GUCHT	Member	
Ms GEOGHEGAN-QUINN	Member	
Mr LEWANDOWSKI	Member	
Ms DAMANAKI	Member	
Ms GEORGIEVA	Member	Item 8 (in part)
Mr OETTINGER	Member	Items 1 to 8 (in part)
Mr HAHN	Member	
Ms HEDEGAARD	Member	
Mr FÜLE	Member	Items 1 to 9/10 (in part)
Mr ANDOR	Member	
Ms MALMSTRÖM	Member	
Mr CIOLOŞ	Member	
Mr BORG	Member	

Absent:

Mr ALMUNIA	Vice-President
Mr ŠEMETA	Member

The following sat in to represent absent Members of the Commission:

Mr MARTÍNEZ MONGAY	Chef de cabinet to Mr ALMUNIA	
Mr SADAUSKAS	Chef de cabinet to Mr ŠEMETA	Items 1 to 8 (in part), 9 and 10
Mr MOUTARLIER	Adviser in Mr ŠEMETA's office	Item 8 (in part)

The following also sat in:

Mr LAITENBERGER	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr VANDERSTEEN	Deputy Director-General (acting), DG Communication	
Mr DOENS	Head of the Commission Spokesperson Service	
Ms AHRENKILDE HANSEN	Commission Spokeswoman	Item 8 (in part)
Mr THEBAULT	Head of the Bureau of European Policy Advisers	Items 1 to 8 (in part)
Mr SCHINAS	Bureau of European Policy Advisers	Items 8 (in part) to 10
Mr CABRAL	Adviser hors classe in the PRESIDENT 's Office	Items 1 to 8 (in part)
Ms MARTÍNEZ ALBEROLA	Adviser in the PRESIDENT’s Office	Items 1 to 8
Ms SKURATOWICZ	A member of the PRESIDENT's staff	
Mr MORRISON	Chef de cabinet to Baroness ASHTON	Item 8 (in part)
Mr CEBALLOS BARÓN	A member of Baroness ASHTON's staff	Items 9/10 (in part)
Mr SELMAYR	Chef de cabinet to Ms REDING	Items 8 (in part) to 10
Mr PESONEN	Chef de cabinet to Mr REHN	
Mr LAHTI	Adviser in Mr REHN's office	Items 1 to 8 (in part)

Mr KARHUNEN	Deputy Chef de cabinet to Mr PIEBALGS	Items 1 to 8 (in part)
Ms HRISTCHEVA	Deputy Chef de cabinet to Ms GEORGIEVA	Items 1 to 8 (in part), 9 and 10

Secretary: Ms DAY, Secretary-General, assisted by Mr AYET PUIGARNAU, Director in the Secretariat-General.

1. AGENDAS
(OJ(2013) 2039/FINAL; SEC(2013) 158/2)

The Commission took note of that day's agenda and of the tentative agendas for forthcoming meetings.

2. WEEKLY MEETING OF CHEFS DE CABINET
(RCC(2013) 2039)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 18 March.

3. APPROVAL OF THE MINUTES AND SPECIAL MINUTES OF THE 2037TH AND 2038TH MEETINGS OF THE COMMISSION (6 AND 12 MARCH 2013)
(PV(2013) 2037; PV(2013) 2037, PART II; PV(2013) 2038; PV(2013) 2038, PART II AND /2)

The Commission approved the minutes of its 2037th and 2038th meetings.

4. MONITORING THE APPLICATION OF EUROPEAN UNION LAW

STATE AID – INDIVIDUAL CASES
(SEC(2013) 168)

The Commission adopted the decisions in SEC(2013) 168.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2013) 159 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 11 and 15 March.

5.2. EMPOWERMENT (SEC(2013) 160 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 11 and 15 March.

5.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2013) 161 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 11 and 15 March, as archived in e-Greffe.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2013) 162 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 18 and 22 March and of the finalisation written procedures initiated following the weekly meeting of Chefs de cabinet on 18 March.

6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2013) 163)

ADMINISTRATIVE MATTERS (PERS(2013) 52)

6.1. OFFICE FOR ADMINISTRATION AND PAYMENT OF INDIVIDUAL ENTITLEMENTS − INTERNAL AND INTERINSTITUTIONAL PUBLICATION AT AD14/15 AND EXTERNAL PUBLICATION AT AD14 (EU-27) OF VACANCY NOTICE FOR A DIRECTOR POST (PERS(2013) 53)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT, the Commission decided to authorise the publication, under Articles 29(1)(a)(i) and (iii), 29(1)(b) and 29(2) of the Staff Regulations, of the vacancy notice in PERS(2013) 53 for the post of Director of the Office for Administration and Payment of Individual Entitlements.

This decision would take effect immediately.

6.2. DG HUMAN RESOURCES AND SECURITY – DEROGATION FROM THE COMMISSION DECISION OF 26 OCTOBER 2004 ON THE ADOPTION OF THE COMPILATION DOCUMENT ON SENIOR OFFICIALS POLICY

The Commission took note of the information in point 2 of PERS(2013) 52 and, on a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT, decided, by way of derogation from the Commission Decision of 26 October 2004 on the adoption of the compilation document on Senior Officials Policy, to approve the suspension of the '360º' exercise during the 2012 evaluation procedure for senior officials.

This decision would take effect immediately.

7. JOINT COMMUNICATION FROM THE COMMISSION AND THE HIGH REPRESENTATIVE OF THE EUROPEAN UNION FOR FOREIGN AFFAIRS AND SECURITY POLICY TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – EUROPEAN NEIGHBOURHOOD POLICY – WORKING TOWARDS A STRONGER PARTNERSHIP

(JOIN(2013) 4 AND /2 ; SWD(2013) 79 AND /2 ; SWD(2013) 80 AND /2 ; SWD(2013) 81 AND /2 ; SWD(2013) 82 AND /2 ; SWD(2013) 83 AND /2 ; SWD(2013) 84 AND /2 ; SWD(2013) 85 AND /2 ; SWD(2013) 86 AND /2 ; SWD(2013) 87 AND /2 ; SWD(2013) 88 AND /2 ; SWD(2013) 89 AND /2 ; SWD(2013) 90 AND /2 ; SWD(2013) 91 AND /2 ; SWD(2013) 92 AND /2 ; SWD(2013) 93 AND /2 ; RCC(2013) 41)

The Commission approved the joint communication set out in JOIN(2013) 4/2 for transmission to Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments, together with staff working documents SWD(2013) 79/2, SWD(2013) 80/2, SWD(2013) 81/2, SWD(2013) 82/2, SWD(2013) 83/2, SWD(2013) 84/2, SWD(2013) 85/2, SWD(2013) 86/2, SWD(2013) 87/2, SWD(2013) 88/2, SWD(2013) 89/2, SWD(2013) 90/2, SWD(2013) 91/2, SWD(2013) 92/2 and SWD(2013) 93/2, the contents of which were noted.

8. INTERINSTITUTIONAL RELATIONS

8.1. LEGISLATIVE MATTERS

i) Credit agreements relating to residential property (Directive) – SÁNCHEZ PRESEDO report – 2011/0062 (COD)

(SI(2013) 130)

The Commission approved the line set out in SI(2013) 130.

ii) Amendment of Directives 2000/60/EC and 2008/105 as regards priority substances in the field of water policy (Directive) – SEEBER report – 2011/0429 (COD)
(SI(2013) 131 and /2)

The Commission approved the line set out in SI(2013) 131 and /2.

iii) Temporary derogation from Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community (Decision) – LIESE report – 2012/0328 (COD)
(SI(2013) 132 and /2)

The Commission approved the line set out in SI(2013) 132 and /2.

iv) Economic Partnership Agreements between the European Union and African, Caribbean and Pacific countries – Amendment of Annex I to Council Regulation (EC) 1528/2007 as regards the exclusion of a number of countries from the list of regions or states which have concluded negotiations (Regulation) – MARTIN report – 2011/0260 (COD)
(SI(2013) 135)

The Commission approved the line set out in SI(2013) 135.

v) Establishment of the Union Customs Code (Regulation – recast) – LE GRIP report – 2012/0027 (COD)
(SI(2013) 136 and /2)

The Commission approved the line set out in SI(2013) 136 and /2.

vi) Access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amendment of Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and

investment firms in a financial conglomerate (Directive) / Prudential requirements for credit institutions and investment firms (Regulation) – KARAS reports – 2011/0203 (COD) / 2011/0202 (COD)
(SI(2013) 139/2)

Mr BARNIER briefly summarised the ongoing legislative procedure regarding these two proposals and said that the trilogues were close to concluding. He referred in particular to the issue of the Commission endorsing the regulatory technical standards which were submitted to it by the European Banking Authority, approval of which was subject to a 1+1 period for objections by Parliament and the Council. He reported Parliament's request for this period for objections by Parliament and the Council to be extended by a month at their request if the Commission endorsed new regulatory technical standards as a bundle, which would mean a total maximum objection period of three months (2+1). He asked the Commission to authorise him to accept Parliament's request, if necessary, in order to reach an overall compromise at the last meeting of the trilogue.

Following Mr BARNIER's presentation, the Commission approved his request for a degree of flexibility on this issue at the trilogue.

The Commission approved the line set out in SI(2013) 139/2 as developed during the meeting.

vii) Conferring of specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (Council Regulation) / Amendment of Regulation (EU) 1093/2010 establishing a European Supervisory Authority (European Banking Authority) as regards its interaction with Council Regulation (EU) …/… conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (Regulation) – THYSSEN / GIEGOLD reports – 2012/0242 (CNS) / 2012/0244 (COD)
(SI(2013) 140/4)

The Commission approved the line set out in SI(2013) 140/4.

viii) New Legislative Framework Alignment Package (Implementation of the Goods Package) – Harmonisation of the laws of the Member States (Directives – recast) – ROITHOVÁ reports – 2011/0350 to 2011/0358 (COD)
(SI(2013) 143)

The Commission approved the line set out in SI(2013) 143.

ix) Action to be taken on Parliament's legislative opinions and resolutions of a legal nature
(SP(2013) 193)

The Commission decided to empower the Commission Members responsible for the sectors in question, in agreement with the PRESIDENT and Mr ŠEFČOVIČ and, if necessary, with the other Members concerned, to adopt the amended proposals for transmission to Parliament and the Council, as set out in SP(2013) 193, drawn up following the March part-session of Parliament, the contents of which were noted.

8.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

x) Programming of Council business
(SI(2013) 134)

The Commission took note of the information in SI(2013) 134 on the Council meetings between 21 March and 3 April.

xi) Results of the meeting of the Economic and Finance Ministers from the euro-area countries – Eurogroup (Brussels, 15 and 16 March 2013)

The PRESIDENT started by recalling that he had already sent a letter to the Commission Members to inform them of the work of the European Council of 14 and 15 March. Time permitting, he would come back to this matter and provide an oral report.

Given recent developments, the PRESIDENT hoped that the focus at this Commission meeting would be on informing the Members of the financial assistance to be given to Cyprus following the extraordinary meeting on 15 and 16 March of the Economic and Finance Ministers from the euro-area countries (Eurogroup), which Mr REHN would tackle in more detail.

He prefaced his comments by briefly outlining the background to this matter. The possibility of Cyprus needing an assistance programme was far from new: it had in fact been raised in exchanges between the Cypriot authorities and the Commission since the autumn of 2011, before eventually becoming the subject of an official request by the Cypriot Government in July 2012. At the end of 2011, the Commission had alerted the Cypriot Government to the decline in its economic and financial situation, and had provided steadfast support in drawing up a programme to allow it to deal with the shortcomings in its economy as a whole and in its banking system in particular.

The Cypriot economic model was largely based on financial services, the volume of which amounted to up to eight times the country's gross domestic product (GDP). A significant proportion of the deposits consisted of Russian capital. The near-bankruptcy of two of the island's main banks meant that this model was vulnerable, to say the least. However, it had not been possible to complete the negotiation of an assistance programme with the former Cypriot Government, which had been in power until the end of February 2013.

Turning to the unanimous agreement reached by the euro-area countries, including Cyprus, at the Eurogroup meeting on 16 March, the PRESIDENT pointed out that it concerned a programme involving a loan of €10 billion to Cyprus, to be set against the estimated overall financing gap of €17 billion, under conditions laid down by the Member States, the European Central Bank and the International Monetary Fund (IMF). The conditions included an acceptable level of debt sustainability over time, which implied the observance of certain financing parameters. The assistance programme would be implemented only if Cyprus presented a plan to finance the €7 billion needed to bail out its banking sector alone. This was how the idea emerged of imposing an extraordinary levy of 6.75% on resident and non-resident bank deposits below €100 000 and 9.9% on deposits above that threshold.

In relation to this last aspect of the agreement (the imposition of the levy on bank deposits), the PRESIDENT was at pains to point out that this was not the Commission's preferred solution as it did not approve of the idea of a full bail-in and was particularly concerned about protecting small savers. The Commission had put this view unequivocally to the Eurogroup members, saying that, provided that the agreed financing parameters were included, another solution could be accepted but it should not comprise a tax on deposits below €100 000. However, the Cypriot authorities had rejected this alternative.

The PRESIDENT went on to explain that, while the European assistance programme which the Eurogroup had recommended for Cyprus was not in line, in this respect, with the Commission's proposals and the options it had upheld, the Commission had decided that it was its duty to support it, especially as the other proposals put forward had the twofold disadvantage of being riskier and less supportive of the Cypriot economy. As the Cypriot parliament had voted against this programme, the ball was now in the Cypriot authorities' court and it was for them to devise another scenario for dealing with the crisis that would comply with the debt sustainability criteria and the financing parameters already agreed.

The Commission had done and was continuing to do everything in its power to help Cyprus to develop a structured and constructive solution, but financial assistance decisions were taken by the Member States and no such decision could be taken without their participation, including that of Cyprus. In any event, the Commission remained willing to facilitate the efforts made by the parties involved to find solutions and to that end it was pursuing its contacts with Cyprus, the other Member States in the Eurogroup, European institutions and the IMF.

Mr REHN returned to the agreement concluded on 16 March by the Eurogroup. The financial assistance package proposed for Cyprus, which would be financed by the European Stability Mechanism, amounted to some €10 billion, or 55% of the annual revenue generated by the Cypriot economy, a level that would limit Cypriot debt to 100% of GDP by 2020. In order to finance the remaining €7 billion needed to save the Cypriot banking sector, the Government in Nicosia had undertaken to mobilise domestic resources to limit the volume of European financial assistance, in particular by imposing the levy on deposits referred to by the PRESIDENT, which would reduce the cost of the bailout by €5.8 billion. At the same time, the European Central Bank would continue to grant Emergency Liquidity Assistance in order to meet the exceptional circumstances faced by certain banks that lacked liquidity, and thereby prevent potential systemic effects and contagion to other financial institutions.

The Commission had always stated that it would support any solution that respected these criteria, but not a levy on deposits below €100 000. The rejection by the Cypriot Parliament on 19 March of the government proposal to make the levy on deposits more graduated (0% below €20 000, 6.75%

between €20 000 and €100 000, and 9.9% above €100 000) was certainly due to the fear of jeopardising an economic model that, in reality, had already been doomed for a long time.

He reiterated the Commission's willingness to help Cyprus develop a sustainable solution, including through technical assistance to the new Government that took office a few weeks ago. The Commission was willing to examine any proposal complying with the debt sustainability and financing conditions set by the Eurogroup, and the safeguarding of deposits below €100 000. It was now for the Cypriot authorities to propose an alternative.

In the course of the ensuing debate the following main points were raised:

– full support for the action taken by Mr REHN and his departments, in an extremely delicate political and economic context;

– the recognition that, even under an assistance programme, the government of the country seeking assistance had to take the initiative on the necessary reforms; at the same time, the advisability for the Commission, given the current difficult situation and the internal political stalemate in Cyprus after the vote by the national parliament, of continuing its constructive approach to help the Cypriot Government as far as possible to prepare a proposal for sustainable recovery, the Commission's ultimate objective being to support Cypriot citizens;

– a reminder of the geopolitical and financial stakes associated with this Member State, and the recognition that the problems to be resolved were as much political as financial;

– the demonstration of the unsustainability of the current Cypriot banking model and the need to move towards a more balanced economic model;

– the case for insisting on the far-reaching changes involved in such a shift and on a programme of large-scale reforms over the long term;

– the mention of possible contributions by other international actors to the financial assistance programme for Cyprus;

- the warning against the possible contagion effect of a potential disorderly default of a Cypriot bank, but also the need to avoid any panic that could be generated by the introduction of the levy on bank deposits in Cyprus; the importance of maintaining depositor confidence;

- the need to make it very clear that the Commission’s recommendation was to protect deposits of less than €100 000, in line with its proposal to revise the legislation on deposit guarantees;

- insistence on the distinction to be drawn between one-off crisis management measures and the legislative tools which the Union was currently developing for use in the longer term; the need for the Commission to highlight not only the lessons that had been learned from the crises over the last few years, but above all the legislation that had already been proposed or was in the process of being adopted with the aim of restoring the health of the banking sector and preventing future crises, for example instruments for economic governance, banking supervision, combating money laundering and capital requirements for banks;

- in terms of external communication, the need for a clear message on a number of aspects: the origins of the current situation, Cyprus's request for assistance, the size of the banking sector in relation to the Cypriot economy and the serious failings in the way it operated, and the Eurogroup’s decision to opt for a levy on bank deposits; the need to point out that the Commission had consistently advocated a solution which excluded deposits of less than €100 000 from the scope of this levy; the importance of keeping the Commissioners promptly up-to-date with developments in the situation.

Replying to these various comments, Mr REHN thanked the Members of the Commission for their valuable support. He drew attention to the solutions initially proposed by the Commission, in which the burden of restoring the economic and financial situation would be shared out more evenly by combining taxes on capital with a contribution from pension funds, the resolution of the weakest banks and supervision of money-laundering activities. Another measure that fitted into this context was the request made to the Russian authorities to extend the deadline for repayment of a loan granted to Cyprus and to reduce the interest rate. Aside from these points, he felt that it was difficult to ignore the reality that the Commission's position on protecting deposits of less than €100 000 was not currently shared by all the stakeholders involved.

On the question of the IMF's role in the assistance programme, he said that it was likely to contribute, although no figures had been mentioned. He added that he was in favour of holding in-depth discussions in due course on the possibility of the euro area asking for a seat on the IMF's managing bodies, as the bloc as such was not represented there at present.

Another idea he took from the debate was to adopt a more assertive approach to communication on behalf of the Commission, based on the guidelines that emerged from that day's discussion. He said that a briefing paper would be drawn up, together with background information on the origins of the current crisis.

Winding up the debate, the PRESIDENT stressed once again that Mr REHN enjoyed his full support and that of the College of Commissioners for the action he was taking in particularly complex and difficult circumstances. He repeated his conviction that the Commission should stick to its approach, continue talks with a view to reaching a good compromise and remain a source of constructive proposals, while listening to others and maintaining an active presence, as it had done since the first signs of economic and financial tension had appeared in Cyprus.

Nevertheless, the PRESIDENT felt that the Commission must duly take note of the decision of the Eurogroup, which had been adopted unanimously by its Member States – with the agreement of Cyprus – in a procedure in which the

Commission was technically involved but had no decision-making power in the form of voting rights. He noted that some Member States had set as a prior condition for any European assistance the agreement of the Commission, the European Central Bank and the IMF, hence the importance of arriving at a consensus with the IMF. On a more general note, he highlighted the different positions within the Union on the principle, scope and precise form of European assistance.

He asked Mr REHN to keep the other Commission Members most directly concerned, Mr ALMUNIA and Mr BARNIER, and the College as a whole abreast of developments in the situation in Cyprus.

The Commission took note of this information.

8.3. RELATIONS WITH PARLIAMENT

xii) Results of Parliament's March part-session
(SP(2013) 185; SP(2013) 186)

The Commission took note of the information in SP(2013) 185 and SP(2013) 186 on the proceedings of the part-session of Parliament held in Strasbourg from 11 to 14 March.

xiii) Participation by Members of Parliament in international conferences
(SP(2013) 195)

– Council on General Affairs and Policy of the Hague Conference on Private International Law (The Hague, 9 to 11 April)

The Commission agreed to the request to the PRESIDENT from Mr Martin Schulz, President of Parliament, concerning the attendance of Ms Alexandra Thein at the above-mentioned meeting as an observer in the EU delegation, with a reminder about the procedure to be followed.

9. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL – TOWARDS A DEEP AND GENUINE ECONOMIC AND MONETARY UNION – EX ANTE COORDINATION OF PLANS FOR MAJOR ECONOMIC POLICY REFORMS
(COM(2013) 166 AND /2; RCC(2013) 43)

10. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL – TOWARDS A DEEP AND GENUINE ECONOMIC AND MONETARY UNION – THE INTRODUCTION OF A CONVERGENCE AND COMPETITIVENESS INSTRUMENT
(COM(2013) 165 AND /2; RCC(2013) 43)

The PRESIDENT introduced the two communications the Commission was being asked to approve that day, one on the ex ante coordination of plans for major economic policy reforms, the other on the introduction of a Convergence and Competitiveness Instrument. He recalled the points that had emerged from the Commission’s discussion of these two instruments when it adopted the blueprint for a deep and genuine economic and monetary union (EMU), the conclusions of the European Council in December 2012, and the recent policy debate on deepening EMU, during which the two instruments had been discussed. He pointed out that the two communications were consultative documents which represented the Commission’s contribution to the debate between the main parties involved, namely the European Parliament, the Member States and national parliaments, on the next stages on the road to a deep and genuine economic and monetary union.

The communication on ex ante coordination of plans for major economic policy reforms explained the importance of this condition for the proper operation of EMU, because of the potential impact of structural reforms undertaken at national level on the euro area as a whole. The communication, which also examined ways of integrating the implementation of this mechanism into the European Semester process, gave effect to Article 11 of the Treaty on Stability, Coordination and Governance in the EMU.

He then turned to the communication on the introduction of a Convergence and Competitiveness Instrument. By identifying the options and raising questions about the implementation of this instrument, this communication enabled the Commission to position itself in the current debate on the contractual arrangements for competitiveness and growth accompanied by a solidarity mechanism. Although these two elements were regarded as separate, he explained that the Commission's aim was to create a single instrument, consisting of a contractual mechanism and financial support aimed at helping a Member State experiencing difficulties that could affect the euro area as a whole to undertake the necessary reforms at an earlier stage and more thoroughly than it would be able to do without such assistance. The idea was to distil specific indicators from this debate to be presented to the European Council in June, and for this reason the timetable for adopting the two communications was important.

Mr REHN endorsed the PRESIDENT's comments and said it was up to the Commission to take the initiative to ensure that the ex ante coordination of plans for major economic policy reforms and the Convergence and Competitiveness Instrument was based on the Community method and to steer the discussions in this direction.

A brief discussion followed, in the course of which the following points were raised:

– questions about the compatibility of the Convergence and Competitiveness Instrument with the Multiannual Financial Framework 2014-2020 currently under negotiation;

– similarly, queries concerning the compatibility of the Convergence and Competitiveness Instrument with the macroeconomic conditionality associated with the use of the Structural Funds; when implementing this instrument, it was necessary to maintain the conditions relating to the quality of the expenditure and the quantifiable objectives; in the same vein, it was necessary to specify at what point this instrument could be used, to avoid sending contradictory political messages about support for structural reforms, on the one hand, and the application of measures such as penalties in the context of the Structural Funds, on the other;

- the need for the Commission to propose clear eligibility criteria in order to avoid moral hazard in applying the Convergence and Competitiveness Instrument; the importance of making provision for a review of the contractual arrangements if the objectives were not met;
- a reminder of the conclusions of the December 2012 European Council and the importance they attached to the social dimension of EMU, including social dialogue, and the suggestion that the Commission present a communication on this subject;
- comments from others on the timeliness of this financial instrument, which marked a vital step forward and sent the Member States a real political signal of support for their structural reform efforts;
- the advisability of ensuring the balanced involvement of the national parliaments in the introduction of these two instruments;
- the need for a mechanism as open as possible to non-euro area Member States in order to take the convergence efforts of these countries into account.

Winding up the discussion, the PRESIDENT emphasised the need for the Commission to take dynamic action in order to prepare the ground for the current debate on the two instruments and the guidelines which the June European Council would follow on this subject. It was important to stress the Community method rather than inter-governmental solutions when applying these instruments. In the implementation of the measures for the euro area, the Commission’s role was to promote convergence between the euro area Member States and the countries that would join them later, and the integrity of the European Union as a whole.

With regard to the social dimension, social cohesion was key to improving European competitiveness. Referring to the recent tripartite summit of the Commission, the President of the European Council and the European social partners, he underlined the importance he attached to social dialogue at European level and spoke of the current debate on the best way for the Commission to take an initiative with a view to strengthening the social dimension in European economic governance.

In conclusion, he noted the Commission Members' support for the two communications he was presenting together with Mr REHN and their agreement to the following amendments to the English version:

in the document circulated as COM(2013) 166/2:

– **a new footnote 9 to the seventh bullet point in section 3.2, 'Process', was added on page 6 reading as follows:**

'*The Commission will also soon make proposals to strengthen the social dimension of the EMU in the context of the European Semester without creating new procedures.*';

in the document circulated as COM(2013) 165/2:

– **the second paragraph of section 2.2, '*Contractual arrangements*' on pages 4 and 5 would read as follows:**

'*A key question to be addressed is for which Member States the Convergence and Competitiveness Instrument should be established? This could include covering:*

- *All Euro area Member States (except those with a macroeconomic adjustment programme[4]).*
- *Ways should be also found to allow Member States that are not part of the Euro area to enter a contractual arrangement in particular regarding the Member States preparing for Euro accession taking also into account the preparation stage.'*;

[4] *Proposal for a Regulation of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area* *http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0819:FIN:EN:PDF*

– **the last three bullet points under the sub-heading '*Questions for consultation*' in section 2.2, '*Contractual arrangements*', on page 6 would read as follows:**

'• *At what stage should the Convergence and Competitiveness Instrument be triggered?*

• *What kind of reforms should be eligible for support under the Convergence and Competitiveness Instrument? Should there be a threshold in terms of size or importance of the reforms to be supported? Do you agree with the categories described above? If yes, why? If not, why?*

• *Do you see other ways of defining reforms to be covered according to the situation of the different Member States to be covered by the new instrument?*'.

Subject to the introduction of the above amendments and a final linguistic revision of the two texts, the Commission approved the communications in COM(2013) 166/2 and COM(2013) 165/2 for transmission to Parliament and the Council and, for information, to the national parliaments.

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The meeting closed at 11.59.