



**Contributions from the Sherpas
of the Member States to
the Five Presidents' Report**

LATVIA

First Contribution

1. How can we ensure sound fiscal and economic positions in all euro area Member States?

- 1.1 By strict, transparent and evenhanded evaluation of member States' compliance with the SGP (6/2-pack) and MIP;
- 1.2 By preserving and strengthening (both politically and institutionally) a rules-based approach;
- 1.3 By creating favorable conditions in the EMU for the reduction of the public debt and deficit level in the Member States (i.a. by stimulating growth – European Investment Plan; by implementing agreed structural reforms);
- 1.4 By protecting the Member States' budgets from crises in the financial sector.

2. How could a better implementation and enforcement of the economic and fiscal governance framework be ensured?

- 2.1 By improving a dialogue (between Commission and Member States; with national Parliaments) on the legal framework of European economic governance (6/2-pack, Fiscal discipline treaty, MIP), including on evaluation and implementation;
- 2.2 By deeper and comprehensive political discussions on adherence to the rules at the Council level to create more ownership;
- 2.3 By involving more the national parliament, e.g. providing a forum for exchange of the budgetary committees of the national parliaments.

3. Is the current governance framework – if fully implemented – sufficient to make the euro area shock-resilient and prosperous in the long run?

- 3.1 No. To make the euro area shock-resilient, a long-term perspective of moving towards a Fiscal Union should be envisaged. A Fiscal Union should be shaped along the lines identified in *A Blueprint for a Genuine Economic and Monetary Union*. It would entail closer coordination of national budgetary policies at the EU level together with a fiscal capacity.

4. To what extent can the framework of EMU mainly rely on strong rules and to what extent are strong common institutions also required?

- 4.1 We believe in rules-based concept enshrined in the EU economic governance legislation. Institutional set-up depends on the direction the EMU development takes.

5. What instruments are needed in situations in which national policies continue – despite surveillance under the governance framework – to go harmfully astray?

- 5.1 Instruments of communication/ clarification from EU institutions on common EU fiscal regulation, rules and standards with EU MS should be made more active in order to avoid deviations from the agreed principles;
- 5.2 Discussions on economic and fiscal policies and adherence to the rules should be held also on a political (Council) level to create more ownership.

6. Has the fiscal-financial nexus been sufficiently dealt with in order to prevent the repetition of negative feedback loops between banks and sovereign debt?

6.1 Yes, the Banking Union, in our view, has the capacity to provide the fiscal-financial nexus to prevent the repetition of negative feedback loops between banks and sovereign debt.

7. How could private risk-sharing through financial markets in the euro area be enhanced to ensure a better absorption of asymmetric shocks?

7.1 By developing Capital Markets Union which could provide funding to economic actors in all Member States, including those where the financial markets are less developed.

8. To what extent is the present sharing of sovereignty adequate to meet the economic, financial and fiscal framework requirements of the common currency?

8.1 To meet the economic, financial and fiscal requirements of the common currency, a long-term perspective of moving towards a Fiscal Union should be envisaged. A Fiscal Union should be shaped along the lines identified in *A Blueprint for a Genuine Economic and Monetary Union*. It would entail closer coordination of national budgetary policies at the EU level together with a fiscal capacity.

9. Is a further risk-sharing in the fiscal realm desirable? What would be the preconditions?

9.1 *See. 8.1.*

10. Under which conditions and in which form could a stronger common governance over structural reforms be envisaged? How could it foster real convergence?

10.1 An EU level fiscal capacity (with strong preconditions and conditionality, including a closer coordination of the national budgets at the EU level) could help Member States facilitate implementation of structural reforms fundamental for both national and EU level.

11. How can accountability and legitimacy be best achieved in a multilevel setup such as EMU?

11.1 By keeping to the established Community methods and avoiding as much as possible ad hoc intergovernmental solutions;

11.2 By keeping the national parliaments and the European Parliament involved;

11.3 Genuine and accountable social partner involvement by taking into account the national traditions could facilitate better EMU governance.