



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

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**BELGIUM**

## Report on Preparing for Next Steps on Better Economic Governance in the Euro Area

### Questions for Sherpas ahead of the meeting on 27 April 2015

#### **1. Many contributions call for a streamlined, simplified and better focused European semester. How could this be achieved concretely?**

The streamlining should also increase all stakeholders' ownership of the country-specific recommendations. That is why all Council configurations, social partners and parliaments should be involved throughout the whole European Semester, from November till July.

The country-specific recommendations should focus on those topics which are essential for the smooth functioning of EMU.

Belgium believes there is room for further simplification of the Member States reporting obligations, even after the streamlining already proposed by the Commission in its 2015 Annual Growth Survey. Therefore the Commission should assess whether the Member States' reporting at EU level and at OECD level could not be streamlined.

#### **2. The need to strengthen the momentum for structural reforms, particularly in the Euro Area Member States, is underlined in most contributions.**

- **What instruments should be employed to foster implementation of reforms?**
- **In particular, how to launch a process of real convergence in the areas that are considered key for the smooth functioning of EMU?**
- **Which areas would be concerned?**

In order to facilitate the introduction of **structural reforms** by Member States, the existing rules should be fully applied;

Member states' implementation of country specific recommendations should be reviewed through a debate in all relevant Council configurations;

Commissioners could assist debates in national parliaments in order to explain the Commission's view on the Member States' and EU's performance;

Social partners should be consulted throughout the whole European Semester;

More effective thematic discussions amongst Eurozone Member States on structural policies with potentially large spill-overs could take place;

A mechanism for ex-ante coordination as mentioned in art.11 of the Treaty on Stability, Coordination and Governance in the EMU;

Belgium believes that the **community method** is the best guarantee for further integration and thus real convergence, which should be achieved in the **social, taxation and economic field**.

Social convergence we mean a.o.:

- the fight against social dumping, abuses and fraudulent claims whilst continuing to promote labour mobility;
- convergence towards higher social standards, in line with the priorities recently put forward by the Commission, e.g. health and safety at work;
- a modernisation of labour markets and social protection systems ;

By tax convergence we mean a.o.:

- agreeing on a 'Common Consolidated Corporate Tax Base';
- Combatting Base Erosion and Profit Shifting;
- Implementing a system of automatic exchange of information on tax rulings;
- a comprehensive review of the existing VAT legislation, including the issue of reduced rates.

By economic convergence we mean a.o.:

- further achieving of the single market, a.o. capital markets union, energy union, digital single market,....

**3. Regarding a prospective fiscal capacity for the Euro Area, should it be linked to progress on structural reforms, and if so in what form? What other functions should such a fiscal capacity serve (e.g. investment, asymmetric shock absorption)? How could it be phased in?**

When all Member States are on a proven and determined path towards the Pact for Stability and Growth's debt reference value, and the necessary degree of economic, social and fiscal convergence has been achieved, a fiscal capacity and a treasury function for the euro area could be envisaged. This setup would provide for stabilisation, shock-absorption, adjustment and solidarity functions.

**4. Several contributions refer to the need to take better account of the social dimension of EMU. How could this be done in practice?**

Next to the social convergence and solidarity function of a Euro Area fiscal capacity created in the long run (answers to question 2 and 3 above), more emphasis should be laid on the social impact assessments of the envisaged structural reforms and the pursued macroeconomic policies.

**5. Many contributions focus on the shorter term, but many also mention the need for a medium and long-term dimension.**

- **What should be the essential building blocks for the longer term?**
- **Pending further Treaty changes, could further steps of economic integration be envisaged on an intergovernmental basis?**

The rules-based policy framework may in the end not prove sufficient. In the longer term, stronger institutions may be required in order to guarantee the rules' implementation.

The progressive further integration of the euro area towards a full banking, fiscal and economic union would require parallel steps towards a political union with a reinforced democratic legitimacy and accountability based on shared sovereignty. This would require a thorough rethink of the role and balance of both EU and Member states' institutions.

The ESM, the SRF and the TSCG should be integrated, as foreseen and after an evaluation, within the legal framework of the EU. Belgium believes that the community method is the best guarantee for further integration and thus real convergence.

## **6. Many contributions also make reference to the Capital Markets Union and banking union. What elements would be necessary to complete the banking union?**

The current legislative framework should be complemented with:

- Provisions for recovery and resolution of systemically relevant 'non-bank' financial institutions, e.g. institutions dealing with clearing and settlement activities;
- Provisions for a single European deposit guarantee scheme and a single European deposit guarantee fund;
- a common fiscal backstop for the Single Resolution Mechanism and the to be created Single European Deposit Guarantee;
- the capital markets union needs to become a reality in order to deepen financial integration and increased risk sharing;
- Insurance companies could be included within the scope of the Single Supervisory Mechanism.

## **7. The call for stronger political legitimacy and accountability is omnipresent in Sherpas' contributions. How to achieve this concretely?**

When tighter and more focussed policy coordination is envisaged, it should be accompanied by an increased supervisory role and reinforced anchoring within the institutions (Commission, EP and national parliaments) in order to succeed.

A wider dialogue should be envisaged, with the European and national Parliaments, but also with the social partners (e.g. presence of EU Commissioners in national parliaments, social dialogue on the Annual Growth Survey and/or on topical country-specific or horizontal issues, ...)

The inter-parliamentary conference as foreseen in art. 13 TSCG should continue to be promoted and its outcome should receive all due attention. Moreover, it should be assessed whether this conference could be involved in more than only fiscal files and whether accountability before this conference could be envisaged.

The European Parliament could set up a special committee on euro matters.