



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

EUROPEAN PARLIAMENT

First Contribution

Annex: Contribution of the EP sherpa on the analytical note

The Economic and Monetary Union (EMU) is a long-term project. The introduction of the euro in 1999 is currently the main landmark of this project. The design choice of the Maastricht Treaty's drafters was based on a combination of fix, irreversible currency union amongst the participating Member States and a certain number of basic fiscal rules (Maastricht criteria and Stability and Growth Pact). The corresponding institutional set-up was made of one single monetary authority and 11 national treasuries (currently 19). Ultimately, most of the challenges the Eurozone stem from this duality.

In an optimal world a monetary union needs some sort of a fiscal union or fiscal capability to be effective. A fiscal union can take many different forms. There is not a ready-made model for the EMU in this regard. Various proposals need to be discussed.

During the first decade of the euro, all euro countries were protected by the single currency from external pressure for a prolonged time-span which resulted in "boom and bust cycles" for many countries. Inside the euro area "booms" were protected from outside pressures for a long time until the financial flows suddenly stop in connection with the global financial crisis. The burst of these booms resulted in huge adjustment costs and in a fragmentation of the financial markets. Today progress has been made in addressing these challenges, while further work is still needed. We are also confronted with record level of unemployment and social hard-ship for millions of citizens in the EU.

New governance structures have been put in place to prevent and correct macro-economic imbalances, such as a macro-economic imbalance procedure, common fiscal rules, financial assistance programmes, and the banking union. In this respect some steps to a stronger "fiscal union" have been taken. A major step is the banking union once it is fully implemented. Single banking supervision and resolution should prevent "national bias" and fragmentation of banking services inside the euro area.

However, the ongoing difficulties within the Eurozone show that an effective implementation of the banking union is necessary, but may not be sufficient for a well-functioning and a legitimate EMU. Furthermore there is room, and a need for improving the democratic accountability of the decision-making with regard to the economic governance of the Eurozone.

Against this background, a common vision and principles, which would form a road map on how to strengthen the fundamentals of the EMU, are necessary. This map should also include concrete milestones as was already suggested by the Commission in its '*Blueprint*' prepared in the context of the previous Presidents' report. In this regard, one can be surprised that the level of ambition of the analytical note presented in January seems to be set below what was proposed by the Commission in the past under the '*Blueprint*'.

Below a number of ideas are floated towards making improvements in the current Eurozone economic governance setup based on positions taken by the EP in recent years. Discussions are also currently going on in the EP on these issues.

The Parliament is strongly in favour of increasing parliamentary involvement in economic governance both at EU level and national level. In line with European Council conclusions the guiding principle should be to ensure democratic legitimacy and accountability at the level at which decisions are taken and implemented. The EP has many times raised the need to increase political ownership of EU decisions also at national level by a stronger involvement of national parliaments and stakeholders.

Another main principal issue for the EP is that all measures to strengthen the governance structures of EMU should be based on the "Community method", including the full participation of the EU institutions in their respective roles. Contrary to procedures based on intergovernmental agreements, this has shown to be efficient, transparent and legitimate from a European perspective.

Some suggestions to be included in the road-map:

- *The European Semester procedures should be streamlined and political ownership at the EU and national level should be increased.*
- *An inter-institutional agreement should be negotiated in order to involve Parliament in the approval of the Annual Growth Survey and of the economic policy and employment guidelines.*
- *European guidelines should be established in order to ensure appropriate democratic control over the implementation of measures at national level which take into account the quality of employment, social protection, health and education and ensure access for all to social systems.*
- *The Commission should make legislative proposals as soon as possible, under co-decision, on ex-ante coordination of economic policy reforms, further budgetary coordination, the extension of deeper policy coordination in the field of taxation and employment, and the creation of a proper fiscal capacity for the EMU to support the implementation of the policy choices.*
- *The permanent chair of the Eurogroup should be a full-time position. The chair of the Eurogroup should be one of the Vice-Presidents of the Commission, to be accountable to Parliament.*
- *The President of the European Parliament should be invited to participate in the European Council meetings and the euro area summits; he/or she should present at the spring European Council the Parliament's views on the Annual Growth Survey.*
- *An inter-institutional agreement should be negotiated on the accountability of the ESM vis-à-vis the Parliament.*
- *An inter-institutional agreement should define a common procedure for informing the competent committee of Parliament on the conclusions drawn from the monitoring of the macroeconomic adjustment programme.*

- *The ESM should be integrated in the Union's legal framework and evolve towards a Community-based mechanism.*
- *The Commission should propose appropriate measures to ensure unified representation of the euro area within the international financial institutions and conferences.*