



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

LATVIA

Second Contribution

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

- 1.1. Integrated Guidelines (Broad Economic Policy Guidelines and Employment Guidelines) should set the strategic guidance for the different policy areas in the Member States.
- 1.2. Country Specific Recommendations (along with Country Reports) should focus on particular situation in the Member States ensuring tailor-made analysis and advice. Close cooperation between Member States and the Commission in elaborating the Country Reports is essential for increased ownership over the process.
- 1.3. More frequent and more in-depth bilateral meetings (Commission – Member State) should take place both in Brussels and in the Member State, on the topics pre-identified by both parties. For instance, one full day meeting in the Member State, meeting Members of the Parliament, social partners, line ministries.

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 or real convergence in the areas that are considered key for the smooth functioning of EMU? Which areas would be concerned?

- 2.1 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 that are necessary and significant for enhancing Member States' competitiveness.
- 2.2 Economic convergence within the EMU is a very important issue. The recent economic and financial crisis has increased disparities between EU Member States. Heterogeneity in the economic development levels between EU Member States undermines the overall competitiveness and "immunity" of the EU against external shocks. It impedes further deepening of the EU single market as due to different development levels of infrastructure and purchasing power the movement of goods, services, capital and labour is incomplete. Reforms related to the EU single market, including digital single market, by removing remaining obstacles to free movement of goods, services, capital and labour could foster further convergence in the EMU.

3. Regarding the prospective of 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?

3.1. Yes, fiscal capacity for the Euro Area should be linked to progress on structural reforms.

3.2. We need also to keep in mind that mechanisms like the European Fund for Strategic Investments and the Commission approach towards better application of flexibility of current SGP regulation already demonstrate EU and Euro Area level fiscal capacities.

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

4.1. Continued and better involvement of social partners in the discussions related to the European Semester at national and European levels could be helpful to support the social acceptance of reforms.

4.2. National social partners could be better involved in the EU mutual learning activities in the area of labour markets and social policies and participate in exchange of ideas and best practice on labour market and social policies related topics with other Member State governments and social partners.

5. Many contributions focus on 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?

5.1 As to the possible building blocks for a longer term, a discussion could be based on the *Blueprint for a Genuine Economic and Monetary Union*. At the same time, some of the elements of the Blueprint (for instance, common debt instruments, debt mutualisation) must be treated with extreme caution.

5.2 EU objectives should be pursued within the limits of the Treaties following a standard procedure, in order not to further complicate the existing system.

5.3 Before starting discussions on possible Treaty changes, we need to fully explore the existing Treaty. However, if there is a consensus between the Member States on it, we should be focused and avoid long-running discussions.

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

- 6.1 To complete the Banking Union, Member States must enforce in their national legal system the legislative elements that form the Banking Union.
- 6.2 For efficient functioning of the Banking Union in a long term a single deposit guarantee scheme could be examined.
- 6.3 The long-term objective of the Capital Markets Union is to improve the cross-border capital flow by reducing barriers that prevent free flow of capital, for instance, by harmonisation of national laws and by uniform enforcement and implementation of EU-level regulatory norms.
- 6.4 Capital Markets Union should provide funding to economic actors in all Member States, including those where the financial markets are less developed.
- 6.5 Potential financial stability risks should be considered, as it is imperative to remain vigilant not to shift some systemic risks to the less regulated shadow banking sector.

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

- 7.1 By keeping to the established Community methods and avoiding as much as possible ad hoc intergovernmental solutions.
- 7.2 By exploring fully the existing instruments, for instance, the conference of representatives of the relevant committees of the national Parliaments and representatives of the relevant committees of the European Parliament¹.
- 7.3 By ensuring genuine and accountable social partner involvement in line with national practices.

¹ Article 13 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG).