

Parliament of the Czech Republic
CHAMBER OF DEPUTIES
2018
8th parliamentary term

41st

RESOLUTION
of the European Affairs Committee
at its 7th sitting
of 15 February 2018

on the Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank - Further steps towards the completion of economic and monetary union: plan / code of document 15653/17, COM (2017) 821 final/

on the Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank - New budgetary instruments for a stable euro area within the EU / 15654/17, COM (2017) 822 final /

on the Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank - European Minister for Economy and Finance /15655/17, COM (2017) 823 final/

on the proposal for a Council directive laying down rules on the strengthening of budgetary responsibility and medium-term budgetary positions in the Member States /15660/17, COM (2017) 824 final/

on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 in order to increase the financial envelope of the program to support structural reforms and adapt its general objective /15663/17, COM (2017) 825 final/

on the proposal for a Council regulation establishing a European Monetary Fund /15664/17, COM (2017) 827 final/

On the proposal for regulation of the European Parliament and of the Council, amending Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, in respect of support for structural reforms in the Member States /

Committee on European Affairs of the Chamber of Deputies of the Parliament of the Czech Republic after hearing information from the Director of the Economic Policy Coordination Department of the Office of the Government Mgr. Zbyněk Smetana, Director of EU Affairs Department of the Ministry of Finance Ing. Jiří Palán, MA, Director of the EU Affairs Department Ing. Jiří Palán, MA, Director of the Division of Regulation and International Cooperation on the Financial Market of the Czech National Bank Ing. Pavel Hollmann, MBA, Deputy Minister Ing. Marcela Pavlová, after listening to the news report of Deputy Jan Skopeček and after debate

e n d o r s e s the opinion annexed to this resolution.

František Kopřiva (signed)
Committee Verifier

Jan Skopeček (signed)
Rapporteur

Ondřej Benešík [signed].
chairman

Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank - Further steps towards the completion of economic and monetary union: Plan

COM(2017) 821 final, EU Council No 15653/17

Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank - New budgetary instruments for a stable euro area within the EU

COM(2017) 822 final, EU Council No 15654/17

Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank – European Minister for Economy and Finance

COM(2017) 823 final, EU Council No 15655/17

Proposal for a Council directive laying down rules on the strengthening of budgetary responsibility and medium-term budgetary positions in the Member States

COM(2017) 824 final, EU Council No 15660/17
Interinstitutional file: 2017/0335 /CNS

Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 in order to increase the financial envelope of the program to support structural reforms and adapt its general objective

COM(2017) 825 final, EU Council No 15663/17
Interinstitutional file: 2017/0334 (COD)

Proposal for regulation of the European Parliament and of the Council, amending Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the

Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, in respect of support for structural reforms in the Member States

**COM(2017) 826 final, EU Council No 15566/17
Interinstitutional file: 2017/0336 (COD)**

**Proposal for a regulation of the Council establishing the
European Monetary Fund**

**COM(2017) 827 final, EU Council No 15664/17
Interinstitutional File 2017/0333 /APP**

- **Legal basis:**

Article 126(14) of the Treaty on the Functioning of the European Union (COM (2017) 824).

Article 197(2) and Article 175(3) of the Treaty on the Functioning of the European Union (COM (2017) 825).

Article 177 and Article 175(3) of the Treaty on the Functioning of the European Union (COM (2017) 826).

Article 352 of the Treaty on the Functioning of the European Union (COM (2017) 827) - Rules of Procedure of the Chamber of Deputies -require, for legal acts adopted pursuant to this Article, if these are not measures necessary for the functioning of the internal market, so-called prior consent (Section 109(i) - i.e. the government cannot, without the consent of the Chamber of Deputies, express its consent to this proposal in a vote in the Council, it must first proceed in accordance with the procedure set out in § 109j et seq. of the Rules of Procedure of the Chamber of Deputies to submit a proposal for prior consent to the Chamber of Deputies.

- **Date sent to Chamber of Deputies via the European Affairs Committee:**

8.12.2017 (COM (2017) 826)

12.12.2017 COM(2017) 821, COM(2017) 822, COM(2017) 823, COM(2017) 614 and COM(2017) 827.

- **Date of discussion by the European Affairs Committee:**

12. 1. 2018 (1st round)

- **Procedure:**
 - Ordinary legislative procedure (COM (2017) 825, COM (2017) 826).
 - Consultative procedure (COM (2017) 824)
 - Special legislative procedure - EP consent (COM (2017) 827).

- **Preliminary Government opinion (under § 109a(1) of the Rules of Procedure of the Chamber of Deputies):**
 - Dated 26 January 2018 and submitted to the European Affairs Committee on 2 February 2018 via the ISAP system. (COM (2017) 826)
 - Dated 31 January 2018 and submitted to the European Affairs Committee on 7 February 2018 via the ISAP system. COM(2017) 821, COM(2017) 822, COM(2017) 823, COM(2017) 825 and COM(2017) 827.
 - Dated 26 January 2018 and submitted to the European Affairs Committee on 7 February 2018 via the ISAP system. (COM (2017) 824)

- **Assessment under the principle of subsidiarity:**
 - The proposals comply with the principle of subsidiarity.

- **Grounds and subject-matter:**

The financial and economic crisis has highlighted deficiencies in the institutional architecture of the Economic and Monetary Union (EMU) and the need to reform it. Several financial stabilization instruments and rules for increasing coordination and cooperation between countries have already been adopted in a rapid response to specific problems (e.g. the European Stability Mechanism, the Banking Union, European Semester, Fiscal Pact etc.). Some of these have been set up outside the Union's legal framework. The current initiative to deepen and complete the EMU continues with the reforms that have begun: it incorporates existing instruments into the Union's legal framework and puts forward new proposals. The current EMU completion package follows on from the report of the five presidents of June 2015¹, The White Paper on the Future of the EU of March 2017² and the May 2017 EMU Review Paper.³ European Commission President Jean-Claude Juncker presented his

¹ The Five Presidents' Report is a political document from the five Presidents (Euro Summit President Donald Tusk, Eurogroup President Jeroen Dijsselbloem, ECB President Mario Draghi, European Parliament President Martin Schulz, and European Commission President Jean-Claude Juncker) containing a vision for strengthening the European Economic and Monetary Union. It set out a plan of steps to achieve real EMU in two phases (deepening and completing EMU) in four areas: economic union, financial union, fiscal union and democratic accountability, legitimacy and the strengthening of the institutions.

² The White Paper on the Future of the EU presented 5 possible scenarios for EU development. White Paper on the Future of the EU [cit. 5.2.2018] Available at https://ec.europa.eu/commission/sites/beta-political/files/bila_kniha_o_budoucnosti_evropy_cs.pdf

³ The discussion paper sets out specific steps for a further approach that could be taken up to the European Parliament elections in 2019 and beyond, as regards: completing a genuine financial union, achieving a more integrated economic and fiscal union, and enshrining democratic accountability and strengthening the euro area institutions. The aim of the document was to stimulate the debate on EMU and to help achieve a common vision for its future shape.

vision of a more united, stronger and more democratic EU in his speech and report on the state of the Union. He also spoke about some of the proposals contained in the package, such as the creation of the position of a Minister for Economy and Finance, and pointed to the need for a strong budget line for the euro area within the EU budget. He also called for the unity⁴, efficiency⁵ and democratic accountability⁶, which are necessary to complete EMU.

The submitted package contains three communications and four legislative proposals: a communication on the plan for further steps towards completing EMU; a proposal for the establishment of a European Monetary Fund anchored in the Union legal framework; a proposal to incorporate the Fiscal Pact⁷ into the EU legal framework; a communication on new budgetary instruments for a stable euro area within the EU for the years 2018 to 2020, amendments to the CPR to mobilize EU funds to support national reforms and a proposal to strengthen the structural reforms program; a communication on a European Minister for Economy and Finance.

- **Content and impact:**

1. Commission communication on the plan for further steps towards deepening the EMU;

In its communication, the Commission presents a roadmap for further steps leading to the deepening and completion of the EMU. The communication builds on previous documents devoted to deepening EMU and identifies initiatives in four areas (financial union, fiscal union, economic union and democratic accountability and strengthened governance) which, according to the Commission, should be discussed and approved over the next 18 months. It also identifies possible developments up to 2025. The plan also includes a timetable for adoption of the initiatives presented in this package.

By mid-2018

⁴ A single euro currency, the adoption of which was committed to by all EU Member States except Denmark and the United Kingdom.

⁵ Firmer governance and more efficient use of resources, e.g. integration of individual instruments into the Union legal framework.

⁶ Political accountability and transparency

⁷ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. [cit.. 24.1.2018] Available at https://www.vlada.cz/assets/media-centrum/tiskove-zpravy/SMLOUVA-O-STABILITE--KOORDINACI-A-RIZENI---neoficialni-preklad_.pdf

- Adopt the legal acts necessary to complete the banking union⁸ and continue to work on proposals concerning the union of capital markets;
- Achieve political agreement on the draft common security facility for the Single Resolution Fund⁹;
- Adoption of the amending proposal to double the activities of the Structural Reform Support Programme by 2020¹⁰;
- Adoption of a targeted change to the Common Provisions Regulation in support of the implementation of national reforms¹¹.

By end of 2018

- Adoption of the proposal on the European Deposit Insurance Scheme;
- Formalize procedures for dialogue between the EP and the Commission.

By mid-2019

- Adopt proposals concerning:
 1. Setting-up of a European Monetary Fund;
 2. Incorporation of the Treaty on Stability, Coordination and Governance into EU law;
 3. Establishing a single external representation for the euro area at the International Monetary Fund;
- Reach agreement on the European Minister for Economy and Finance and, in the context of the next multiannual financial framework, adopt:
 1. Proposals for structural reform support;
 2. A dedicated convergence facility for Member States who are not euro zone members;
 3. A stabilisation function;
- Finalize any pending initiatives for a capital markets union.

Possible further steps up to 2025

- Continue to implement the capital markets union initiatives;
- Transition to the issuance of a European safe asset;
- Changes to the regulatory treatment of sovereign exposures;
- Implementation of the new multiannual financial framework;
- Stabilization function fully operational;
- Simplification of the Stability and Growth Pact rules;

⁸ Including the November 2016 Risk Reduction Package - in November 2016, the Commission presented a package of measures to further strengthen the resilience of banks. The key elements of the proposals are measures to increase the resilience of the EU institutions and financial stability, measures to improve the lending capacity of banks to support the EU economy, measures to further facilitate the role of banks in creating deeper and more liquid EU capital markets. These are the Commission's proposals of 23 November 2016 amending the proposal for a Regulation of the European Parliament and of the Council No 575/2013 on capital requirements, European Parliament and Council Directive 2013/36/EU on capital requirements, European Parliament and Council Directive 2014/59/EU on bank recovery and resolution and Council Implementing Regulation 2015/81 of 19 December 2014 on a single crisis resolution mechanism. European Commission: EU Banking Reform: Strong banks to support growth and restore confidence Brussels 23 November 2016 [cit.. 23.1.2018] Available at http://europa.eu/rapid/press-release_IP-16-3731_cs.htm

⁹ So that it can start work before 2019.

¹⁰ See below the proposal to strengthen the structural reform support program (Point 6).

¹¹ See below the proposal to amend the Common Provisions Regulation (point 5.).

- Full functioning of the European Minister for Economy and Finance as President of the Eurogroup and Commission Vice-President;
- European Monetary Fund fully operational;
- Setting-up of a euro area Treasury

2. Proposal for a regulation establishing the European Monetary Fund

Proposal to create a European Monetary Fund (EMF), which will be anchored in the EU legal framework¹², **based on the already operating structure of the European Stability Mechanism (ESM).**¹³

According to the Commission, the ESM's transformation into EMF should strengthen its institutional basis, which should better support Member States and improve its cooperation with the Commission and accountability to the European Parliament. It should also contribute to greater transparency and efficiency of the EU's financial resources. The commitments of the current ESM will be maintained and, according to the Commission, the way in which national governments are accountable to their own parliaments is not to be disturbed.

Under the submitted proposal, the EMF was set up as a specific legal entity under EU law as the successor to the ESM, with its current financial and institutional structure being retained in principle. This means that the EMF will continue to help Member States that need it to maintain their financial stability. Membership is not to be changed, and the possibility of participation for other Member States adopting the euro will remain.¹⁴ One slight difference is that, in the case of the proposal to set up the EMF, entry into the euro area means automatic entry into the EMF but, in the case of the ESM, further active steps have to be taken to join the mechanism. On the other hand, however, the other Member States can also make entry into the euro area subject to entry into the ESM and, in practice, all euro area Member States are currently also members of the ESM. The two countries (Latvia and Lithuania) that joined the euro area during the existence of the ESM also became ESM members when joining the euro area.

Through the EMF becoming a subject of the Union, there will have to be targeted changes in the structure, e.g. new discretionary decisions adopted by the EMF will be approved by the Council. The proposal also contains a new provision on EMF's accountability to the EP, the Council and the Commission. For example, the EMF will be required to submit an annual

¹² Except for the European Financial Stabilization Mechanism (EFSM), most of these instruments were established without the use of the EU legal framework.

¹³ The EMF Statute attached to the draft Regulation is based on the ESM Treaty and the Statutes of the ESM. The ESM is a permanent rescue mechanism based on an intergovernmental treaty between euro area member states, which replaces temporary rescue mechanisms. The Czech Republic has ratified the treaty, but it is not obliged nor invited to participate in the mechanism. Financial assistance from the mechanism is only granted to euro area countries if the stability of the euro area as a whole is at risk.

¹⁴ "(23) *The rights of a new EMF Member under this Regulation, including voting rights, should be conditional upon subscription of their contribution to the authorised capital stock.*" 2017/0333 Proposal for a Council Regulation on the establishment of the European Monetary Fund

"(24) *Transitional rules, similar to those provided for in the ESM Treaty, should be enshrined as regards new EMF Members which adopt the euro after the entry into force of this Regulation. It should be possible for those Members to pay-in the contribution to the EMF's capital in instalments. Those new EMF Members whose GDP per capita is below 75 percent of the Union GDP per capita in the year preceding its entry into the EMF should benefit from a temporary correction of the contribution key for paying in capital of the EMF. In such a case, the temporary correction should apply for twelve years.*" 2017/0333 Proposal for a Council Regulation on the establishment of the European Monetary Fund

report to the EP, the Council and the Commission, together with its annual results and its financial statements. The Director-General of the EMF may be invited by the EP or may request an invitation. In addition, the draft regulation also sets out more explicitly the **control role of national parliaments**¹⁵, which is justified by the impact of EMF decisions on interest groups in EMF member countries.

New elements in the proposal:

The EMF should be able to **provide joint security for the Single Resolution Fund (SRF)**¹⁶, in the form of a credit line or guarantees for the Single Resolution Fund (SRF). The security mechanism should be activated only in extreme cases where the SRF would prove to be insufficient to finance the resolution of a particular bank or banks. Thus joint security will further increase SRF's financial capacity, thereby contributing to increased confidence in the banking system.

The Commission proposes the option of **accelerating decision-making** in specific urgent situations. For all essential decisions, unanimous decision-making is to be retained. In the case of specific decisions on the promotion of stability, the payment and the application of the safeguard, it proposes a reinforced qualified majority (85 % of votes). The proposal also envisages the **direct involvement of the EMF and the Commission in the management of financial assistance programmes**. The Commission also proposes that the **EMF create new financial instruments**.

The proposal also contains a draft document that could form the basis for an intergovernmental agreement in which euro-area member countries agree to transfer funds from the ESM to the EMF.

The Annex to the Proposal for a Council Regulation establishing the European Monetary Fund contains the EMF Statute.

3. Proposal for Integration of the Fiscal Compact into the EU legal framework;

Proposal for a Council directive laying down rules on the strengthening of budgetary responsibility and medium-term budgetary positions in the Member States

The Treaty on Stability, Coordination and Governance in the EMU (TSCG)¹⁷ is an intergovernmental treaty that complements the EU fiscal framework signed by 25 EU countries.¹⁸ The proposal for a Council Directive implements Article 16 of the

¹⁵ (11) For reasons of transparency and democratic control, national Parliaments should have rights to obtain information about the activities of, and to engage in a dialogue with the EMF. The national Parliament of an EMF Member should be able to invite the Managing Director to participate in a discussion in relation to progress made on the implementation of a financial stability support operation in view of the impact of such a measure on the EMF Member concerned. Such an exchange of views could help foster understanding between the EMF and the EMF Member concerned. 2017/0333 Proposal for a Council Regulation on the establishment of the European Monetary Fund

¹⁶ The Fund is part of the Single Resolution Mechanism, which is one of the pillars of the banking union. At its creation, the states had already agreed on the creation of a Single Resolution Mechanism. The security mechanism should work as a last resort in the event that the funds directly available in the Single Resolution Fund would not be sufficient.

¹⁷ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. [cit.. 18.1.2018] Available at https://www.vlada.cz/assets/media-centrum/tiskove-zpravy/_SMLOUVA-O-STABILITE--KOORDINACI-A-RIZENI---neoficialni-preklad_.pdf

¹⁸ In 2013, the United Kingdom and the Czech Republic did not initially sign the contract. Croatia did not sign the treaty because at that time it was not yet a member of the EU.

TSCG¹⁹, in which the Parties to the Treaty undertook to incorporate the content of the Treaty into Union law within five years of its entry into force (i.e. by 1 January 2018). **The incorporation of the TSCG into Union law is intended to simplify the legal framework and allow continuous and better monitoring of the EU's economic governance.**

This Commission proposal takes the form of a directive which incorporates the substance of Article 3 of the TSCG, which is part of the Fiscal Compact and which includes the requirement to implement balanced budget rules and an automatic correction mechanism in the event of a deviation from the medium-term budgetary objective, i.e. the rules on strengthening budgetary responsibility and medium-term budgetary objective in the Member States. The proposed Directive envisages the involvement of independent fiscal institutions in monitoring compliance with the numerical budgetary rules framework, including the implementation of the correction mechanism.

The proposal also emphasizes the importance of, and continues to maintain, the practice of interparliamentary meetings under Article 13 of the TSCG, since they contribute to increasing democratic accountability in the context of the Union's economic governance.

The Directive will apply to Member States using the euro. The Commission proposes that the Directive stipulates that this Directive will apply to Member States whose currency is not the euro, if the Member States so decided.

4. A communication on new budgetary instruments for a stable euro area within the Union framework

The communication represents the Commission's vision of the possibility of designing certain budgetary functions within the EU's current and future public finances. The Commission analyses the current EU financial framework and the options for its use, and at the same time the communication contains ideas on how EU public finances might appear in the future.

The Multiannual Financial Framework after 2020 should, according to this communication, focus on 4 closely linked, specific functions:

The Government of the Czech Republic later signed the Fiscal Compact, but this has not yet been ratified in the Chamber of Deputies. More information on the Fiscal Compact and the EU fiscal framework in general can be found in a study from the Parliamentary Institute: Smetanková, D., Zahořáková, R., Bucifalová, K., European Budgetary Framework, Budgetary Institutions and Budgetary Frameworks in the Czech Republic and selected EU countries. Comparative Study No. 2.098, Parliamentary Institute, August 2017 [cit. 18.1.2018] Available from <http://www.psp.cz/sqw/text/orig2.sqw?idd=103747>

¹⁹ Art. 16 of the Stability, Coordination and Governance Treaty of EMU: *Within five years, at most, of the date of entry into force of this Treaty, on the basis of an assessment of the experience with its implementation, the necessary steps shall be taken, in accordance with the Treaty on the European Union and the Treaty on the Functioning of the European Union, with the aim of incorporating the substance of this Treaty into the legal framework of the European Union.* [cit. 18. 1. 2018] Available at https://www.vlada.cz/assets/media-centrum/tiskove-zpravy/SMLOUVA-O-STABILITE--KOORDINACI-A-RIZENI---neoficialni-preklad_.pdf

- support for structural reforms (a tool for implementing reforms to support country's reform commitments; and technical support for specific actions provided at the request of a Member State - a programme to support structural reforms);
- a dedicated convergence facility for Member States on their way to joining the euro;
- a security mechanism for the banking union;
- a stabilisation function (supported by various EU and euro area instruments)²⁰.

While some of these functions focus either on the specific needs of euro-using countries or on countries outside the euro area, they are all embedded in the EU's common approach and the vision of a wider EU framework. In addition to the EU's public finances, a modernised own resources system could also be beneficial in the future. The aforementioned specific functions should work together with the political framework sets out by the European Semester.

For the period 2018 to 2020, the Commission therefore proposes for this package:

- *Security under the Single Resolution Fund* - by mid-2018, to secure a rapid agreement on security functions and putting them into operation by 2019 (this proposal is part of the EMF proposal).
- *Proposal to Strengthen the Structural Reforms Programme* - to strengthen the Structural Reforms Support Unit's activities in order to support structural reforms in all EU Member States and create a specialised procedure for countries that are not yet members of the euro area.
- *Proposal to amend the Common Provisions Regulation* - to extend the use of the current performance reserve of the ESIF to support for structural reforms as a way of testing the idea of a reform tool.

Other proposals will be presented in May 2018 for the period of the new financial framework after 2020.

5. Proposal for amendment of the Common Provisions Regulation -Proposal to amend Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund

Under the Multiannual Financial Framework for the period after 2020, the Commission intends to propose a new instrument for implementing reforms for the Member States. This should support Member States in implementing the structural reforms set out in the European Semester. The instrument should focus primarily on those reforms that can contribute as much as possible to the resilience of domestic economies and which may have positive side-effects on other Member States (e.g. labour market reforms, tax reform, etc.). It

²⁰ The stabilization function is to be a specialised tool that brings together the EU's public finances to respond to major asymmetric shocks. At European level, it would enable quick activation of resources to address shocks that cannot be resolved just at national level. The Commission has in mind a specialised tool managed by the Commission to effectively combine different sources of funding at European level: e.g., the blending of budget support and loan support. The EU and EMF budgets could provide an affected country with loans secured by the EU budget; the EU budget could provide limited grant support to countries; And an insurance mechanism based on voluntary Member States' contributions could complement the grant support of the stabilisation function over time. The communication contains a proposal for the key features of the stabilisation function.

should have its own budget resources outside the ESIF, which would be covered by its own set of conditions and rules.

For the period 2018 to 2020, the Commission proposes to test this new budget support instrument. The current proposal to amend the CPR is intended to offer the possibility of having Member States partially or fully utilise the ESIF performance reserve²¹ to support reforms rather than specific projects. The proposal does not change the total amount of ESIF expenditure in the current financial framework. States will be able to decide for themselves if they can use this option to earmark their performance reserve for the new scheme.

The aim of this instrument is to support the national reforms identified in the European Semester, which will be incorporated into the National Reform Programmes submitted by Member States. Reform commitments are set by the Member States themselves and will include a set of reform measures with clear milestones and targets. Monitoring and reporting on achievement of milestones will be part of the European Semester.

The proposal for the post-2020 period should then take account of experience with this instrument.

6. Proposal to strengthen the programme to support structural reforms - Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 in order to increase the financial envelope of the programme to support structural reforms and adapt its general objective

At the end of 2015, the Commission set up the Structure Support Service, which aims to provide Member States with technical assistance in designing and implementing specific reforms and enhancing overall reform capacity. According to the Commission, this programme has been successful and demand for technical support exceeds the funds initially put into the structural reform support programme. In the Commission's view, it is necessary to support, in particular, non-euro area countries in their preparation for the adoption of the euro and to support the strengthening of the convergence process. This is intended to be contributed to by the proposed specialised technical assistance for non-euro area Member States.

For these reasons, the Commission proposes to amend the Structural Reform Support Programme so that technical assistance funding (up to EUR 300 million between 2017 and 2020) will be doubled by 2020. The Commission therefore intends to increase the budget of the structural reform support programme for the period 2019 to 2020 by EUR 80 million, which could be achieved by using the flexibility instrument under Article 11 of the current multiannual financial framework.²² The Commission wishes to top up the rest of the funds using a call for Member States to use the opportunity (under Article 11 of the

²¹ The performance reserve is set out in the Agreement on Partnership and in the Programmes and is allocated to specific priorities. It consists of a small part of the resources allocated to the funds.

²² Article 11 of Council Regulation No 1311/2013. “*Flexibility Instrument 1. The Flexibility Instrument is intended to allow the financing, for a given financial year, of clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more other headings. There shall be a ceiling on the annual amount available for the Flexibility Instrument of EUR 471 million (2011 prices). 2. The unused portion of the annual amount of the Flexibility Instrument may be used up to year n+3. The portion of the annual amount stemming from previous years shall be used first, in order of age. That portion of the annual amount from year n which is not used in year n+3 shall lapse.*”

Structural Reform Support Programme²³) to transfer part of their resources from ESIF Technical Assistance to the structural reform support program to provide support for the implementation of the reforms, including reforms related to the adoption of the euro.

The proposal for the post-2020 period should then take account of experience with this instrument.

7. A communication on a European Minister of Economy and Finance

Economic policy, unlike the monetary policy that is unified for euro area countries, is in principle managed by individual Member States and many actors are involved in coordinating it at EU and eurozone level. One of the measures to simplify the EMU architecture and to allow for better formulation and promotion of common economic interests, particularly of the euro area countries, may be the creation of the position of a European Minister for Economy and Finance. It should play a crucial role in strengthening cohesion, efficiency, transparency and democratic accountability in the area of EU economic governance.

In the communication the Commission looks to the future and sets out how certain existing functions could be combined under a European Minister in order to pursue the general interest of the EU and euro area economy, to strengthen policy coordination and to deliver an improved policy mix at all levels. The Minister would oversee the use of EU and euro area budgetary instruments and seek to maximise their impact in support of shared priorities. The communication also contains a proposal for a possible institutional arrangement.

Possible principle functions for a European Minister for Economy and Finance:

- Acts in the general interest of the EU and the euro area economy and represents it at a global level
- Strengthens policy coordination and oversees economic, fiscal and financial rules
- Accentuates the appropriate fiscal policy of the euro area to support the ECB's monetary policy
- Oversees the use of EU and euro area budgetary instruments, including instruments to support macroeconomic stabilization and convergence

From an institutional point of view, the new position could bring together the functions of Member (Vice-Chair) of the Commission and of President of the Eurogroup. The Minister could manage and coordinate several political portfolios and Commission services. He/she would represent the Commission without the right to vote in meetings of the Governing Council of the ECB and would also be responsible for social dialogue at EU level. As the President of the Eurogroup, the Minister would present the general political direction and the overall euro area strategy and could contribute to building consensus and balancing

²³ Art. 11 of Regulation 825/2017 on the establishment of the Structural Reform Support Programme for the period 2017 to 2020. "Other financial contributions to the budget of the Programme 1. In addition to the financial envelope set out in Article 10, the Programme may be financed through additional voluntary contributions from Member States. 2. The additional contributions referred to in paragraph 1 of this Article may consist of contributions from resources provided for technical assistance at the initiative of the Member States under Article 59 of Regulation (EU) No 1303/2013 and transferred pursuant to Article 25 of that Regulation. 3. The additional contributions referred to in paragraph 1 shall be used to support actions which contribute to delivering the Union strategy for smart, sustainable and inclusive growth. A contribution made by a beneficiary Member State in accordance with paragraph 2 shall be used exclusively in that Member State.

the views of euro area finance ministers. The Minister would also chair the EMF Board of Governors (just as the President of the Eurogroup currently chairs the ESM). Just as the Commission is accountable to the EP, the Minister would also be accountable to the EP for all issues related to his functions and would also be available for dialogue with national parliaments.

The position could be established gradually, with the role of the Minister as Vice-President of the Commission being set up together with the appointment of the new Commission in November 2019. The Eurogroup could informally agree to elect the Minister as its President for two consecutive mandates, thus agreeing on the alignment of its mandate with the mandate of the Commission.

Impact on the state budget and legal order of the Czech Republic

Communications "Further steps towards completing EMU", "New budgetary instruments for a stable euro area within the EU" and "The European Minister of Economy and Finance"

The communications are of a non-legislative nature, the individual measures subsequently taken to achieve the objectives outlined in the communications may have an impact. This is true also of budgetary implications. The actual impact of the measures on the state budget can be quantified when their exact specification is known, including any indirect impact through the EU budget.

The Proposal for a Council directive laying down rules on the strengthening of budgetary responsibility and medium-term budgetary positions in the Member States should not have any budget implications whatever. Adoption of the draft directive as it stands would imply the need to amend the law on budgetary responsibility rules after the Czech Republic's entry into the euro area (or at the time of any voluntary decision for earlier applicability of the Directive).

The proposal for a regulation establishing the European Monetary Fund should have no budgetary implications at present. It will have impacts on the state budget in the event of the Czech Republic's accession to the eurozone, to the same extent as for the Czech Republic's accession to the ESM, which is already a factual condition for entry into the euro area.

In view of the legal basis of the proposal in Article 352 of the TFEU, the Government will, subject to the laws on the Rules of Procedure of the Chamber of Deputies and the Senate, require the two Chambers of Parliament to give prior consent to the proposal after consensus has been reached on the substantive elements of the proposal (if this is reached).

The CPR proposal does not change the total amount of ESIF expenditure in the current financial framework. The submitted proposal has no direct impact on the state budget. Nor does eventual adoption of the regulation imply the need to amend national rules.

The proposal to amend the Regulation in order to increase the financial envelope of the programme to support structural reforms and adjust its general objective does not imply a need to amend national rules. Nor has the proposal any direct impact on the state budget.

- **Opinion of the Czech Government:**

Deepening the EMU is one of the national priorities of European policy in the Czech Republic. For the Government of the Czech Republic the stability of the EMU is a matter of strategic interest, and it therefore supports steps that will lead to its improved functioning.

In particular, the Government of the Czech Republic will endeavour to ensure that all proposals related to the deepening of the EMU respect the principle of equal treatment of all EU Member States and that all related actions are discussed at the level of all EU Member States. In this context, the Czech Republic insists above all on adhering to the already established existing rules, on the proper enforcement of their implementation and on equal access for all member countries.

The Government of the Czech Republic is open to discussion on the further set-up of rules or institutions. However, it considers some proposals in the package inadequately elaborated from a substantive and legal point of view and in need of clarification. It appreciates the openness and voluntary nature of proposals for non-eurozone countries.

The Government does not support the creation of the position of European Minister for Economy and Finance. It reserves its position on the founding of the European Monetary Fund. The timetable for steps towards completing EMU is considered by the Government to be very ambitious, given that there are long-standing differences of opinion between Member States on many of the proposals. On the proposals for new budgetary instruments and for the option of moving the so-called ESIF performance reserve into a new instrument for structural reform support, it sees the need to clarify a number of uncertainties. It supports with reservations the increase in the budget of the Structural Reform Support Programme and the incorporation of the Fiscal Compact into EU law.

- **Expected procedural schedule in the EU institutions:**

The European Commission published the proposal on 6 December 2017, so it is also referred to as the "**St Nicholas package**". The package is part of the Commission's broader plan to build a more united, stronger and more democratic Union and of a follow-up agenda for leaders, presented by the President of the European Council, Donald Tusk. On 15 December, this topic was addressed by an inclusive Eurosummit. Specific negotiations with a view to adopting specific decisions are scheduled for the end of June 2018.

In the European Parliament, this EMU deepening package is in the preparatory phase and most of the documents have been allocated to the ECON Committee on Economic and Monetary Affairs as the competent committee. Proposals for amending the CPR and amending the Regulation to increase the financial envelope of the structural reform programme and the adjustment of its general objective were allocated to the REGI Committee on Regional Development as the committee responsible.

The eight-week deadline for reasoned opinions for a divergence from the subsidiarity principle expired on 2 February 2018 for the Council Regulation establishing the European Monetary Fund, for a proposal for a regulation to increase the financial envelope of the structural reform support programme and to align its general objective and on 1 February 2018 for the proposal for an ESIF Common Provisions Regulation. It will expire

on 16 March 2018 for the proposal for a Council Directive laying down rules on the strengthening of budgetary responsibility and medium-term budgetary positions in the Member States. Only the Italian Senate has sent its opinion in the context of political dialogue.

- **Conclusion:**

The European Affairs Committee

- 1. discussed** the Commission's communication "Further steps towards completing Economic and Monetary Union: Plan" the Commission communication "New budgetary instruments for a stable euro area within the EU", the Commission communication "A European Minister of Economy and Finance", a proposal for a Directive laying down rules to strengthen budgetary responsibility and medium-term budgetary positions in the Member States, a draft regulation amending Regulation (EU) No 2017/825 in order to increase the financial envelope of the structural reform support programme and the adjustment of its general objective, the proposal for a Regulation amending Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 on common provisions and a proposal for a regulation establishing the European Monetary Fund;
- 2. in principle, supports** the framework position of the Government of the Czech Republic of 7 February 2018 on the Communication from the Commission "Further steps towards completing Economic and Monetary Union: plan " the framework position of the Government of the Czech Republic of 7 February 2018 on the communication from the Commission" New Budgetary Instruments for a Sustainable Euro Area within the EU ", the framework position of the Government of the Czech Republic of 7 February 2018 on the Commission communication" A European Minister for Economy and Finance", the framework position of the Government of the Czech Republic of 7 February 2018 on a proposal for a Directive laying down rules to strengthen budgetary responsibility and medium-term budgetary positions in the Member States, the framework position of the Government of the Czech Republic of 7 February 2018 on the proposal for a Regulation amending Regulation (EU) 2017/825 in order to increase the financial envelope of the structural reform support programme and the adjustment of its general objective and to the framework position of the Government of the Czech Republic of 31 January 2018 on the proposal for a Regulation amending Regulation (EU) No 1303/2013 of 17 December 2013 on Common Provisions and the framework position of the Government of the Czech Republic of 7 February 2018 on the proposal for a Regulation establishing the European Monetary Fund;
- 3. notes** that this is another substantial change in the architecture of the euro area, which is now significantly different from the situation under which the Czech Republic undertook to adopt the common European currency;
- 4. agrees** with the position of the Government of the Czech Republic, which considers that some of the proposals in the package are inadequately elaborated and require clarification;

5. **agrees** with the Government's view that the stability of EMU is a matter of strategic interest for the Czech Republic, **but notes that** it is not in the national interest of the Czech Republic to deepen EMU by transferring powers from the national level to the EU, especially in the fiscal area and in banking sector supervision;
6. also **endorses** the position of the Government of the Czech Republic, which does not support the creation of the position of a European Minister for Economy and Finance, which would also require a change in the primary law of the European Union;
7. **hereby decides to** forward the documents together with its resolution and the framework positions of the Government of the Czech Republic for information to the Budget Committee;
8. instructs the Chair of the European Affairs Committee to forward this Resolution to the President of the European Commission in the context of political dialogue.

František Kopřiva (signed)
Committee Verifier

Jan Skopec (signed)
Rapporteur

Ondřej Benešik (signed).
Chairman