EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Senát for its Opinion on the package of proposals on the reform of the Economic and Monetary Union {COM(2017) 822, 823, 825 and 826 final}.

The objective of the package is to advance a discussion on a roadmap for the completion of the Economic and Monetary Union and to present concrete measures in that regard. Certain instruments in the package target the more specific needs of euro area Member States on the one hand, and non-euro Member States on the other, including supporting Member States' convergence on their way to joining the euro. However, the proposed instruments are all anchored in a common European approach and a vision of the broader European framework. Both euro area and non-euro area Member States are already strongly intertwined, and a stable euro area is key to its members as well as to the European Union as a whole.

In the Commission's view, a stronger Economic and Monetary Union needs to be more united, efficient and democratically accountable. The experience of the crisis years has shown that the architecture does not yet fully match the specific needs of the Economic and Monetary Union, both for the euro area Member States as well as for non-euro area Member States on their way to join the single currency. The current system still reflects a patchwork of decisions taken to face an unprecedented crisis. This is a source of complexity and creates risks of duplications. The package aims to achieve better governance, more efficiency at European Union level and the more efficient use of available resources. Finally, by bringing some intergovernmental arrangements into the EU framework, it increases responsibility and transparency about who decides what and when at the different levels.

The Commission is pleased that the Senát supports the main aims and the substantive content of the package and has taken good note of the concerns expressed by the Senát as regards the Communication on a European Minister of Economy and Finance.

Mr Milan ŠTĚCH
President of the Senát
Valdštejnské naměstí 17/4
CZ – 118 01 PRAGUE 1

In response to the more specific comments in the Senát's Opinion, the Commission would like to refer to the attached Annex.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Senát and looks forward to continuing the political dialogue in the future.

Yours faithfully,

Frans Timmermans
First Vice-President

Pierre Moscovici
Member of the Commission

<u>Annex</u>

The Commission has carefully considered the views expressed by the Senát in its Opinion and is pleased to offer the following clarifications:

With regard to the Senát's views on the Communication on a European Minister of Economy and Finance {COM(2017) 823 final}, the Commission would like to stress that the main goal of the initiative is to promote transparency and increase democratic accountability of economic policy-making in the European Union. In the Commission's view, democratic accountability and transparency is one of the crucial elements of a strong and stable Union.

The Commission has carefully analysed whether the creation of a European Minister of Economy and Finance would be consistent with the provisions of the current Treaties. According to current rules, the President of the Commission shall decide on its internal organisation and appoint Vice-Presidents, other than the High Representative of the Union for Foreign Affairs and Security Policy, among the Members of the Commission. The Commission's rules of procedure also provide that the President may assign to Members of the Commission special fields of activity with regard to which they are specifically responsible for the preparation of the Commission's work and the implementation of its decisions. In that regard, using the title of European Minister of Economy and Finance for one of the Members of the Commission would be compatible with the mandate given to the President of the Commission. Moreover, in Protocol 14 to the Treaties, the Eurogroup does not set out any condition regarding its President, apart from the duration of the President's mandate. Nevertheless, in a more distant perspective, one could foresee enshrining the figure and the role of the Minister in a revised Treaty.

As for the fiscal and economic surveillance framework, the Commission recalls that it applies the provisions of the Treaty and of the Stability and Growth Pact with the necessary degree of interpretation and institutional discretion within the limits of the Treaty itself. In line with that practice, in its economic coordination package of 23 May 2018, the Commission has issued warnings for two Member States that have been in significant deviation from the required adjustment path toward their medium-term budgetary objective. It also warned five high debt countries that are currently projected not to sufficiently reduce their structural deficits in 2018 and 2019 and would thus remain exposed to possible future shocks, including unexpected increases in real interest rates. The Commission has clearly highlighted the risk of significant deviation in its assessments and will follow this up closely, including in its assessment of the draft budgets for 2019 and when taking further steps in spring 2019.

Concerning the Senát's remarks on the package of legislative proposals and the Communication on budgetary instruments {COM(2017) 822, 825 and 826 final}, the Commission finds that these instruments are balanced, as they are designed to help Member States hit by large asymmetric shocks as well as to foster the implementation of structural reforms, in order to promote Member States' reform efforts. If agreed, those *instruments can be fully operational as of the next Multiannual Financial Framework.*

Specifically, the stabilisation function conceived for the euro area Member States and the Member States participating in the Exchange Rate Mechanism (ERM II), would provide the possibility to activate resources rapidly to deal with shocks that cannot be managed at the national level alone. This would contribute to maintain macroeconomic and financial stability. Only Member States complying with the European Union's surveillance framework during the period preceding the large asymmetric shock would be eligible for access to the stabilisation function. This will avoid moral hazard and create an additional incentive for compliance with sound fiscal and structural policies.

The Commission would like to make clear that the projects financed under the reinforced Structural Reform Support Programme will not overlap with other interventions, as the Structural Reform Support Programme Regulation itself requires that both Member States and the Commission ensure complementarity and synergies with other Union programmes. The Commission has put into place a coordination mechanism with the different services, and in particular the services responsible for European Structural and Investment Funds, which ensures complementarity and avoids overlaps. Member States are also requested to provide information and assurances on the absence of overlaps when proposing their projects to be financed form the Structural Reform Support Programme. Likewise, the Commission would like to reassure the Senát that the Structural Reform Support Programme is essentially demand driven and the participation is and will remain fully voluntary.

Finally, the financial envelope of all discussed budgetary instruments in the 2021-2027 Multiannual Financial Framework will come from a different budget line than the European Structural and Investment Funds. Therefore there is no risk of retreat from the traditional focus of cohesion policy based on the reduction of economic and social disparities within the European Union. Furthermore, the Commission would like to stress that European Union budget measures aimed at reducing disparities and those aimed at promoting structural reforms are interlinked and both contribute undeniably towards fostering sustainable convergence. That objective will remain central also to the new Multiannual Financial Framework.