



## EUROPEAN COMMISSION

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*Mr Claude BARTOLONE  
President of the Assemblée nationale  
Palais Bourbon  
126, rue de l'Université  
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*Dear President,*

*The Commission would like to thank the Assemblée nationale for its Opinion on the governance of the euro area, which refers inter alia to the Five Presidents' Report, to the Communication of the Commission to the European Parliament, the Council and the European Central Bank from 21 October 2015 on steps towards completing Economic and Monetary Union {COM(2015) 600 final} and to the Recommendation for a Council Recommendation on the establishment of National Competitiveness Boards within the Euro Area from 21 October 2015 {COM(2016) 601 final}.*

*The Five Presidents' Report, which was published in June 2015, maps the way ahead to complete Economic and Monetary Union by 2025 at the latest. The report is ambitious, yet pragmatic. Some steps can be implemented immediately and do not require a Treaty change; others will take more time. In order to help ensure a fast and concrete implementation of the next steps, the Commission published its package of measures towards the deepening of Economic and Monetary Union in October 2015, on which the Assemblée nationale has also given its views. This was followed in November by the Commission's proposal for a European Deposit Insurance Scheme.<sup>1</sup>*

*The Commission welcomes the Assemblée nationale's support for moving ahead with steps towards the completion of Economic and Monetary Union and for sharing its views with regard to the short-term and longer-term objectives. It also welcomes the Assemblée nationale's suggestions, for example, in support of simplifying and strengthening the European Semester and to place a stronger emphasis on social issues, and for its support for the creation of national competitiveness boards. The Commission has already taken steps to include social indicators into the Macroeconomic Imbalances Procedure Alert Mechanism Scoreboard to take better into account the analysis of employment and social developments in the Macroeconomic Imbalances Procedure.*

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<sup>1</sup> Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions "Towards the completion of the Banking Union", COM(2015) 587 final.

*Much has also already been done to integrate the macroeconomic and fiscal strands of surveillance and its reporting into the European Semester. The Commission's Annual Growth Survey kicks off the annual process of the European Semester each year, setting out the general economic, fiscal and social priorities for the whole EU for the following year. To strengthen the recovery and foster convergence, the 2016 Annual Growth Survey recommends building on the three pillars of investment, pursuing structural reforms and responsible fiscal policies. With regard to a synthetic indicator capturing macroeconomic imbalances, such as that suggested by the Assemblée nationale, various alternatives were discussed at the time of the Macroeconomic Imbalances Procedure Scoreboards' creation. The origins and characteristics of macroeconomic imbalances are wide ranging and tend to differ significantly across crises. It was therefore decided that one indicator alone could not provide an adequate early warning of all imbalances for the euro area. The choice of indicators in the scoreboard therefore focuses on the most relevant dimensions of macroeconomic imbalances and for this reason includes indicators related to external sustainability, trade performance and competitiveness, private and public debt, financial sector and housing market developments as well as employment and social developments. In the context of the Macroeconomic Imbalances Procedure, the Commission looks at the various types of imbalances, i.e. any trends giving rise to macroeconomic developments which are adversely affecting, or have the potential to adversely affect, the proper functioning of the economy of a Member State or of the economic and monetary union, or of the Union as a whole.*

*In order to strengthen the common euro area dimension to be set by the European Council and facilitate a better integration with the national dimensions of economic governance, the Commission proposed the 2016 euro area recommendations for economic and fiscal policy within the euro area already in November 2015, and they were endorsed by the February European Council. The timing of the recommendations has thus been brought forward. This should contribute to ensuring that common euro area concerns are better reflected in the country-specific recommendations, which come later in the Semester. The recommendations are accompanied by a country report for the euro area which, being published alongside the Annual Growth Survey, provides analytical underpinning for the key policy priorities for the euro area.*

*The 2016 recommendations for the euro area emphasise inter alia the need to pursue policies that foster convergence, facilitate the correction of macroeconomic imbalances, improve adjustment capacity and boost investment. Regarding fiscal policies over the medium term, an emphasis is placed on restoring fiscal buffers while avoiding pro-cyclicality.*

*The Commission also notes the concerns expressed by the Assemblée nationale, in particular regarding the establishment of the European Fiscal Board and welcomes this opportunity to clarify the main issues. Following the Five Presidents' Report, the advisory European Fiscal Board has been set up in a way that it can exercise its mandate in full independence. The Board will be composed of a chair and four Members appointed following a public call for expression of interest, based on merit and experience, and supported by a secretariat. The mission of the Board is to provide an advisory capacity to the exercise of the Commission's functions in the multilateral fiscal surveillance as far as the euro area is concerned, including*

*on the fiscal stance appropriate to the euro area. The Board will cooperate with national fiscal councils across the EU to promote the exchange of best practices and a common understanding on EU fiscal matters. This cooperation will take place on a voluntary basis and in full respect of the independence of all participating entities. This means it will be up to the Board and its national counterparts in the Member States to discuss and agree among themselves the extent and intensity of their cooperation.*

*Finally, the Commission agrees with the need to enhance accountability and ownership of the European Semester at national level, in particular by a closer involvement of national Parliaments. A further streamlining of the European Semester process will allow for strengthening of parliamentary oversight. National Parliaments should be closely involved in the European Semester process at national level, in line with national practices, for instance in the adoption of National Reform and Stability Programmes. National Parliaments also have the right enshrined in the 'Two-Pack' legislation to convene a Commissioner for a presentation of the Commission's opinion e.g. on a draft budgetary plan. In addition, an inter-parliamentary cooperation has been established to bring together European and national actors. The Parliamentary Week is a key opportunity in the economic governance cycle to take stock, exchange the national experiences and ideas how to go forward.*

*The Commission values the engagement of the Assemblée nationale at this stage of the policy making process and hopes that the comments made above address the issues raised by the Assemblée nationale and looks forward to continuing the political dialogue in the future.*

*Yours faithfully,*

*Frans Timmermans  
First Vice-President*

*Valdis Dombrovskis  
Vice-President*