



EUROPEAN COMMISSION

*Brussels, 16.5.2018
C(2018) 2885 final*

Dear President,

The Commission would like to thank the Senato della Repubblica for its Opinion on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support Programme and adapt its general objective {COM(2017) 825 final}, the proposal for a Council Regulation on the establishment of the European Monetary Fund {COM(2017) 827 final}, the proposal for a Council Directive laying down provisions for strengthening fiscal responsibility and the medium-term budgetary orientation in the Member States {COM(2017) 824 final}, the Communication ‘A European Minister of Economy and Finance’ {COM(2017) 823 final}, the Communication ‘New budgetary instruments for a stable euro area within the Union framework’ {COM(2017) 822 final} and the Communication ‘Further steps towards completing Europe’s Economic and Monetary Union: a roadmap’ {COM(2017) 821 final}.

The objective of this package of legislative proposals and communications is to define a roadmap for action and to present concrete measures to move towards the completion of the Economic and Monetary Union, which is one of the priorities of the Commission.

The Commission is pleased that the Senato della Repubblica supports the aim and substantive content of this package. The Commission will present the necessary initiatives for the establishment of new budgetary instruments for a stable euro area within the Union’s legal framework in May 2018, in the context of the broader discussion for the post-2020 Multiannual Financial Framework. This will be a key opportunity to modernise the Union’s public finances to support national reforms and investment.

The Commission also welcomes the Senato della Repubblica’s support for the proposal on the establishment of the European Monetary Fund and the proposal on provisions for strengthening fiscal responsibility and the medium-term budgetary orientation in the

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Member States, and remains hopeful that an agreement between the European Parliament and the Council will be reached in the near future.

The Commission takes seriously the concerns expressed by the Senato della Repubblica as regards the existing rules on budgetary discipline and a possible revision thereof. The Stability and Growth Pact aims to ensure sound public finances across the Union and, if needed, to correct excessive government deficit and debt levels. The Commission applies the rules of the Pact with the necessary degree of interpretation and institutional discretion, within the limits of the Treaties. As indicated in the Commission Communication “Further steps towards completing Europe’s Economic and Monetary Union: a roadmap” adopted on 6 December 2017, stronger economic, fiscal and financial integration, together with market discipline, should pave the way for a review of the European Union fiscal rules in the longer term, with the aim of a substantial simplification by 2025.

In response to the more technical suggestions in the Senato della Repubblica’s Opinion, the Commission would like to refer to the attached Annex.

The Commission hopes that these clarifications address the issues raised by the Senato della Repubblica and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Pierre Moscovici
Member of the Commission*

Annex

The Commission has carefully considered each of the suggestions expressed by the Senato della Repubblica in its Opinion and is pleased to offer the following clarifications.

The aim of the proposal on provisions for strengthening fiscal responsibility and the medium-term budgetary orientation in the Member States is to incorporate the substance of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union in the European Union legal framework in line with the goal set by the Contracting Parties to that Treaty in its Article 16, which provides for taking steps toward such incorporation by 1 January 2018. While some elements of the said Treaty have been incorporated into European Union law by Regulation (EU) No 473/2013, the fiscal core of that Treaty, namely the Fiscal Compact, remained largely outside European Union law. By putting forward this proposal, the Commission seeks to enable the Contracting Parties of the Treaty to fulfil their commitment. At the same time, the Commission is of the view that integrating the Fiscal Compact into European Union law will streamline the overall governance framework in the euro area and potentially the whole Union and ensure more effective and systematic monitoring of implementation and enforcement of fiscal rules at European Union and national level. It would reduce the risk of conflicting requirements created by co-existence of intergovernmental arrangements alongside European Union law. It would also strengthen democratic accountability and legitimacy of the provisions.

With respect to the Senato della Repubblica's remark regarding the absence of any reference to the "investment clause" in the proposal, the Commission would like to recall that the "investment clause" is based on the provisions in the Stability and Growth Pact [Articles 5(1) and 9(1) of Regulation (EC) No 1466/97] concerning the implementation of major structural reforms which have direct long-term positive budgetary effect, including by raising potential sustainable growth. The latter clause is duly factored into the draft directive to ensure its full consistency with the Stability and Growth Pact provisions in this regard.

Concerning the existing rules on budgetary discipline and a possible revision thereof, the Commission is committed to applying the rules laid down in the Stability and Growth Pact. In particular, the Commission Communication of 13 January 2015 on "Making the best use of flexibility within the existing rules of the Stability and Growth Pact"¹, on the basis of which the Council decided on the implementation of flexibility within the Pact, as reflected in the commonly agreed position confirmed by the Economic and Financial Affairs Council of 12 February 2016, provided further guidance on the best possible use of the flexibility that is built into the existing rules of the Pact. In addition, the Commission has made efforts to increase transparency and reduce complexity in the implementation of the rules. The Commission Communication of 21 October 2015 on

¹ COM(2015) 12 final.

“Steps towards completing the Economic and Monetary Union”² outlined a number of specific initiatives and proposals to that effect, which have since been implemented in close cooperation with the Member States.

Lastly, with regard to the Senato della Repubblica's remark that a significant increase in public and private investment in Europe would support growth in the euro area, the Commission would like to recall that in 2017, the European Plan for Strategic Investment approved 717 transactions, mobilising EUR 257 billion, or 82% of its original EUR 315 billion target. The overall target is well on track to be attained in the coming months. The transactions cover all the Member States and are expected to benefit some 540,000 small and medium-sized enterprises and mid-cap companies. In December 2017, the European Parliament and the Council adopted the Regulation extending and enhancing the European Fund for Strategic Investments³. This regulation extends the European Fund for Strategic Investments in terms of both duration and financial capacity, targeting the mobilisation of at least half a trillion euros of investments by 2020. It also introduces a number of operational improvements to take account of lessons learned from the first year of implementation: the amended Regulation governing the European Fund for Strategic Investments will provide more transparency on investment decisions, more detailed definition of additionality, and greater focus on sustainable projects, even more support for smaller companies and continuity for investors and businesses. Furthermore, the Commission is currently working on an additional and even more policy-oriented investment support scheme under the next Multiannual Financial Framework.

² COM(2015) 600 final.

³ Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub.