

European
Commission

Deepening Europe's Economic and Monetary Union

May
2019

TOWARDS A MORE UNITED, STRONGER AND MORE DEMOCRATIC UNION



'I want to continue with the reform of our Economic and Monetary Union to preserve the stability of our single currency and to enhance the convergence of economic, fiscal and labour market policies between the Member States that share the single currency.'

President Jean-Claude Juncker's Political Guidelines, Strasbourg, **22 October 2014**

The economic and financial crisis that hit Europe did not start in the euro area, but laid bare some of its institutional weaknesses. This is why the Juncker Commission made the completion of a deep and fair Economic and Monetary Union one of the 10 political priorities for its mandate. This is a means to an end: more jobs, growth, investment, social fairness and macroeconomic stability for the members of the euro area as well as for the EU as a whole. Significant progress has been made, but more remains to be done.

ACHIEVEMENTS

The Juncker Commission has delivered concrete measures to deepen Europe's Economic and Monetary Union. These follow up on the **Five Presidents' Report** of June 2015, the **White Paper on the Future of Europe** of March 2017, and the thematic **Reflection Papers on the Deepening of the Economic and Monetary Union and the Future of EU Finances** of May 2017. In December 2017, the Commission presented a comprehensive **roadmap** to further enhance the unity, efficiency and democratic accountability of the Economic and Monetary Union.

Economic Union:

- ✓ Macroeconomic Imbalances Procedure: early identification of threats to economic stability
- ✓ **Revamped European Semester: streamlined and strengthened, more emphasis on social issues**
- ✓ **Euro area recommendations: more focus on euro area priorities**
- ✓ **Structural Reform Support Service: technical support for reforms in the Member States**
- ✓ **European Pillar of Social Rights: key principles to support fair and well-functioning labour markets and welfare systems**
- ✓ **Social impact assessment: carried out for the latest stability support programme for Greece**
- ✓ **National Productivity Boards: monitoring productivity and competitiveness developments**
- ✓ **Proposals to establish dedicated budgetary instruments to strengthen Europe's Economic and Monetary Union**

Financial Union:

- ✓ Single Rulebook: *harmonised rules for a more resilient, more transparent and more efficient European financial sector, including the Banking Package - a comprehensive set of reforms that will further strengthen the resilience and the resolvability of EU banks*
- ✓ Harmonised rules for deposit insurance: deposits protected up to €100 000 per customer and per bank
- ✓ Single Supervisory Mechanism/Single Resolution Mechanism: centralised supervision and resolution of banks in the euro area
- ✓ **Capital Markets Union: new rules that will strengthen the Economic and Monetary Union and the international role of the euro by promoting capital mobility and private risk sharing. Capital Markets Union will also strengthen access to finance by boosting market-based funding, in particular for innovation and start-ups**

Fiscal Union:

- ✓ Financial support for Member States in difficulty: various rescue funds leading to the European Stability Mechanism
- ✓ 2-Pack/6-Pack legislation: stronger budgetary surveillance and focus on debt
- ✓ **European Fiscal Board: independent advice on the implementation of EU fiscal rules and euro area fiscal stance**
- ✓ **Simplifying fiscal rules: greater focus on the public expenditure benchmark**
- ✓ **Flexibility within the Stability and Growth Pact: to support investment and reforms and to better reflect economic cycles**

Democratic accountability and strong institutions:

- ✓ **Increased ownership: intensified dialogue with the European Parliament, national Parliaments, national Governments and stakeholders**
- ✓ **New start for EU social dialogue: more opportunities for social partners at all levels to discuss priorities**
- ✓ **Stronger focus on the international role of the euro and proposal to strengthen the external representation of the euro**
- ✓ **Proposals to integrate intergovernmental entities into the law of the EU and to strengthen efficiency and accountability through a European Minister of Economy and Finance**

adopted after the crisis (2010-2014)
done/initiated during the Juncker Commission

ONGOING WORK

Work on some of these measures put forward is still ongoing.

BUDGETARY INSTRUMENT FOR THE EURO AREA

✓ In May 2018, the Commission proposed dedicated budgetary instruments for the Economic and Monetary Union as part of the future EU budget for 2021-2027. In December 2018, Heads of State or Government tasked the Eurogroup to develop a budgetary instrument for convergence and competitiveness on the basis of the Commission's proposal. Discussions have been ongoing in the Eurogroup since January to prepare the decisions of the Euro Summit in June 2019.

ADDRESSING NON-PERFORMING LOANS

✓ The ratio of non-performing loans decreased by one third since 2014 in the EU and in the euro area and is now approaching pre-crisis levels. The Commission has put forward a comprehensive set of measures to reduce the level of existing non-performing loans and to prevent the build-up of non-performing loans in the future. While parts of this package are agreed, one measure on secondary market for NPLs is still pending.

CAPITAL MARKETS UNION

✓ The Capital Markets Union contributes to stability and resilience of the financial system and aims to get money - investments and savings - to flow more easily across the EU so that it can benefit consumers, companies and investors in a sustainable way. It is an integral part of the Juncker Commission's ambition to return growth to Europe and sustain it. The European Parliament and the Council have now agreed 11 out of 13 legislative proposals.

FURTHER STRENGTHENING THE ROLE OF THE EURO IN THE WORLD

✓ In December 2018, the Commission outlined the benefits of a strengthened international role of the euro for the EU and the international financial system, and proposed initiatives to boost the role of the single currency. Completing the Capital Markets Union is essential in this context. As part of this effort, the Commission also adopted a Recommendation on the international role of the euro in the field of energy, promoting a wider use of the euro in this strategic sector.

A COMMON BACKSTOP FOR THE SINGLE RESOLUTION FUND

✓ The Euro Summit in December 2018 endorsed the terms of reference of the common backstop to the Single Resolution Fund, which set out how the backstop will be operationalised, and anticipated provided sufficient progress has been made in risk reduction, to be assessed in 2020. It also endorsed the term sheet on the European Stability Mechanism reform which should be completed shortly.

EUROPEAN DEPOSIT INSURANCE SCHEME

✓ The Commission proposed in 2015 a common depositor protection scheme for the euro area, alongside other measures to complete the Banking Union. Putting this in place - over time - is essential for increased trust and resilience of the banking system and the common currency. The Commission suggested a way forward in October 2017. The Eurogroup established a High-level group which will report back by June 2019.

INTEGRATING THE SUBSTANCE OF THE TREATY ON STABILITY, COORDINATION AND GOVERNANCE IN THE UNION LEGAL FRAMEWORK

✓ Integrating this Treaty into the law of the EU will provide for continuous and improved monitoring as part of the overall EU economic governance framework. The proposal takes into account the appropriate flexibility built into the Stability and Growth Pact and identified by the Commission since January 2015.



