



## Completing Europe's Economic and Monetary Union: Commission takes concrete steps to strengthen EMU

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### Commission implements Stage 1 of "Five Presidents' Report"

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Europe's Economic and Monetary Union (EMU) is in much better shape today than it was before the financial crisis. However, despite progress, particularly as regards reinforcement of the economic governance and the launch of the Banking Union, the EMU remains incomplete. Divergence in economic performance across the euro area is significant. With close to 18 million unemployed and many within our societies exposed to risks of social exclusion, more needs to be done to turn the euro area into a fully robust construction. The European Commission now implements concrete measures to move beyond the necessary crisis management of recent years towards a stronger and complete union; towards a union that is built on a lasting, fair and democratically legitimate basis for the future and that contributes to more jobs, growth and prosperity for all citizens. This is the message of the "[Five Presidents' Report](#)", which will be implemented in several stages to complete the EMU within the coming ten years.

Following the presentation of the "Five Presidents' Report" by the Presidents of the Commission, the Euro Summit, the Eurogroup, the European Central Bank and the European Parliament, the Commission launched Stage 1 ("Deepening by doing") of the process of completing EMU on [1 July 2015](#). It follows up today with concrete measures to begin the implementation of the ambitious plan to deepen EMU.

The package of measures adopted by the College of Commissioners entails a **revised approach to the European Semester**, including through enhanced democratic dialogue and further improved economic governance, such as the introduction of **national Competitiveness Boards** and an **advisory European Fiscal Board**; a **more unified representation** of the euro area in international financial institutions, especially the IMF. It also specifies the steps towards completing the Banking Union, notably via a **European Deposit Insurance Guarantee Scheme** and measures to further reduce risk in the banking system.

**Valdis Dombrovskis**, Vice-President for the Euro and Social Dialogue, said: *"Europe's Economic and Monetary Union needs strong foundations, not least to be more resilient to future shocks and withstand the global challenges ahead of us. Today, we propose tangible steps towards improving the EU's economic governance rules, which were last strengthened in the immediate aftermath of the crisis. We have the rules, we need to use them better. Looking ahead, we will have to use the next two years to shape consensus for more far-reaching changes that will be needed to complete our Economic and Monetary Union."*

Commissioner **Pierre Moscovici**, responsible for Economic and Financial Affairs, Taxation and Customs, said: *"Today's package is about restarting economic and social convergence in our currency union. The next phase will be about political convergence and democratic renewal."*

The package agreed by the College of Commissioners contributes to a stronger EMU. Specifically, it includes:

#### 1) The External Representation of the Euro Area

The external representation of the euro area has not kept up with the currency area's increasing economic and financial weight. For instance, while the US dollar has a single strong representative in international economic and financial fora, the Member States of the euro area do not speak with one voice. The Commission therefore outlines a roadmap towards allowing euro area Member States to speak with one voice for their common interest. In particular, the [Commission proposes](#) to move to a unified representation for the euro area in the International Monetary Fund with the President of the Eurogroup as the representative for the euro area. The Commission proposes achieving this goal in several stages (outlined [here](#)).

#### 2) Steps towards a Financial Union

Besides progress in economic governance, completing the Banking Union is an indispensable step towards a full and deep EMU. In spite of the progress made, banks and sovereigns in the euro area are still too interlinked. Completing Banking Union requires implementing the already agreed legislation and further measures to reinforce financial stability.

A common system for deposit insurance is still the missing piece of the Banking Union. As President **Jean-Claude Juncker** said in his [State of the Union](#) speech, the Commission will present before the end of the year a legislative proposal on the first steps towards a European Deposit Insurance Scheme (EDIS), in order to create a more European system that is disconnected from government purses. This will ensure that citizens can be certain of the safety of their deposits independent of their geographical location. The Commission will propose a system based on reinsurance, which will keep in place the Member States' national schemes. Today's package will be complemented by a legislative proposal later in the year.

The Commission also remains committed to further reducing risks and ensuring a level playing field in the banking sector and limiting the bank-sovereign feedback loop. Finally, alongside the completion of the Banking Union, the [Capital Markets Union](#) is a key priority.

### **3) A Revamped European Semester**

The Juncker Commission has already substantially streamlined the European Semester in its first year in office, enabling more genuine dialogue with the Member States by publishing Country Reports already in February, three months before the Country-Specific Recommendations were finalised. In future, discussions and recommendations for the euro area as a whole will be held first, before country-specific discussions, so that common challenges are addressed coherently by all.

Employment and social aspects will feature strongly in the Semester and in the process to deepen EMU. Social partners should play a central part here. The Commission will also ensure that social fairness gets greater attention in new macroeconomic adjustment programmes, as it did for Greece, where the Commission also prepared its first [social impact assessment](#).

### **4) Improving the tools of economic governance**

The economic governance framework has deepened and widened in scope over the past years, but has also gained in complexity. President Juncker committed in his [Political Guidelines](#) to a "stability-oriented review" of the **"six-pack" and "two-pack" legislation**. This legislation is still recent and the Commission would like to see more evidence and experience with the reformed governance structure before deciding on the need for further legislative changes. Building on what has been achieved so far, the Commission will propose practical improvements to consolidate practices and improve the transparency, predictability and thus effectiveness of existing rules. In order to complement and reinforce the economic toolbox, the Commission is also proposing, in line with the "Five Presidents' Report", to establish **national Competitiveness Boards** as well as an advisory **European Fiscal Board**.

#### **National Competitiveness Boards**

The Commission recommends to the Council to recommend to Member States to establish national Competitiveness Boards in charge of tracking performance and policies in the field of competitiveness. The Boards' set-up should respect a set of minimum criteria, which account for the diversity among Member States, and fully respect the role of the social partners.

#### **European Fiscal Board**

The Commission is setting up an independent advisory European Fiscal Board to i) evaluate the implementation of the EU fiscal framework, ii) advise on the fiscal stance appropriate for the euro area as a whole, iii) cooperate with the national fiscal councils of the Member States and iv) provide ad-hoc advice on the request of the President.

The Board will be a functionally independent body composed of five experts, hosted by the Commission.

#### **Next Steps**

The "Five Presidents' Report" sets out three different stages for completing the EMU. Today's package addresses Stage 1, and preparations for Stage 2:

- **Stage 1**, or "Deepening by Doing" (1 July 2015 - 30 June 2017): using existing instruments and the current Treaties to boost competitiveness and structural convergence, achieving responsible fiscal policies at national and euro area level, completing the Financial Union and enhancing democratic accountability.

- **Stage 2**, or "Completing EMU": more far-reaching actions will be launched to make the convergence process more binding, through for example a set of commonly agreed benchmarks for convergence

which would be of legal nature, as well as a euro area Treasury.

- **Final Stage** (at the latest by 2025): once all the steps are fully in place, a deep and genuine EMU would provide stability and prosperity for all citizens of the EU Member States that share the single currency, attractive for other EU Member States to join if they are ready to do so.

To prepare the transition from Stage 1 to Stage 2, the Commission will present a **White Paper** in spring 2017 outlining the next steps needed, including legal measures to complete EMU in Stage 2. This White Paper will be **prepared in consultation with the Presidents of the other EU institutions**. To prepare it and to stimulate a broad-based debate, the Commission will facilitate discussions and public debates across the EU. In mid-2016, the Commission will establish an Expert Group to explore the legal, economic and political preconditions that will inform the more long-term proposals as outlined in the "Five Presidents' Report".

## Background

Delivering a deeper and fairer Economic and Monetary Union is one of the 10 priorities of President Juncker in his [Political Guidelines](#). The ["Five Presidents' Report"](#), presented on 22 June 2015, is the basis for achieving this aim within the next decade. The report was prepared at the request of the Summit of euro area leaders of October 2014 and the European Council of December 2014.

The "Five Presidents' Report" proposes an ambitious yet pragmatic roadmap for completing EMU by making progress on four fronts in parallel: Firstly, towards a genuine Economic Union that ensures each economy has the structural features to prosper within the Monetary Union. Secondly, towards a Financial Union that guarantees the integrity of our currency across the Monetary Union by limiting risks to financial stability and increasing risk-sharing with the private sector. Thirdly, towards a Fiscal Union that delivers both fiscal sustainability and fiscal stabilisation. And finally, towards a Political Union that provides the foundation for all of the above through genuine democratic accountability, legitimacy and institutional strengthening.

## For more information:

[Memo](#): Completing Economic Monetary Union – Questions and Answers

[Factsheet 1](#): The external representation of the euro

[Factsheet 2](#): A system of national Competitiveness Boards

[Factsheet 3](#): An advisory European Fiscal Board

[Factsheet 4](#): Completing the Banking Union

[Factsheet 5](#): A revamped European Semester

[Communication from the Commission to the European Parliament, the Council and the European Central Bank on steps towards completing Economic and Monetary Union](#)

[Commission decision establishing an independent advisory European Fiscal Board](#)

[Recommendation for a Council recommendation on the establishment of National Competitiveness Boards within the Euro Area](#)

[Communication from the Commission to the European Parliament, the Council and the European Central Bank on a roadmap for moving towards a more consistent external representation of the euro area in international fora](#)

[Proposal for a Council decision on laying down measures in view of progressively establishing unified representation of the euro area in the International Monetary Fund](#)

["Five Presidents' Report"](#)

[Press Release](#): "Five Presidents' Report" sets out plan for strengthening Europe's Economic and Monetary Union from 1 July 2015

[Analytical Note](#) by President Jean-Claude Juncker in close cooperation with Presidents Donald Tusk, Jeroen Dijsselbloem and Mario Draghi "Preparing for Next Steps on Better Economic Governance in the Euro Area"

[Timeline](#): The Evolution of EU Economic Governance in Historical Context

[Memo](#): The EU's economic governance explained

[EU economic governance](#)

[European Political Strategy Centre \(EPSC\) Strategic Note](#): "The Social Dimension of Economic and Monetary Union"

[EPSC Strategic Note](#): "The Euro Plus Pact - How Integration into the EU Framework can Give New

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