Towards a genuine Economic and Monetary Union

2012/2151(INL) - 20/11/2012 - Text adopted by Parliament, single reading

The European Parliament adopted by 482 votes to 160 with 35 abstentions a resolution with recommendations to the Commission on the report of the Presidents of the European Council, the European Central Bank and the Eurogroup "Towards a genuine Economic and Monetary Union". It states that the time has come for the political leaders of and within the Union to demonstrate their determination, creativity, courage, resilience and leadership to remove the remaining deficiencies that continue to hamper the proper functioning of the EMU. Furthermore, the intergovernmental method has reached its limits and is not well suited for democratic and efficient decision-making in 21st century. A leap should be made towards a truly federal Europe.

Parliament considers it necessary to **place the governance of the Economic and Monetary Union (EMU) within the institutional framework of the Union**, which is a precondition for its effectiveness and for filling the current political gap between national politics and European policies. Members call on all institutions to proceed swiftly by **maximising the possibilities given by the existing Treaties** and their elements of flexibility and at the same time to prepare for the necessary Treaty changes in order to guarantee legal certainty and democratic legitimacy. They reiterate that the **option of a new intergovernmental agreement should be excluded**.

Members consider that a **substantial improvement of the democratic legitimacy** and accountability at Union level of the EMU governance by an increased role of Parliament as an absolute necessity and a precondition for any further step toward a banking union, a fiscal union and an economic union.

National parliaments are invited to engage in the process of preparing their governments' fiscal and reform plans before their submission to the Union.

Proposals for acts: the Commission is invited to submit to Parliament as soon as possible after consultation of all interested parties, with Parliament being a co-legislator, proposals for acts on following the detailed recommendations:

1) Integrated financial framework:

Single supervisory mechanism:

- Parliament recommends that the current Commission proposals on the single European supervisory mechanism should be adopted as soon as possible to ensure the effective application of prudential rules, risk control and crisis prevention concerning credit institutions throughout the Union. The legal basis, form and content of the proposal should provide for the possibility of full participation of all Member States in the European single supervisory mechanism, in a form which ensures the full involvement in the decision making process of the participating Member States whose currency is not the euro. Participation of euro area Member States in the European supervisory mechanism should be mandatory.

- The proposal should be subject to democratic and extensive scrutiny by the European Parliament, within the boundaries of the Treaties.

- The single supervisory mechanism needs to be accountable to the European Parliament and the Council for the actions and decisions taken in the field of European supervision and should report to the competent committee of the European Parliament. That requires, inter alia, Parliamentary approval of the chairman or chairwoman of the supervisory board of the single supervisory mechanism selected after an open selection procedure.

Mechanisms relating to deposit guarantees:

- The Commission is called on to do everything possible to ensure that the legislative procedure relating to the recast directive on Deposit Guarantee Schemes can be completed as soon as possible on the basis of the European Parliament's position of 16 February 2012.
- Stringent requirements should apply to all deposit guarantee schemes in the Union in order to achieve the same comprehensive protection and the same stability of deposit guarantee schemes and guarantee a level playing field. Options for a single European deposit guarantee fund with functioning deposit guarantee schemes backed by appropriate levels of funding, which therefore enhance credibility and investor confidence, should be explored, once an effective resolution scheme and an effective single supervisory mechanism are working.

Recovery and resolution of credit institutions:

- The current proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms should be adopted as soon as possible in order to create a European scheme for the application of resolution measures and open up in the medium term the creation of a single European recovery and resolution regime.
- Recovery and resolution schemes, as well as deposit guarantee schemes, should have a strong financial, in the first place ex-ante, structure built on contributions from industry.

2) An integrated fiscal framework:

- the Commission should be required to implement effectively the compromises that will be reached in the context of the two-pack trilogue negotiations between the European Parliament and the Council;
- on the basis of an assessment of the experience with its implementation and in accordance with the TEU and the TFEU, the **Fiscal Compact** should be transposed into secondary Union legislation as soon as possible;
- more must be done to **coordinate systems of taxation**, and to address harmful tax competition between Member States which is clearly against the logic of an internal market;
- the time has come to engage in a progressive return to a situation in which the EU Budget is financed by **genuine own resources**, which would relieve national budgets accordingly. When formulating policy options, the Commission and the Council should be required to take into account the positions of the European Parliament on the multi-annual financial framework and own resources;
- there should be a **gradual roll-over of excessive debt into a redemption fund** based on the proposal of the German Economic Council of Experts, which foresees the temporary creation of a fund that would be fed with all the debt over 60 % of Member states which fulfil certain criteria; the debt being redeemed over a period of about 25 years;
- the **European Stability Mechanism (ESM)** should evolve towards Community-method management and be made accountable to the European Parliament. Key decisions, such as the granting of financial assistance to a Member State and the conclusion of memorandums, should be subject to proper scrutiny of the European Parliament. The Troika appointed to ensure the

implementation of the memorandums should be heard in the European Parliament before taking up duties and should be subject to regular reporting and democratic scrutiny to the European Parliament.

3) An integrated economic policy framework:

Better ex-ante coordination of economic policy and improving the European Semester:

- The Commission should ensure that the compromises that will be reached in the context of the **two-pack** trilogue negotiations between the European Parliament and the Council will be implemented effectively;
- Union instruments for **European social protection and minimum social standards** should be diligently explored, including for tackling Youth unemployment, such as a European youth guarantee;
- The Commission should put forward proposals immediately in accordance with the ordinary legislative procedure to translate into secondary legislation the commitments of the Heads of State or Government on 28 June 2012 for a "**Growth and Job compact**";
- The economic coordination framework should take due account of the commitment of the Member State to "**pursuing differentiated growth-friendly fiscal consolidation**, respecting the SGP and taking into account country-specific circumstances" and to promote "**investment into future-oriented areas** directly related to the economy's growth potential";
- The **European Semester** should involve the European Parliament and national parliaments and should be improved taking into account the following points: i) to ensure the close linking of the national reform programmes (NRPs) and national stability programmes (NSPs) should be closely linked; ii) greater synergy between Union and Member State budgets in view of achieving the targets of the Europe-2020 strategy; iii) involvement of regional and local authorities as well as partners in the planning and implementation of relevant programmes should be increased; iv) provision by the Member States of information which is as detailed as possible on the measures and instruments provided for in the national reform programmes to attain the national objectives set.

Social pact for Europe: the **promotion of high employment and the guarantee of adequate social protection** have to be taken into account in defining and implementing the policies and activities of the Union. The specific rules for a binding supervision of the budgetary discipline in the euro area can and should complement fiscal and macroeconomic benchmarks with **employment and social benchmarks**. A social pact for Europe should be set up to promote: i) youth employment, including initiatives such as a European youth guarantee; ii) high quality and appropriate financing of public services; iii) decent living wages; iv) access to affordable and social housing; v) a social protection floor to guarantee universal access to essential health services regardless of income; vi) the implementation of a social protocol to protect fundamental social and labour rights; vii) equal pay and equal rights for work of equal value for all.

Parliament also makes a s**eries of recommendations relating to strengthening democratic legitimacy and accountability**. In particular:

- Ecofin and the Eurogroup should be required to transmit to the European Parliament key internal documents, agendas and background material in advance of their meetings; in addition, the president of the Eurogroup should regularly appear before the European Parliament, e.g. in the form of hearings to be organised under the auspices of the European Parliament's Committee for Economic and Monetary Affairs;
- the President of the European Parliament should be invited to participate **in the European Council meetings and the euro area summits**;

- when new competences are transferred to or created at Union level or when new Union institutions are established, a corresponding democratic control by, and accountability to, the European Parliament should be ensured.