Budgetary capacity for the Eurozone

2015/2344(INI) - 13/02/2017 - Committee report tabled for plenary, single reading

The Committee on Budgets adopted jointly with the Committee on Economic and Monetary Affairs an own-initiative report by Reimer BÖGE (EPP, DE) and Pervenche BERÈS (S&D, FR) on budgetary capacity for the Eurozone.

The Committee on Constitutional Affairs exercising its prerogative as an associated committee by virtue of Rule 54 of Parliament's Rules of Procedure, also gave an opinion on this report.

The restoration of trust in the euro area requires the completion of the Banking Union, a strengthened fiscal framework with a capacity to absorb shocks and incentives for growth-friendly structural reforms to complement current monetary policy measures.

Members considered that **increased fiscal capacity will contribute to restoring the trust of the financial market** in the sustainability of public finances in the euro area.

Three pillars: fiscal capacity for convergence and stabilisation of the euro area shall include the European Stability Mechanism (ESM) and a specific additional budgetary capacity for the euro area. It is based on three pillars:

- ***Pillar 1: the convergence code***: beside the Stability and Growth Pact, the convergence code, adopted under the ordinary legislative procedure and taking into account the country-specific recommendations, should focus for a five-year period on convergence criteria regarding taxation, labour market, investment, productivity, social cohesion, and public administrative and good governance capacities within the existing Treaties. A euro-area fiscal capacity should be complemented by a long-term strategy for debt sustainability and debt reduction and enhancing growth and investment in euro-area countries.
- ***Pillar 2: absorption of asymmetric shocks***: differences in the business cycles of euro-area Member States stemming from structural differences or a general economic vulnerability create a need to address asymmetric shocks. Members consider that the stabilisation provided through the ESM /EMF should be complemented by automatic shock absorption mechanisms. Stabilisation must incentivise good practices and avoid moral hazard.
- ***Pillar 3: absorption of symmetric shocks***: in the case of symmetric shocks brought about by a lack of internal demand, monetary policy alone cannot reignite growth. The euro-area budget should be of sufficient size to address these symmetric shocks by funding investment aimed at aggregating demand and full employment.

Governance and democratic accountability: Members stated that the Community method should prevail in economic governance for the euro area. The European Parliament and national parliaments should exercise a strengthened role in the renewed economic governance framework in order to reinforce democratic accountability. The positions of President of the Eurogroup and Commissioner for Economic and Financial Affairs could be merged, and in such case the President of the Commission should appoint this Commissioner as Vice-President of the Commission.

This finance minister and treasury within the Commission should be fully democratically accountable and equipped with all necessary means to apply the existing economic governance framework and to optimise the development of the euro area in cooperation with the ministers of finance of the euro-area Member States.

The European Parliament should review its rules and organisation to ensure the full democratic accountability of the fiscal capacity to MEPs from participating Member States.

The Commission is asked to come forward with a **White Paper** with an ambitious core chapter on the euro area and the respective legislative proposals in 2017 by using all means within the existing Treaties.

For its part, Members recommended that Parliament declares its readiness to finalise all legislative measures that do not require Treaty changes by the end of the current mandate of the Commission and the European Parliament and to set the stage for the necessary Treaty changes required in the medium and long term to make a sustainable euro area possible.