European Monetary Institute EMI. 1st annual 1994 Report

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The first annual report by the European Monetary Institute (EMI) to the European Parliament, the Council, the Commission and the European Council summarises all the areas which come within its jurisdiction and provides an overview of its conceptions and activities. The report outlines the monetary and financial situation in the Community and goes on to describe the activities of the EMI and present its annual accounts. It also examines progress made towards convergence, the stage reached in work to prepare for stage 3 and the institutional characteristics of the national central banks. - Chapter I of the report describes and analyses the main economic, financial and monetary developments in the Union in 1993-1994, highlighting the implications of these developments with respect to achieving and maintaining price stability. The report notes that significant progress has been made in this direction over the past two years. In addition, according to the EMI, there will be clearer prospects of growth in 1995 for all 15 Member States of the Union and the EU's balance of payments should continue to improve. However, there are still serious problems, viz. the high level of structural unemployment and the high public-sector deficit and public debt. First, price stability has still not been achieved in all the Member States of the European Union and, with the current general economic recovery, it will be hard to make any headway in this direction and the monetary authorities will need to remain vigilant. Secondly, the state of public finances in numerous Member States gives cause for concern. Generally-speaking, wage rises must be moderated and active measures taken in order to reduce the public debt to within manageable limits and foster sustainable, non-inflationary growth. Finally, the EMI reaffirms that, at the moment, there is hardly a country in the EU which meets the convergence criteria, mainly due to their budgetary situation. However, even though too little progress has been made with convergence, the EMI considers that, if the structural challenges and the challenges raised by the present economic climate are taken up, the Member States of the European Union should continue to converge. - Chapter II describes the role of the EMI in the area of cooperation and coordination during stage 2 and in preparatory work for stage 3: . the EMI's task in stage 2 is to improve the coordination of monetary policy in the Member States in a bid to achieve price stability. It acts as a forum for discussing and exchanging views on monetary issues and the national authorities alone continue to be responsible for implementing policy; . as far as preparations for stage 3 are concerned, the conditions required, as far as regulation, organisation and infrastructure are concerned, so that the European System of Central Banks can do its job, need to be specified by the end of 1996 at the latest. Given the limited time available, the Council of the EMI has structured its activities around a general programme which it will use as a guide in order to organise, monitor and evaluate the activities of its staff, sub-committees and working parties. - Chapter III deals with the institutional characteristics of the central banks, especially in the light of the provisions of the Treaty which seek to ensure that they remain independent in the performance of their duties. It also sets out the planned changes in this area. This chapter also deals with the EMI's duty to monitor the central banks' compliance with the provisions of the Treaty prohibiting funding of the public sector and its privileged access to financial institutions.