



Congreso de los Diputados



REUNIÓN DE PRESIDENTES DE COMISIONES DE FINANZAS DEL PARLAMENTO EUROPEO Y DE LOS PARLAMENTOS DE LOS ESTADOS MIEMBROS.

Dublín, 24 y 25 de febrero de 2013

Los días 24 y 25 de febrero de 2013 se desplazó a Dublín el Presidente de la Comisión de Economía y Competitividad del Congreso de los Diputados, D. Santiago Lanzuela Marina, acompañado de la Letrada de la Comisión, Dña. Mónica Moreno Fernández- Santa Cruz. Por el Senado acudieron también a la reunión la Vicepresidenta de la Comisión de Economía y Competitividad, Dña. Isabel García Jiménez y la Letrada de la misma, Dña. María Teresa González Escudero.

El día 24 tuvo lugar una cena de bienvenida ofrecida por el Presidente de la Comisión Mixta de Finanzas, Gasto Público y Reforma del Parlamento Irlandés, Oireachtas, Mr. Ciarán Lynch T.D., en Farmleigh House, Phoenix Park.

El día 25 a las 8.15 horas, en el Castillo de Dublín, se inició la reunión con unas palabras de bienvenida de **Mr. Ciarán, Presidente de la Comisión de Finanzas irlandesa**, que introdujo el tema: *"Estrategias de futuro para integración, crecimiento y mejor control presupuestario"*. Se refirió al semestre europeo y a las medidas tomadas para salir de la crisis y mejorar la gobernanza económica europea. Trató especialmente el tema del desempleo juvenil y la importancia de caminar hacia el pleno empleo y el crecimiento. Hay que evitar que vuelva a afectarnos una crisis como la presente. Señaló también la conveniencia de pasar de hablar únicamente de austeridad y consolidación a hablar de crecimiento y prosperidad. Aprovechó también para agradecer el trabajo a la presidencia chipriota, concretamente al Presidente Papadoulou allí presente. A continuación dio la palabra a **Mr. Olli Rhen, Vicepresidente y Comisario de la Unión Europea para Economía, Asuntos monetarios y el Euro**. Éste quiso resaltar los esfuerzos realizados por Irlanda durante la crisis, que la han ayudado a salir de la misma y volver a los mercados. El esfuerzo, dijo, ha valido la pena y los bonos irlandeses se colocan ahora con mucha menos dificultad que hace un año. Las autoridades irlandesas han reestablecido la confianza. El debate del futuro sobre la Unión económica y monetaria debe incardinarse en el mundo real y a este respecto los últimos indicadores publicados por la Comisión reflejan una situación dualista. En general, la confianza mejora y las condiciones del crédito en los mercados financieros, sobre todo de la deuda soberana, también. España, que definió aún como un cuello de botella para el crecimiento, continúa con dificultades para financiar las pymes, pese a que mejoran las exportaciones. Sin embargo, por otro lado, en el último trimestre del año pasado la recesión se ha agravado en Europa con un crecimiento del PIB



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de la UE de un 0%, aunque se esperan repuntes a partir del segundo trimestre, esperando llegar a un 1.6 de crecimiento este año. No hay que bajar la guardia sobre las reformas necesarias para garantizar crecimiento y empleo. Las finanzas públicas deberían arrojar mejoras en los dos próximos años y el déficit debería estar por debajo del 3% del PIB en la zona euro el próximo año. Las previsiones a medio plazo para la economía europea reflejan los ajustes de los estados miembros, pero se espera una mejora y hay que evitar que los desequilibrios de la última década vuelvan a producirse. La peor noticia, señaló, es el mercado laboral. El debate sobre el futuro de la Unión Europea no puede enfocarse sólo a las instituciones sino también, y fundamentalmente, al crecimiento y el empleo. Hay que encontrar una solución para el crecimiento sostenible y garantizar una unión monetaria sólida, creando prosperidad y empleo, mejorando la inversión pública y privada. El presupuesto europeo contempla por ello con relevancia la inversión en i+d e infraestructuras. Además, señaló, hay que completar la reforma del sector financiero, conseguir que fluya el crédito y restaurar el crecimiento que debe ser sostenible y verde en garantía de las generaciones futuras. La sostenibilidad fiscal y la consolidación, tema que provoca intensos debates, son un reto que debe conseguirse, ya que sin duda cuando la deuda llega al 90% se convierte en un problema. Hoy Europa mejora, aún con un déficit de casi el 4% en la zona euro, pero los esfuerzos van a tener resultados. Finalmente insistió en que hay que reconstruir la Unión económica y monetaria y ya se han tomado muchas medidas en el marco del semestre europeo, como el presupuesto europeo o el six pack, que tratan de prevenir los desequilibrios macroeconómicos y las divergencias en competitividad. La crisis ha mostrado la realidad de la interdependencia económica en la Unión Europea. El pasado noviembre la Comisión presentó un documento (*blueprint*) que contempla medidas para incrementar la solidaridad y la integración política y económica en un paso más hacia la unión bancaria. Hay que reforzar el papel e intervención de los Parlamentos nacionales en las políticas europeas, señaló, ya que es en ellos donde se legitiman las medidas democráticamente y donde los ciudadanos controlan a los gobernantes. En cinco años la UE debe moverse a otro estado de integración, especialmente en la eurozona, y esto pasa por una nueva e inevitable cesión de soberanía en garantía de una Unión reforzada y con un futuro exitoso.

Seguidamente **Mr. Michael Noonan, Ministro de Finanzas de Irlanda**, tomó la palabra dando la enhorabuena a la Comisión Europea por el trabajo realizado en estos años críticos. La Unión debe desarrollarse, ya que la experiencia de los últimos años ha demostrado problemas en el bienestar y el crecimiento. Aunque el Banco Central es responsable de la política monetaria, la política económica nacional tiene efecto en el resto de los estados miembros y tras los efectos de la crisis, y sus causas, es evidente que hay que prevenir los desequilibrios fiscales y económicos que han causado algunos de los estados más importantes de la Unión Europea. Pronto seremos 28 estados miembros y el sistema institucional debe ser respaldado unánimemente por todos, debe haber un amplio



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acuerdo y hay que transmitir a los ciudadanos la necesidad de emprender cambios. Las medidas adoptadas han devuelto confianza al sistema, la Estrategia 2020, el Semestre europeo, el pacto fiscal y el six pack son esenciales, ya que traerán convergencia entre los socios europeos, crecimiento y empleo. La presidencia irlandesa ha tenido como meta conseguir acuerdos amplios y sólidos, en tiempos tan difíciles, siendo el mayor logro el movimiento hacia una auténtica unión bancaria, que tenga un sistema de supervisión que evite los problemas del pasado. La unión bancaria debe ser una realidad. Hay que progresar también en la legitimidad democrática y otras cuestiones reflejadas en el *blueprint*. Como ha señalado Van Rompuy aún queda mucho que hacer en materia euro, la relación entre deuda soberana y sistema bancario debe llevar a un mercado monetario y bancario más fuerte que evite los problemas que han ocasionado los desequilibrios y que no se vuelvan a repetir.

Tras estas intervenciones se abrió un debate entre los intervinientes, poniéndose de manifiesto la conveniencia de que la Comisión y el Consejo, en futuras discusiones, trataran sobre la participación de los ciudadanos europeos en las cuestiones presupuestarias que les afectan más directamente. Se destacó también la necesidad de profundizar en los temas relacionados con energía, i+d+i, lucha contra la pobreza, problemas sociales... ya que la estructura presupuestaria aún no lo contempla todo; también se trató sobre la reforma del sector bancario para evitar la contracción crediticia ya que los bancos prefieren los mercados financieros a la economía real, con los que las empresas no obtienen crédito. Se abordó la importancia del sistema de garantía de depósitos bancarios para garantizar la estabilidad europea y se recordó la importancia de la participación de los parlamentos nacionales y europeo para legitimidad democrática. Finalmente se puso de manifiesto que la crisis no ha venido de países determinados sino del conjunto de la Unión Europea, y que no puede buscarse como culpable uno u otro país, la coordinación es aún débil y la euro zona está en recesión, con países como Alemania que están empezando a sufrir, pero la austeridad no puede dominar sobre el crecimiento y el empleo.

El **Comisario Rhen** señaló, tras agradecer todas las opiniones, que los últimos acuerdos políticos han sido muy importantes para garantizar y reforzar la Unión Europea. Señaló su acuerdo con todo lo manifestado para fomentar el crecimiento económico y el empleo, así como que hay que acabar de reestructurar el sector bancario y financiero. Puso como ejemplo a EEUU, que en plena crisis reparó su sistema financiero y permitió recuperar el crédito y la economía, lo que hemos hecho en Europa, si bien la Unión Europea es más compleja. Destacó que España ha hecho los deberes y está mejorando, como lo hace Europa en general.

Mr. Noonan respondió que no creía que austeridad sea incompatible con crecimiento y empleo, ya que son la oferta y la demanda las que generan crecimiento. Hay



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que recortar costes y mejorar los productos y así la oferta generará demanda y llevará al crecimiento y pleno empleo, algo que no debe ser incompatible con la austeridad. Lo que no es lógico, concluyó, es conectar déficit sobre déficit pensando que esto lleva al crecimiento y tampoco podemos centrarnos sólo en la demanda porque esto es precisamente una de las causas de los problemas.

Tras la pausa café se inició la segunda sesión, “Apoyando crecimiento y reforma, el marco financiero hasta 2020”.

Introdujo el debate **Mr. Janusz Lewandowski, Comisario Europeo para programación financiera y presupuestos**, que señaló que es muy importante lanzar una serie de nuevos programas estructurales en materias como desarrollo e innovación, siendo necesario un amplio acuerdo en la orientación de los presupuestos nacionales y europeo hacia el crecimiento y el empleo. Seguidamente dio la palabra al **Profesor Whelan, de la Universidad de Berlín**, que se refirió a los programas de austeridad y consolidación fiscal emprendidos en Europa para atajar la elevada deuda pública y privada que ha llevado a algunos países, como España, Portugal, Grecia o Irlanda a una crisis más profunda. Esa consolidación fiscal enmarcada en una austeridad y recorte de gasto público se paliaba en teoría con un incremento de la confianza en los mercados que solucionaría los problemas rápidamente. Sin embargo el resultado no ha sido satisfactorio, quizá haya que reconocer, dijo, que la medicina que Alemania aplicó en tiempos de sólido crecimiento para ella no sea la más adecuada para los países que están sufriendo graves problemas, pues la bajada de salarios y la contracción del consumo interno dificultan el crecimiento.

Seguidamente se abrió un debate entre los asistentes en el que se destacó la importancia de que los ciudadanos de los estados miembros sepan cómo se gastan sus impuestos en el presupuesto europeo, por ello sus gobiernos deben dar cuenta ante los parlamentos que los representan. El **Sr. Lamassoure, Presidente de la Comisión de Presupuestos del Parlamento Europeo**, señaló que el presupuesto europeo debe ser más flexible, poder reaccionar a tiempo, contener una cláusula de revisión a medio plazo y cortar el cordón umbilical entre financiación proveniente de los presupuestos nacionales y presupuesto europeo. El **Sr. Lewandowski** recordó que el 80% del gasto es responsabilidad de los estados miembros y que lo que se gasta debe controlarse a nivel nacional y europeo, pero que poner demasiados controles también cuesta dinero y el Tribunal de Cuentas ha advertido que no estamos ante un problema de control sino de exceso de reglamentación, las excesivas reglas provocan errores continuos. En su opinión, debe haber también un control nacional y Bélgica es un buen modelo. Se refirió a la necesidad de simplificar el IVA y hacerlo más sencillo. También señaló que el dilema entre austeridad o crecimiento está unido a los estímulos fiscales. Hay que tener una cierta estabilidad entre gastos e ingresos, hay que movilizar el capital privado en energía,



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comunicaciones y transportes, y aliviar el presupuesto europeo. La Europa de 27 y Croacia es una Europa llena de retos, pero la austeridad nos acerca a la realidad y debemos encontrar la manera de crecer sobre el equilibrio, concluyó. En este punto tomó la palabra el representante de Croacia que agradeció el apoyo para su próxima incorporación y quiso destacar que para ellos cohesión y agricultura son fondos muy importantes.

A las 14.15 horas comenzó la tercera sesión de trabajo, sobre “el papel de los Parlamentos en el contexto de la gobernanza económica de la Unión europea”.

Mr. Howlin, Ministro irlandés de gasto público y reforma, señaló que el papel de las comisiones parlamentarias nacionales es muy importante en las políticas europeas, un trabajo diario que acerca la política europea a los ciudadanos. Su propia experiencia le lleva a plantear como aprovechar mejor el trabajo de las comisiones parlamentarias, un tema fundamental para Irlanda en su Presidencia. Señaló que Irlanda ha modificado recientemente su normativa para reforzar la planificación y el control presupuestario. La supervisión parlamentaria es vital para garantizar la responsabilidad fiscal y el gobierno debe garantizar que las reformas económicas y presupuestarias se respetan.

El Profesor Halleberg, de la Escuela de Gobernanza Hertie de Berlín, habló de la marcha del semestre europeo y de la necesidad de una mayor implicación de los parlamentos nacionales, por ejemplo el two pack y otras medidas no se han debatido ante ellos. Los parlamentos nacionales no siempre saben lo que los gobiernos acuerdan en Bruselas y por ello hay que replantear cuál debe ser su papel en la política europea. Hay que determinar si deben intervenir en pleno o en comisión, y cuál de estas deben ser competentes; también debería debatirse sobre las recomendaciones ex post del Consejo a los estados miembros. Se han hecho distintos estudios sobre este tema, sobre en qué parlamentos se llevan a cabo debates en comisión o en pleno, y se ve que muchas veces interviene la comisión sobre asuntos europeos, pero no la de empleo, o finanzas, según las distintas materias, además las comisiones sobre asuntos europeos suelen intervenir ex post cuando deberían intervenir ex ante.

Tras estas intervenciones se abrió un debate en el que se puso de relieve la importancia de los parlamentos nacionales para supervisar la materia presupuestaria y económica, siendo necesario coordinar los institutos de estadística de cada país con el europeo para tener datos reales y evitar disfuncionalidades. Se señaló que pese a la importancia del artículo 13 del Tratado y la necesaria mejora de la legitimidad democrática, en ningún caso puede retrasarse la decisión europea. Se señaló también la oportunidad de que los comisarios europeos puedan comparecer ante los parlamentos nacionales.



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Finalmente **Mr. Lynch, Presidente de la Comisión de Finanzas, gasto público y reforma del Parlamento irlandés (Oireachtas)** agradeció la presencia de todos los asistentes y tras un breve resumen de lo debatido puso fin a la reunión a las 15.28 h.

Palacio del Congreso de los Diputados, a 15 de abril de 2013.

Mónica Moreno Fernández-Santa Cruz
Letrada de la Comisión de Economía y Competitividad



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Uachtaránacht na hÉireann ar
Chomhairle an Aontais Eorpaigh
An Ghné Pharlaiminteach

Irish Presidency of the
Council of the European Union
Parliamentary Dimension

REUNION DES PRESIDENTS DES COMMISSIONS DES FINANCES

Château de Dublin, Les 24 et 25 février 2013

PROGRAMME

Dimanche 24 février 2013

- | | |
|---------------|--|
| 15h00 à 18h15 | Ouverture du bureau d'inscription à l'hôtel Herbert Park, Ballsbridge, Dublin 4 |
| 18h30 | Départ en bus de l'hôtel Herbert Park pour Farmleigh House, Phoenix Park |
| 19h00 | Réception d'accueil |
| 20h00 | Dîner présidé par Mr. Ciarán Lynch T.D., Président de la Commission mixte des Finances, des Dépenses publiques et de la Réforme du Parlement irlandais |
| 22h30 | Retour en bus à l'hôtel Herbert Park |

Lundi 25 février 2013

Lieu de réunion : Centre de Conférence, Château de Dublin

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| 7h20 | Départ en bus pour le Château de Dublin |
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Discours d'ouverture

8h15 Discours de bienvenue de Mr. Ciarán Lynch T.D., Président de la Commission mixte des Finances, des Dépenses publiques et de la Réforme du Parlement irlandais

Thème de la réunion : Stratégies futures d'intégration, de croissance et de meilleur contrôle budgétaire

08h20 Photo de groupe

Première séance

8h30 Discours d'ouverture des intervenants principaux :

- (i) Mr. Olli Rehn, vice-président de la Commission Européenne, chargé des Affaires économiques et monétaires et de l'Euro
- (ii) Mr. Michael Noonan, T.D., ministre irlandais des Finances

Thème de la discussion: Evolution future de l'Union économique et monétaire

Débat

10h10 Pause-café

Deuxième séance

11h00 Présentation de :

- (i) Mr. Janusz Lewandowski, Commissaire chargé de la programmation financière et du budget de l'UE et de
- (iii) Mr. Karl Whelan, Professeur d'économie à University College Dublin



Thème de la discussion : Aider la croissance et la réforme - les bases financières de l'Europe d'ici à 2020

Débat

12h45

Buffet-déjeuner

dans la grande salle du Château de Dublin

Troisième séance

14h15

Présentation de :

- (i) Mr. Brendan Howlin T.D., Ministre des Dépenses publiques et de la Réforme et de
- (ii) Professeur Mark Hallerberg, Hertie School of Governance, Berlin

Thème de la discussion: Rôle des parlements dans le contexte de la gouvernance économique de l'UE

Débat

Discours de clôture

15h45

Mr. Ciarán Lynch T.D., Président de la Commission mixte des Finances, des Dépenses publiques et de la Réforme du Parlement irlandais

16h00

Fin de la réunion - Départ en bus du Château de Dublin pour l'hôtel Herbert Park





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An Ghné Pharlaiminteach

Irish Presidency of the
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Parliamentary Dimension

MEETING OF CHAIRPERSONS OF FINANCE COMMITTEES

Dublin Castle, 24-25 February 2013

PROGRAMME

Sunday, 24 February 2013

- 15:00 - 18:15 Registration desk open at the Herbert Park Hotel, Ballsbridge, Dublin 4.
- 18:30 Departure by bus from the Herbert Park Hotel to Farmleigh House, Phoenix Park
- 19:00 Welcome reception/Tour of Farmleigh House (optional)
- 20:00 Dinner hosted by Mr. Ciarán Lynch T.D., Chairman to the Oireachtas Joint Committee on Finance, Public Expenditure and Reform
- 22:30 Return by bus to the Herbert Park Hotel.

Monday, 25 February 2013

Venue: Conference Centre, Dublin Castle

07:20 Departure by bus from the Herbert Park Hotel to Dublin Castle

Opening address

08:15 Welcome by Mr. Ciarán Lynch T.D., Chairman to the Oireachtas Joint Committee on Finance, Public Expenditure and Reform

Theme of Meeting: Future Strategies for Integration, Growth and Better Budgetary Control

08:20 **Family Photo**





Session 1

Topic: The Future Evolution of Economic and Monetary Union

08.30 Address by keynote speakers:

- (i) Mr. Olli Rehn, Vice President, Commissioner for Economic and Monetary Affairs and the Euro (15 mins)
- (ii) Mr Michael Noonan, T.D., Minister for Finance (15 mins)

Debate

10.10 **Coffee Break**

Session 2

Topic: Supporting Growth and Reform - the EU Financial Framework up to 2020

11:00 Presentation by:

- (i) Mr Janusz Lewandowski, European Commissioner for Financial Programming and Budget (15 mins)
- (ii) Mr. Karl Whelan, Professor of Economics, University College Dublin (15 mins)

Debate

12:45 **Buffet Lunch** - Venue Castle Hall, Dublin Castle.

Session 3

Topic: EU Economic Governance and the Role of Parliaments

14:15 Presentation by:

- (i) Mr. Brendan Howlin T.D., Minister for Public Expenditure and Reform (15 mins)
- (ii) Professor Mark Hallerberg, Hertie School of Governance, Berlin (15 mins)

Debate

Closing Address

15:45 Mr. Ciarán Lynch T.D., Chairman to the Oireachtas Joint Committee on Finance, Public Expenditure and Reform

16.00 Departure by bus from Dublin Castle to the Herbert Park Hotel



Address by Minister Brian Hayes, T.D.
Minister of State at the Department of Public Expenditure and Reform
Finance/Public Expenditure and Reform Committee Conference
For EU Finance Committee Chairs and Members
Monday 25th February 2013
Dublin Castle

Chairman,

It is indeed an honour for me to have the opportunity to address today's meeting, which brings together the chairpersons of the Parliamentary Finance Committees from across Europe. Oversight of the public finances, and of the annual budgetary process, goes to the heart of democratic accountability in any nation. Wars have been fought and revolutions have been founded upon such matters in ages past! You, ladies and gentlemen, represent the parliamentary supremacy in overseeing the national finances, and in bestowing legitimacy and authority upon all the budgetary actions and processes of governments. Today, the work of parliamentary finance committees is a fundamental, and routine, part of a country's annual and multi-annual procedures. As we know in Ireland, it is perhaps only when matters of controversy, and topical issues of interest, come to be tackled by Committees that the public are reminded of this important instrument of democracy. But the everyday work of your committees provides the assurance, which citizens require, that the workings of government are being scrutinised and that accountability is being exercised.

In my own view and experience, both as a member of Ireland's lower house of parliament and as a Minister of State, there are several ways in which the work of parliamentary budget committees can be, and should be, enhanced. I would like to take the opportunity this afternoon to reflect upon the many budgetary process reforms that are now underway at both a European and domestic level. This is obviously a very topical issue and with our current Presidency of the Council of the EU, Ireland will be playing a constructive role. I look forward to our discussion today and to hearing your views on these issues.

Overview of Domestic Budgetary Reforms

This Government has now been in office for 2 years. During this short time, we have introduced a number of budgetary reforms aimed at enhancing the openness and transparency of the budgetary framework and improving expenditure management across Departments.

In order to promote well-planned, sustainable and efficient spending, we introduced a Medium Term Expenditure Framework in the *Comprehensive Expenditure Report 2012-2014*, published in December 2011. The medium-term framework sets out fixed spending allocations for the next three years for each Department and promotes the responsible management of expenditure by all Departments through the use of incentives and transparent reporting requirements. Medium-term forward planning of this nature provides an opportunity for all stakeholders, and especially national parliaments, to step up their level of engagement in the national debate upon budget priorities.

In my experience, parliamentary committees need to know not just how much money is being spent. You need to know what is being delivered, how efficiently, and with what impact upon public service outcomes. That is why the Irish Government has placed increased emphasis upon the performance and delivery of services right across the public sector. We have modernised the annual Estimates process, building performance information into the heart of the budgetary documentation. This is in keeping with the broader Government commitment that performance information should feed into the decision-making process at all levels, and that active performance management should be a key feature of how projects are delivered and continually evaluated within the public service. It goes to the

heart of parliamentary oversight that Ministers and public service managers should be held accountable against clear targets set out in the budget.

In November 2012 my colleague, the Minister for Finance, introduced the *Fiscal Responsibility Act 2012* which came into effect on 31st December 2012. The Act imposes a duty on the Government to ensure that the budgetary rule and the debt rule, introduced as part of wider EU fiscal reforms, are complied with. The Act also puts the role of the Irish Fiscal Advisory Council on a statutory basis. The Council has been assigned the monitoring and assessment functions required of an independent national institution under the Fiscal Compact Treaty and going forward macro-economic forecasts must be independently endorsed by the Council. The reports of the independent Fiscal Council provide another useful perspective for the parliamentary committees in assessing how well the Government is managing the public finances.

Aside from these domestic reforms that have now been introduced, Ireland is committed to adhering to and implementing the wider fiscal reform measures that have been introduced across EU member states. In particular and with reference to the topic of today's discussion, let me turn to the recent introduction of the European Semester and the importance of this reform for national governments and parliaments and for the Union as a whole, in the context of the economic challenges that we all face, and that you have discussed at this morning's session.

The European Semester under the Irish Presidency

In January 2013, Ireland commenced its 7th EU Presidency. This year ushers in a new phase in the European Union's drive for recovery. The crisis revealed how closely linked European economies are and how we must work to respond to the

common problems we face. We, in the Union, must ensure that we structure our framework to match the reality of our increasingly interconnected economies. Furthermore, we must seek to strengthen our governance and invest in growth and job creation. Ireland will bring to this six-month term in office, our experience in securing fiscal and economic stability and we will play an active part in driving a pro-growth and pro-employment agenda across Europe. Equally important to the Irish Presidency is the establishment of more durable foundations for European economic and monetary stability, including the further development of the European Semester process.

As you are aware, the European Semester was first proposed by the European Commission in 2010 as a response to the economic crisis and was introduced across all member states in 2011. The aim of the Semester is to coordinate the annual cycle of economic policies across member states and to ensure that discussions regarding fiscal policy, macroeconomic imbalances, financial sector issues, and growth-enhancing structural reforms take place before governments draw up their draft budgets and submit them to national parliamentary debate in the second half of the year.

The Semester process has been in place for just over a year now and while the 2012 process worked well, improvements could be introduced to enhance it. The Cypriot Presidency prepared a Synthesis Report on the lessons learned during the Semester, based on discussions within various Council formations. The Irish Presidency has taken into account the findings of the Synthesis Report and has prepared a roadmap for the 2013 Semester, which was presented to the General Affairs Council on 11 December 2012. A number of key procedural improvements were identified in the roadmap, including the need for the greater involvement of

parliaments, both at European and national levels, as well as other relevant stakeholders.

During our tenure as Presidency of the Council, Ireland will seek to implement the Roadmap and to act in accordance with the recommendations contained in the 2012 Synthesis Report. It is also intended that the Irish Presidency, working in co-operation with the Council Secretariat, will prepare a synthesis report of Ministerial discussions at sectoral Councils regarding the Annual Growth Survey and the delivery of the Europe 2020 programme. This will be presented at the Spring European Council and will provide an opportunity to focus attention on actions that need to be taken by the EU and Member States to support economic recovery in Europe together with the jobs and growth agenda.

The “two-pack”, which has just been agreed at EU level, reinforces the European Semester process and introduces a common budgetary timeline for all Euro-area Member States both in relation to the publication of the national budget and the enactment of the legislation. Under the terms of the “two-pack,” member states will be required to publish their national draft budget no later than mid-October each year and the corresponding legislation must be passed by 31 December each year. The precise implications of this arrangement for Ireland’s traditional budgetary process are now being examined.

Democratic accountability and Legitimacy

All of these EU-wide governance reforms will mean little unless they are accompanied by stronger vigilance and oversight at the national level. It is crucial that both the national and European Parliaments are involved in order to ensure that further integration is conferred with democratic legitimacy and accountability.

The President of the European Council, Mr Herman Van Rompuy, has correctly identified democratic accountability as one of the four ‘pillars’ of economic and monetary integration.

The European Council in its December Conclusions also highlighted the importance of ensuring democratic legitimacy and accountability throughout the process of reform. The Conclusions stated that at the national level, moves towards further integration of the fiscal and economic policy frameworks would require Member States to ensure the appropriate involvement of their parliaments.

This approach is one which the Irish Government is strongly committed to. We have already introduced reform initiatives to step up the involvement of Oireachtas Committees in the annual Estimates process.

Whole of Year Budgeting and the role of Oireachtas Committees

In December 2011, my colleague the Minister for Public Expenditure & Reform, Brendan Howlin, announced a new ‘whole of year budgeting’ process as a key component of the new Medium Term Expenditure Framework. As part of the Medium Term Framework, multi-annual expenditure ceilings are set out for each Minister and Department and these ceilings form the basis upon which the Estimates process proceeds each year. On 28 September 2012, the Government published the *Ministers & Secretaries (Amendment) Act 2012* which will put the Ministerial expenditure ceilings onto a statutory footing, once it is enacted.

The ‘whole of year budgeting’ process enables Oireachtas Committees to participate in the annual Estimates process in an *ex-ante* fashion with Departments, from the early part of each year – rather than wait until detailed Estimates are

published, and discuss these Estimates in an *ex post* fashion. Committees are now in a position to engage with Ministers and their Departments to exchange views on how the fixed allocations for future years should be allocated to best effect. These perspectives can then be taken into account by Government as the Estimates allocations are considered over the remainder of the year.

As the annual Estimates process becomes more advanced, Oireachtas Committees will have further opportunities to engage on specific policy proposals. The Committees will be informed by the range of Value-For-Money Reviews and focused policy analyses generated on an ongoing basis as part of the Government's new Public Spending Code. The Estimates for the coming year will then be published as part of the annual Budget process having been informed by the input of the Oireachtas Committees over the preceding year.

Concluding Remarks

A core principle running through the reforms that our Government has recently introduced is that, in a democracy, better decisions are made when policy-makers are held to account, and when the policy making process is subject to parliamentary oversight, analysis and participation.

This new whole of year budgeting process is in keeping with the evolving EU economic governance framework and I will continue to actively encourage the engagement of Oireachtas Committees throughout the annual budgetary process.

The overall package of reforms introduced in Ireland – including the medium term framework, multi-annual expenditure ceilings, fiscal rules and the independent Fiscal Advisory Council – will complement the new EU economic governance

framework. Naturally, processes and procedures are not a substitute for political decision-making. Governments right across Europe will still have to introduce difficult measures in the short term, in order to secure our longer term prosperity, and budgetary reforms will make those decisions no less difficult and no less painful. Nevertheless, the budgetary correction process is a national endeavour, and collectively we can make the most rational and well-considered choices when all the perspectives in the national parliament are focused upon this objective: when economic issues, social impacts and matters of equity are brought into the open and debated. That, in my view, is the real benefit of the budgetary reforms we have been discussing.

I am conscious, however, that I am in the presence of distinguished chairpersons of parliamentary committees from right across Europe, and indeed distinguished academics, and I have no doubt that your experience and your expertise can shed further light upon the future directions for reform in this area. Let me conclude therefore by welcoming you warmly once again to Dublin, and by wishing you well on today's discussions which I have no doubt will prove insightful and productive. I look forward to participating in a stimulating debate.

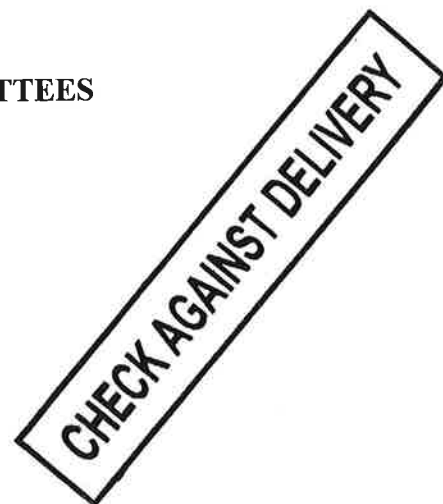
Thank you.

MEETING OF CHAIRPERSONS OF FINANCE COMMITTEES

Dublin Castle, 24-25 February 2013

Evolution of Economic and Monetary Union

Address by Minister for Finance, Michael Noonan



Good morning everyone,

I am happy to be here for this session on the future of economic and monetary union in the European Union. This is an important topic during Ireland's Presidency and I look forward to the discussion and debate. I want to thank Commissioner Rehn, not only for his clear words just now, but also for the good work that the Commission has been doing over the last few years in relation to the challenges facing the EMU.

The economic and financial crisis has demonstrated that the architecture of the Economic and Monetary Union is not perfect. Cracks in the system became all too painfully obvious when it was tested by the enormous strains of recent times and, over the coming years, the Union will have to develop the ways and means of strengthening the underpinnings of our shared currency.

The last few years have made it crystal clear that the stability and well-being of the euro area and the entire European Union are inextricably linked to the stability and wellbeing of our currency.

Weakness, instability and uncertainty surrounding our common currency have had a markedly negative impact upon Member States.

It has become increasingly clear that the euro needs to be grounded on the foundations of a strengthened Economic and Monetary Union. Together with President Van Rompuy, and the valuable input of the Commission, we are in the process of carefully assessing what needs to be done.

Only then will we move to determining how best to take those steps forward. It is critically important that we get this right. EMU is a core project of the European Union and if these reforms do not succeed the EU itself may not endure.

Lead up to the crisis

I do not propose going into the detail of the history of the development of economic and monetary union. However I would like to draw some conclusions on what we can learn from the past – even from the very recent past.

Before the crisis, there seemed to be a fairly clear structure with respect to Economic Governance within the EU. The Central Bank was responsible for monetary policy and the governments of the member states were responsible for economic policy, including fiscal policy.

The Treaties established a loose framework seeking to ensure national fiscal discipline and the coordination of economic policy more generally for all members of the European Union.

Although Eurozone governments recognised that national economic policy had an impact on the economies of other member states, it is evident that they did not appreciate the strength of these feedback loops and the ultimate effect on their own economies.

The Stability and Growth Pact was the main instrument for co-ordination of Member States national fiscal policies in EMU, but regrettably it was not enforced consistently.

Furthermore, the system of economic governance did not give adequate regard to preventing large fiscal and economic imbalances building up in individual Member States.

And not only that, but essential structural reforms were postponed in a period of growth for many Member States, resulting in weaknesses which now need to be addressed.

Response of the EU to the Crisis

The EU has often been criticised for its slow response to the crisis in terms of introducing improved economic governance measures. In my opinion this is unfair.

The scale and depth of the crisis was unprecedented and required remedies that would have been practically inconceivable at the time.

In terms of institutional reform, we have a European Union of 27 Member States and, soon to be 28. In addition, we cannot forget the role of the European Parliament in the governance process of the Union. Change has to be agreed – it cannot be imposed and implementation takes time.

If we see that reforms are needed, we all want to have them implemented swiftly, we want a quick overall solution. However, the changes that have been adopted have political consequences for all Member States, both long-term and –often - immediate, and political and public agreement to them is essential.

There is a crucial job to be done by all Ministers to convince their citizens of the need for change – for example – to have external oversight of their budget processes where none may have existed previously.

These are important and - for many countries - difficult changes, and they need to be recognised as such.

So contrary to the criticisms of many, Europe is acting across a number of fronts in response to the crisis.

We have set up the EFSF and its successor the ESM to help Member States in difficulty.

There have also been various important and targeted interventions by the European Central Bank.

And we need to deliver on what has already been committed to – to break the vicious cycle between banking and sovereign debt. Our focus continues to be on delivering what was agreed by the Heads of State and Government, including the decision made on 29 June, 2012.

These commitments were vital in giving certainty to the markets and are important for the credibility of Europe as a whole.

Economic Governance

As I have already briefly touched on, the previous economic governance system was inadequate in that it was too narrow in its scope and did not lead to the identification of emerging problems and imbalances in time to head off the crisis or reduce its effects.

It is only when we look to the governance structures that were in place before the crisis that we can see how much has been achieved, particularly in the past 18 months.

The EU and its Member States have taken a series of important decisions that will strengthen economic and budgetary coordination for the EU as a whole, and for the euro area in particular. These reforms have been multifaceted in nature.

The main reform process began with EU2020, the EU's growth strategy for the decade which aims to make the EU a smart, sustainable and inclusive economy. This was followed by the European Semester to which was added the Euro Plus Pact and the so-called 'six-pack' which came into effect on 13 December 2011.

The effectiveness of the 'six-pack' has also been bolstered by the Fiscal Compact which requires contracting parties to ensure convergence towards the country specific medium term objective as defined in the Stability and Growth Pact.

The 'two-pack', on which political agreement was secured by the Irish Presidency last week, is a significant and welcome further enhancement of the economic governance architecture for euro area Member States and is in many respects a natural extension of the 'six-pack'.

Agreement in this dossier has been a priority of the Irish Presidency, following the mandate from the December European Council, which called for the 'rapid adoption' of the measures.

The agreement will now go forward for formal approval by Member States' ambassadors and the regulations will subsequently be formally agreed by the European Parliament

and the Council before being adopted by member states.

Effective management of the European Semester is also an important element of the Irish Presidency and our implementation of the Presidency Roadmap for the 2013 Semester will help us to ensure that the process will be both efficient and effective.

Banking Union

Perhaps the greatest development in the response to the economic and financial crisis has been the move towards Banking Union. We need effective banking supervision at the level of the Eurozone and the EU. We need deposit insurance and a bank resolution scheme at a European level. We need agreement on the Capital Requirements Directive (CRD IV).

The Irish Presidency is giving absolute priority to all files relating to the promotion of the Banking Union, along the lines of the priorities outlined by the European Council.

The first real step to a European Banking Union to break the link between sovereigns and banks was in December when Finance Ministers reached an important agreement on the creation of a Single Supervisory Mechanism. This is a major step towards ensuring financial stability, and thus facilitating growth.

Political agreement now needs to be reached with the European Parliament so that the overall agreement can come into force. This is being pursued vigorously by the Irish Presidency.

We are also working hard to ensure that the remaining next pillars - Capital Requirements Directive (CRD IV) and harmonised resolution and deposit guarantee schemes are put in place as soon as possible. Proposals for a single resolution mechanism are also to be developed by the Commission.

Once full banking union is in place, the direct link between the sovereign and the banking system should be fully broken, thus ensuring a more stable euro-area in the future.

Next Steps

But this is one important element of a wider effort. The “Four Presidents” paper of December entitled “Towards a Genuine Economic and Monetary Union” has laid out four

areas of necessary progress – more integration in our financial, budgetary and economic policy frameworks and enhanced democratic legitimacy and accountability. Thoughts on the way forward were also helped greatly by the Commission's Blueprint, which was published at around the same time.

I very much welcome the respective contributions of President Van Rompuy and the Commission on the next steps in relation to strengthening EMU.

As agreed by Heads of State and Government at the European Council in December, a number of issues on deeper integration of the EMU, including ex ante policy coordination and the idea of contractual arrangements, will be further examined by the June European Council.

These are wide ranging and complex issues, and I welcome President Van Rompuy's efforts to make the process as transparent as possible. Discussions at national level have just started on these issues and specific proposals are still to be tabled. Many Member States have yet to develop a formal position.

At recent council meetings, views appeared to converge more on the issue of ex ante coordination, while more uncertainty and diverging views were noted on the issue of mutually agreed contracts and even more so on solidarity mechanisms.

The contractual commitments proposed will warrant further consideration. These ideas need to be examined so we can be clear on what might be involved. They raise many questions and complex issues, but yet they may ultimately have a contribution to make.

Enhancement of democratic legitimacy

Before I conclude I would like to comment on the proposals on economic and monetary union on the enhancement of democratic legitimacy as part of that process. As a parliamentarian I believe that we need to strengthen our institutions at European level that we ensure that they do not become more remote from our citizens. In fact the opposite must be the case.

In Ireland, we have direct experience of the risks of people feeling disconnected from decision-making at a European level. There is of course a tension between acting quickly and decisively, and engaging in wide, open-ended consultation. But democratic

legitimacy and accountability cannot be an afterthought. They are part of our shared European values, but they are also a crucial underpinning of the long-term stability of the whole system. Any agreed changes require democratic debate and agreement. The role of our own parliament and the European Parliament is central to this debate.

The Irish Presidency will continue to work closely with President Van Rompuy as he explores options for the further evolution of EMU, one that offers a suitable response to the great challenges that we face.

The process leading up to the June European Council presents us with an opportunity to take stock of the important progress we have made in recent months, and to outline a vision for a prosperous future for the European Union. A strengthened Economic and Monetary Union is critical to the stability and wellbeing of the euro area and indeed the entire European Union. We have been tested, and the pressures brought to bear on EMU have been almost unprecedented, but do not doubt for one second that our economic and monetary union will emerge stronger, clearer and more sustainable from this crisis.

The challenge now for European leaders is to put in place the policies we have already agreed upon, and those that are still urgently needed to ensure that the confidence which has returned in the euro will remain well into the future, and to put all member states, large and small, on a stable trajectory towards growth and prosperity in a closer, more solid, more balanced union. And we, as Presidency, will be at the forefront of these efforts.

Thank you

Karl Whelan (University College Dublin).

Supporting Growth and Reform in the EU

Talk at the Meeting of EU Finance Chairpersons, Dublin Castle, February 25, 2013

The headline for this session is “Supporting Growth and Reform” and I’ll get around to those two topics. I want to start somewhere else though: Debt.

Debt, Martians, Belt-Tightening and Tail-Chasing

If you ask senior policy makers around the world what the leading economic problem is, many of them will answer “Debt”. They will point to the sovereign debt crisis in Europe and the overhang of large amounts of private debt. They will point to high levels of public debt in the US and also in Japan. The world, it appears sometimes, is drowning in debt.

But take a step back for a minute. Who is it the world owes this debt to? Have we opened up financial dealings with Mars and gotten ourselves into debt to the Martians? The truth is the people of the world owe these debts to themselves. One person’s debts are another person’s assets.

A similar pattern applies when thinking about solutions to the world’s debt problems. For many, what is needed is simple. If a government is living beyond its means, then it must tighten its belt and spend less than it is taking in as tax. Similarly, a private household with debt problems needs to follow the example of the well-known Swabian housewife and learn how to balance its books.

This seemingly simple prescription turns out to be less simple when you examine it from a macroeconomic perspective. In Principles of Macroeconomics we teach that, in a closed economy, income equals spending. With so many economies around the world focused on cutting spending, the risk is that the primary effect is just to cut income. The global economy right now looks a lot like a dog expending great effort chasing its tail.

Current Accounts and Wage Adjustments

Of course, in any individual open economy, it is possible to have spending less than income. This happens when an economy runs a current account surplus. This explains why many economists have focused on the role played by current accounts in resolving the euro crisis.

Countries such as Ireland, Spain, Portugal and Greece all began the crisis with sizeable current account deficits and large public and private debt problems. When sovereign and private debt markets changed their minds about the desirability of further lending to these countries, governments, businesses and households were all placed under serious pressure to run down their debt levels. While these debt-distressed countries have made progress in improving their current account positions, they are generally stuck in recession and it’s not clear that any are on a path that would significantly reduce their combined debt burdens anytime soon.

Euro membership makes adjustment to the required current account surpluses for these countries all the harder. In theory, it’s easy to recommend a return to surpluses via simply lowering spending.

In reality, most spending in most economies is on local goods and services, so policies based on lowering spending tend to produce a slump that limits progress on improving the current account.

Large turnarounds in current account balances generally require a shift in competitiveness that re-allocates domestic and foreign spending towards locally-produced goods. And, exchange rate adjustment has usually been a key policy tool to ensure this re-allocation.

In the absence of exchange rate adjustments, the improvement in competitiveness in Europe's troubled economies is relying largely on adjustment in wage costs. But euro membership also makes it difficult to make fast progress on wage competitiveness. Against a background rate of an average inflation rate of two percent for the euro area as a whole, a fast pace of improvement in cost competitiveness for debt-stressed countries would require significant wage cuts.

Nominal wage cuts, however, are extremely difficult to agree. And this isn't simply a phenomenon restricted to over-regulated labour markets. For example, research has shown that, even in the US, many firms would prefer to reduce wage costs by eliminating some staff rather than affect morale and productivity by introducing across-the-board wage cuts.

In the context of peripheral Europe, it's also worth noting that wage cuts will only further exacerbate debt sustainability problems in the private sector, thus limiting the progress in solving the underlying problems in these economies.

Confidence Fairies and Supply-Side Reforms

With public and private sectors cutting spending, cost competitiveness only improving slowly and the global economy doing poorly, where is the growth for debt-distressed economies supposed to come from?

Not long ago, the popular theme among Europe's leaders was that budget cuts would restore economic growth by boosting confidence among households, firms and financial markets. Experience has not been kind to this story, instead favouring the traditional Keynesian interpretation that fiscal contraction is, well, contractionary.

In recent years, European leaders have adopted a different story about where growth will come from. This narrative accepts that fiscal adjustment has a negative impact on the economy but emphasises that the impetus for growth will come from positive supply-side reforms.

As a mainstream economist, I agree that many of the Eurozone countries currently in difficulty could benefit over time from supply-side reforms in product markets and labour markets. These reforms can improve competitiveness and promote efficiency. However, I don't agree these are the ideal policies to promote growth in debt-distressed countries or that they should be expected to offset fiscal austerity. In general, economists are fairly hopeless at figuring out the size and timing of the effects of supply-side reforms on productivity.

It is even possible that reforms that have a positive long-run impact can have a negative impact in the short run. For example, reforms to reduce firing costs may have important long-run effects in making it more attractive to hire workers in Spain or Italy. But the short-run impact of these reforms could be to further increase unemployment as firms lay off numbers amounts of workers.

Politically, disruptive reforms are also difficult to implement at times when governments are already unpopular because of fiscal austerity and recession. German politicians regularly point their own successful labour market reforms in the last decade. "We took our medicine and now so should you" is a common German theme.

My own view is that perhaps a bit too much has been read into Germany's labour market reform experience. These reforms were undertaken during a period of strong economic growth for Germany's trading partners which facilitated export growth. Germany's improved competitiveness occurred due to a long period of low wage growth against a background of macroeconomic stability. A similar recipe cannot be applied to the struggling debt-distressed economies today.

Needed: More Aggregate Demand

The confidence often placed in the positive effect of supply-side reforms should be balanced against the fact that the EU has implemented many supply-side initiatives over the past three decades (the 1992 program, EMU, competition reforms, Lisbon and other agendas) and yet the EU15 economies have grown at a slower rate in each decade since the 1960s.

In light of the lack of confidence we can have in the effects of supply-side reforms, it's worth pointing out that the euro area already has a very large output gap, meaning output is well short of its current supply capacity. The euro area unemployment rate, at close to 12 percent, is at its all-time high. The evidence suggests the euro area's key problem right now is not a supply problem but a shortage of demand.

An alternative to relying on supply-side reforms to offset austerity is for countries that have a bit more room for fiscal manoeuvre to adopt a more expansive policy approach via fiscal stimulus. This would mean countries with current account surpluses adopting policies that would consciously reduce these surpluses. However, at present, these countries are instead planning further fiscal consolidation.

Perhaps the clearest statement of the policy approach of the euro area's surplus countries was Bundesbank President Jens Weidmann's speech last year titled "Rebalancing Europe". Weidmann believes that any attempt to reduce the current account surpluses of Germany and other "core" Euro area countries would be a bad idea. Instead, he views Europe's route to success as being one in which we compete with the US and China to run current account surpluses across the euro area.

For me, this position echoes the "mercantilist" approach that economists from Adam Smith onwards have rejected. The euro area's balance with the rest of the world has generally been close to balance. It has moved slightly into surplus lately but there is no reason to equate euro area current account surpluses with economic success.

Even if there was an argument for this route, the world's other trading blocs are all adopting monetary policies that are likely to curb the euro area's current account surplus. Unlike the hard-money ECB, most other leading central banks are happy to see their currencies depreciate which will make it all the more difficult for the euro area to run a current account surplus.

Stronger than We Think

I know these comments won't be well received by many. I know many of you believe that there is no room for core euro area countries to raise spending. However, borrowing rates for countries like Germany are close to zero and the euro area as a whole has a debt ratio similar to areas such as the UK and the US, where central banks are actively willing to purchase sovereign debt. A Eurobond-financed stimulus programme would be economically feasible and effective; the feasibility problem is a political one. The shortfall of spending that afflicts growth and reform in the euro area is largely due to our own unwillingness to use available policy choices to solve our problems.

To conclude, I believe that if the euro area is to succeed as a combined economic entity we need to understand that we are not as weak as many think we are. Europe has many economic strengths and if we believe in those strengths and act in our common interest, we can put the euro project back on the path to success.

Vice-President Olli REHN in Dublin 25.2.2013

SEMIFINAL

The future evolution of the Economic and Monetary Union

Honourable Minister, Members of Parliament,

Ladies and Gentlemen,

Thank you for the invitation to this meeting of chairpersons of Finance Committees. The theme of this discussion is to look forward. However, seeing this meeting is taking place here in Ireland, I first of all want to underline the great efforts that have been taken in this country throughout the crisis. Thanks to the unforeseen measures and dedication of the Irish people, Ireland will in the end of this year be able to exit the programme and fully return to the markets. The hard work has paid off.

Let me give you an overview of where we stand at the moment in the European economy on the basis of the **Winter Economic Forecast**, published by the Commission on Friday. The forecast shows signs of improving sentiments on the financial markets (*pp-slides 1 and 2 on confidence, financial markets and credit conditions*). Reforms are starting to pay off, the deficits are declining and Europe will gradually return to growth (*pp-slide 3 on GDP*). However, current hard data was disappointing, in particular GDP in the fourth quarter. The recession has deepened at the end of last year. Compared to the previous quarter, GDP shrunk by 0.5% in the EU and 0.6% in the euro area (in Q4 2012).

On this basis, this year we will see overall zero growth of GDP in the EU, although this hides that the quarterly developments are likely to look more dynamic over the course of the year. As the recovery begins to take hold more firmly in 2014, growth in the EU should amount to 1.6%. Inflation is expected to fall below 2% this year and decline further to 1½ % in the next. The major risk to the forecast would be to lower our guard on the necessary reforms to bring back growth and stable jobs.

Europe has made progress with the necessary fiscal consolidation (*pp-slide 4 on public finances*). For 2012, we expect the headline deficit to have declined to 3.8% in the EU and 3.5% in the euro area. In the euro area, this reflects a fiscal consolidation effort of about 1½% of GDP. Given the progress made, on the basis of 2013 budgets we expect further measures of about ¾ % of GDP in the EU and the euro area that should bring the deficit below 3% of GDP this year in the euro area.

The unemployment rate in the EU amounted to 10.5% in the EU and 11.4% on the euro area in 2012 (*pp-slide 5 on unemployment*). These figures unfortunately mask large differences between Member States.

This reflects the large adjustment challenges that some Member States are still facing – despite the significant progress made. The rebalancing process after the credit-fuelled boom has progressed, but we should be clear that it will continue to weigh considerably on growth and public finances for some time to come, especially in some countries.

Ladies and Gentlemen,

The forecast makes it clear that the work is not finished yet, we have great challenges ahead of us. The debate on the future of the EMU cannot be limited to institutional issues, but we must focus on growth, job creation and competitiveness of European industry at least with the same vigour and energy. We face three over-arching challenges.

First, we need to find a solution to the challenge of sustainable growth. Second, we need to continue with on-going efforts to meet the challenge of fiscal sustainability. Third, we have to meet the challenge of rebuilding the Economic and Monetary Union.

The first challenge, sustainable growth and job creation, calls for us to reverse the trend of European losses in global competitiveness.

Most of all, Europe needs more entrepreneurs and businesses that are hungry and able to grow. This implies tackling bottlenecks to growth by creating an entrepreneur-friendly business environment with better access to finance and leaner and more efficient business administration.

We need to focus on boosting productive investment – both public and private. Public banks such as the European Investment Bank have an important role to play here. The increase in the EIB's capital and thus lending capacity agreed last year is a very concrete example of this.

At the same time, we must not forget that private investment is the prime driver of growth and jobs. To unblock private investment, we must complete the repair of the financial sector to restore the flow of credit to households and business. It is not about "bailing out bankers". It is about letting credit flow and create growth and jobs. Public and private investments are not contradictory, both are crucial to restore growth.

We must also look beyond our borders for growth, by embracing a forward-looking and proactive trade policy. In Europe, about 30 million jobs, or more than 10 % of the total workforce, depend on sales to the rest of the world. The decision last week by the US and the EU to initiate procedures to launch negotiations on a ground-breaking, comprehensive and deep free trade agreement – the Transatlantic Trade and Investment Partnership – is of enormous importance in this respect.

Successfully facing the sustainable growth challenge is critical if we are to raise living standards and service the debts that we hand down to future generations. With the future in mind, growth must indeed be sustainable, not only in economic terms but also in terms of its impact on the environment and climate. Green growth has great potential both in environmental and economic terms and needs to remain a top priority.

The **second challenge, fiscal sustainability**, requires staying the course of reform and consistent fiscal consolidation. Public debt in the EU has risen from around 60% of GDP before the crisis to around 90% of GDP now. On the basis of extensive economic research, we know that when public debt rises above 90% it tends to have a negative impact on economic dynamism, which translates into low growth for many years.

Nevertheless, public finances in the EU are gradually improving thanks to, on the one hand, enhanced EU governance tools, and on the other hand, determined effort by governments. This is mirrored by an increase in markets' confidence in the actions being taken by EU governments.

The situation does, however, vary substantially among Member States, which is why we apply a differentiated approach to consolidation, taking into account the specific challenges of each and every Member State when determining the structural fiscal adjustment effort needed. If growth deteriorates in an unexpected manner, a country may receive extra time to correct its excessive deficit, provided it has delivered the agreed structural fiscal effort and does the necessary structural reforms to underpin medium-term stability and growth.

Finally, our third challenge is rebuilding the Economic and Monetary Union. Last November the Commission put forward a Blueprint which presents the economic rationale to bring about the completion of EMU and outlines a roadmap with short-, medium- and long term actions to that end. It balances increased responsibility and increased solidarity. It also indicates the possible need for Treaty changes as far as deeper integration is concerned.

Throughout the measures proposed, ensuring democratic legitimacy is at centre stage. As representatives of national parliaments, you all know very well that parliaments are where legitimacy and accountability of policy decisions vis-à-vis the citizen are realised. It is to you that citizens turn for answers. This great responsibility requires finding the best way forward through an open debate and discussion.

The blueprint builds on the Community method. By allowing non euro area participation in the new arrangements whenever possible, ensures convergence between current and future euro area Member States.

For the short term (6 to 18 months), we envisage proposals within the current Treaties, starting with the banking union. The agreement on the Single Supervisory Mechanism reached in December was an important step. But we must also develop a European Resolution Mechanism. A resolution fund should build on contributions from the financial industry.

Also, we will come with proposals for increased prior coordination of major economic reforms. Due to our close economic integration, reforms in one country will often have spill-overs on other Member States.

We will also need to strengthen economic policy coordination and secure stronger ownership of reforms through contractual arrangements aiming to facilitate the implementation of structural reforms. They will define the more detailed measures to which the Member States commit themselves and which can be coupled with financial support.

In the medium-term (18 months to 5 years), we envisage further integration involving Treaty changes. Our **guiding principle** is that any steps towards increased solidarity and mutualisation of risk would have to be combined with increased responsibility; that is, with further sharing of budgetary sovereignty and deeper integration of decision-making.

Ladies and Gentlemen,

Let me conclude. The challenges ahead of us will not be resolved without hard work and serious efforts. There is no time for complacency. In the end, what we want to achieve with all of this is a competitive and inclusive economy that enables us to achieve sustainable growth and job creation, while maintaining our social model and ensuring a sustained rise in welfare. This requires an institutional set-up that supports these objectives. That's why rebuilding of the EMU is essential for our long-term welfare and for the sake of sustainable growth and job creation.

But we cannot get lost in institutional arm-wrenching, neither at national or European level. In looking to the future the over-arching objectives need to be at centre stage. Through hard work and team play I am confident that we can meet the challenges and achieve these objectives.



European
Commission

The Future Evolution of the Economic and Monetary Union

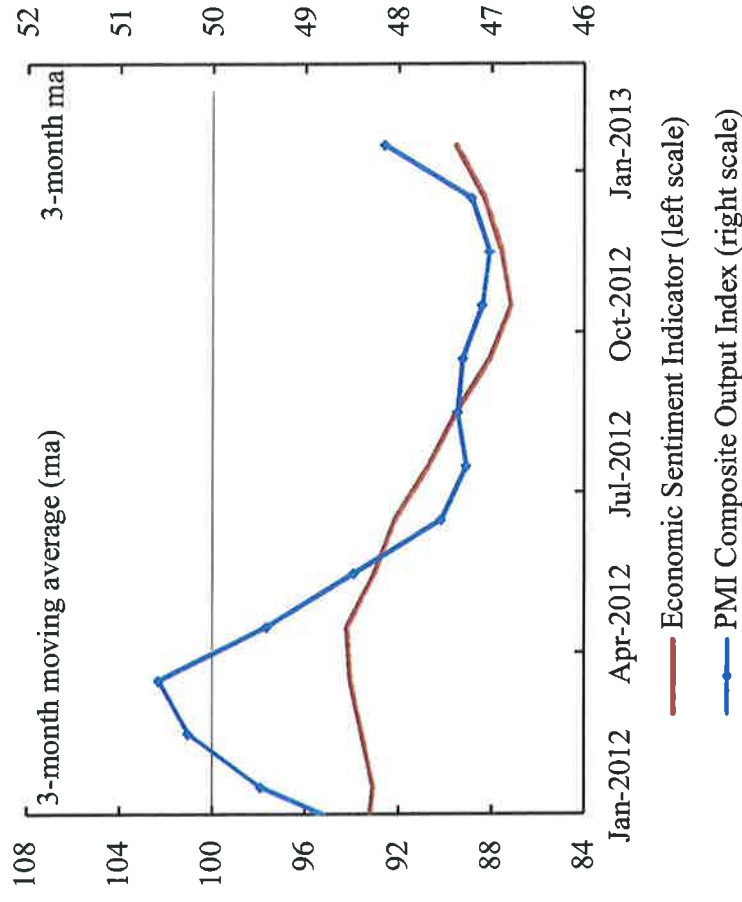
Olli REHN,
Vice President
for Economic and Monetary Affairs and the Euro
Dublin, 25 February 2013



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Signs of a pick-up in confidence

Economic Sentiment Indicator and PMI Composite Output Index, EU

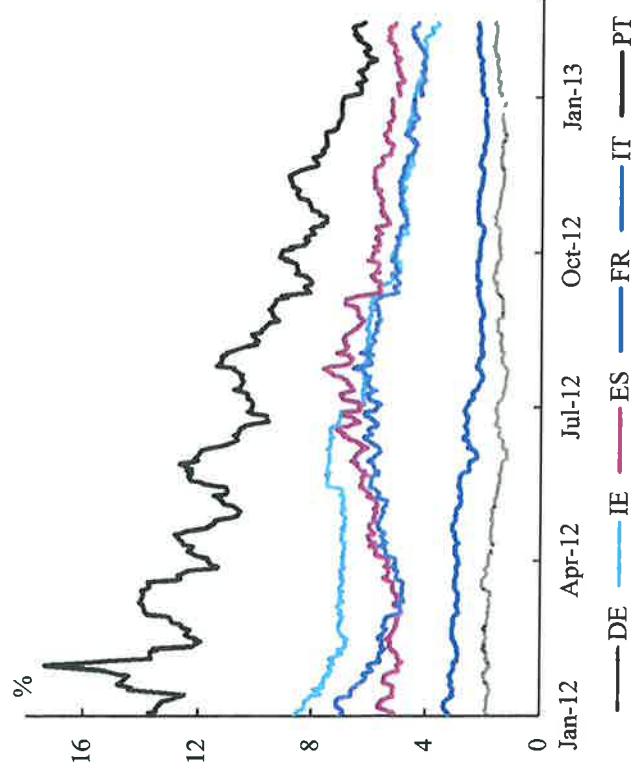




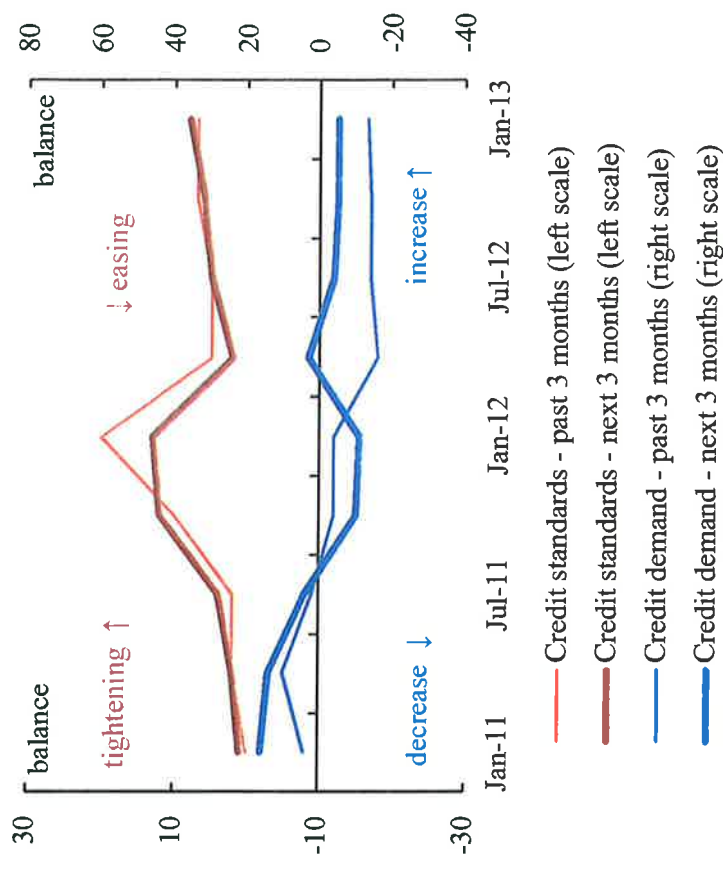
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Financial markets and credit conditions

Ten-year government-bond yields, selected euro-area Member States



Credit conditions in the euro area ECB Bank Lending Survey

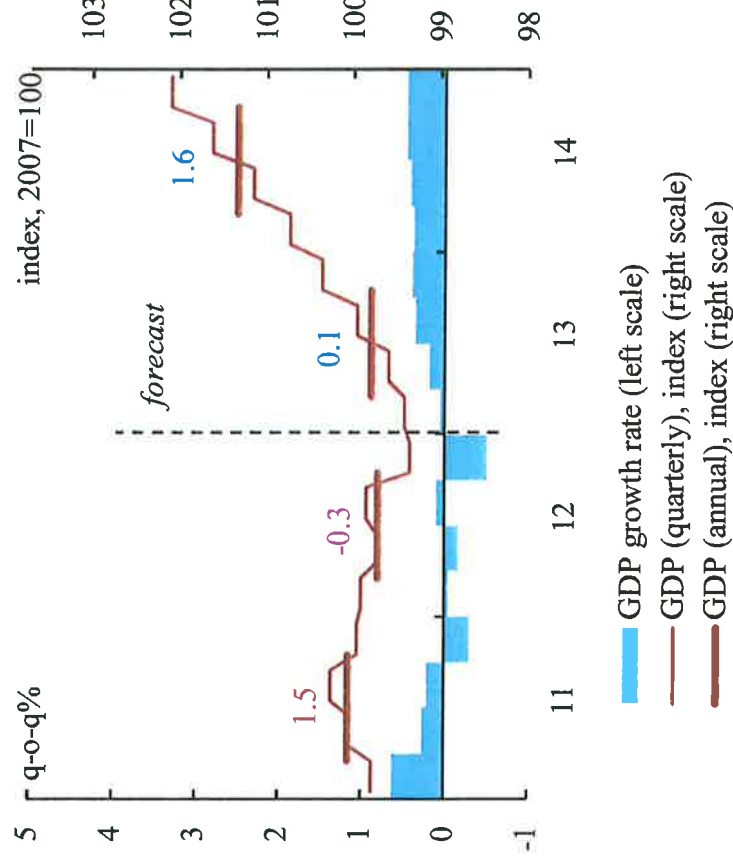


Gradual recovery later this year



European
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Real GDP growth, EU

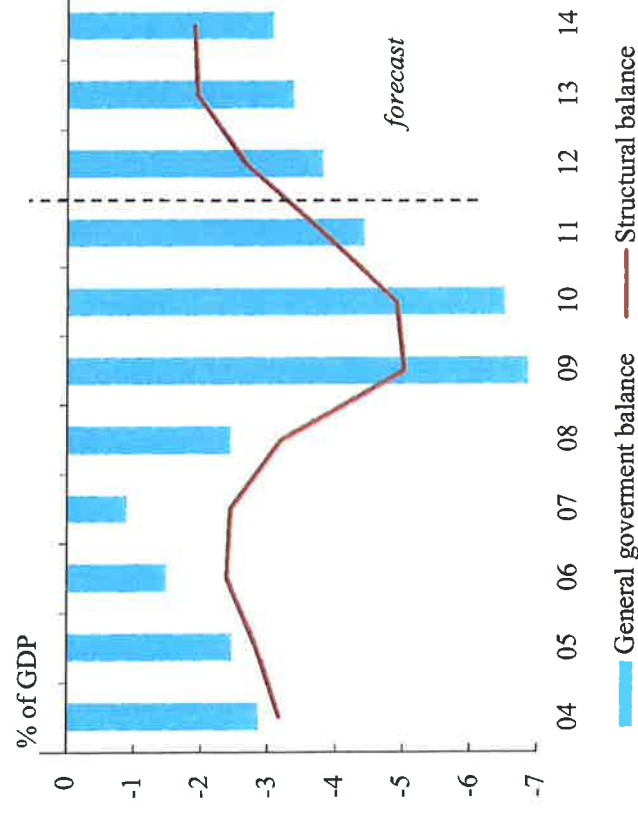




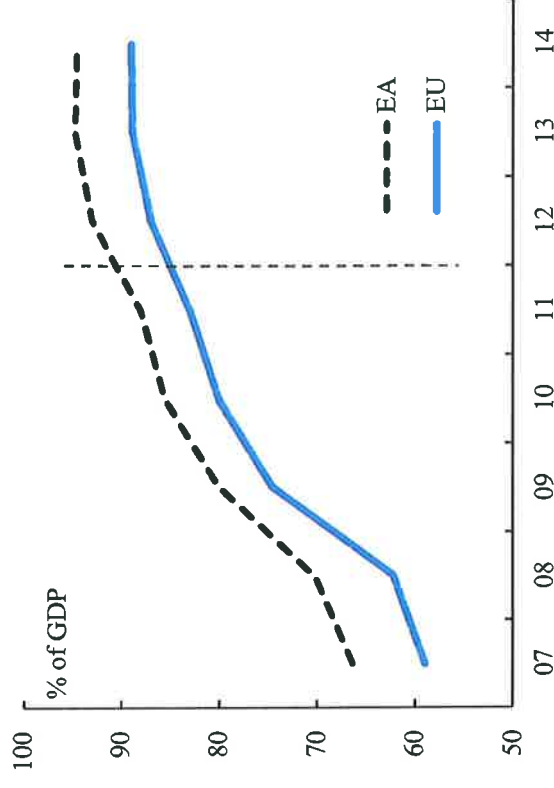
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Public finances set to improve further

General government budget balance, euro area



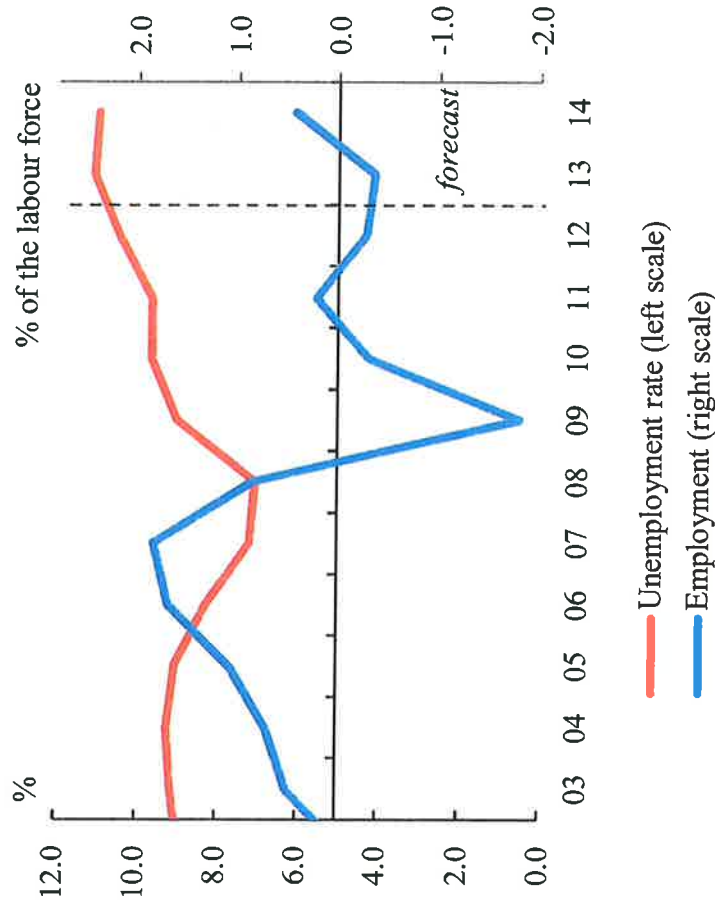
General government debt, EU and euro area





Labour market situation

Employment growth and unemployment rate, EU





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ON THE EFFECTIVENESS AND LEGITIMACY OF EU ECONOMIC POLICIES

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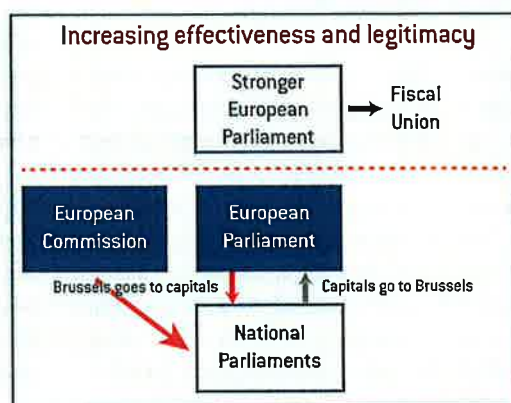
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THE ISSUE For markets, European economic governance faces a crisis of policy effectiveness, while for citizens the European Union faces a democratic legitimacy crisis. The introduction of the European Semester economic policy surveillance system has not resolved these problems. Policy guidance deriving from the Semester is not focused enough on areas of significant spillovers and on problem countries, and national compliance is often procedural rather than actual. This brings into question both the Semester's effectiveness and the democratic legitimacy of the EU's new intervention rights, which allow intrusion into national policy-making.

POLICY CHALLENGE

The European Semester cannot be effective if it is not legitimate. Legitimacy ultimately comes from national parliaments that vote on budgets and on financial, labour and product market reforms, but national parliaments are insufficiently involved. There are three options that could reduce the tension between the EU level and the national level over the legitimacy of the European Semester, while increasing its effectiveness: (i) *Brussels goes to capitals*: the direct presence of European institutions in national

parliaments and the European Parliament acting as a watchdog; (ii) *Capitals go to Brussels*: greater presence of national parliaments at European level; (iii) a *new treaty* creating a soft political union with some fiscal capacity and a real shift in decision-making authority to the EU.



Source: Bruegel.



HUGE DEBTS, INEFFICIENT LABOUR MARKETS, fragmented, poorly capitalised banking systems: these major problems that the European Union faces are a testament to the failure of its crisis-prevention system. Many of the most difficult problems that the EU must resolve if the euro-area crisis is to be overcome, such as macroeconomic imbalances, were not the main focus of the Maastricht Treaty, which created the euro. For example, the EU system of economic governance did not criticise private-sector imbalances prior to the crisis, and even considered them a sign of the success of the monetary union¹. At the micro level, the EU's 2000-10 reform programme, the Lisbon Agenda, failed to spur meaningful change. These failings mean that for markets, European economic governance is ineffective, while in the eyes of many citizens the EU faces a democratic legitimacy crisis.

Recognising the failure of the Maastricht framework, a reform of EU economic governance started in 2010. One of the most notable changes was the introduction of a procedure under which the EU will provide member states with policy guidance before national budgets are passed and reforms decided. The goal of this procedure, which is known as the European Semester, is to ensure that national priorities do not conflict with policies agreed at EU level but rather support EU objectives. Since 2011, the Semester has been combined with tougher regulations in the areas of structural and fiscal policy.

The European Semester may be regarded as an attempt to shift the distribution of power between the EU and the national level without altering the Treaty. It is the stretching of EU intervention rights to the maximum without a formal devolution of national sovereignty. This has led to tension between the EU and its member states and concerns about the democratic legitimacy of the new economic governance framework. One example stems from the first Semester cycle in 2011 when the draft recommendations published for each country by the European Commission were to some extent revised by member state representatives sitting in the EU Council. Moreover, national authorities, which ultimately provide legitimacy because they have been put in place by their citizens, do not always implement the EU recommendations. The European Semester's effectiveness has therefore been limited. Greater use of binding regulation is a way to increase effectiveness because member state compliance can be enforced. But the consequence is that the question of how to achieve legitimacy at the EU level becomes burning.

This is particularly evident in the case of financial assistance. The conditionality now in place for Ireland, Greece, and Portugal is intrusive: it forces change in domestic policies. In principle, it makes European policy making more effective. But democratic legitimacy in the EU mostly derives from the Council, which – out of a position of financial strength – negotiates financial assistance via the troika of the

Commission, International Monetary Fund and European Central Bank with the member state concerned. The member state provides its share of legitimacy with a memorandum of understanding out of a position of weakness. National parliaments, however – let alone citizens – have only a limited influence over the outcome.

As the third European Semester cycle is about to start, this Policy Brief assesses its effectiveness and legitimacy focusing on recent reforms. We provide suggestions about how the tension between national sovereignty and the need for stronger supranational powers can be resolved.

1 THE EUROPEAN SEMESTER

The European Semester is a framework to improve economic policy coordination in the EU. It has been in place since January 2011. It was institutionalised in December 2011 with the approval of a set of laws designed to strengthen economic coordination – the so-called six pack (see Box 2)². Enhanced EU coordination of economic policies is not a new idea. It featured prominently in the Delors Report (1988) and was proposed again in the Sapir Report (2004). But the European Semester defines for the first time the procedural details. The core idea is for the EU to provide annually early policy guidance to EU member states, and for the member states to take on board this guidance to prepare fiscal and other reform plans (Box 1).

The European Semester changes EU policy coordination in a

1. European Commission (2008), 'EMU@10: successes and challenges of Economic and Monetary Union', *European Economy* 2, page 21.

2. A detailed study of the European Semester can be found in Hallerberg, Marzinotto, Wolff (2012).



number of major respects. Firstly, the European Commission defines a list of policy priorities in the Annual Growth Survey (AGS) well before national governments have started preparing draft budgets for the following year. EU member states are obliged to take the AGS into account when drafting Stability or Convergence Programmes and National Reform Programmes. The new approach to policy coordination also gives the European Commission increased intervention rights in terms of both the areas in which the Commission may intervene, and the stringency of the intervention (see Box 2). The Commission's role is strengthened relative to the EU Council, which in some areas can now only oppose a Commission recommendation to impose sanctions on non-performing member states, rather than being required to approve it³. The European Semester also changes EU policy coordination in that fiscal and structural reforms are considered jointly⁴.

The European Parliament fought – rightly – for a stronger role in the European Semester procedure, and secured the right to Economic Dialogues (introduced with the six

BOX 1: THE EUROPEAN SEMESTER TIMELINE

The European Semester begins with the publication by the European Commission of the Annual Growth Survey (AGS), which is a list of general policy priorities for the EU and its member states⁵.

The EU Council (grouped in different formations) and the European Parliament debate the AGS until March, when the spring European Council formally endorses it.

Following endorsement by the Spring European Council, EU member states must take EU policy guidance into account when drafting their Stability or Convergence Programmes (SCPs) and National Reform Programmes (NRPs), both of which they must submit to the Commission by 30 April each year⁶.

The European Commission evaluates national plans to ensure that proposed measures respect the priorities and objectives identified in the AGS. Around the end of May, the Commission publishes its own assessment of national fiscal and structural plans and releases both country-specific recommendations and euro-area recommendations.

The Council then approves draft recommendations, the June European Council endorses them, and finally the Council publishes the country-specific recommendations, which are binding on EU member states.

The six pack allows the European Parliament to make use of the Economic Dialogue instrument to engage in a discussion with EU institutions and national representatives on issues relating to the European Semester – whether concerning the Commission's AGS or the country-specific recommendations or the national implementation of the recommendations – at almost any point in time throughout the Semester process (see Table 1).

pack, see Box 2). These allow the European Parliament to hold discussions with the other EU institutions and with national rep-

resentatives on economic issues, thereby introducing an element of parliamentary accountability.

Table 1: European Semester timeline

	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
European Commission	Adoption; AGS						Adoption: CSRs/ EARs		
EU Council	Debate and orientations on AGS						Finalisation and adoption of CSRs and EARs		
European Parliament					European Dialogue				
European Council					Endorsement of AGS			Endorsement CSRs/ EARs	
Member states			National Parliaments discuss SCPs and NRPs			Submission: SCPs/NRPs			

Key: AGS = Annual Growth Survey; CSRs = country-specific recommendations; EARs = euro-area recommendations; SCPs = Stability and Convergence Programmes; NRPs = National Reform Programmes. Source: Bruegel.

3. At the end of the European Semester, each country receives specific recommendations. The Commission monitors Member State progress in the implementation and can propose sanctions for non-compliance. Sanctioning applies only to the failure to bring the fiscal deficit below 3 percent of GDP or to correct large macro-economic imbalances. There is no sanctioning of more structural interventions in labour and product and service markets.

4. National Reform Programmes are submitted at the same time as Stability or Convergence Programmes. The idea is that the Commission should do a joint review of both the macro and micro economic policies the Member State government is proposing.

5. Formally, the AGS is based on the EU2020 strategy progress report, the Macroeconomic Report and the Joint Employment Report.

6. The two pack legislative proposal suggests that the submission of national documents is anticipated to 15 April in the case of euro area countries.



2 EFFECTIVENESS

A change in EU economic governance will be effective if it addresses the short-term crisis or makes crises less likely in the long-term. The European Semester will be effective if it reduces adverse spillovers between member states and discourages countries from implementing policies that exacerbate existing crises or increase the probability of future crises. On reducing adverse spillovers, it is questionable if European Commission and Council recommendations focus on the policies with the greatest relevance for the monetary union. An analysis of EU recommendations to member states under the European Semester (the analysis can be found in Hallerberg *et al*, 2012) shows that references to the impact of policy measures on the EU as a whole, or the incorporation of a quantification of potential spillover effects are quite rare⁷.

An illustration comes from the recommendations for Germany,

which is an interesting case because its policy decisions are likely to generate spillovers, because of its size. Germany enjoys a large current account surplus. One would expect a policy discussion about if and how this surplus could be reduced as part of a broader effort to rebalance the euro area. The Council recommendations to Germany do not address the 'surplus problem' but look at the conduct of sound fiscal policy. Recommendations include the full implementation of the debt brake rule⁸ and increased spending on education and research; the need to address structural weaknesses in the financial sector, and of state-level banks in particular (*Landesbanken*); the reduction in the country's high tax wedge, which penalises employment creation; and reform of the energy sector. While each recommendation might be laudable in its own right, the link to the recession in Europe and the rebalancing of the euro area is not at all evident.

Similar examples exist for other

member states. In the recommendations to Italy, the wording on structural reforms to improve competitiveness is extremely weak. The recommendations do not clearly link domestic policy reforms with the need to reduce negative spillovers at European level. This is both a procedural and a substance problem. Procedurally, policy recommendations are not justified by an EU or euro-area logic but are rather a mix of different considerations relating to broader goals. On substance, many recommendations appear to be more important from a domestic than a European point of view.

To be fair, the EU has not completely ignored the euro-area dimension and the importance of spillover effects for different countries and policy areas. One indication of this is that the European Commission and Council issue not just country-specific recommendations but also separate recommendations to the euro area. Still, this seems like an empty exercise. It is not clear who

7. One other related issue is that EU recommendations so far lack not only a clear identification of spillovers in the euro area but also visible prioritisation both across countries and across policy areas. All countries receive their respective 3-5 policy recommendations with essentially similar urgency.

8. The debt brake rule is a balanced budget provision introduced in Germany in 2009, which implies that from 2016 onwards the Federal Government cannot run a structural deficit of more than 0.35 percent of GDP and from 2020 the states (*Länder*) must have a balanced structural budget.

BOX 2: THE SIX PACK

The European Semester builds on Articles 121 and 148 of the Treaty on the Functioning of the European Union, according to which EU member states are required to coordinate their economic and employment policies so that the correct functioning of the monetary union can be secured. The six pack, a package of six laws in force since December 2011, codifies the European Semester, clarifying its constituent parts, the stakeholders and their involvement in the process.

The six pack is particularly important for the operation of the Semester in a number of ways. First, it introduces the Macroeconomic Imbalance Procedure (MIP), by which macroeconomic imbalances other than fiscal imbalances are made subject to sanctions. The Alert Mechanism Report (AMR) is the instrument to detect those countries where a more thorough investigation in the MIP is warranted.

Second, the six pack changes some of the voting modalities thereby strengthening the role of the Commission relative to the Council.

Third, the six-pack introduces the Economic Dialogue, which allows the European Parliament to more strongly than before question the other EU institutions and to invite national government representatives to hold them to account for their actions.



the euro-area recommendations are addressed to and who is supposed to implement them. Euro-area considerations should not be treated in a separate document, but should cut across all country-specific recommendations for euro-area countries.

Once adverse spillovers are effectively identified and possibly even quantified, there remains the problem of domestic policy implementation. The evidence collected by Hallerberg *et al* [2012] for a sample of six EU countries indicates that there is a problem in domestic implementation. More precisely, EU recommendations were found to have not altered dramatically the national process of policy formulation, especially when the suggested reforms are likely to erode rents and dominant positions in product and service markets⁹.

3 LEGITIMACY

The problem of the legitimacy of the new economic governance system is directly linked to its effectiveness. Two recent reports discuss the issue. In the so-called *Report of the Four Presidents* from June 2012, the authors call for more involvement of the European Parliament and national parliaments to strengthen “democratic legitimacy and accountability”. The *Report of the Foreign Ministers* three months later similarly focused on the same sets of institutions¹⁰.

But what is democratic legitimacy? Since at least Weiler *et al* [1995], there has been a growing debate about a ‘democratic

deficit’ in Europe. For Scharpf [1999], it is important to consider both *input legitimacy* and *output legitimacy*, and we will use that template here. Input legitimacy is government by the people. For this to exist, the voters have to participate. In this respect, the EU has several widely recognised flaws, as many academic and media commentators have noted¹¹. Member states, rather than the people themselves, appoint EU commissioners. The main representative body is the European Parliament, but participation in European parliamentary elections, has dropped progressively since direct elections were introduced in 1979. Academic work suggests that people often vote in such elections based on their views of their current government, not on the basis of European political developments, though there is some evidence that this might be starting to change¹².

Scharpf’s definition of output legitimacy is democracy for the people. This is harder to judge, but again there are institutional prerequisites. There should be electoral accountability — it should be possible for the public to remove non-performing policy-makers. Follesdal and Hix [2006] fault the EU especially on this account: it is not possible for voters to remove an unpopular commissioner. Scharpf [1999] also wants independent expertise that is meant to encourage outcomes that are good for the EU population more generally. On this count, the European Central Bank and the EU Court of Justice are effective. Policies that improve the welfare of all citizens

are also output-legitimate in Scharpf’s definition. In the current context characterised by significant imbalances the definition of the general welfare of all citizens is complicated and makes the concept of output legitimacy less relevant than that of input legitimacy. Our focus is thus on input legitimacy and on the aspect of output legitimacy that deals with the capacity of European voters (or their legitimate representatives) to hold EU institutions to account.

3.1 The role of the European Parliament

The Treaty on the Functioning of the European Union gives only limited authority to the European Parliament in the exercise of economic policy coordination. The Parliament has an information right under macro-economic surveillance (Articles 121 and 126 of the Treaty). More specifically, the EU Council President and the Commission must report to the European Parliament on the results of the macro-economic surveillance exercise and the approved EU recommendations. The European Parliament is thus informed but has no power to change recommendations relating to economic policy coordination in the EU.

The situation has slightly improved since the adoption of the six pack and the introduction of the Economic Dialogue (see Box 2). The European Parliament can now step into the Semester on its own initiative, at almost at any point in the procedure, whether to discuss the AGS after the spring European Council,

9. The German case demonstrates that Member State governments generally ‘implement’ recommendations they were already doing anyway and ignore recommendations that would involve truly new reforms.

10. Van Rompuy, Herman [2012] and Future of Europe Group [2012].

11. A good press review is ‘The eurozone: an ever-deeper democratic deficit’, *The Economist*, 26 May 2012.

12. At the same time, there is at least some hope that this may be evolving—in a recent special issue of *Electoral Studies*, which analysed a set of data from the 2009 European Parliamentary elections, there is some evidence that in Member States where there was a lot of coverage of European issues there was also voting more along European instead of national lines. See *Electoral Studies*, March 2011, vol 30 (1), edited by Sara Hobolt and Mark Franklin.



or in reaction to the final country-specific recommendations. It still cannot change recommendations. Yet, while such involvement does not come with any decision-making rights, it still represents an instrument to exercise moral suasion and to hold EU institutions to account.

3.2 The role of national parliaments

The budget is the most important part of the parliamentary decision-making power in each country. Structural reforms in terms of labour market laws, product market policies and competition policies are also central elements of parliamentary decision-making processes. More intrusive EU intervention into national decision-making processes therefore raises the question of how policy outcomes are legitimised. While the European Semester assigns a weak role to the European Parliament, the Semester's legitimacy would not be an issue if there was evidence that national parliaments are truly involved in the process. To investigate this issue, in a previous project for the European Parliament, we submitted a survey to the EU27 national parliaments to determine the extent to which they discuss Stability or Convergence Programmes, National Reform Programmes and the EU's recommendations. The results presented in Hallerberg *et al* (2012) may be summarised as follows¹³.

First, only the parliaments of France, Italy, Luxembourg, Portugal, Slovakia, Spain and the United Kingdom discuss Stability

and Convergence Programmes.

Where the programmes are discussed, it is mostly because the parliament is already involved in the discussion of government multi-annual fiscal plans other than its Stability or Convergence Programme. Italy and Portugal are exceptions to this: their parliaments discuss only the 'European' and not 'domestic' documents.

Second, parliamentary committees are much more involved than plenaries in the discussion of European documents. In the majority of countries both the budget and EU affairs committees discuss either Stability and Convergence Programmes (eg Finland) or National Reform Programmes (eg Cyprus, UK) or both (eg Estonia, Germany, Hungary, Italy, Latvia, Lithuania, Luxembourg, Portugal, Slovenia, Sweden).

Third, a significant number of EU countries have not discussed Council recommendations received at the end of the European Semester cycle, even if member states are indeed asked to include those recommendations in the measures listed in the national budget law for the consecutive year, and in laws on broader macroeconomic issues. Where the EU recommendations have been discussed, the debate concerned both fiscal recommendations under Stability and Growth Pact provisions, and non-binding structural reform recommendations, and were mostly dealt with by European affairs committees as if they were more a matter of the relationship with the EU, rather than being cen-

tral to citizens' welfare.

We therefore conclude that, so far, national parliaments have not sufficiently discussed and debated, let alone provided legitimacy for, the EU Council recommendations.

4 THREE WAYS TOWARDS MORE EFFECTIVENESS AND LEGITIMACY

We see three options for strengthening the democratic legitimacy, and in turn the effectiveness, of the new EU economic governance framework: (a) enhance the role of the European institutions at member state level while increasing the role of the European Parliament in holding EU institutions to account, (b) enhance the role of national parliaments at the EU level, and (c) create a legitimate political union, which would require the role and decision-making powers of the European Parliament to be enhanced in a significant fashion. All three options have in common that they attempt to improve the process of defining the common European interest, which should render the EU more effective and legitimate. The first two options could – at least to some extent – be done in the framework of the current treaties. The third option would likely require treaty changes.

4.1 Brussels goes to capitals

Input legitimacy would increase if the European Commission would have more regular contacts with national parliaments. The October 2012 visit of European Central Bank president Mario Draghi to the German Bundestag sets an

13. We received replies to our survey from all countries except Bulgaria.



example that Commissioners should follow¹⁴. One can argue, of course, that contact with the European Parliament is enough; contacts with national parliaments would be unduly burdensome in terms of time and expense. Yet the EU is by no means a self-contained mature polity, and the European Parliament is not the sole, or even the main, source of input legitimacy¹⁵. More outreach to national legislatures by Brussels would relieve national governments from being the main communication channel between the EU and national parliaments. While Hallerberg *et al* (2012) showed that many national parliaments are active and debate the national documents submitted to the EU, far fewer parliaments debate the recommendations issued by the Council. Yet, that is the stage at which concrete policy measures should be formulated and implemented by national parliaments. **A stronger presence by the responsible Commissioner, for example in the form of a hearing at a number of national parliaments each year, would be a strong step towards making EU coordination more effective.**

Brussels would go to capitals if the inter-parliamentary cooperation between the European Parliament and national parliaments is exploited to its full potential. **The existing Interparliamentary Committee meetings¹⁶ should be used as a forum to strengthen communication channels.** The meetings should be regular, open to the public, possibly even held in different capitals and include meetings with a broader group of national parlia-

mentarians. These steps would also increase the visibility of the European Semester in national media.

At the same time, the European Parliament should play a greater role in holding the EU institutions to account for their decisions. The six pack has created a strong instrument for that purpose. The European Parliament should build on the Economic Dialogue to invite representatives from European institutions on a regular basis. We see at least three points in the cycle for this: i) at the beginning of the cycle shortly before the AGS is published, so that the dialogue can have an impact on the definition of early policy priorities; ii) after the publication of the AGS to assess the extent to which the European Commission has taken the Parliament's policy preferences into account; and iii) when the European Council endorses country-specific recommendations, especially if there are discrepancies between these and the initial European Commission draft recommendations. The Economic Dialogue also allows the European Parliament to invite member state representatives. This could be an effective way of increasing the visibility of European decisions at national level.

4.2 Capitals go to Brussels

A second approach consists of giving national parliaments a more explicit and direct role in the European decision-making process. The EU Treaty gives national parliaments the right to be informed about EU activities and to voice objections to EU

policies, even if this is restricted to specific policy areas (eg judicial cooperation in civil matters, see Article 12 and Protocol 1). Inter-parliamentary cooperation, mentioned in section 4.1, is the key instrument through which national parliaments engage in a dialogue with the European Parliament.

The Treaty on Stability, Coordination and Governance (TSCG), which is intended to safeguard the stability of the euro area, and was signed by EU governments with the exception of the Czech Republic and the UK in March 2012, refers to the need to involve national parliaments in the emerging system of EU fiscal governance. The aim is to create a system in which the national prerogatives in the budgetary processes can be voiced at a European level, while European commitments are effectively transmitted to the national level. The entry into force of the TSCG thus puts the spotlight on national parliaments. The question is whether this will be effective. How does the emerging model of decentralisation of fiscal policy impact on the capacity of parliaments to put a strain on national budgets?

The stringency and intrusiveness of European fiscal commitments puts in question the role of national parliaments especially in those countries where the parliament plays a strong role in the budgetary process (eg Germany and Finland). The TSCG is a genuine attempt to reinvigorate their role by setting up a fiscal governance framework with a strong centre, the European

14. See <http://www.ft.com/intl/cms/s/0/0008a432-1e01-11e2-ad76-00144feabdc0.html#axzz28Tgmxy9y>.

15. The German Constitutional Court even questioned the democratic legitimacy of the European Parliament, see <http://www.bundesverfassungsgericht.de/pressemitteilungen/bvg09-072en.html>.

16. See <http://www.europarl.europa.eu/webnp/cms/lang/en/pid/11>.



Commission, but which is at the same time decentralised, as all contracting parties commit to introduce a binding debt brake rule in their national legislation.

The advantage in terms of legitimacy from this approach is that, in the absence of a European fiscal union of some sort¹⁷, national parliaments are the legitimate representatives, especially now that taxpayers' money is used to fund financial assistance in crisis countries [see Pisani-Ferry, 2012].

4.3 Going beyond current treaties

A third option would be to create some form of political/fiscal union, which would also require increasing the role of the European Parliament in decision making. This ultimately will require Treaty changes. Within the current treaties, the European Parliament cannot change decisions taken by the Council, and it has no taxation powers. Also, national parliaments set labour

and product market laws. A Treaty change would thus be required if the European Parliament were to be granted some form of taxation power to create a sufficiently large buffer that supports countries in difficulties. A form of fiscal union could be created by providing the EU with a budget for stabilisation purposes, with decisions on spending legitimised by the involvement of the European Parliament, which would approve this budget as it does now for the EU27 budget. This type of fiscal union would raise the question of whether a split of the European Parliament into a euro-area assembly when it comes to decisions on the euro-area budget would be necessary¹⁸. While divisive, such an institutional set-up may increase the legitimacy of the EU by creating a parliamentary counterpart to the Eurogroup.

5 CONCLUSIONS

The three alternatives we envisage correspond to three different visions of Europe. The first is

about the Europeanisation of national policies, the second about the re-nationalisation of European policies and the last about a soft political union with some fiscal capacity. The first two options would be the easiest to accomplish, and they would not require any Treaty change. There is an argument to be made, however, that a jump towards greater fiscal federalism would be the most effective option for bringing an end to the current crisis, and would provide the necessary tools to fight future crises. In this case, the direct involvement of the European Parliament would also increase legitimacy.

Regardless of which path the EU decides to take, it does need to move down one of them and will probably eventually have to move to the more federal option. Markets have a point when they judge the current system to be ineffective, and citizens have reason to worry that the current system lacks legitimacy. The status quo is not acceptable on either count.

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17. For a proposal for a fiscal union in Europe, see Marzinotto, Sapir and Wolff (2011).

18. The same proposal was put forward by Angela Merkel speaking in front of the European Parliament on 7 November 2012. It was suggested by Hallerberg *et al* (2012).



National Parliaments under the European Semester

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Background

Presentation based on "An Assessment of the European Semester," which appeared as IP/A/ECON/ST/2010-24 September 2012, Policy Department A: Economic and Scientific Policy, European Parliament

Available at
<http://www.europarl.europa.eu/committees/en/econ/studiesdownload.html?languageDocument=EN&file=76151>

See also "On the effectiveness and legitimacy of EU economic policies," Bruegel Policy Brief. November 2012. Available at <http://www.bruegel.org/>

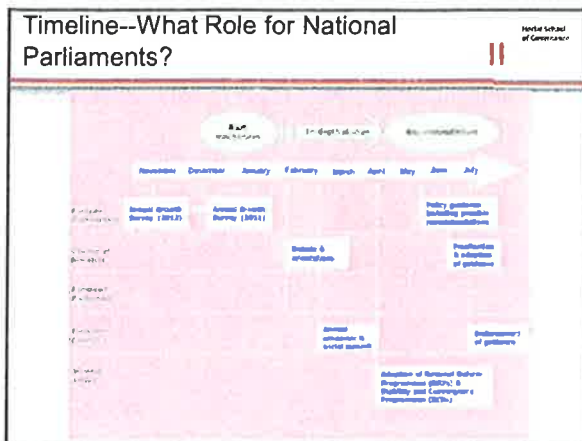
Premise-- More National Parliamentary Involvement Needed

Effectiveness of the European Semester increased if national parliaments are involved

"Two Pack" should check whether Stability/Convergence Programmes consistent with national legislation; parliamentary involvement in the whole process beneficial

Legitimacy of whole process among populations also increased

Timeline--What Role for National Parliaments?



Research Questions

- In 2012, were national parliaments involved in the preparation of Stability/Convergence Programmes, or National Reform Programmes?
- At which level--plenary or committee?
- If committee, which committee?
- Was there any *ex post* discussion of recommendations the Council of Ministers made to individual Member States?

Survey of EU National Parliaments

Received replies from 26 Member States (Staff in Bulgaria refused to answer)

Surveys sent February 2012, returned February-August

While there are questions for both 2011 and 2012, data most complete for 2012

Plenary Involvement—Domestic Plans Versus SCPs

Horre School of Governance

		Plenary Debate SCPs?	
		No	Yes
Plenary Debate Govt Multi-Annual Plans?	No	CY, CZ, EE, HU, IE, MT, LT, PL (8)	IT, PT (2)
	Yes	AT, BE, DK, DE, EL, FI, LV, NL, RO, SE, SI (11)	ES, FR, LU, SK, UK (5)

Committee Involvement—Preparation of SCPs, NRPs

Horre School of Governance

		EU Affairs Committee Debate SCP?	
		No	Yes
Budget/Finance Committee Debate SCP?	No	AT, CY, DK, EL, ES, IE, MT, NL, PL, UK (10)	(0)
	Yes	LU, PT, SE (3)	BE, CZ, DE, EE, FI, FR, IT, LV, LT, HU, SI (11)

		EU Affairs Committee Debate NRP?	
		No	Yes
Budget/Finance Committee Debate NRP?	No	AT, DK, EL, ES, FI, IE, MT, NL, PL (9)	BE, CY, CZ, EE, LV, PT, RO, SK, UK (9)
	Yes	LU, SE (2)	DE, FR, IT, LT, HU, SI (6)

Committee Ex Post Monitoring—Do Committees Debate the Council's Recommendations?

Horre School of Governance

		EU Affairs Committee Debate?	
		No	Yes
Budget/Finance Committee Debate?	No	AT, DE, EL, ES, FR, IT, MT, PL, PT, SI, AT, BE, LU, ES, IT, FR, PT, MT, PL, PT, SI	DK, EE, HU, NL, UK, CY, CZ, DK, EE, HU, NL, SK, IT
	Yes	LU, IE, CY, LT, LV, LV	BE, FI, LT, SE, PL, CZ, SE

Black is the response for the SCPs; Red is for the NRPs

OVERVIEW

EU economy bottoming out...

Since the summer of 2012, financial market conditions in the EU have improved substantially as perceived tail risks of EMU break-up receded, but this improvement has not yet fed through to the real economy. Economic activity has been disappointing in the second half of last year, and there are only now some signals from leading indicators that GDP in the EU is bottoming out. The weakness of domestic demand stemming from the adjustment of internal and external imbalances and notably from deleveraging is expected to fade only slowly. In 2013, external demand is thus set to be the main driver of the projected stabilisation and gradual acceleration of economic activity in the EU. Domestic investment and consumption are projected to recover only later in the year, but by 2014 domestic demand is expected to take over as the main driver of further strengthening GDP growth.

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Overview - the winter 2013 forecast

	Real GDP Winter 2013 forecast				Inflation Winter 2013 forecast				Unemployment rate Winter 2013 forecast			
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Belgium	1.8	-0.2	0.2	1.5	3.5	2.6	1.6	1.5	7.2	7.3	7.7	7.7
Germany	3.0	0.7	0.5	2.0	2.5	2.1	1.8	1.7	5.9	5.5	5.7	5.6
Estonia	8.3	3.2	3.0	4.0	5.1	4.2	3.6	3.2	12.5	10.0	9.8	9.0
Ireland	1.4	0.7	1.1	2.2	1.2	1.9	1.3	1.3	14.7	14.8	14.6	14.1
Greece	-7.1	-6.4	-4.4	0.6	3.1	1.0	-0.8	-0.4	17.7	24.7	27.0	25.7
Spain	-0.4	-1.4	-1.4	0.8	3.1	2.4	1.7	1.0	21.7	25.0	26.9	26.6
France	1.7	0.0	0.1	1.2	2.3	2.2	1.6	1.5	9.6	10.3	10.7	11.0
Italy	0.4	-2.2	-1.0	0.8	2.9	3.3	2.0	1.7	8.4	10.6	11.6	12.0
Cyprus	0.5	-2.3	-3.5	-1.3	3.5	3.1	1.5	1.4	7.9	12.1	13.7	14.2
Luxembourg	1.7	0.2	0.5	1.6	3.7	2.9	1.7	1.6	4.8	5.0	5.4	5.7
Malta	1.6	1.0	1.5	2.0	2.5	3.2	2.2	2.2	6.5	6.5	6.4	6.2
Netherlands	1.0	-0.9	-0.6	1.1	2.5	2.8	2.6	1.4	4.4	5.3	6.3	6.5
Austria	2.7	0.7	0.7	1.9	3.6	2.6	2.2	1.9	4.2	4.4	4.5	4.2
Portugal	-1.6	-3.2	-1.9	0.8	3.6	2.8	0.6	1.2	12.9	15.7	17.3	16.8
Slovenia	0.6	-2.0	-2.0	0.7	2.1	2.8	2.2	1.5	8.2	9.0	9.8	10.0
Slovakia	3.2	2.0	1.1	2.9	4.1	3.7	1.9	2.0	13.6	14.0	14.0	13.6
Finland	2.8	-0.1	0.3	1.2	3.3	3.2	2.5	2.2	7.8	7.7	8.0	7.9
Euro area	1.4	-0.6	-0.3	1.4	2.7	2.5	1.8	1.5	10.2	11.4	12.2	12.1
Bulgaria	1.7	0.8	1.4	2.0	3.4	2.4	2.6	2.7	11.3	12.2	12.2	11.9
Czech Republic	1.9	-1.1	0.0	1.9	2.1	3.5	2.1	1.6	6.7	7.0	7.6	7.3
Denmark	1.1	-0.4	1.1	1.7	2.7	2.4	1.5	1.5	7.6	7.7	8.0	7.9
Latvia	5.5	5.3	3.8	4.1	4.2	2.3	1.9	2.2	16.2	14.9	13.7	12.2
Lithuania	5.9	3.6	3.1	3.6	4.1	3.2	2.4	2.9	15.3	13.0	11.4	9.8
Hungary	1.6	-1.7	-0.1	1.3	3.9	5.7	3.6	3.3	10.9	10.8	11.1	11.1
Poland	4.3	2.0	1.2	2.2	3.9	3.7	1.8	2.3	9.6	10.2	10.8	10.9
Romania	2.2	0.2	1.6	2.5	5.8	3.4	4.6	3.3	7.4	7.0	6.9	6.8
Sweden	3.7	1.0	1.3	2.7	1.4	0.9	1.1	1.6	7.5	7.7	8.0	7.8
United Kingdom	0.9	0.0	0.9	1.9	4.5	2.8	2.6	2.3	8.0	7.9	8.0	7.8
EU	1.5	-0.3	0.1	1.6	3.1	2.6	2.0	1.7	9.6	10.5	11.1	11.0
Croatia	0.0	-1.9	-0.4	1.0	2.2	3.4	3.0	2.0	13.5	15.8	15.9	14.9
USA	1.8	2.2	1.9	2.6	3.2	2.1	1.8	2.2	8.9	8.1	7.6	7.0
Japan	-0.6	1.9	1.0	1.6	-0.3	-0.1	0.2	0.4	4.6	4.3	4.3	4.2
China	11.5	7.8	8.0	8.1	5.4	?	?	?	?	?	?	?
World	4.2	3.1	3.2	3.9	?	?	?	?	?	?	?	?

... but domestic demand is set to return only gradually

The weakness of domestic demand reflects ongoing adjustments triggered by the financial crisis. Among its main components, gross fixed capital formation has contracted particularly strongly in 2012. At the current stage, consumption and investment are still being held back by a combination of cyclical weakness, pervasive uncertainty as well as the protracted adjustment of balance sheets and production factors that is typical for the aftermath of deep financial crises. Across most of the EU Member States, low capacity utilisation and low expected profits are weighing on business investment, while the weakness of real disposable income growth related to depressed labour markets, inflation persistence and recent tax increases are holding back consumption. Moreover, uncertainty tends to lead firms and households to delay spending decisions.

Factors relating to the necessary external rebalancing and balance-sheet consolidation are weighing on Member States to different degrees. Financing conditions remain difficult in Member States where banks are attempting to strengthen their balance sheets and/or have not yet regained access to market funding. As non-financial corporations and households are also deleveraging, weak bank lending reflects a combination of low credit demand and tight credit supply conditions. Fiscal consolidation is weighing on growth in the short-run, and so does the ongoing reallocation of resources. These factors are set to depress growth in the vulnerable Member States for the larger part of this year. Going forward, these drags are, however, expected to diminish gradually as uncertainty fades, confidence returns and adjustment starts bearing fruit, thereby opening the way for a gradual return of consumption and investment growth.

While growth divergences persist, adjustment is ongoing
...

But it is clear that the different factors affecting domestic demand will continue to cause substantial growth differentials across Member States. Among the largest Member States, in *Germany* re-accelerating global trade and a strengthening of domestic demand on the back of increasing confidence are set to yield a fairly robust rebound. Weak real disposable incomes and subdued investment are forecast to weigh on activity, leading to a more gradual expansion of GDP in *France*. The *Italian* economy is forecast to climb out of recession in mid-2013 as improving confidence and financing conditions are expected to allow a rebound in investment. In *Spain*, GDP is expected to bottom out towards the end of 2013 as the internal and external rebalancing proceeds. Domestic demand in *the Netherlands* remains constrained by the housing market adjustment, but gradual growth supported by net exports is forecast to return in the course of 2013. Among the Member States outside the euro area, activity in *the UK* is forecast to rebound as consumption continues to firm gradually and investment catches up. In *Poland*, the softness of domestic demand is projected to be temporary, with GDP growth set to progressively gather speed.

Meanwhile, the adjustment of internal and external imbalances is continuing. There is evidence that a shift in production factors from non-tradables to tradables sectors is contributing to the reduction of current-account deficits in vulnerable economies. At the same time, consumption is expected to hold up relatively well in countries with a current-account surplus, an indication of an increased reliance on domestic demand as growth driver.

... and fiscal adjustment progressing.

As many Member States implemented sizeable fiscal measures in 2012, headline deficits are expected to have fallen to 3¼% in the EU and 3½% in the euro area. Another reduction to 3½% in the EU and 2¾% in the euro area is projected in 2013. The adjustment in the structural budget balance is

OVERVIEW

EU economy bottoming out...

Since the summer of 2012, financial market conditions in the EU have improved substantially as perceived tail risks of EMU break-up receded, but this improvement has not yet fed through to the real economy. Economic activity has been disappointing in the second half of last year, and there are only now some signals from leading indicators that GDP in the EU is bottoming out. The weakness of domestic demand stemming from the adjustment of internal and external imbalances and notably from deleveraging is expected to fade only slowly. In 2013, external demand is thus set to be the main driver of the projected stabilisation and gradual acceleration of economic activity in the EU. Domestic investment and consumption are projected to recover only later in the year, but by 2014 domestic demand is expected to take over as the main driver of further strengthening GDP growth.

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China	11.5	7.8	8.0	8.1	5.4	:	:	:	:	:	:	:
World	4.2	3.1	3.2	3.9	:	:	:	:	:	:	:	:

... and moving back to modest growth in the course of the year.

The weakness in economic activity towards the end of 2012 implies a low starting point for the current year. Combined with a more gradual return of growth than earlier expected, this leads to a projection of almost unchanged annual GDP in 2013 in the EU, while annual GDP in the euro area is expected to contract by $\frac{1}{4}\%$. Quarterly GDP developments are somewhat more dynamic than the annual figures suggest, and GDP in the fourth quarter of this year is forecast to be 1% above the level reached in the last quarter of 2012 in the EU, and $\frac{3}{4}\%$ in the euro area. Nevertheless, the current weakness in economic activity is expected to have a negative impact on labour markets with unemployment rates increasing further this year to 11% in the EU and 12% in the euro area. HICP inflation is projected to decrease to 2.0% in the EU and 1.8% in the euro area in 2013.

Global conditions are becoming more supportive again ...

There are some indications that the global economy is slowly moving out of the soft patch that marked 2012, when global GDP growth slowed down, partly reflecting spillovers from the sovereign-debt crisis in the euro area, but also drags originating in other regions. Growth in advanced economies is, however, expected to remain moderate. In the US, housing and labour markets have improved, but growth surprised on the downside in the fourth quarter of 2012 and the very near-term outlook remains clouded by uncertainty related to the fiscal stance. In Japan, the latest economic stimulus package is expected to offset the recent slowdown and sustain economic activity in 2013, while growth in emerging market economies appears to have bottomed out. The soft patch in global activity also affected world trade, which lost momentum over the first three quarters of last year before resuming more robust growth. For this year as a whole, global non-EU GDP growth is projected at 4% reflecting a gradual re-acceleration in the course of the year. On the back of the stronger momentum in global output growth, world trade outside the EU is expected to grow by $4\frac{1}{2}\%$. While commodity prices have been volatile in 2012, concerns about a renewed food-price crisis have not materialised. The oil price is assumed to average 114 USD/bbl (84 EUR/bbl) this year and to decrease moderately by 2014.

... while financial market stress has eased on the back policy, ...

Important policy measures adopted since the summer of 2012 have curbed the soaring sovereign-debt crisis and weakened the vicious circles that had previously fuelled the rapid worsening of the crisis. Measures notably comprise structural and fiscal reforms at the Member State level, but also the creation of the ECB's OMT programme, the decision to set up a Single Supervisory Mechanism as a first step towards Banking Union, the adoption of the ESM, the strengthening of the institutional framework of EMU, the agreement on the second programme for Greece and structural reform at the Member-State level. In combination, these have led to a shift in markets' assessment of the viability of EMU and the fiscal sustainability of its members.

... and confidence is improving, ...

Although financial markets still remain fragile, the return of calmer conditions should lay the basis for a gradual return of confidence among households and businesses and lead to a return of moderate growth of domestic demand. Indeed, confidence indicators for the EU have increased since October 2012, though they remain at low levels. Together with other leading indicators such as industrial production, this suggests that the economy is bottoming out.

... but domestic demand is set to return only gradually

The weakness of domestic demand reflects ongoing adjustments triggered by the financial crisis. Among its main components, gross fixed capital formation has contracted particularly strongly in 2012. At the current stage, consumption and investment are still being held back by a combination of cyclical weakness, pervasive uncertainty as well as the protracted adjustment of balance sheets and production factors that is typical for the aftermath of deep financial crises. Across most of the EU Member States, low capacity utilisation and low expected profits are weighing on business investment, while the weakness of real disposable income growth related to depressed labour markets, inflation persistence and recent tax increases are holding back consumption. Moreover, uncertainty tends to lead firms and households to delay spending decisions.

Factors relating to the necessary external rebalancing and balance-sheet consolidation are weighing on Member States to different degrees. Financing conditions remain difficult in Member States where banks are attempting to strengthen their balance sheets and/or have not yet regained access to market funding. As non-financial corporations and households are also deleveraging, weak bank lending reflects a combination of low credit demand and tight credit supply conditions. Fiscal consolidation is weighing on growth in the short-run, and so does the ongoing reallocation of resources. These factors are set to depress growth in the vulnerable Member States for the larger part of this year. Going forward, these drags are, however, expected to diminish gradually as uncertainty fades, confidence returns and adjustment starts bearing fruit, thereby opening the way for a gradual return of consumption and investment growth.

While growth divergences persist, adjustment is ongoing

But it is clear that the different factors affecting domestic demand will continue to cause substantial growth differentials across Member States. Among the largest Member States, in *Germany* re-accelerating global trade and a strengthening of domestic demand on the back of increasing confidence are set to yield a fairly robust rebound. Weak real disposable incomes and subdued investment are forecast to weigh on activity, leading to a more gradual expansion of GDP in *France*. The *Italian* economy is forecast to climb out of recession in mid-2013 as improving confidence and financing conditions are expected to allow a rebound in investment. In *Spain*, GDP is expected to bottom out towards the end of 2013 as the internal and external rebalancing proceeds. Domestic demand in *the Netherlands* remains constrained by the housing market adjustment, but gradual growth supported by net exports is forecast to return in the course of 2013. Among the Member States outside the euro area, activity in *the UK* is forecast to rebound as consumption continues to firm gradually and investment catches up. In *Poland*, the softness of domestic demand is projected to be temporary, with GDP growth set to progressively gather speed.

Meanwhile, the adjustment of internal and external imbalances is continuing. There is evidence that a shift in production factors from non-tradables to tradables sectors is contributing to the reduction of current-account deficits in vulnerable economies. At the same time, consumption is expected to hold up relatively well in countries with a current-account surplus, an indication of an increased reliance on domestic demand as growth driver.

... and fiscal adjustment progressing.

As many Member States implemented sizeable fiscal measures in 2012, headline deficits are expected to have fallen to 3¼% in the EU and 3½% in the euro area. Another reduction to 3½% in the EU and 2¾% in the euro area is projected in 2013. The adjustment in the structural budget balance is

projected to advance at a slightly slower pace this year. Despite the ongoing fiscal consolidation, debt-to-GDP ratios are still forecast to increase in 2013 due to the more negative contribution of real GDP growth and – in the case of the EU but not the euro area – to persistent primary deficits.

Labour markets hard-hit

While the sharp recession of 2009 was accompanied by exceptional employment resilience, the recent GDP contractions are expected to result in employment losses that are more in line with past experience in similar economic environments. This is explained on the one hand by continued labour shedding in sectors that had grown unsustainably in the pre-crisis years, on the other by the fact that the scope for the adjustment in working hours has largely been used up. However, the labour-market outlook differs a lot across Member States, and much of the projected increase in unemployment is projected to occur in just a few Member States. High and persistent unemployment in turn bears the risk of becoming structural as the skills of unemployed workers depreciate. This could affect the economies' growth potential going forward.

Inflation set to ease

In the light of high unemployment and large output gaps, domestic price pressures are expected to remain subdued. Core inflation has been falling very gradually in 2012 and is expected to hover at a rate around 1.8% in the EU and 1.7% in the euro area by the end of the forecast horizon. Given the technical assumption of slightly decreasing commodities prices and the lagged impact of the recent euro appreciation, imported price pressures are also projected to wane. As a result, consumer-price inflation in the EU is forecast to decrease gradually in the course of 2013 and to stabilise around 1.7% in the EU and 1.5% in the euro area next year.

Risks have become more balanced

The decrease in financial market stress indicates that risks to the integrity of EMU have substantially faded over the past quarters. Nonetheless, uncertainty is still high and downside risks remain. The effective implementation of the policies to reinforce EMU and foster the necessary adjustments are crucial to keep at bay the risk of another aggravation of the sovereign-debt crisis, which could lead to renewed financial-market turmoil and derail the prospective recovery. Other downside risks relate to an even faster growth of joblessness feeding back into domestic demand and endangering the implementation of reforms as well as the uncertain fiscal policy outlook combined with large medium-term budgetary challenges in the US and Japan.

Upside risks to GDP growth could materialise if the progress with crisis resolution and structural reforms in the euro area is faster and/or the return of confidence stronger than expected. On the external side, upside risks relate to a sustainable solution of the fiscal impasse in the US or a stronger rebound of growth in emerging markets on the back of macroeconomic policy easing or structural reforms. While downside risks to the growth forecast still prevail, the risk distribution has become more balanced since the autumn 2012 forecast. Risks to the inflation outlook appear balanced.



Mr. Olli Rehn, Vice-President of the European Commission



Date and place of birth: 31 March 1962 at Mikkeli, Finland

Studies

1996 Doctor of Philosophy, University of Oxford in international political economy;
D.Phil. thesis: Corporatism and Industrial Competitiveness in Small European States

1989 Master of Soc. Sc. in political science, University of Helsinki

1982-1983 Studies in economics, international relations and journalism at Macalester College, St Paul, Minnesota, USA

Main activities

- February 2010 Member of the European Commission responsible for Economic and monetary affairs
- November 2004 – February 2010 Member of the European Commission responsible for Enlargement
- July - November 2004 Member of the European Commission, responsible for Enterprise and the Information Society
- 2003-2004 Economic Policy Adviser to the Prime Minister of Finland
- 2002-2003 Professor and Director of Research, Department of Political Science & Centre for European Studies, University of Helsinki
- 1998-2002 Head of Cabinet, the European Commission
- 1995-1996 Member of the European Parliament
- 1992-1993 Special Adviser to the Prime Minister of Finland
- 1991-1995 Member of the Parliament of Finland
- 1988-1994 Member of the City Council of Helsinki
- 1988-1994 Deputy Chairman of the Centre Party of Finland
- 1987-1989 Chairman of the Centre Youth of Finland



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Uachtaránacht na hÉireann ar
Chomhairle an Aontais Eorpaigh
An Ghné Pharlaiminteach

Irish Presidency of the
Council of the European Union
Parliamentary Dimension

Other

- European politics: Vice-President of the Liberal Group in the EP 1995-1995; Chairman of the Finnish Delegation to the Council of Europe 1991-1995; Vice-President of the European Movement of Finland 1996-1998.
- Several books and articles. The latest ones on European issues:
- Europe's Next Frontiers (Nomos, Baden-Baden 2006) and Suomen eurooppalainen valinta ei ole suhdannepolitiikkaa (WSOY, Helsinki 2006).
- Columnist in several newspapers or magazines since 1985.
- Language skills: Active: Finnish (mother tongue), English (primary working language), French, Swedish. Passive: German.
- Military service: Savon Prikaati & the Reserve Officer School, class 168, 1981-1982. Lieutenant (reserves) in 1990.
- Salesman (spare parts; during holidays), Mikkelin Autotarvike 1975-1982.
- Chairman of the Football League of Finland 1996-1997.
- Associated football since 1968 in several clubs, including FC Mikkelin Palloilijat (youth teams 1968-1978, first team 1979-1982), FC Finnish Parliament (1991-) and CS Eurocommission II (1998-2002).





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Uachtaránacht na hÉireann ar
Chomhairle an Aontais Eorpaigh
An Ghné Pharlaiminteach

Irish Presidency of the
Council of the European Union
Parliamentary Dimension

Mr. Janusz Lewandowski, Member of the European Commission



Date and Place of birth

- Born June 13, 1951 in Lublin, Poland

Current duties

- Since February 2010: Member of the European Commission responsible for Financial Programming and Budget

Political career

- Since February 2010: Member of the European Commission responsible for Financial Programming and Budget
- July 2009-February 2010: Member of the European Parliament 7th term (Committee on Budgets)
- January 2007-July 2009: Member of the European Parliament 6th term (Committee on Budgets - Vice-Chairman)
- July 2004-January 2007: Member of the European Parliament 6th term (Committee on Budgets - Chairman)
- May 2004-July 2004: Member of the European Parliament 5th term (Committee on Industry, External Trade, Research and Energy)
- April 2003-April 2004: Observer in the European Parliament (Committee on Industry, External Trade, Research and Energy)
- October 2001-June 2004: Member of Parliament, Deputy Chairman of European Integration Committee
- September 1997-October 2001: Member of Parliament, Deputy Chairman of the Committee for State Treasury and Privatisation
- July 1992-October 1993: Minister of Privatisation
- November 1991-September 1993: Member of Parliament, Chairman of the Parliamentary Committee for Privatisation (December 1991- July 1992)
- January 1991-December 1991: Minister of Privatisation





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Professional career

- 1984-1991: Polish Ocean Lines and private consultancy
- 1974-1984: Associate Professor of International Trade and Maritime Transport at University of Gdańsk

Other activities

- October 1993-Present: Chairman of The Board of Trustees - The Gdańsk Institute for Market Economics

Education

- 1984: Phd in Economics, University of Gdańsk
- 1974: Master's degree in Economics, University of Gdańsk

Languages

- Polish: mother tongue
- English, German: thorough knowledge
- French: basic knowledge





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Mr. Brendan Howlin TD, Minister for Public Expenditure and Reform



Brendan Howlin was appointed Minister for Public Expenditure and Reform on 9th March 2011. Representing the constituency of Wexford in South East Ireland, Minister Howlin was educated at Wexford CBS and St. Patrick's College Drumcondra, where he graduated as a primary school teacher. He was elected Leas-Cheann Comhairle of Dáil Éireann (Deputy Speaker of the Irish House of Parliament) on 26th June 2007.

He was appointed Labour Party spokesperson on Constitutional Matters and Law Reform in September 2007 and previously held the ministerial portfolios for the Environment (1994-1997) and Health (1993-1994). He was first elected to the Dáil in 1987 and elected Deputy Leader of the Labour Party in 1997. Between 1982 and 1987, he was a member of Seanad Éireann (Irish Senate).

At various times in his political career, Mr. Howlin has been party spokesperson on Finance, Justice, Health and Youth Affairs and Health and Women's Rights. In addition to being a former member of the Oireachtas Commission-(the body that under law provided for the running and administration of the houses of Parliament)- Mr. Howlin is also one of the six Vice-Presidents of the Executive Committee of The Association of European parliamentarians for Africa (AWEPA).





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Mr. Michael Noonan TD, Minister for Finance



Mr. Michael Noonan TD was appointed Minister for Finance in March 2011. He has been a Teachta Dála (TD) or Member of Parliament for the Limerick East and later Limerick City constituencies since 1981. Mr. Noonan has been a Minister in every Fine Gael-led government since 1982. During these terms of office he has held various portfolios including Minister for Justice, Minister for Industry and Commerce and Minister for Health. Mr. Noonan became his party's spokesperson on Finance in 1997 before assuming the leadership of the party in 2001. Prior to his appointment as Finance spokesperson in 2010 he served as Chairman of the Public Accounts Committee.

The son of a local schoolteacher, Mr. Noonan was born in County Limerick in 1943. He studied primary school teaching at St. Patrick's College of Education before subsequently completing a B.A. and H.Dip. in English and Economics at University College Dublin. Mr. Noonan was a secondary school teacher for a number of years until his election to the parliament in 1981 when he became a full-time politician.

Minister Noonan has delivered two budgets since his appointment as Finance Minister on 9 March 2011. He has been deeply involved in discussions with the European Commission, European Central Bank and International Monetary Fund on a wide range of fiscal and monetary issues.

Mr. Noonan has three sons and two daughters.





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Professor Karl Whelan, PhD



Professor Karl Whelan is a lecturer in Economics at University College Dublin. He obtained a B.A. (Economics and Mathematics) from Trinity College Dublin in 1991 and was awarded a PhD (Economics) from MIT in 1997. He worked for over ten years in Central Banks. At the Federal Reserve Board of Governors in Washington DC, Professor Whelan worked on a wide range of macroeconomic and financial issues, regularly participated in briefing Chairman Greenspan and other Governors and worked on the FOMC's macroeconomic forecast.

From 2002-2007, Professor Whelan held the posts of Economist, Senior Economist, and Deputy Head in the Economic Analysis and Research Department in the Central Bank of Ireland. His research is generally concentrated in applied macroeconomics and has been published in leading journals such as the American Economic Review, Review of Economics and Statistics, Journal of Monetary Economics and Journal of Money, Credit and Banking. Amongst others, Professor Whelan's research interests include: Inflation, Consumption, Productivity and Growth, Finance, Time Series Econometrics, Irish Economy and European Monetary Union.

Professor Whelan is a member of the Royal Irish Academy and since September 2009 is a member of the Expert Panel of advisors to the European Parliament's Committee on Economic and Monetary Affairs in relation to its Monetary Dialogue with the European Central Bank. Professor Whelan has written and published extensively on a wide range of both domestic and international economic issues. He continues to write regularly on economic policy issues on blogs, in newspaper articles and appears occasionally on Irish TV and radio.





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Professor Mark Hallerberg, PhD



Professor Mark Hallerberg is currently Professor of Public Management and Political Economy at the Hertie School of Governance, Berlin. He is also Director of the Fiscal Governance Centre at the same institution. Professor Hallerberg's education includes a B.A. from Grinnell College, Grinnell, Iowa and an M.A. and C.Phil. from the University of California at Los Angeles. Professor Hallerberg obtained his PhD in Political Science in 1995 at the University of California at Los Angeles which included a course of study at the Free University of Berlin.

Professor Hallerberg has held academic positions previously at Emory University, the University of Pittsburg and the Georgia Institute of Technology. He has also served as a visiting scholar at the University of Amsterdam, University of Bonn, University of Mannheim and the University of Munich (all in economics departments). In addition, Professor Hallerberg has done consulting work for the Dutch Ministry of Finance, Ernst and Young Poland, the European Central Bank, the International Monetary Fund, the Organisation for Economic Cooperation and Development and the World Bank.

He is the author of one book, co-author of a second and co-editor of a third. He has published over twenty-five articles and book chapters on fiscal governance, tax competition, exchange rate choice and European politics.





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LIST OF PARTICIPANTS

LISTE DES PARTICIPANTS

Meeting of the Chairpersons of Finance Committees

Reunion des Presidents des Commissions des Finances

Dublin 24 & 25 February 2013

Dublin 24 & 25 février 2013



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MEMBER STATES - ETATS MEMBRES

AUSTRIA - AUTRICHE

National Council/ Conseil national/ Nationalrat

Mr Guenter STUMMVOLL, Chairperson of the Finance Committee

Mr Alois GRADAUER, Vice-Chairperson of the Budget Committee

Mr David LIEBICH, Secretary of Delegation

Federal Council/ Conseil fédéral /Bundesrat

Mr Ewald LINDINGER, Chairperson of the Finance Committee

BELGIUM - BELGIQUE

**House of Representatives/ Chambre des représentants /Kamer van
volksvertegenwoordigers**

Mr Georges GILKINET, Président de la Commission des Finances

Mr Frederik VERDELEN, Secrétaire de la Commission des Finances

Senate/ Sénat/ Senaat

Mr Ludo SANNEN, Président de la Commission des Finances et Affaires Economiques

Ms Julie HUBIN, Secrétaire de la Commission des Finances



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Irish Presidency of the
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Parliamentary Division

BULGARIA - BULGARIE

National Assembly/ Assemblée nationale/ Narodno Sabranie

Mr Dimitar GLAVCHEV, Deputy Chairperson of the Committee on Budget and Finance

CYPRUS - CHYPRE

House of Representatives/ambre des représentants/ Vouli ton Antiprosopon

CZECH REPUBLIC - RÉPUBLIQUE TCHÈQUE

Chamber of Deputies/ Chambre des députés/ Poslanecka Sněmovna

Mr Radim VYSLOUZIL, Vice-Chairperson of the Committee on the Budget

Mr Petr JELINEK, Head of the Secretariat of the Committee on the Budget

Senate/ Sénat/ Senat

Mr Jaromir STRNAD, Deputy Chairperson of the Committee on National Economy, Agriculture and Transport

Ms Andrea JUZOVA, Secretary of the Committee on National Economy, Agriculture and Transport

DENMARK - DANEMARK

Parliament/ Parlement/ Folketinget

ESTONIA - ESTONIE

Parliament/ Parlement/ Riigikogu



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FINLAND- FINLANDE

Parliament/ Parlement/ Eduskunta

Mr Kimmo SASI, Chairperson of the Finance Committee

FRANCE - FRANCE

National Assembly/ Assemblée nationale

Ms Valerie RABAULT, Vice-Présidente de la Commission des Finances, de
L'Economie Generale et du Controle Budgetaire

Senate/ Sénat

Mr Philippe MARINI, Chairperson of the Finance Committee

Mr Pierre CHAVY, Administrateur

GERMANY - ALLEMAGNE

German Bundestag/ Bundestag allemand/ Bundestag

Federal Council/ Conseil fédéral/ Bundesrat

Mr Norbert WALTER-BORJANS, Chairperson of the Finance Committee

Mr Jan REHM, Head of Division

GREECE - GRÉCE

Hellenic Parliament/ Parlement hellénique/ Vouli ton Ellinon

Mr Antonios BEZAS, President of the Committee on Economic Affairs

Ms Evangelia SPANOUDAKI, Official, European Affairs Directorate



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HUNGARY - HONGRIE

National Assembly/ Assemblée nationale/ Országgyűlés

Ms Anna MAGYAR, Member of the Committee on Audit Office and Budget

Ms Dorottya DEÁK-STIFNER, Adviser of the EU Department

IRELAND - IRLANDE

Parliament/ Parlement/ Houses of the Oireachtas

Mr Ciarán LYNCH, Chairperson of the Oireachtas Joint Committee on Finance, Public Expenditure and Reform

Mr Arthur SPRING, Member of the Oireachtas Joint Committee on Finance, Public Expenditure and Reform

Mr Ronan LENIHAN, Clerk to the Oireachtas Joint Committee on Finance, Public Expenditure and Reform

Mr Conor GOULDSBURY, EU Policy Adviser

ITALY - ITALIE

Chamber of Deputies/ Chambre des députés/ Camera dei Deputati

Senate/ Sénat/ Senato della Repubblica

LATVIA - LETTONIE

Parliament/ Parlement/ Saeima

Mr Jānis REIRS, Chairperson of the Budget and Finance Committee

Mr Janis OZOLINS, Deputy Chairperson of the Budget and Finance Committee

Mr Arnis KRUSTINS, Official

Ms Gita STRAUTINA, Official



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Parliamentary Directorate

LITHUANIA - LITUANIE

Parliament/ Parlement/ Seimas

Mr Kęstutis GLAVECKAS, Deputy Chairperson of the Committee on Budget and Finance

Ms Alina BRAZDILIENÉ, Head of Office, Committee on Budget and Finance

LUXEMBOURG - LUXEMBOURG

Chamber of Deputies/ Chambre des deputes

Mr Roger NEGRI, Député et Vice-Président de la Commission des Finances et du Budget

MALTA - MALTE

House of Representatives/ Chambre des représentants/ Il-Kamra Tad-Deputati

NETHERLANDS - PAYS-BAS

House of Representatives/ Chambre des représentants/ Tweede Kamer der Staten-Generaal

Mr Arnold MERKIES, Member of the Finance Committee

Ms Evelien MAAS, Deputy Clerk of the Finance Committee

Senate/ Sénat/ Eerste Kamer der Staten-Generaal

Mr Peter ESSERS, Chairperson of the Finance Committee

Mr David RIJKS, Policy Adviser



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An Uachtaránacht

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POLAND - POLOGNE

Sejm/ Sejm/ Sejm

Mr Andrzej GALAZEWSKI, Deputy Chairperson of the European Union Affairs Committee

Ms Beata SZYDIO, Deputy Chairperson of the Public Finance Committee

Ms Krystyna SKOWRÓŃSKA, Deputy Chairperson of the Public Finance Committee

Ms Ksenia ANGIERMAN-KOZIELSKA, Official

Mr Tomasz WOZNICKI, Official

Senate/ Sénat/ Senat

Mr Piotr GRUSZCZYŃSKI, Member of the Budget and Public Finance Committee of the Senate

Mr Andrzej WÓJTOWICZ, Advisor

PORTUGAL - PORTUGAL

Assembly of the Republic/ Assemblée de la République/ Assembleia da Republica

Mr Eduardo CABRITA, Chairperson of the Committee on Budget, Finance and Public Administration

ROMANIA - ROUMANIE

Chamber of Deputies/ Chambre des députés/ Camera Deputatilor

Mr Cosma VLAD-ALEXANDRU, Member of the Committee for Budget, Finance and Banks

Senate/ Sénat/ Senatul



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SLOVAKIA - SLOVAQUIE

National Council/ Conseil national/ Narodna rada

Mr Ladislav KAMENICKÝ, Vice-Chairperson of the Committee on Finance and Budget

Ms Andrea CÍKOVÁ, Secretary of the Committee on Finance and Budget

SLOVENIA - SLOVENIE

National Assembly/ Assemblée nationale/ Državni Zbor

Mr Jerko ČEHOVIN, Deputy Chairperson of the Committee on Finance and Monetary Policy

National Council/ Conseil national/ Državni Svet

SPAIN - ESPAGNE

Congress of Deputies/ Congrès des Députés/ Congreso de los Diputados

Mr Santiago LANZUELA, Chairperson of the Committee on Economy and Competitiveness

Ms Mónica MORENO, Legal Advisor, Committee on Economy and Competitiveness

Senate/ Sénat/ Senado

Ms Isabel JIMÉNEZ GARCÍA, President of the Finance Committee

Ms María Teresa GONZÁLEZ ESCUDERO, Legal Advisor of the Finance Committee

SWEDEN - SUEDE

Parliament/ Parlement/ Riksdagen

Mr Carl HAMILTON, Member of the Finance Committee

Mr Bo BERNHARDSSON, Member of the Finance Committee



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UNITED KINGDOM - ROYAUME-UNI

House of Commons/ Chambre des Communes

Mr Stewart HOSIE, Member of the Treasury Committee

House of Lords/ Chambre des Lords

Lord Lyndon Henry HARRISON, Chairperson to the EU Sub-Committee on Economic and Financial Affairs

Ms Rose CRABTREE, Policy Analyst to the EU Sub-Committee on Economic and Financial Affairs

EUROPEAN PARLIAMENT - PARLEMENT EUROPÉEN

Mr Michael THEURER, Chairperson of the Budgetary Control Committee

Ms Sharon BOWLES, Chairperson of the Economic and Monetary Affairs Committee

Mr Alain LAMASSOURE, Chairperson of the Committee on Budgets

Mr Francis JACOBS, Head of the European Parliament Office, Dublin

Mr Arttu MAKIPAA, Administrator of the Economic Committee

Mr Francois JAVELLE, Administrator

Mr Christian EHLERS, Administrator

ACCEDING COUNTRY - PAYS ADHÉRENT

CROATIA - CROATIE

Parliament/ Parlement/ Hrvatski Sabor

Mr Surdan GJURKOVIC, Chairperson of the Finance and Central Budget Committee



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CANDIDATE COUNTRIES - PAYS CANDIDATS

FORMER YUGOSLAV REPUBLIC OF MACEDONIA/FYROM - ANCIENNE RÉPUBLIQUE YUGOSLAVE DE MACÉDOINE/ARYM

Assembly of the Republic/ Assemblée de la République/ Sobranie

ICELAND - ISLANDE

Parliament/ Parlement/ Althingi

MONTENEGRO - MONTENEGRO

Parliament/ Parlement/ Skupština

Mr Aleksandar DAMJANOVIĆ Chairperson of the Committee of Economy, Finance and Budget

Mr Damir ŠEHOVIĆ, Member of the Committee of Economy, Finance and Budget

SERBIA - SERBIE

National Assembly/ Assemblée nationale / Narodna skupstina

Mr Radojko OBRADOVIC, Deputy Chairperson of the Committee on Finance, State Budget and Control of Public Spending

Ms Milena SANDIĆ, Head of the Department for Economic and Finance Issues

TURKEY - TURQUIE

**Grand National Assembly of Turkey/ Grande Assemblée nationale de Turquie
/Türkiye Büyük Millet Meclisi**

Mr Lutfi ELVAN, Chairperson of the Committee on Plan and Budget



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OTHER PARTICIPANTS - AUTRES PARTICIPANTS

EUROPEAN COMMISSION/ COMMISSION EUROPÉENNE

Ms Barbara NOLAN, Head of European Commission Representation in Ireland

Mr Grzegorz RADZIEJEWSKI, Deputy Head of Cabinet to Commissioner Lewandowski

Ms Heidi JERN, Member of Cabinet to Commissioner Rehn

Ms Eimear Ní BHROIN, Political Reporter, European Commission Representation in Ireland

Ms Ruth DEASY, Head of Press Section, European Commission Representation in Ireland

NORTHERN IRELAND - IRLANDE DU NORD

Northern Ireland Assembly/ l'Assemblée d'Irlande du Nord

Mr Daithí MCKAY, Chairperson of the Committee for Finance and Personnel

Mr Shane MCATEER, Clerk to the Committee for Finance and Personnel

SPEAKERS/ ORATEURS

Mr Janusz LEWANDOWSKI, European Commissioner for Financial Programming and Budget

Mr Olli REHN, Vice-President, Commissioner for Economic and Monetary Affairs and the Euro.

Mr Michael NOONAN T.D., Minister for Finance

Mr Brendan HOWLIN T.D., Minister for Public Expenditure and Reform

Professor Mark HALLERBERG, Hertie School of Governance, Berlin

Professor Karl WHELAN, Economics, University College Dublin