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European Union

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COVER NOTE

From:	Mr Xavier Bettel, Prime Minister
date of receipt:	9 October 2015
To:	Mr Donald Tusk, President of the European Council
Subject:	Five Presidents' Report "Completing Europe's Economic and Monetary Union"
	- Progress achieved by the Council

Delegations will find enclosed, for information, a letter dated 9 October 2015 by Mr Xavier Bettel, Prime Minister to the President of the European Council, Mr Donald Tusk.



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Le Premier ministre

E-MAIL / ~~FAX~~

Luxembourg, 9 October 2015

Dear President of the European Council,

At our meeting on 25-26 June 2015, the European Council took note of the Five Presidents' Report entitled "Completing Europe's Economic and Monetary Union" and invited the Council to examine it rapidly.

The Luxembourg Presidency of the Council of the European Union has taken up this request and initiated discussions in the various Council configurations, including the Economic and Financial Affairs Council (ECOFIN), the General Affairs Council (GAC), and the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO).

I take this opportunity to inform you on the progress made so far in both formal and informal meetings of the Council in the examination of the above mentioned report.

At their informal meeting on 23-24 July 2015, **Ministers and State Secretaries for European Affairs** welcomed the report. The overall debate evolved around the content and sequencing of the proposed measures in the short and the long term. The need to preserve the integrity of the Single Market was emphasised. Completing the Economic and Monetary Union (EMU) is crucial when it comes to promoting a return to growth and boosting employment within a framework of solidarity and budgetary discipline.

In the **informal and formal meetings of the Employment, Social Policy, Health and Consumer Affairs Council**, which took place on 16-17 July and 5 October respectively, Ministers agreed that a deepened social dimension of EMU should be built upon the existing instruments within the European Semester.

Recalling both the Union's existing legal framework and the competences of individual Member States, Ministers agreed that adequate governance providing for a specific approach to employment and social policies is essential in the context of a reinforced coordination of economic, financial and budgetary policies. Social imbalances could be prevented and corrected in the existing framework by enhanced monitoring of employment and social developments, including the scoreboard of key employment and social indicators.

His Excellency
Mr Donald Tusk
President of the European Council
Brussels

Copy: Members of the European Council

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Présidence
du Conseil de
l'Union européenne

GRAND-DUCHÉ DE
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In order to allow for social and economic convergence, it was stressed that employment and social policies need to be adequately coordinated and embedded in the European Semester, with appropriate attention given to the difference in coordination mechanisms in the employment and social policies compared to economic policies.

It was recalled that the success of EMU also depends on efficient and fair labour markets, well balanced structural reforms, and the modernisation and reform of social protection systems, in order to foster inclusive and sustainable growth.

Ministers of Finance had a first exchange of views on the Five Presidents' Report at the Eurogroup and Economic and Financial Affairs Council meetings on 13-14 July 2015. The focus of the debate was on the short term measures. The completion of the Banking Union was identified as a priority. Member states were urged to ensure a swift transposition of the Bank Recovery and Resolution Directive (BRRD) and the Deposit Guarantee Schemes Directive (DGSD) and the ratification of the Intergovernmental Agreement on the Single Resolution Fund (SRF). SRF bridge financing was deemed to be necessary to enhance the credibility and resilience of the Single Resolution Mechanism (SRM). Improved fiscal and economic coordination was identified as another area of priority to promote sound public finances, growth and employment. Ministers considered that better implementation of the Country-specific Recommendations (CSRs), and a more efficient use of the Macroeconomic Imbalance Procedure (MIP) will contribute to making economic governance more efficient.

Finance Ministers also discussed the Five Presidents' Report at the informal ECOFIN in Luxembourg on 12 September 2015 on the basis of a discussion note prepared by the Presidency. The note went beyond the short term and invited Ministers to share their views on ways to improve the economic governance framework, to complete the Financial Union, and to foster democratic accountability, legitimacy and institutional strengthening.

The Commission announced in its roadmap of 1st July 2015 on the deepening of EMU the intention to come forward this autumn with a targeted and stability-oriented review of the Two-Pack and Six-Pack legislation, measures on revamping the European Semester, and on the external representation of the euro area. The informal ECOFIN meeting offered Ministers the opportunity to convey to the Commission their views on the forthcoming set of measures.

Ministers agreed that measures aimed at making the euro area more resilient in the short-term could not be dissociated from reflections on a longer-term vision for EMU. The general thrust was that risk sharing should go hand in hand with risk reduction. There was broad agreement among Ministers that further efforts are necessary to ensure that EMU continues to be instrumental to growth, jobs, financial sustainability and social cohesion. Ministers attached great importance to restoring the public's confidence in the euro. To this end, it was felt that the integration of EMU should be built on a credible and realistic strategy that gives due account to democratic accountability and legitimacy.

An incremental approach was deemed to be an appropriate way forward. The strategy could be composed of the following steps: i) implementation and enforcement of existing commitments; ii) review of existing instruments to ensure better policy outcomes by enhancing efficiency and legitimacy; iii) if deemed necessary, adoption of new short term measures; and iv) definition of a process for dealing with the medium- to long term issues.

Finance Ministers stressed the importance of putting in place an open and transparent process towards non-euro area Member States with a view to maintaining the integrity of the Single Market.

Moreover, Ministers confirmed that the completion of the Financial Union should be a short term priority to break the vicious circle between banks and sovereigns. The Capital Markets Union (CMU) was mentioned as an important initiative to promote cross-border lending and investment; it allows for risk sharing with the private sector. The CMU action plan has been presented to Ministers at the ECOFIN meeting on 6 October 2015. The intention is to adopt Council conclusions on the CMU action plan at the November ECOFIN meeting. Making swift progress on the legislative proposal on securitisation is considered to be of the highest priority.

The Presidency intends to make rapid progress on the measures that the European Commission has recently tabled or will present in the near future to promote the integration of EMU in order to implement some short term priorities identified in the Five Presidents' Report.

Given the various exchanges that have taken place and the quality of the debates in the different Council configurations, I am confident that this debriefing on the progress made so far will contribute to the preparation of the **discussions on EMU at the European Council** on 15-16 October 2015.

The Luxembourg Presidency stands ready to present a progress report on the work of the Council ahead of the European Council on 17-18 December 2015.

Please accept, dear President of the European Council, the assurances of my highest consideration.

Yours very respectfully,



Xavier Bettel
Prime Minister