

Finance ministers from Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands and Sweden underline their shared views and values in the discussion on the architecture of the EMU.

The current strength of the euro area is notably the result of the decisive steps that have been taken at the European level to strengthen the Economic and Monetary Union as well as wide-ranging reforms at the national level. Against the background of the benign economic conditions, European ministers of finance discussed the future of the EMU on several occasions over the last couple of months, while Leaders exchanged thoughts in December. Discussions on the future of the EMU will continue among finance ministers in the coming months and Leaders agreed to come back to the matter in March and June.

We will take the opportunity over the coming months to give a clear voice to the values we generally share:

First, we believe discussions about the future of the EMU should take place in an inclusive format. European cooperation is based on strong shared values, among others the value of inclusiveness. Unity is a key asset for the remaining EU27 and must be safeguarded. The future of the EMU (fiscal, structural, financial, institutional issues etc.) is relevant to all and should therefore be discussed and decided by all. New EMU initiatives should be open on a voluntary basis to non-euro area countries on equivalent terms.

Second, a stronger EMU requires first and foremost decisive actions at the national level and full compliance with our common rules. It starts with implementing structural reforms and respecting the Stability and Growth Pact, thereby building up fiscal buffers in national budgets to allow room for national fiscal policies, both automatic and possibly discretionary stabilisation, in order to smoothen economic downturns. This would ensure a robust EMU with better stabilisation, resilience and sound structures as well as improved convergence. The EU should make use of the strengthened fiscal, economic and financial frameworks already in place, to deliver concrete results for European citizens in terms of stability, jobs and growth.

Third, we should focus on initiatives that have public support in Member States. The financial crisis and the subsequent sovereign debt crisis have affected citizens in all Member States. With a view to the future, it is of the essence that we do our utmost to strengthen economic and financial stability and regain public trust. Further deepening of the EMU should stress real value-added, not far-reaching transfers of competence to the European level. For that reason the discussion on the deepening of the EMU should find a consensus on 'need to haves', instead of focussing on 'nice to haves'. In line with the outcome of the Leaders' discussion in December, priority should be given to areas with the greatest convergence of views between Member States, notably the completion of the Banking Union, and the transformation of the ESM into a European Monetary Fund. The EMU strengthening should be complemented by further building on core EU strengths within the broader economic cooperation to create tangible value for citizens and strengthen growth potential, including completing the single market and pursuing an ambitious free trade agenda. Stronger performance on national structural and fiscal policies in line with common rules, along with these European initiatives, notably the Banking Union, should have priority over far-reaching proposals.

Fourth, we are all committed to the process of completing the Banking Union. The Council *Roadmap to Complete the Banking Union* from June 2016, provides an agreed outline and priorities for the completion of the Banking Union, and provides a firm commitment by all Member States. The Roadmap should remain the basis for future discussion. A next step could be to add more precision as regards to the specific steps that have to be taken. Important elements in this regard, as principally contained in the 2016 Council Roadmap, include adequate buffers for bail-in, flexibility to address macro prudential and systemic risks at the national level, sound provisioning policy for non-performing loans, regulatory treatment of sovereign exposures, ongoing work on improving the efficiency of national insolvency procedures, transparency to markets as well as minimizing the use of state-aid. We should continue discussions on the common backstop for the SRF and continue technical discussions on EDIS. We could start political discussions on the first stage of EDIS as soon as sufficient progress has been made on the measures on risk reduction. We should also continue to ensure openness and equivalent treatment of all Member States participating in the Banking Union. In addition to the Banking Union, progress should also be made with the development of a Capital Markets Union, in order to foster cross border private risk sharing.

Fifth, the ESM should be strengthened and possibly developed into a European Monetary Fund (EMF). An EMF should have greater responsibility for the development and monitoring of financial assistance programmes. Decision making should remain firmly in the hands of Member States. The current subscribers to the ESM Treaty stress the importance of preserving the current voting rules, as fostered by the current intergovernmental set-up. Moreover, the modalities of a strengthened framework for orderly sovereign debt restructuring in case of unsustainable debt levels should be explored as part of the set-up of an EMF.

Sixth and finally, the post-2020 Multiannual Financial Framework can help to foster sustainable growth and can be better aligned to the implementation of structural reforms, whilst respecting the responsibility and ownership of Member States for such reforms. Structural reforms are key for strengthening the resilience and potential growth of Member States and the EU as a whole. Recent growth rates in Member States that implemented reforms during and after the crisis illustrate that reform efforts pay off. Potential for further reforms remains. Better focus of the EU budget on structural reform could support their implementation, while targeted investments financed by the EU budget could also complement the effects of structural reforms. Such measures would need to reflect the budgetary constraints of the future EU-budget.