[Remarks by Vice-President Dombrovskis at the European Semester Spring Package press conference]

Good afternoon everyone,

Welcome to our press conference on our Spring Economic Package.

It includes country specific recommendations for 27 Member States, so all Member States except Greece, and a number of decisions under the Stability and Growth Pact.

The College has also adopted a Communication on the review of the "flexibility" within the SGP and, last but not least, the biannual Convergence Report.

Europe's economy is growing at its fastest pace in a decade. The growth is set to continue at a robust but slightly slower pace this year and next. Employment is at a record high, investment recovering, public finances improving. However, the risks related to trade protectionism and volatility in global financial markets are looming.

Our main message is: we need to use the current good times to make our economies more resilient. We should strengthen fundamentals for sustainable and inclusive growth. This means structural reforms to tackle weaknesses in our economic and financial systems. It means building fiscal buffers, which would give countries more manoeuvring space in the next downturn and it means investment to lift up our potential.

As regards country specific recommendations many countries still need to improve their business environment and act to open up their product and services markets. Such reforms, if implemented, have a strong potential to attract fresh investment and create more jobs. There is a need for stronger support for innovation. We recommend more efforts to improve education and skills training, including life-long learning. And for some countries, we recommend to strengthen the public administration and good governance, while intensifying the fight against corruption.

A number of countries are asked to improve the sustainability of their health-care and pension systems. This week, we will publish the 2018 Ageing Report. This report states that the fiscal impact of population ageing is set to be a significant challenge in almost all Member States.

Last but not least, the EU proclaimed last year the European Pillar of Social Rights, and we are building on this guidance to keep a special focus on social challenges. Marianne will elaborate on this.

For some countries we also propose to take decisions under the SGP. Pierre will give you details in a minute, so let me report very telegraphically.

Let me congratulate France, as today we recommend abrogating the country from the Excessive Deficit Procedure. Now, it will be important to build on these good results.

This leaves only one Member State Spain under the corrective arm of the Pact under Stability and Growth Pact, down from 24 countries in 2011.

We also adopted our Opinion on the Draft Budgetary Plan for Spain, which was found to be broadly compliant with the Stability and Growth Pact.

We also have two clear-cut cases for significant deviation procedures – this is what we recommend for Romania and Hungary.

Both countries currently are in the preventive arm of SGP and experience a very robust growth, well above the EU average. Yet they lead expansionary policies.

We also adopted reports under Article 126.3 for Italy and Belgium and do not propose to open a debt-based Excessive Deficit Procedures for these countries at this stage.

And finally, on the Convergence Report. The euro was created as the single currency for the whole EU. Therefore euro accession is open for any EU country working towards it.

Joining the euro area is a transparent and rules-based process. The convergence criteria were put in place to ensure countries are ready to adopt the single currency. Our convergence report also looks at the compatibility of national legislation with the EU law. Today's report concludes that at the moment, none of the seven countries examined fulfils all conditions for adopting the euro.However, three of these countries – Bulgaria, Croatia and Sweden – meet all nominal convergence criteria except for the exchange rate stability. And we welcome the current work by the Bulgarian authorities towards the Exchange Rate Mechanism II participation, so to meet also the exchange rate stability criteria.

As I said earlier, we also look at the compatibility of national legislation.Our finding today is thatCroatiais currently the only country where legislation is fully compatible with the compliance duty under the Treaty.

President Juncker has made it very clear: the EU wants to support countries in their efforts to get ready for the euro.

Next week, the Commission will also table a proposal for a new Reform Support Programme in the context of the next Multiannual Financial Perspective.

This will include a dedicated 'convergence facility' for technical and financial assistance to support the Member States in the implementation of reforms on their way towards joining the euro.

Thank you very much,

I now pass the floor to Pierre.

[Daily News 23 / 05 / 2018]

RÉUNION DU COLLÈGE: paquet "semestre européen 2018" du printemps – La Commission adresse des recommandations aux États membres afin que ceux-ci parviennent à une croissance durable, inclusive et à long terme

Aujourd'hui, le vice-président **Dombrovskis**, la commissaire **Thyssen** et le commissaire **Moscovici** ont présenté les recommandations par pays de la Commission pour 2018, en expliquant les orientations de politique économique pour les États membres pour les 12 à 18 prochains mois. L'économie européenne croît à son rythme le plus élevé depuis dix ans; elle est soutenue par un taux d'emploi historiquement élevé, une reprise des investissements et une amélioration des finances publiques. Conformément aux prévisions du printemps 2018 de la Commission, la croissance restera forte malgré une très légère décélération. Les recommandations par pays proposées aujourd'hui s'appuient sur les progrès accomplis dans la mise en œuvre des réformes et visent à tirer parti des perspectives économiques positives pour inciter les États membres à introduire des réformes qui accroîtront la résilience et doperont le potentiel de croissance. La Commission a également pris un certain nombre de mesures dans le cadre du Pacte de stabilité et de croissance. Elle recommande la clôture de la procédure pour déficit excessif visant la France; adopte des rapports concernant la Belgique et l'Italie au titre de l'article 126, paragraphe 3, du TFUE, dans lesquels elle examine leur respect du critère de la dette prévu par le traité; propose que le Conseil adopte une recommandation pour que la Hongrie prenne des mesures appropriées en 2018 en vue de corriger l'écart significatif; recommande pour la Roumanie que le Conseil rende une décision sur les mesures inefficaces et recommande de prendre des mesures en 2018 et 2019 pour corriger l'écart significatif. Il publie également son avis sur le projet de plan budgétaire actualisé (DBP) pour l'Espagne. Un communiqué de presse et un mémo sont disponibles en ligne. *(Pour plus d'informations: Christian Spahr – Tel.: +32 229 50055; Christian Wigand– Tel.: +32 229 62253; Annikky Lamp – Tel.: +32 229 5615; Sara Soumillion – Tel.: +32 229 67094)*

COLLEGE MEETING: Commission releases 2018 Convergence Report: Review of Member States' progress towards euro adoption

The Commission has published its 2018 Convergence Report which assesses Member States' progress towards joining the euro area. The report is based on the convergence criteria, sometimes referred to as the 'Maastricht criteria', set out in article 140(1) of the Treaty on the Functioning of the European Union (TFEU). The report covers the seven non-euro area Member States that are legally committed to adopting the euro: Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden. It finds that these Member States generally display considerable nominal convergence, but none of them currently meet all the formal conditions for joining the euro area. Two of these Member States, Bulgaria and Croatia, fulfil all of the convergence criteria, except for the exchange rate criterion as they are not members of the Exchange Rate Mechanism (ERM II). According to a new Eurobarometer survey, published today, support for joining the euro in the non-euro area Member States covered by the Convergence Report continues to increase. The Convergence Report by the European Commission is published in parallel with the Convergence Report by the European Central Bank (ECB). A press release and memo are available online. *(For more information: Christian Spahr – Tel.: +32 229 50055; Annikky Lamp – Tel.: +32 229 56151; Enda McNamara – Tel.: +32 229 58615)*

COLLEGE MEETING: 2019 EU Budget: Commission proposes a budget focused on continuity and delivery – for growth, solidarity, security

The Commission today proposed the 2019 draft EU Budget of €166 billion in commitments, investing in a stronger and more resilient European economy and promoting solidarity and security on both sides of the EU's borders. This budget is the sixth one under the current 2014-2020 long-term EU budget and operates within the limitations set therein. It is designed to optimise funding for existing programmes as well as new initiatives and to boost European added value in line with the Juncker Commission's priorities. Commissioner Günther H. **Oettinger,** in charge of Budget and Human Resources, said: "*We are proposing an ambitious budget that continues to support our priorities, in particular on investment, jobs, youth, migration, solidarity and security, and that delivers European added value for our citizens. We need stability for the EU and I look forward to reaching an agreement with Parliament and Council as soon as possible*." The proposal is based on the premise that the United Kingdom, following its withdrawal as of 30 March 2019, will continue to contribute to and participate in the implementation of EU budgets until the end of 2020 as if it were a Member State. The European Parliament and the European Union Member States will now jointly discuss this proposal. Earlier this month, the Commission put forward its proposal for a pragmatic and modern long-term budget for the 2021-2027 period. A press release in all languages, but also a memo and a fact sheet in EN, DE, FR are available online. *(For more information: Alexander Winterstein – Tel.: +32 229 93265; Maria Tsoni – Tel.: +32 229 90526)*

COLLEGE MEETING: Commission proposes new rules for OLAF as a close partner of the European Public Prosecutor's Office

The creation of a European Public Prosecutor's Office (EPPO) marks the beginning of a new phase in the fight against fraud affecting the EU budget. In this context, the European Commission is proposing today to amend Regulation (EU, Euratom) 883/2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF). The amendment seeks to ensure that OLAF is equipped to work closely with the EPPO to detect and investigate fraud across the EU. The proposed changes will also clarify OLAF's tools for the conduct of administrative investigations with a view to ensuring their effectiveness. This concerns in particular checks and inspections, access to bank account information, as well as the tools to fight VAT fraud. *"The budget is truly about EU added value. We must ensure that every cent is spent to the benefit of our citizens. This means that the fight against fraud and corruption needs to be more vigorous than ever. We need to ensure that OLAF is fit for purpose and that it works alongside the EPPO in a smooth and efficient manner. We need to maintain a strong OLAF that complements the EPPO's criminal law approach with solid administrative investigations."* said Günther H. **Oettinger**, Commissioner for Budget and Human Resources. Today's proposal to amend Regulation 883/2013 aims to ensure that OLAF becomes a close and reliable partner of the EPPO, and that it continues to conduct administrative investigations to complement the EPPO's work. OLAF will thus continue playing an essential role in the protection of the Union's financial interests. The EPPO and OLAF will work in close partnership to ensure – through their distinct but complementary mandates – that all available means are used to counter fraud and to protect taxpayers' money. A press release in all languages is available online. *(For more information: Alexander Winterstein – Tel.: +32 229 93265; Maria Tsoni – Tel.: +32 229 90526)*

European Defence Fund: Commission welcomes provisional agreement found on industrial programme

The Commission welcomes the provisional agreement reached yesterday evening by the European Parliament and the Council on the European Defence Industrial Development Programme (EDIDP). The EDIDP is a key pillar of the European Defence Fund, announced by President **Juncker** in September 2016 and launched in June 2017. It aims to encourage cooperation in developing the technologies and equipment needed to address common defence and security challenges. Elżbieta **Bieńkowska**, Commissioner for the Internal Market, Industry, Entrepreneurship and SMEs, added: "*This programme is part of our wider efforts to establish a credible Defence Union which protects its citizens. With this agreement, we are building EU's strategic autonomy and boosting the competitiveness of the EU defence industry*. *Additionally, for the period 2021-2027, as part of the next EU budget, we have just proposed to allocate €13bn for the European Defence Fund.*" Under the EDIDP programme, the EU will co-fund projects (€500 million foreseen in 2019 and 2020) that are implemented by at least three undertakings in at least three Member States. For prototypes, up to 20% of the cost could be covered by the programme while for other actions such as design or testing, it can go up to 100%. In addition, projects developed in the context of PESCO or involving SMEs and Mid-Caps that are deemed eligible will be able to benefit from higher co-financing rates. The provisional agreement reached by EU negotiators now needs to be approved by the Parliament and the Council with a view to becoming fully applicable at the beginning of 2019. The European Defence Fund has already started to fund pan-European research projects (more information here). On 2 May, as part of the Commission's proposal for the next EU long-term budget, the Commission proposed to allocate €13bn for a fully-fledged European Defence Fund. (*For more information: Lucía Caudet – Tel .: +32 229 56182, Maud Noyon – Tel .: +32 229 80379*)

ANNOUNCEMENTS

Expanding clean energy is a global top priority: European Commission at

Mission Innovation and Clean Energy Ministerial

On 23 and 24 May, Vice-President Maroš **Šefčovič** and the Commissioners Miguel **Arias Cañete** and Carlos **Moedas** will attend two Ministerial meetings focussing on the clean energy transition globally. Energy Union Vice-President Maroš **Šefčovič** and Research Commissioner Carlos **Moedas** will participate in the Mission Innovation Ministerial in Malmö. This third mission innovation (MI-3), co-hosted by Denmark, Sweden, Finland, Norway, the European Commission and the Nordic Council of Ministers, focuses on accelerating clean energy innovation and boosting public research and development spending in the field of clean energy. Energy ministers along with high-level representatives of business and the research community will celebrate what has been achieved so far and initiate engagement in new areas. Climate Action and Energy Commissioner Miguel **Arias Cañete** will participate in the Ninth Clean Energy Ministerial (CEM9) in Copenhagen, also co-hosted by Denmark, Finland, Norway, Sweden, the Nordic Council of Ministers, and the European Commission, representing the European Union. Business leaders from the energy sector and high-level representatives from the world of finance will take part. CEM is an important forum to advance the global clean energy transition and promote clean energy technologies. It focuses on the promotion of policies and programs that advance clean energy technologies, share lessons learned and best practices and encourage the transition to a global clean energy economy. Participating countries in both fora represent about 90% of global clean energy investment and 75% of global greenhouse gas emissions. For information and further programme details on the Commission's website. (*For more information: Anna-Kaisa Itkonen – Tel.: +32 229 56186; Anca Paduraru – Tel.: +32 229 91269; Nicole Bockstaller – Tel.: +32 229 52589)*

Commissioner Miguel Arias Cañete to discuss clean energy transition at Energy Infrastructure Forum

In the context of the Clean Energy Ministerial (CEM), Climate Action and Energy Commissioner Miguel **Arias Cañete** will open the annual Energy Infrastructure Forum on 24 May in Copenhagen. The forum was set up as part of the Energy Union strategy, and its aim is to remove technical and regulatory barriers to energy flowing freely across the EU, and discuss major issues relating to infrastructure and EU energy policy. The gathering will bring together representatives of the EU institutions, transmission system operators, project promoters, regulators, energy companies, NGOs and the financing community, to discuss the challenges of developing Europe's energy infrastructure and building an internal energy market. Ahead of both the meeting, Climate Action and Energy Commissioner Miguel **Arias Cañete** said: "*This year's Clean Energy Ministerial will provide an important platform for politicians, businesses, researchers and other organisations to demonstrate our leadership in the clean energy transition and to showcase the significant achievements that have already been made. As the world of energy is changing rapidly, so the Clean Energy Ministerial needs to reflect and support such changes. The message should be that expanding clean energy is a global top priority. I am also looking forward to opening the annual Energy Infrastructure Forum in Copenhagen, the key platform for policy-makers and stakeholders to exchange views in this area. We need to ensure that EU action* *related to energy infrastructure is goal-oriented, operational and comprehensive. A solid and modern energy infrastructure is a must in our Energy Union, and for this we need to foster cheap and easy access to financing. Innovative approaches and technology need to be encouraged, through actions such as the Renewables Grid Initiative awards*". Agenda, background papers and more information about the Infrastructure Forum can be found here. (*For more information: Anna-Kaisa Itkonen – Tel.: +32 229 56186; Nicole Bockstaller – Tel.: +32 229 52589)*

EU agencies step up cooperation on cybersecurity

High Representative/Vice-President Federica **Mogherini** and Commissioner for Digital Economy and Society Mariya **Gabriel** are hosting today the signing ceremony of a Memorandum of Understanding (MoU) between the European Union's agencies working on cybersecurity and cyber defence. Through this MoU, the European Union Agency for Network and Information Security (ENISA), the European Defence Agency (EDA), Europol's European Cybercrime Centre (EC3) and the Computer Emergency Response Team for the EU Institutions, Agencies and Bodies (CERT-EU) agree to step up their cooperation to equip Europe with the right tools to deal with new cyber challenges. High Representative/Vice-President **Mogherini**, who is also the Head of the European Defence Agency, said: "*Cyberspace threats do not know of national borders. Cooperation among Member States but also at European level is therefore essential. Europe is stronger when it tackles threats together, in a common and coordinated approach. And this is exactly where this Memorandum of Understanding is key and where the added value of the European Union lies: working together, joining forces, putting the experiences and the knowledge of all at the service of our citizens' security.*" This initiative will contribute to the EU's cyber resilience and collective security by enhancing information sharing; cooperate on education and training and reinforcing collaboration on cyber exercises. It reflects the inter-institutional cooperation impetus initiated by the Directive on security of network and information systems (NIS Directive) and the European Commission's cybersecurity initiatives from September 2017. A full press release will be available here at 15:00 CEST. *(For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Maja Kocijancic – Tel.: +32 229 86570; Inga Höglund – Tel.: +32 229 50698; Esther Osorio – Tel.: +32 229 62076*)

Commissioner Stylianides travels to Washington for High-Level workshop on Ebola response

Commissioner for Humanitarian Aid and Crisis Management Christos **Stylianides** will deliver a speech on 24 May at the High-Level Workshop on the Ebola Response organised by Georgetown University in Washington, D.C. He will speak about his experience as the EU Ebola coordinator and discuss with his counterparts how the EU and the US can best cooperate to tackle epidemic outbreaks. "*Ebola is a common enemy which knows no borders. The latest outbreak in the Democratic Republic of Congo is a stark reminder that we cannot let our guard down. I am convinced that the EU and the US should work more closely in the fight against this deadly disease. We are stronger together*," said Commissioner **Stylianides.** The Commission is currently supporting international efforts to stem the current outbreak of

Ebola and has announced funding and set up humanitarian flight deliveries. Earlier the same day, Commissioner **Stylianides** will speak on "Strengthening EU-US Cooperation in Emergency Health Response" at a High-Level Luncheon organised by the Center for Strategic and International Studies. He will also have various bilateral meetings with US Government officials. *(For more information: Carlos Martin Ruiz De Gordejuela – Tel.: +32 229 65322; Daniel Puglisi – Tel.: +32 229 69140)*

First Vice-President Timmermans to visit Germany

On 24-25 May, Commission First Vice-President Frans Timmermans will be in Germany for a series of engagements with citizens, judicial stakeholders and German authorities. On Thursday, in Berlin, he will begin his visit by participating in a meeting of the European Affairs Committee of the Bundesrat. The First Vice-President will then meet with representatives of the German and European Associations of Judges before attending the 44th Conference of the Association of European Judges. In the evening of 24 May, he will travel to Frankfurt an der Oder, on the German-Polish border, for a Cross-Border Citizens' Dialogue with Citizens from Germany and Poland, alongside Elżbieta Polak, Marshal of Lubusz Voivodeship and Stefan Ludwig, Minister for Europe, Justice and Consumer Protection of the State of Brandenburg. The Citizens' Dialogue will be livestreamed here. On Friday 25 May, the First Vice-President will meet in Berlin with Helge Braun, Chancellery Chief of Staff and Federal Minister for Special Affairs. *(For more information: Christian Wigand – Tel.: +32 229 62253; Tim McPhie – Tel.: +32 229 58602)*

Commissioner Navracsics at high-level Education Ministerial conference in Paris: a renewed push for the Bologna Process

Tomorrow and Friday, 24-25 May, Education Ministers from the 48-country European Higher Education Area will meet in Paris for a two-day conference. They will discuss progress in improving higher education systems and enabling students to move more freely across national borders under the so called Bologna process. The latest Bologna Implementation report, published today, shows that progress has been made, notably in implementing the three cycle Bachelor-Master-Doctorate degree structure. However, it also points to the lack of lifelong learning provision in many countries, and the fact that disadvantaged learners across Europe still face barriers to accessing and succeeding in higher education. Commissioner for Education, Culture, Youth and Sport, Tibor **Navracsics,** will deliver an address on the first day. Ahead of the conference, he said: *"The Commission's vision is of a Europe in which learning, studying and doing research will not be hampered by borders. That is why we aim to build on the solid achievements of the European Higher Education Area and work towards a European Education Area by 2025. Our ambition is to enable EU Member States to intensify and accelerate their cooperation in areas such as mobility, language learning, innovation and mutual recognition of diplomas, and thus* *also to provide a new impetus for the Bologna process."* At the conference, Ministers will define new priorities for years ahead. Among others they will focus on better access for under-represented and vulnerable groups to higher education, transnational cooperation in higher education and research and innovation. Yesterday, the Commission presented its proposal for Automatic Mutual Recognition of Diplomas and Learning Periods Abroad, Language Learning, as well as plans for a European Student Card as part of a broader push to boost learning mobility. More information on the Bologna process including a brochure entitled *'The EU in support of the Bologna Process'* published today can be found here. (*For more information: Nathalie Vandystadt – Tel: +32 2 29 67083; Joseph Waldstein – Tel: +32 2 29 56184*)

Cohesion policy beyond 2020: conference discusses good governance and solid administrations in the future management of EU funds

Tomorrow the Commission is organising a conference in Brussels (Charlemagne building) on "Good Governance for cohesion policy", open to the press. Commissioner for regional policy Corina **Crețu** said: *"I say it often, good, transparent governance and solid administrations are as important as the money itself to ensure quality EU investments. This conference will give us the opportunity to discuss what tools and what skills are needed for the most effective management of EU funds and which actors to involve for transparent and open institutions."* The keynote address will be given by Deputy Secretary-General of the Organisation for Economic Cooperation and Development (OECD) Mari Kiviniemi. Commissioner for Environment, Maritime Affairs and Fisheries Karmenu **Vella** will open the conference. Speakers and participants, coming from all over Europe, include Tomislav Donchev, Bulgarian Deputy Prime Minister, Richard Raši, Slovak Deputy Prime Minister for Investments and Information, Pedro Marques, Portuguese Minister of Planning and Infrastructure, Jerzy Kwieciński, Polish Minister for Investment and Development, as well as President of the Committee of the Regions Karl-Heinz Lambertz and MEP Constanze Krehl. In the context of the conference, the Commission will announcethe five countries and regions selected to take part in a new pilot action testing and developing solutions for administrative capacity-building in the post 2020 framework. *(For more information: Johannes Bahrke – Tel.: +32 229 58615; Sophie Dupin de Saint-Cyr – Tel.: +32 229 56169)*

Upcoming events of the European Commission (ex-Top News)

The 2018 Convergence Report: Review of Member States' progress towards euro

adoption

The Convergence Report forms the basis for the Council of the EU decision on whether a Member State fulfils the conditions for joining the euro area. The report assesses whether Member States that have not yet fulfilled the necessary conditions for the adoption of the euro (so-called Member States with a derogation) have achieved a high degree of sustainable economic convergence, measured in terms of price stability, sound public finances, exchange rate stability and convergence in long-term interest rates. The report also assesses the compatibility of their national legislation with Economic and Monetary Union (EMU) rules set out in the Treaty on the Functioning of the European Union (TFEU) related to the independence of national central banks, the prohibition on monetary financing, and compatibility with the statutes of the European System of Central Banks (ESCB) and of the European Central Bank (ECB).

The Convergence Report by the European Commission is published with the Convergence Report by the ECB. The two reports are prepared independently and published in parallel.

Convergence Reports are issued every two years, or when there is a specific request from a Member State to assess its readiness to join the euro area, e.g. Latvia in 2013.

All Member States, except the United Kingdom and Denmark, are required to adopt the euro and join the euro area. The UK and Denmark are therefore not covered by the report.

What does "Member State with a derogation" mean?

The Member States that have not yet fulfilled the necessary conditions for the adoption of the euro are referred to in the Treaty on the Functioning of the European Union (TFEU) as "Member States with a derogation". They differ from Denmark and the UK, which negotiated opt-out arrangements in the Maastricht Treaty.

The 2018 Convergence Report covers the seven Member States with a derogation: Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden.

What are the main findings of the report?

Bulgaria

The report concludes that Bulgaria currently fulfils three out of the four economic criteria necessary for adopting the euro: the criteria relating to price stability, public finances and long-term interest rates. Bulgaria does not fulfil the exchange rate criterion and legislation in Bulgaria is not fully compatible with the Treaty.

Czech Republic

The report concludes that the Czech Republic currently fulfils two out of the four economic criteria necessary for adopting the euro: the criteria relating to public finances and long-term interest rates. The Czech Republic does not fulfil the price stability and exchange rate criteria and legislation in the Czech Republic is not fully compatible with the Treaty.

Croatia

The report concludes that Croatia currently fulfils three out of the four economic criteria necessary for adopting the euro: the criteria relating to price stability, public finances and long-term interest rates. Croatia does not fulfil the exchange rate criterion. Legislation in Croatia is fully compatible with the Treaty.

Hungary

The report concludes that Hungary currently fulfils two out of the four economic criteria necessary for adopting the euro: the criteria relating to public finances and long-term interest rates. Hungary does not fulfil the price stability and exchange rate criteria and legislation in Hungary is not fully compatible with the Treaty.

Poland

The report concludes that Poland currently fulfils two out of the four economic criteria necessary for adopting the euro: the criteria relating to price stability and public finances. Poland does not fulfil the exchange rate and long-term interest rate criterion and legislation in Poland is not fully compatible with the Treaty.

Romania

The report concludes that Romania currently fulfils one out of the four economic criteria necessary for adopting the euro: the criteria relating to public finances. Romania does not fulfil the price stability, exchange rate and long-term interest rate criteria and legislation in Romania is not fully compatible with the Treaty.

Sweden

The report concludes that Sweden currently fulfils three out of the four economic criteria necessary for adopting the euro: the criteria relating to price stability, public finances and long-term interest rates. Sweden does not fulfil the criteria related to the exchange rate and legislation in Sweden is not fully compatible with the Treaty.

Furthermore, the review of other factors shows that the countries examined are generally well integrated economically and financially in the EU. However, some of them still experience macroeconomic vulnerabilities and/or face challenges related to their business environment and institutional framework which may pose risks as to the sustainability of the convergence process.

Compatibility of legislation and fulfilment of convergence criteria (as of 23 Apr 2018)

	Legal compatibility	Price stability criterion	Fiscal criterion (no EDP)	Exchange rate criterion (ERMII)	Long-term interest rate criterion
Bulgaria	no	yes	yes	no	yes
Czech Republic	no	no	yes	no	yes
Croatia	yes	yes	yes	no	yes
Hungary	no	no	yes	no	yes
Poland	no	yes	yes	no	no
Romania	no	no	yes	no	no
Sweden	no	yes	yes	no	yes

Source: Commission services.

GENERAL QUESTIONS ABOUT EURO ADOPTION

What are the convergence criteria?

Member States adopting the euro are required to have achieved a high level of sustainable economic convergence, which is examined in the Convergence Report by reference to the convergence criteria. These criteria (sometimes referred to as the 'Maastricht criteria') are set out in Art. 140(1) TFEU. Sustainability is a key aspect of the assessment of the Maastricht criteria, which means that the progress made with convergence must be grounded on structural elements that guarantee its durability, rather than on temporary factors.

Illustrated in a simplified way, the criteria are as follows:

WHAT IS MEASURED	HOW IT IS MEASURED	CONVERGENCE CRITERIA
Price stability	Harmonised consumer price inflation	A price performance that is sustainable and average inflation over one year before the examination not more than 1.5 percentage points above the rate of the three best-performing EU countries
Sound public finances	Government deficit and debt	Not under excessive deficit procedure at the time of examination
Exchange rate stability	Exchange rate developments in ERM II	Participation in the Exchange Rate Mechanism (ERM II) for two years without severe tensions
Durability of convergence	Long-term interest rate	Not more than two percentage points above the rate of the three best-performing EU countries in terms of price stability over one year before the examination

The Treaty also calls for an examination of other factors relevant to economic integration and convergence. These additional factors include the integration of markets and the development of the balance of payments. The assessment of additional factors is seen as an important indication of whether the integration of a Member State into the euro area would proceed smoothly.

What is ERM II?

The Exchange Rate Mechanism (ERM II) was set up on 1 January 1999 as a successor to the original ERM to ensure that exchange rate fluctuations between the euro and other EU currencies do not disrupt economic stability within the single market, and to help non euro-area countries prepare themselves for participation in the euro area. The convergence criterion on exchange rate stability requires participation in ERM II.

Participation in ERM II is voluntary although, as one of the convergence criteria for entry to the euro area, a country must participate in the mechanism without severe tensions for at least two years before it can qualify to adopt the euro.

In ERM II, the exchange rate of a non-euro area Member State is fixed against the euro and is only allowed to fluctuate within set limits. 'Entry into ERM II is decided upon request of a Member State by consensus of all ERM II participants (euro-area Member States, ECB, and the ministers and central bank governors of the non-euro area Member States participating in the mechanism, i.e. currently Denmark)',

What is the process for joining once the Member State meets all the necessary criteria?

Based on the Convergence report, the Commission submits a proposal to the ECOFIN Council which – having consulted the European Parliament, and after discussion among the Heads of State or Government – decides whether the country fulfils the necessary conditions and may adopt the euro. If the decision is favourable, the ECOFIN Council takes the necessary legal steps and – based on a Commission proposal, having consulted the ECB – adopts the conversion rate at which the national currency will be replaced by the euro, which thereby becomes irrevocably fixed.

Which of the countries that joined the EU in 2004 or 2007 have already adopted the euro?

So far, seven of the 12 Member States that joined the EU in 2004 or 2007 have already adopted the euro. Slovenia did so in 2007, Cyprus and Malta in 2008, Slovakia in 2009, Estonia in 2011, Latvia in 2014 and Lithuania in 2015. Currently, more than 338 million people in 19 EU Member States use the euro. The euro area Member States are: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Are Member States obliged to join the euro?

In principle, all Member States that do not have an opt-out clause (i.e. United Kingdom and Denmark) have committed to adopt the euro once they fulfil the necessary conditions. However, it is up to individual countries to calibrate their path towards the euro and no timetable is prescribed.

The Member States that joined the EU in 2004, 2007 and 2013, after the euro was launched, did not meet the conditions for entry to the euro area at the time of their accession. Therefore, their Treaties of Accession allow them time to make the necessary adjustments.

How does the Commission support Member States on their way to join the euro area?

The Commission supports Member States converging to join the euro area inter alia through technical support provided by the existing Structural Reform Support Service (SRSS). As part of its proposals to deepen Europe's Economic and Monetary Union, for 2018-2020, the Commission proposed to set up a dedicated work stream within the Structural Reform Support Programme (SRSP) to provide technical support, upon request, to non-euro area Member States wishing to join the euro area. As part of its Multiannual Financial Framework (MFF) proposal, for the period post 2020, the Commission has announced its intention to propose a dedicated Convergence Facility.

In the post-2020 period, the Convergence Facility will provide dedicated financial and technical support to Member States which have taken demonstrable steps towards adopting the single currency within a given timeframe. The aim is to support the implementation of reforms targeted to help prepare for successful participation in the euro area. It does not affect the criteria in place for accession to the euro area, but will facilitate practical preparation and convergence, based on a specific process of commitment and partnership.

What are the benefits of adopting the euro?

The benefits of the euro are diverse and are felt on different scales, from individuals and businesses to whole economies. They include:

– Stable prices: In the 1970s and 1980s many EU countries had very high inflation rates, some of 20% or more. Inflation fell as they started preparing for the euro and, since its introduction, inflation has averaged less than 2% in the euro area. Price stability means that citizens' purchasing power and the value of their savings are better protected.

– **A more transparent and competitive market:** The euro brings price transparency to the single market. Consumers can easily compare prices across borders and find the best price for a product or service. Greater price transparency also increases competition between shops and suppliers, keeping downward pressure on prices.

– Lower travel costs: The cost of exchanging money at borders has disappeared in the euro area. This makes it cheaper and easier to travel.

– **More cross-border trade:** Within the euro area, there is no need for businesses to work in different currencies. Before the euro, a company would need to take account of the risk of fluctuating exchange rates and currency exchange costs alone were estimated at €20 to €25 billion per year in the EU. The lack of exchange risks or costs facilitates cross-border trade within the euro area. Not only can companies sell into a much larger 'home market', but they can also more easily find new suppliers offering better services or lower costs.

– **More international trade:** The euro area is also a large and open trading bloc. This makes doing business in euros an attractive proposition for other trading nations, which can access a large market using one currency. Euro area companies also benefit because they can export and import in the global economy using the euro. This reduces the risk of losses caused by global currency fluctuations.

– **Better access to capital**: The euro gave a large boost to the integration of financial markets across the euro area. Capital flows more easily because exchange rate risks have disappeared. This allows investors to move capital to those parts of the euro area where it can be used most effectively.

Belonging to the euro area means much more than simply sharing a currency. It is about belonging to a community based on responsibility, solidarity and mutual benefits. It should also be stressed that the benefits of the euro are not unconditional and depend on the Member State’s capacity to operate smoothly inside the Economic and Monetary Union, based on sound policies. Thorough preparation for euro area membership is essential.

What are the results of the Eurobarometer survey on attitudes in the non-euro area Member States covered by the Convergence Report?

According to a new Eurobarometer survey, published today, support for joining the euro in the non-euro area Member States covered by the Convergence Report is up 4 percentage points to 51% on last year’s figure.

The full report looks at:

- levels of knowledge about and experience of the euro among citizens in the seven countries covered by the survey;
- citizens’ feelings about how well they have been informed about the euro and their preferred information channels for learning more about it;
- citizens’ perceptions of, and support for, the single currency;
- and their expectations about the adoption of the euro both for themselves and for their country, and the potential positive or negative consequences they foresee.

A Eurobarometer survey published in December 2017 showed that support for the euro amongst citizens in the euro area is at its highest level since 2004.

For further information:

Commission releases 2018 Convergence Report – press release

Convergence Report 2018

ECB Convergence Report 2018

Flash Eurobarometer 465: Introduction of the euro in the Member States that have not yet adopted the common currency

[Previous Convergence Reports]

[The Euro]

[Economic and Monetary Union]

[Draft EU Budget 2019 – Questions and Answers]

1. What are the priorities of the draft budget for 2019?

The 2019 EU budget will allow us to continue boosting Europe's economy while safeguarding security both inside and beyond EU's borders. It is designed to optimise funding for existing programmes as well as new initiatives, striving for European added value in line with the Juncker Commission's priorities.

APPROPRIATIONS BY MFF HEADING (and in % of total EU budget in CA)	Draft Budget for 2019 (In billion EUR)		Difference with 2018 budget (in %)	
	CA[1]	PA[2]	CA	PA
1. Smart and inclusive growth: (48.3%)	80.0	67.5	3.1%	1.3%
1a.Competitiveness for growth and jobs	22.9	20.5	3.9%	1.8%
1b.Economic, social and territorial cohesion	57.1	47.1	2.8%	1.1%
2. Sustainable Growth: natural resources (36.2%)	60.0	57.8	1.7%	2.6%
Market related expenditure and direct aids	43.6	43.5	0.9%	0.8%
3. Security and Citizenship (2.3%)	3.7	3.5	6.7%	17.0%
4. Global Europe (6.9%)	11.4	9.5	13.1%	6.8%
5. Administration (6%)	10.0	10.0	3.0%	3.0%
Other special Instruments (0.3%)	0.6	0.4	-13.1%	-20.4%
Total appropriations	165.6	148.7	3.1%	2.7%
In % of EU-28 GNI	1.00%	0.90%		

[1] CA - Commitment appropriations
[2] PA - Payment appropriations

2. What are commitments and payments?

Commitments are the total volume of promises for future payments that can be made in a given year. Commitments must then be honoured with payments, either in the same year or, particularly in the case of multi-annual projects, over the following years.

Payments are the actual money paid in a given year from the EU budget to cover commitments.

For instance, when the EU decides to co-fund the building of a bridge, the total amount which the EU agrees to cover is a commitment. The bills for the work done are the payments. The commitment is made in year X. The payments from the EU budget may follow in the same year X, but also in year X+1, X+2, X+3.

3. What is the long-term EU budget?

The long-term EU budget, also referred to as Multiannual Financial Framework (or ‘MFF’), provides a stable framework for implementing the EU’s annual budgets. It translates the Union’s political priorities into financial terms for a period of several years and sets annual maximum amounts (‘ceilings’) for EU expenditure as a whole and for the main categories/priorities of expenditure (‘headings’). It allows the EU to complement national budgets by funding policies with a European added value.

The long-term EU budget provides a framework for financial programming and budgetary discipline by ensuring that EU spending is predictable and stays within the agreed limits. Indeed, the commitments and the payments for a given year need to respect the ceilings for that year set out in the MFF (see the table below). At the same time, it gives certainty to beneficiaries of EU funds, such as small and medium-sized enterprises, regions catching up, students, researchers, farmers or civil society organisations, as well as to national, regional, and local authorities. It also foresees some special instruments which provide some flexibility and allow, if need be, to respond to unforeseen budgetary needs.

The current MFF was decided by the European Parliament and the Member States only in December 2013, very late ahead of the start of current 2014-2020 period. On 2 May 2018, the Commission proposed a pragmatic, modern, long-term budget for the 2021-2027 period.

In billion €

Commitment appropriations 2019	Ceilings	Draft Budget	Margins (before use of special instruments)	Use of special instruments	Un-allocated margins
1a.Competitiveness for growth and jobs (13,8%)	23.1	22.9	0.2		0.2
1b.Economic, social and territorial cohesion (34,5%)	56.8	57.1	-0.3	0.3	
2. Sustainable Growth: natural resources (36,2%)	60.3	60.0	0.3		0.3
3. Security and Citizenship (2,3%)	2.8	3.7	-0.9	0.9	
4. Global Europe (6,9%)	10.3	11.4	-1.1	1.1	
5. Administration (6%)	10.8	10.0	0.8	-0.3	0.6
Total headings	**164.1**	**165.0**	**-0.9**	**2.1**	**1.1**
EAR, EUSF & EGF (0,3%)		0.6			
Grand total	**164.1**	**165.6**	**-0.9**	**2.1**	**1.1**
In % of EU-28 GNI	*1.00%*	*1.00%*			

In billion €

Payment appropriations 2019	Ceiling	Draft Budget	Margin *
Total headings	**166.7**	**148.3**	
of which Flexibility instrument		*0.9*	
EAR, EUSF & EGF		0.4	
Grand total	**166.7**	**148.7**	**19.3**
In % of EU-28 GNI	*1.01%*	*0.90%*	

* *special instruments over and above ceilings*

4. Where does the money come from in the current long-term budget?

The revenue sources of the EU budget have remained the same over the last decades: customs duties, contributions from the Member States based on value added tax (VAT) and those based on gross national income (GNI). After a gradual decrease of customs duties, the GNI contributions became the predominant source of funding the EU budget (at about 80%, together with VAT-based contributions).

- Customs duties are levied on economic operators, collected at the external borders of the EU and go directly to the EU budget. Member States currently retain 20% of the amount as collection costs;

- The current VAT bases of all Member States are harmonised through a complex statistical process before a uniform rate of 0.3% is levied on each Member State, with some exceptions;

- The GNI Own Resource finances the part of the budget not covered by other revenues. The same percentage is levied on each Member State’s GNI. The rate is fixed as part of the annual budgetary procedure. Some Member States benefit from a reduction.

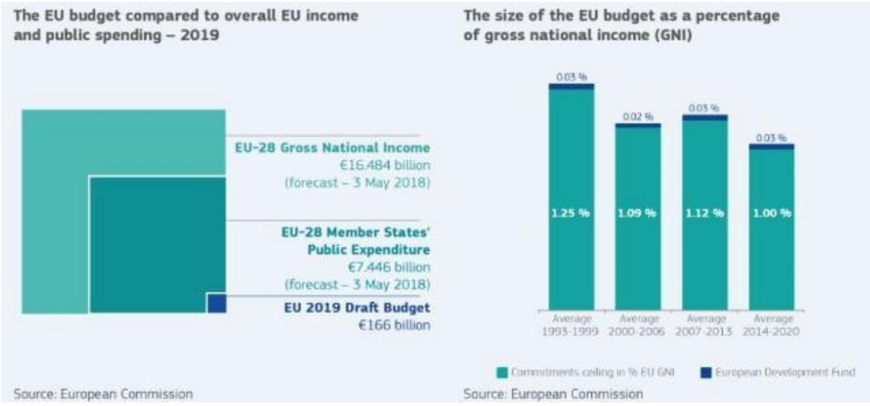
  Other sources of revenue include taxes and other deductions from EU staff salaries, bank interest, contributions from non-EU countries to certain programmes, and interest on late payments and fines.

  As part of it proposal of 2 May 2018 for the long-term budget for the 2021-2027 period, the Commission also proposed to modernise and simplify the current overall financing system and diversify the budget’s sources of revenue.

5. What is the relative size of the EU budget?

The EU budget has remained a small part of total public expenditure in the EU, accounting for less than 1% of EU income and only around 2% of EU public expenditure. This share has declined over time. This decline has put increased pressure on the EU budget to be more efficient, to focus on the areas where its impact is greatest and to ensure that burdensome rules and procedures do not get in the way of results.

The proposed EU budget for 2019 is €166 billion in commitments and €149 billion in payments.



6. How is the EU budget spent?

Each year, the amounts for each of the main categories of expenditure ('headings') are set based on the expected needs for the following year and with respect to the long-term budget.

Some 94% of the EU budget is spent on projects – in Member States and beyond. The money therefore goes to citizens, regions, cities, farmers, businesses, universities, NGOs and more. The EU budget finances the policies of the European Union, which have a positive impact on the lives of all EU citizens and of many people across the world. It funds areas like employment, regional development, research and education, environment, humanitarian aid and many others (see concrete examples of the programmes and projects). Only around 6% of the budget goes to administration (buildings, equipment, salaries, social security and pensions of all EU Institutions).

7. How is the EU budget managed?

About 75% of the EU budget is managed by the authorities in the Member States. The remaining 25% is implemented under direct management (by the Commission) or indirect management (via third parties, such as the European Investment Bank).

8. Why are payments increasing in 2019?

The proposed level of payments is €149 billion. This gives an overall increase of +3% compared to the 2018 budget. With regard to the payments for cohesion policy the increase is +1%, reflecting the transition between the past to the current programming period. This is the combined result of the new programmes (2014-2020) which increase by 7% compared to 2018 and the old programmes (2007-2013) that reached the closure stage and do not require important amounts in payments (-45%).

This is a sign that implementation of cohesion programmes is progressing.

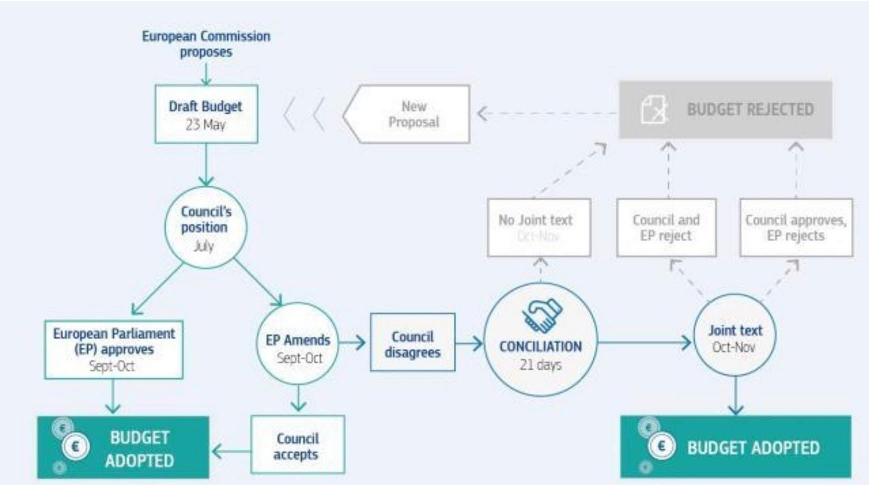
9. What happens next?

The European Commission now submits the draft 2019 EU budget to the European Parliament and the Council which together take the final decision.

The Council usually adopts its position during the summer months and the

Parliament expresses its opinion in autumn.

A specific Conciliation Committee is usually convened in November to reconcile the positions of the Parliament and the Council. It has to agree within 21 days on a common budget, which both institutions should afterwards approve. This year, the period runs between 30 October and 19 November.



10. What is the link between the Draft EU Budget 2019 and the new long-term EU budget?

Since the beginning of the current EU long-term budget, two areas have required reinforcements above the ceilings:

- investments (European Fund for Strategic Investments; "EFSI")) and jobs (Youth Employment Initiative) and
- managing migration, both internally and externally.

  While the EU long-term budget was able to adapt to these new challenges, tackling them required innovative solutions and many changes in existing programmes and even a change of the financial framework provisions at mid-term to increase flexibility.

  By now, the scope of flexibility under the current 2014-2020 long-term EU budget have been practically exhausted in order to enhance investments (EFSI) and jobs, and respond to the migration and security challenges.

  In light of this experience, the Commission has proposed, as part of it proposal of 2 May 2018 for the long-term budget for the 2021-2027 period:

- to reinforce the programmes that are key to EU's competitiveness (Research and Innovation, Connecting Europe Facility and Erasmus+) and the financing related to border management, migration and security. For Research and Innovation €115 billion are proposed while for border management the new EU long-term budget proposes more than €35 billion compared to €13 billion for the current period.

- to enhance flexibility, particularly by providing extra flexibility between headings and years.

  The increases proposed in the Draft EU Budget 2019 are in line with the orientations of the proposed new long-term EU budget: increases for defence, migration, Horizon 2020 and Erasmus+.

  For example, the Daft EU Budget 2019 proposes the phasing-in of the new programme for the European Defence Industrial Development programme with €245 million (building on the Preparatory Action on Defence Research started in 2018) which paves the way for the new European Defence Fund with €13 billion for 2021-27.

For More Information:

[1] CA – Commitment appropriations

[2] PA – Payment appropriations

Commission releases 2018 Convergence Report: Review of Member States' progress towards euro adoption

The report covers the seven non-euro area Member States that are legally committed to adopting the euro: Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden. It finds that these Member States generally display considerable nominal convergence, but none of them currently meet all the formal conditions for joining the euro area. Two of these Member States, Bulgaria and Croatia, fulfil all of the convergence criteria, except for the exchange rate criterion as they are not members of the Exchange Rate Mechanism (ERM II).

Valdis **Dombrovskis**, Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union, said*: "The euro was created as the single currency for the whole EU. Therefore euro accession is open for any EU country working towards it. It is true that the road to the euro can appear long and sometimes difficult. The Commission is willing to work together with those Member States committed to getting ready for a successful euro area membership by strengthening their economic and financial systems. For example, our convergence report shows* *that Bulgaria already fulfils the nominal Maastricht criteria related to price stability, public finances and convergence of long-term interest rates. We welcome the Bulgarian authorities current work towards Exchange Rate Mechanism (ERM II) participation to meet also the exchange rate stability criteria."*

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"Today's report offers a snapshot of progress being made towards the convergence criteria – the entrance exam for joining the euro area. None of the seven Member States assessed currently meet all of the legal conditions to join. At the same time, one of the key lessons of the past two decades is that for countries to prosper inside the euro area, real economic convergence is as important as nominal convergence. That's why it is important that countries wishing to join the euro work hard to boost productivity, increase investment, improve the employment situation and tackle inequalities. The Commission stands ready to help, including through the new budgetary instrument we will be presenting next week."*

Euro area accession is an open and rules-based process. The report is based on the convergence criteria, sometimes referred to as the 'Maastricht criteria', set out in article 140(1) of the Treaty on the Functioning of the European Union (TFEU). The convergence criteria include price stability, sound public finances, exchange rate stability and convergence in long-term interest rates. The compatibility of national legislation with the rules of the Economic and Monetary Union is also assessed. The report concludes that:

- All of the concerned Member States fulfil the criterion on public finances.
- Bulgaria, the Czech Republic, Croatia, Hungary and Sweden fulfil the long-term interest rate criterion.
- Bulgaria, Croatia, Poland and Sweden meet the price stability criterion.
- None of the Member State fulfils the exchange rate criterion, as none of them are a member of the Exchange Rate Mechanism (ERM II): at least two years of participation in the mechanism without severe tensions is required before joining the euro area.

In addition to assessing these formal conditions for joining the euro area, the report finds that legislation is not fully compatible with the rules of the Economic and Monetary Union in any of the Member States, except Croatia.

The Commission also looked at other factors referred to in the Treaty that should be taken into account in the assessment of the sustainability of convergence, and found that the non-euro area Member States are generally well integrated economically and financially in the EU. However, some of them still experience macroeconomic vulnerabilities and/or face challenges related to their business environment and institutional framework which may pose risks as to the sustainability of the convergence process.

Achieving convergence and building robust economic structures is crucial for the prosperity of the EU as a whole and the smooth functioning of the euro. The Commission is committed to supporting non-euro area Member States prepare for joining the euro. The Structural Reform Support Service (SRSS) assists in the design and implementation of specific reforms and in reinforcing Member States' overall reform capacity. As part of its proposals to deepen Europe's Economic and Monetary Union, the Commission has proposed to set up a dedicated work stream within the existing Structural Reform Support Programme (SRSP) to provide technical support upon request to Member States on their way to joining the euro. In its Multiannual Financial Framework (MFF) proposal for the period post-2020, the Commission has announced its intention to propose a dedicated Convergence Facility for non-euro area Member States wishing to join the euro area. This Convergence Facility will be voluntary and will offer both technical and financial support.

According to a new Eurobarometer survey, published today, support for joining the euro in the non-euro area Member States covered by the Convergence Report is up 4 percentage points to 51% on last year's figure. This follows the publication of a Eurobarometer survey in December 2017 which showed that support for the euro amongst citizens in the euro area is at its highest level since 2004.

Background

The Convergence Report forms the basis for the Council of the EU's decision on whether a Member State fulfils the conditions for joining the euro area.

The Convergence Report by the European Commission is published in parallel with the Convergence Report by the European Central Bank (ECB).

Convergence Reports are issued every two years, or when there is a specific request from a Member State to assess its readiness to join the euro area, e.g. Latvia in 2013.

All Member States, except the United Kingdom and Denmark, are required to join the euro area. The UK and Denmark are therefore not covered by the report.

For more information

The 2018 Convergence Report: Assessment of Member States regarding the conditions for euro adoption – Memo

Convergence Report 2018

ECB Convergence Report 2018

Flash Eurobarometer 465: Introduction of the euro in the Member States that have not yet adopted the common currency

Standard Eurobarometer 88: Public opinion in the European Union

Previous Convergence Reports

The Euro

Economic and Monetary Union