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## **EU FINANCE MINISTERS, CENTRAL BANKERS WILL CONSIDER A EURO ZONE CRISIS FUND**

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Reuters

Creating a euro zone fund to help shield the region from financial shocks will come up for discussion when the European Union's finance ministers and central bank governors meet on Friday.

The 19-country euro zone now lacks two features that a well-functioning monetary union should have, the Slovak EU presidency said in a note prepared for the ministers' discussions on Friday and Saturday in Bratislava.

The first is an insurance function that could move money from EU countries that are prospering to those that are in trouble. The second is a stabilization function that would cushion external shocks to the euro zone as a whole. A euro zone "fiscal capacity", in EU jargon, would provide both.

"The existence of a fiscal capacity would ... decrease the pressure on the central bank to engage in non-conventional monetary policy," the Slovak presidency paper said.

The idea of such a capacity has been around since the sovereign debt crisis in 2012 and is part of plans for further euro zone economic integration over the medium to long term.

Among other benefits, it could improve compliance with EU fiscal rules, because the money would be available only to countries that obey the rules and do not develop macroeconomic imbalances, the Slovak presidency note said.

Access to the fund could also be linked to implementing structural reforms recommended annually to each country by the European Commission and EU finance ministers, the paper said. Governments routinely ignore those recommendations now.

And the fund could help prevent market panic and cross-country contagion at times of crisis, the note said. But it would need to avoid becoming a disguised form of permanent transfers from one part of the union to another.

It would have to be deployed automatically to avoid lengthy political discussions that would undermine its effectiveness. Rules would need to be set in advance on when it would be activated, how much money could be used for what purpose and how the money would be repaid.