

THE INFLUENCE OF EUROPEAN FINANCIAL STABILITY FACILITY ON SYSTEM OF GOVERNANCE IN EUROPEAN UNION COUNTRIES

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ABSTRACT

The European Financial Stability Facility (EFSF), as a company which was agreed by the countries that share the euro on May 9th 2010 and incorporated in Luxembourg under Luxembourgish law on June 7th 2010, have to preserve financial stability of Europe's monetary union by providing temporary financial assistance to euro area Member States if needed.

This article examines in which way EFSF can influence the system of governance in an emerging economy. We argue that "good governance practices" in EU countries are significant presence of European Financial Stability Facility, and cannot mitigate the negative effect of controlling on corporate performance. Most good governance practices are mainly designed to resolve conflicts between shareholders and the management but not conflicts between controlling and minority shareholders. To measure performance in governance, it is important to focus on what the knowledge workers do and hence view knowledge as something one does, namely the practices, instead of something one has. Global governance of distributed employees is therefore successfully managed through key performance measures and through understanding projects through their multiple contributions, at both an individual and an organizational level. Global long term governance needs are strategic for the entire firm. The paper rests on an in-depth case study about implementation of government reliable projects.

KEYWORDS *Financial Stability, long need term, reliable projects, system of governance, stabilization mechanism.*

JEL CLASSIFICATION

JEL classification E02

1. INTRODUCTION

The European Financial Stability Facility shows the European Commission's confusion with regard to the discontent and general lack of interest for European matters amongst citizens. The process of construction has led the European Union to take a relevant role on matters that affect European citizens directly (Laat, 2011) According to the principle of subsidiarity, each administrative level is expected to provide a solution to the problems it is best qualified to resolve. The Union is expected to have a great capacity for finding solutions to problems that others cannot solve. However, citizens do not understand either the functioning or the role of complex institutions which are often covered by a vague concept called "Brussels". There is a gap between expectations and reality which gives added importance to the principles of openness and participation (without forgetting the principles of responsibility, efficiency and coherence) in order to guarantee that the European Union is transparent for citizens and to bring the public authorities closer to civil society (Hoetke & Mellewig, 2009).

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The European Commission's interest in for really involving organised civil society in the governance procedures of the European Union is welcomed. We hope this political idea will truly be implemented, going beyond a statement of good intentions, because it should bring with it a better-informed, better-structured, more balanced and coherent society. Cohesion in society is only possible if the citizens are actively involved. It is in this process of cohesion where the Social Economy, as a member of civil society, has an essential role to play because this type of enterprise is characterised by acting as a school for civil participation.

2. THE SCIENTIFIC PRESENTATION OF EUROPEAN FINANCIAL STABILITY FACILITY

European countries have several options outside of the open market to seek financial help. Other than the European Financial Stability Facility, European countries can seek money from European Financial Stabilization Mechanism (EFSM), which is guaranteed by the European Union's budget, or the International Monetary Fund (IMF). These funding mechanisms are supported by the EU because, while not all countries have debt problems, the failure of one European economy can have a widespread effect on the health of other economies. Starting in 2013, the EFSF will be replaced by the ESM, or the European Stability Mechanism. On June 24, the Head of Government and State agreed to increase EFSF's scope of activity and increase its guarantee commitments from €440 billion to €780 billion which corresponds to a lending capacity of €440 billion and on July 21, the Heads of Government and State agreed to further increase EFSF's scope of activity (Hey, 2009). Following the conclusion of all necessary national procedures, these amendments to the EFSF Framework came into force on 18th October 2011. In order to fulfil its mission, the EFSF is authorised to:

- ☞ issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries in financial difficulties.
- ☞ intervene in the debt primary market
- ☞ intervene in the debt secondary markets
- ☞ act on the basis of a precautionary programme
- ☞ finance recapitalisations of financial institutions through loans to governments including in non-programme countries

All financial assistance to Member States is linked to appropriate conditionality.

EFSF issues are backed by guarantees given by the 17 euro area Member States for up to €780 billion in accordance with their share in the paid-up capital of the European Central Bank (see table below).

The EFSF is a very lean organisation. It has staff of around 20 people. The lean structure is possible because the German DMO (front and back office) and the European Investment Bank provide support to the EFSF. Additionally, the European Commission ensures consistency between EFSF operations and other assistance to euro area Member States.

The Chief Executive Officer is Klaus Regling, a former Director General of the European Commission's Directorate General for Economic and Financial Affairs who also worked at the International Monetary Fund (IMF) and the German Ministry of Finance and has professional experience of working in financial markets. The European Financial Stability Facility is part of a wider safety net to preserve financial stability within Europe. The means of the EFSF are combined with loans of up to € 60 billion coming from the European Financial Stabilisation Mechanism (EFSM), i.e. funds raised by the European Commission and guaranteed by the EU budget, and up to € 250 billion from the International Monetary Fund for a financial safety net up to € 750 billion. All of EFSF's issues have been assigned the highest credit rating by all credit rating agencies. The guarantee mechanism under the Framework Agreement is designed to exclude such a situation (Hensher & Stanley, 2008). If a country were to default on its payments, guarantees would be called in from the guarantors. The shortfall would be covered by the:

- ☞ Guarantees
- ☞ Grossing up of guarantees (up to 165% over-collateralisation)

Tabel 1. Member States of EU

	New EFSF Guarantee Commitments (€m)	New EFSF contribution key (%)	EFSF Amended Guarantee Commitments* (€m)	EFSF amended contribution key* (%)
Austria	21,639	2.78	21,639	2.99
Belgium	27,032	3.47	27,032	3.72
Cyprus	1,526	0.20	1,526	0.21
Estonia	1,995	0.26	1,995	0.27
Finland	13,974	1.79	13,974	1.92
France	158,488	20.31	158,488	21.83
Germany	211,046	27.06	211,046	29.07
Greece	21,898	2.81	-	0.00
Ireland	12,378	1.59	-	0.00
Italy	139,268	17.86	139,268	19.18
Luxembourg	1,947	0.25	1,947	0.27
Malta	704	0.09	704	0.10
Netherlands	44,446	5.70	44,446	6.12
Portugal	19,507	2.50	-	0.00
Slovakia	7,728	0.99	7,728	1.06
Slovenia	3,664	0.47	3,664	0.51
Spain	92,544	11.87	92,544	12.75
TOTAL	779.783	100	726.000	100

Source The amended contribution key takes into account the stepping out of Greece, Ireland and Portugal. The EFSF is located at 43 Avenue John F. Kennedy, L-1855 Luxembourg.

If a guarantor did not respect its obligations, guarantees from others could be called in to cover the shortfall. All guarantors rank equally and *pari passu* amongst themselves. EFSF is authorised to provide loans to Member States which then use the funds to recapitalise their financial institutions. This may occur within a macro-economic adjustment programme as was the case for Ireland when it was agreed that Ireland would use funds to stabilise the banking sector. €35 billion out of the total €85 billion of the Irish programme has been allocated to the banking sector. Following the agreement of the Heads of Government and State on 21 July, EFSF may provide assistance to a Member State which is not within a programme to enable it to recapitalise financial institutions.



Figure 1. EFSF's functions

No guarantor is required to issue guarantees which would result in it having a guarantee exposure in excess of its aggregate guarantee commitment, as stated in the EFSF Framework Agreement. Guarantees would vary between bonds that were issued under the original EFSF and bonds that will be issued under the amended EFSF due to the change in the credit enhancement structure of the amended EFSF (Frant, 1991). Furthermore, the composition of the list of guarantors and their respective Guarantee Contribution Key % may vary between different bonds by reason either of a Guarantor becoming a Stepping-Out Guarantor or the adherence of a new euro area Member State to EFSF. Such adjustments do not change the composition of the list of Guarantors or their Guarantee Contribution Key % for Notes already issued but only for the bonds issued after the relevant event. The EFSF has been created as a temporary institution. In accordance with its Articles of Association, the EFSF will be liquidated on the earliest date after 30 June 2013 on which there are no longer loans outstanding to a euro-area Member State and all Funding Instruments issued by EFSF and any reimbursement amounts due to Guarantors have been repaid in full. This means that after June 2013, EFSF would not enter into any new programmes but will continue the management and repayment of any outstanding debt and will close down once all outstanding debt has been repaid. On 24 June 2011, EU Heads of State and Government confirmed to establish a new permanent crisis mechanism, the European Stability Mechanism (ESM).

2.1. The EFSF funding

Issues may be made via syndications (such as the first three issues) but may also be made by auctions, private placements, new lines and tap issues. Up until now, the German Debt Management Office (Bundesrepublik Deutschland – Finanzagentur GmbH) has acted as Issuance Agent and has been responsible for the placement. However, EFSF is the issuer. The funding strategy should be described as SSA (Sovereign, Supranational, Agency) type through benchmark issuance, with focus on a high standard of liquidity (Laffont & Tirole, 1993).

The issuance calendar including the most suitable funding instruments will be defined with the country on a case-by-case basis. Due to the change of the guarantors and guarantee amounts following the amendments of the EFSF Framework Agreement, it is no longer possible to tap the three issues placed (25 January, 15 and 22 June) before the amendments entered into force. Up until now, the funding instruments have had in general the same profile as the related loans to the country in difficulty. However as the new tasks assigned to the EFSF lead to a broadening of its funding volumes, this naturally has consequences on the funding strategy which has become more flexible and more diversified. This also means that EFSF has started to implement a short term funding strategy which structured around a Bill programme. The lead managers are mandated from the 50 international institutions that make up the EFSF Market Group. The lead managers are chosen following a rigorous and transparent selection process.

Banks mandated as joint lead managers for each issue are as follows:

- ☞ EFSF's inaugural issue on 25 January 2011 for Ireland: Citi, HSBC and Société Générale.
- ☞ EFSF's first issue for Portugal on 15 June 2011: Barclays Capital, Deutsche Bank and HSBC.
- ☞ EFSF's second issue for Portugal on 22 June 2011: BNP Paribas, Goldman Sachs International and Royal Bank of Scotland.
- ☞ EFSF's second issue for Ireland on 7 November 2011: Barclays, Crédit Agricole CIB and JP Morgan.
- ☞ EFSF's fifth issue for Ireland and Portugal on 5 January 2011: Credit Suisse, Deutsche Bank and Société Générale CIB

Investors in EFSF bonds are predominantly institutional investors such as banks, pension funds, central banks, sovereign wealth funds, asset managers, insurance companies and private banks. The investor base is varied geographically with interest from around the world. Detailed information showing geographical breakdown and breakdown by investor type for each issue is available on the

EFSF website. As the Irish and the Portuguese programmes show, the issuance calendar is closely coordinated between EFSF and EFSM. This ensures smooth market operations over the entire duration of the support programmes while both mechanisms are in the market. (Dollery, 2001).

EFSF does not have any general currency limitation for its funding activities. However, it is currently expected that the funds would be raised in euro.

EFSF is included in the following indices: Barcap Euro Aggregate Index, iBoxx Euro Sub-Sovereigns, JP Maggie, Citi EuroBig Index and ML EMU Board Market Index

EFSF is able to pre-fund but there is a consensus by finance ministers not to access markets for a specific country programme until a euro member has submitted a request for support.

2.2. Lending within a macro-economic adjustment programme

The Facility can only act after a support request is made by a euro area Member State and a country programme has been negotiated with the European Commission and the IMF and after such a programme has been accepted by the euro area finance ministers and a Memorandum of Understanding (MoU) is signed. This would only occur when the country is unable to borrow on markets at acceptable rates. Following a request from a euro area Member State for financial assistance, it takes three to four weeks to draw up a support programme including sending experts from the Commission, the IMF and the ECB to the country in difficulty. Once euro area finance ministers have approved the country programme, the EFSF would need several working days to raise the necessary funds and disburse the loan. (Picard & Constantinos Antoniou André de Palma, AMIS 2011)

Any financial assistance to a country in need is linked to strict policy conditions which are set out in a Memorandum of Understanding (MoU) between the country in need and the European Commission. For example, conditions for the Irish programme include strengthening and overhaul of the banking sector, fiscal adjustment including correction of excessive deficit by 2015 and growth enhancing reforms, in particular of the labour market. Decisions about the maximum amount of a loan, its margin and maturity, and the number of instalments to be disbursed are taken unanimously by the euro area Member States' finance ministers. (Coase, 1937).

The loan disbursements and the country programme would be interrupted until the review of the country programme and the MoU is renegotiated. In such cases the conditionality still exists. Following the increase of guarantee commitments to €780 billion, EFSF's effective lending capacity is intended to be €440 billion. This is explained by the credit enhancement structure which includes an overguarantee of up to 165% EFSF's on-lending costs are funding costs plus operational costs.

There is no binding agreement with Member States outside the euro area. However, for the Irish programme, the UK, Denmark and Sweden have pledged bilateral loans for a combined total of €4.8 billion. For Member States outside the euro area other European Union support mechanisms exist. For Member States that are not members of the euro area there is the Balance of Payments facility⁸; for countries outside the EU there is the Macro-Financial Assistance programme. Furthermore, the EFSM could support all European Union Member States.

2.3. The government system met in EU states

Governance is the method of "governing" that is proposed for obtaining lasting economic, social and institutional development, promoting healthy equilibrium amongst the State, civil society and the economic market, and generating expressly for this purpose active involvement by citizens

This seems to be the meaning given in the European Financial Stability Facility, since the European Commission considers the purpose of Governance is to achieve good government of the Union through concerted action by European institutions, current and future member States, local and regional authorities and, finally, civil society, bringing the authorities into closer contact with citizens. All of these, therefore, are agents involved in the Governance of the European Union and should respect its principles (opening-up, participation, responsibility, efficiency and coherence).

The European Financial Stability Facility proposals apply to the European Commission and to all public organisations responsible for safeguarding and managing citizens' interests, that is, other Community institutions and authorities, on national, regional and local levels.

The Community Administration is special. Being a trans-national public entity, whose power stems from the assignment by Member States of part of their sovereign powers, the European Union is a unique political experiment with complexities of organisation and competencies at several administrative levels (Brown & Potoski, 2003). The European Union is no longer mainly an economic organisation. It now has competencies for other types of policy, especially within the social sphere. This factor has led the Union to go beyond initial expectations, facing challenges that are sometimes difficult to resolve because it does not have the necessary resources to face them alone or because they depend on the political will of other public authorities. However, two fundamental aspects of Governance affecting the European Union must not be neglected:

The Union is a public authority that takes decisions affecting the life of citizens so, in spite of its complex functioning, Community policies and those implementing them must not act outside the principles of Governance. The European Union, and specifically the European Commission, is responsible for ensuring that these are applied wherever competencies are exerted.

Citizens (not only in Europe but in the rest of the world) expect the European Union to provide answers to global problems that go beyond regional or State frontiers. Those being "administered" expect to be able to participate through their representative organisations in the definition of answers to these problems, acting as a counterweight to the democratic deficit currently existing amongst Community institutions. The importance of the European Financial Stability Facility on "Good" Governance by the European Union must be stressed because this is a key moment of reform in which civil society, and specifically the Social Economy as one of its components, should be able to provide ideas and solutions.

3. THE EUROPEAN FINANCIAL STABILITY FACILITY CONTRIBUTIONS IN EU COUNTRIES GOVERNANCE

Firstly, the structure of the European Financial Stability Facility is somewhat confusing. It begins by stating the changes proposed. Then goes on to explain the reasons for the reform and the principles of Governance. However, the end of the text repeats the changes proposed without clarifying any specific measures (Breunig & Katja, 2011)

The European Financial Stability Facility establishes four main guidelines for renewing Governance in the European Union:

- ☞ Greater participation and openness
- ☞ Better policies, regulations and results
- ☞ World-wide Governance
- ☞ Refocused Institutions

3.1 The influence of EFSF analyzed in a unifactorial regression

We are looking to create a mathematical model which describes the connection between causal factor (exogenous) x and effect factor (output, endogenous) noted with y .

We are going from the study of economic phenomena which is the object for analysis and relationship identification cause-effect between economic effects-causes and economic variables

As an informational source, the existence, direction and connection form between variables can be the correlogram or scattering diagram. Assuming that from correlograms analyzed we have to variables and simple linear simple dependence as it follows:

$$y = f(x)$$

$$y = \alpha + \beta x$$

This connection is variable only if y has no other variables but x. It's difficult to suppose such a thing.

On statistical level i , the dependence between variables is:

$$y_i = \alpha + \beta x_i + \varepsilon_i = \hat{y}_i + \varepsilon_i$$

$\Rightarrow \varepsilon_i$ is the aleatory error (residual component) for that statistical unit.

$y_i = \text{predictable component (determinist)} + \text{aleatory error}$

$$y_i = \hat{y}_i + \varepsilon_i$$

We have an EU states sample, with size n :

$$X = \{x_i\}_{i=1, \dots, n} \text{ si } Y = \{y_i\}_{i=1, \dots, n}$$

The linear regression model in this sample is:

With a și b estimators for α and β but

$$y_i = a + bx_i + e_i$$

$$\hat{y}_i = a + bx_i$$

Hypothesis 1 : functionally form

$$y_i = \alpha + \beta x_i + \varepsilon_i = \hat{y}_i + \varepsilon_i$$

Hypothesis 2 : errors average is $\overline{0\varepsilon} = 0$

Hypothesis 3 : Homoscedasticity: Dispersions are constant for all x_i values

$$\sigma_\varepsilon^2 = \text{cst } \forall i = \overline{1, n}$$

Hypothesis 4 : Non-uncorrelation error (deviation of observations from expected values are uncorrelated)

$$\text{Cov}(\varepsilon_i, \varepsilon_j) = 0 \forall i \neq j$$

Hypothesis 5 : Uncorrelation between regresor and errors

$$\text{Cov}(x_i, \varepsilon_j) = 0 \forall i \text{ si } j$$

Hypothesis 6 : The aleatory variable has a normal distribution

$$\varepsilon_i \sim N(0, \sigma^2)$$

Simple linear regression model in a sample is:

$$\checkmark \text{ with predictable component } y_i = a + bx_i + e_i$$

Chosen criterion to determine the parameters a and b , is minimizing the sum of squares of deviations.

$$\hat{y}_i = a + bx_i$$

$$S(a, b) = \min \sum_{i=1}^n e_i^2 = \min \sum_{i=1}^n (y_i - \hat{y}_i)^2 = \min \sum_{i=1}^n (y_i - a - bx_i)^2$$

Condition of order I:

$$\begin{cases} \frac{\partial S}{\partial a} = 0 \\ \frac{\partial S}{\partial b} = 0 \end{cases} \Rightarrow \begin{cases} na + b \sum_{i=1}^n x_i = \sum_{i=1}^n y_i \\ a \sum_{i=1}^n x_i + b \sum_{i=1}^n x_i^2 = \sum_{i=1}^n x_i y_i \end{cases}$$

Condition of order II: second order partial derivatives matrix must be positive definite

In our case, if we want to study the connection between the government system and the level of European Financial Stability Facility influence in EU countries, we have to find the correlation between level of funding and the projects for improving new reliable solutions in a better government system.

Tabel 2 Projects implementation

No.crt	Implementation costs	Fundings
1	20,0	2190
2	14,8	1900
...
15	16,7	1740

Source: own source

For fifteen government institutions, we know data on the average time (in weeks) spent with project implementation and number of projects of each government institution completed in a period of time.

Tabel 3 Dates about the time spent in projects implementation

Medium time (weeks)	25	23	30	25	20	33	18	21	22	30	26	26	27	29	20
No. of projects	10	11	14	12	8	18	9	10	10	15	11	15	12	14	11

Source: own source

We have to:

- ☞ estimate parameters of linear regression model;
- ☞ test the validity of the regression model for a significance level of = 5%;
- ☞ test the significance of model parameters for a significance level of = 5%;
- ☞ determine the residual error;
- ☞ measure the intensity of the relationship between two variables using the correlation coefficient and report, test the significance of the indicators used for a confidence level of 0.5%;
- ☞ Spot and make a punctual prediction on confidence interval of the number of projects entered into by an institution witch spends on average 24 weeks in implementing the project.

We have the table below

Tabel 4 The calculation of variables x and y

No. obs.					
1	25	10	625	250	12
...
14	29	14	841	406	14,1968
15	20	11	400	220	9,254
	$\sum x_i = 375$	$\sum y_i = 180$	$\sum x_i^2 = 9639$	$\sum x_i y_i = 4645$	$\sum \hat{y}_i = 180$

Tabel 5 Summary Output

Regression Statistics

Multiple R	0.883621
R Square	0.780786
Adjusted R Square	0.763923
Standard Error	1.311483
Observations	15.000000

	df	SS	MS	F	Significance F
Regression	1.000000	79.640152	79.640152	46.302727	0.000013
Residual	13.000000	22.359848	1.719988		
Total	14.000000	102.000000			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-1.731061	2.046120	-0.846021	0.412843	-6.151434	2.689313
X Variable 1	0.549242	0.080716	6.804611	0.000013	0.374866	0.723619

Variation source	SS (Sum of Squares)	df (degree of freedom)	MS =SS : df Squares media	F (test F)	Significance F
Regression	SSR=79,64 $\Delta_x^2 = \sum_{i=1}^n (\hat{y}_i - \bar{y})^2$	k 1	79,640152 $s_x^2 = \frac{\Delta_x^2}{k}$	Test F=46,302727 $F = \frac{s_e^2}{s_{y/x}^2}$	0,000013< 0,05
Residual	SSE= 22,36 $\Delta_e^2 = \sum_{i=1}^n (y_i - \hat{y}_i)^2$	n-k-1 13	1,719988 $s_u^2 = \frac{\Delta_u^2}{n-k-1}$		
Total	SST= 102 SST=SSR + SSE $\Delta_y^2 = \sum_{i=1}^n (y_i - \bar{y})^2$	n-1 14	$s_y^2 = \frac{\Delta_y^2}{n-1}$		

$$\begin{cases} 15a + 375b = 180 \\ 375a + 9639b = 4645 \end{cases} \Rightarrow \begin{cases} a = -1,73 \\ b = 0,5492 \end{cases} \Rightarrow \hat{y}_i = -1,73 + 0,5492x_i$$

Source: own source

Interpretation: $b = + 0,5492$

- ☞ is called the regression coefficient, representing the slope of the straight line
- ☞ $b > 0$, so between the average time spent by an government institution with implementation and the number of projects placed by each institution, is a direct conection
- ☞ a week increase of the average time spent by an government institution with a project, the number of completed projects is increased by 0.5495.

Testing the validity of the regression model

- ⇒ H_0 : the model is not statistically valid (due to scattering values determinated by time factor is not significantly different for spreading the same values due to chance)
- ⇒ H_1 : the model is statistically valid
- ⇒ Decision: if $F_c > F_{\alpha; k; n-k-1}$ than H_0 is rejected

Table 6 Summary Output, regression Statistics

Multiple R	0.883621	$R_{y,x} = \sqrt{\frac{\sum_{i=1}^n (\hat{y}_i - \bar{y}_i)^2}{\sum_{i=1}^n (y_i - \bar{y})^2}} = \sqrt{1 - \frac{\sum_{i=1}^n (y_i - \hat{y}_i)^2}{\sum_{i=1}^n (y_i - \bar{y})^2}}$
R Square	0.780786	$R^2 = 1 - \frac{\Delta_e^2 / n - k - 1}{\Delta_y^2 / n - 1}$
Adjusted R Square	0.763923	$R^2 = \frac{\Delta_{y/x}^2}{\Delta_y^2} = 1 - \frac{\Delta_e^2}{\Delta_y^2} = \frac{\sum_{i=1}^n (\hat{y}_i - \bar{y})^2}{\sum_{i=1}^n (y_i - \bar{y})^2}$
Standard Error	1.311483	$s_e = \sqrt{\frac{\Delta_e^2}{n-2}} = \sqrt{\frac{\sum_{i=1}^n (y_i - \hat{y}_i)^2}{n-2}}$
Observations (n)	15	

Source: own source

The interpretation of results in table Summary Output:

- ☞ $R_1 = 0.883621$ shows that between the number of projects concluded and the average time spent with a implementing is a strong link.
- ☞ $R_2 = 0.780786$ shows that 78% of the variation in the number of implemented projects is explained by the average time spent by an government institution with implementing reliable projects
- ☞ Standard medium deviation of errors is $s_e = 1,311483$. If this indicator is zero it means that all points are on regresion line.

4. CONCLUSIONS

The principles of Governance should be taken into account by the Convention on the Future of the European Union. European citizens call for a more active role and for becoming real partners in the debates of the Convention. Therefore, representatives of the States should be informed about the results of the consultation open by the European Financial Stability Facility on the Governance.

Moreover, channels and means of consultation should be created to foster the contact of the Convention members with civil society and where citizens can express its ideas and contributions to the State representatives, assuring that there is a real evaluation of citizen and civil society proposals.

In this way, the debate on the Governance concerns the design of the European project. The values which characterise the Social Economy, should be taken into account for building up a Europe based on indicators of human development, and not only based on economic criteria. I think there are certainly a lot of positive in the economy. Disinflation has continued, but UE countries' monetary policy is focused on diminishing double-digit inflation, redenomination of the luel and financial liberalization.

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