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P8_TA(2019)0218

Establishment of the European Monetary Fund

European Parliament resolution of 14 March 2019 on the proposal for a Council Regulation on the establishment of the European Monetary Fund (COM(2017)0827 — 2017/0333R(APP))

(2021/C 23/86)

The European Parliament,

- having regard to the proposal for a Council Regulation on the establishment of the European Monetary Fund (COM(2017)0827),
- having regard to its resolution of 16 February 2017 on possible evolutions of and adjustments to the current institutional set-up of the European Union ⁽¹⁾,
- having regard to its resolution of 16 February 2017 on improving the functioning of the European Union building on the potential of the Lisbon Treaty ⁽²⁾,
- having regard to the opinion of the European Committee of the Regions of 5 July 2018 on proposals for reform of the Economic and Monetary Union (EMU),
- having regard to the letter from the President of the Eurogroup to the President of the European Council of 25 June 2018 on further deepening of the EMU, and to the Euro Summit statement of 29 June 2018 on the European Stability Mechanism reform,
- having regard to the Eurogroup report to Leaders on EMU deepening of 4 December 2018,
- having regard to the Euro Summit statement of 14 December 2018,
- having regard to the joint position on future cooperation between the Commission and the ESM of 14 November 2018,
- having regard to the opinion of the European Central Bank (ECB) of 11 April 2018 on a proposal for a regulation on the establishment of the European Monetary Fund ⁽³⁾,
- having regard to Opinion No 2/2018 of the European Court of Auditors of 18 September 2018 on the audit and accountability considerations concerning the proposal of 6 December 2017 for the establishment of a European Monetary Fund within the Union legal framework,
- having regard to the Five Presidents' Report of 22 June 2015 on completing Europe's Economic and Monetary Union, to the Commission white paper of 1 March 2017 on the future of Europe, and to the Commission reflection paper of 31 May 2017 on the deepening of the Economic and Monetary Union,
- having regard to its resolution of 12 June 2013 on strengthening European democracy in the future EMU ⁽⁴⁾,
- having regard to its resolution of 13 March 2014 on the enquiry on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries ⁽⁵⁾,
- having regard to its resolution of 16 February 2017 on budgetary capacity for the euro area ⁽⁶⁾,
- having regard to its resolution of 30 May 2018 on the 2021-2027 multiannual financial framework and own resources ⁽⁷⁾,

⁽¹⁾ OJ C 252, 18.7.2018, p. 201.

⁽²⁾ OJ C 252, 18.7.2018, p. 215.

⁽³⁾ OJ C 220, 25.6.2018, p. 2.

⁽⁴⁾ OJ C 65, 19.2.2016, p. 96.

⁽⁵⁾ OJ C 378, 9.11.2017, p. 182.

⁽⁶⁾ OJ C 252, 18.7.2018, p. 235.

⁽⁷⁾ Texts adopted, P8_TA(2018)0226.

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- having regard to Rule 99(5) of its Rules of Procedure,
 - having regard to the joint deliberations of the Committee on Budgets and the Committee on Economic and Monetary Affairs under Rule 55 of the Rules of Procedure,
 - having regard to the interim report of the Committee on Budgets and the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgetary Control and the Committee on Constitutional Affairs (A8-0087/2019),
- A. whereas the introduction of the euro is one of the European project's most important political achievements and a cornerstone of EMU construction;
- B. whereas the financial and economic crisis has revealed the weaknesses of the euro architecture, highlighting the urgent need for the swift deepening of the EMU and for the strengthening of its democratic accountability and transparency;
- C. whereas the euro provides EU citizens with protection and opportunities; whereas a strong and stable eurozone is essential for its members and for the EU as a whole;
- D. whereas membership of a common currency area requires adherence to common rules and obligations, such as those set out in the Stability and Growth Pact, as well as common tools to respond to severe economic and financial shocks and for the promotion of responsibility, solidarity and socioeconomic upward convergence; whereas the Treaty establishing the European Stability Mechanism (ESM Treaty) provides for a clear connection with the European macroeconomic surveillance mechanisms, in particular compliance with the rules of the Stability and Growth Pact, including its flexibility clauses, and the implementation of sustainable and inclusive structural reforms; whereas risk reduction and risk sharing should go hand in hand in deepening the EMU;
- E. whereas the creation of the European Financial Stability Facility (EFSF) and its later transformation into the European Stability Mechanism (ESM) have represented an important step towards the creation of a European crisis management mechanism, helping to strengthen the EMU and to provide financial assistance to several European countries affected by the crisis;
- F. whereas the intergovernmental nature of the ESM has implications for its decision-making process and, in particular, for its capacity to respond swiftly to economic and financial shocks;
- G. whereas the future incorporation of the ESM into the EU legal framework should continue to be understood as part of the EMU completion project;
- H. whereas the ongoing debate on the future of Europe and the EMU has highlighted differing political views among Member States on the long-term future of the ESM, but also provides a good basis for an important first step towards strengthening its role, developing its financial tools and improving its efficiency and democratic accountability as part of the ESM reform; whereas the discussion on the deepening of the EMU should yield a political solution for reforming the ESM;
- I. whereas in the short term, the ESM reform should contribute to the banking union, providing a proper common fiscal backstop for the Single Resolution Fund (SRF);
1. Welcomes the Commission proposal of 6 December 2017 for a Council Regulation on the establishment of the European Monetary Fund and considers it a useful contribution to the ongoing debate on the future of Europe, the deepening of the EMU and the ESM reform; welcomes, in particular, the Commission proposal to integrate the ESM into the EU legal order;
 2. Notes that the functions to be exercised by the reformed ESM will belong to the realm of economic policy and that the name 'European Monetary Fund' might be misleading; notes that in its opinion of 11 April 2018, the ECB suggested that the successor of the ESM retain the name 'ESM'; calls, in the light of the above, for the implications of the choice of a name for the reformed ESM to be properly and thoroughly evaluated, in order to ensure the least possible impact on the smooth functioning of the reformed ESM; suggests that the ESM retain its current name, which is recognised on the capital market, making it clear that the eurozone's monetary policy remains the competence of the ECB;

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3. Highlights that the proper functioning of the EMU is supported by the existence of an institution serving as a 'lender of last resort'; notes, in this context, the positive contribution of the ESM towards addressing the weaknesses of the institutional setting of the EMU, namely by providing financial assistance to several Member States affected by the global financial crisis and the sovereign debt crisis;
4. Recalls its previous positions in favour of the incorporation of the ESM into the EU legal framework, which would make it a fully-fledged EU body; insists that this incorporation should also take into account the role of national parliaments and continue to be understood as part of the EMU completion project; believes that such an integration would allow for management in accordance with the Community method, ensure the full consistency of fiscal rules and obligations, facilitate economic and fiscal policy coordination, and enhance democratic legitimacy and accountability through the European Parliament;
5. Underlines that if, in the future, EU budget resources are involved, Parliament should have the political power to exercise all applicable budgetary control rights over the ESM within the discharge procedure; notes that in such an event, the European Court of Auditors should be considered the independent external auditor and be given a clear and formal role in the discharge procedure;
6. Recalls the fiscal and democratic oversight prerogatives of national parliaments; considers that scrutiny over the reformed ESM by national parliaments and by the European Parliament should be further improved; believes that national parliaments should have the right to obtain information about the activities of the reformed ESM and to engage in a dialogue with the reformed ESM's Managing Director;
7. Notes that the Commission's proposal has generated a lively discussion on its political, financial and legal implications; stresses, however, that this debate on the long-term vision of the ESM's institutional setting should not delay the steps urgently required to strengthen and enforce democratic accountability of the EMU and its capacity to promote financial stability and convergence and respond to economic shocks; calls, therefore, for a meaningful ESM reform in the short term by means of a revision of the ESM Treaty, without prejudice to more ambitious developments in the future;
8. Underlines that the primary mission of the reformed ESM should continue to be to provide transitional financial assistance to Member States in need, on the basis of specific conditionality agreed in adjustment programmes and taking into account the lessons learned from previous financial assistance programmes managed by the Commission, the International Monetary Fund (IMF) and the ECB; stresses that the reformed ESM must have adequate firepower for that purpose; opposes, therefore, any attempt to turn the reformed ESM into an instrument for banks only, or to reduce its financial capacity to support Member States;
9. Recalls that the range of financial instruments available for the ESM should be available and improved for the reformed ESM, including the possibility of providing sufficient precautionary financial assistance, enabling Member States to access assistance before they face major difficulties in raising funds in the capital market; defends that access to the precautionary conditioned credit line (PCCL) should be available on the basis of a letter of intent and subject to the applicable criteria; notes that these financial tools must be used to help Member States in the case of severe economic and financial shocks; recalls that financial assistance provided to Member States can be complemented by a future budgetary instrument for convergence and competitiveness in order to promote economic and financial stabilisation, investment and upward socioeconomic convergence in the euro area;
10. Underlines that the EMU comprises all the EU Member States, all of which, except Denmark and the United Kingdom, are required to adopt the euro and join the euro area, and that any ESM should therefore be open for participation to all EU Member States;
11. Believes that the reformed ESM should play a more prominent role in the management of financial assistance programmes, alongside the Commission and in close cooperation with the ECB, ensuring that the EU institutional framework has more autonomy whenever needed, without prejudice to appropriate partnerships with other institutions, namely the IMF;

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12. Underlines that the reformed ESM should have its own expertise to produce and assess the elements required by its statute; stresses, however, that evaluation of the financial assistance requests made by the ESM, as well as its decision-making on the design of the adjustment programmes, in cooperation with other institutions, should in no way replace, duplicate or overlap the normal macroeconomic and fiscal surveillance provided for in the EU's fiscal rules and regulations, which must remain the Commission's exclusive competence;
 13. Believes that possible future adjustment programmes should take into account the social impact of the proposed measures, also compared with the long-term impact of no policy change, in the light of a previous and meaningful social impact assessment;
 14. Highlights the need to ensure an efficient decision-making procedure in the reformed ESM, particularly in the case of urgent situations; calls, in this context, for an assessment of the current governance setting;
 15. Calls for a swift ESM reform that also redefines its role, functions and financial tools, so that the reformed ESM can offer liquidity support in the case of resolution and serve as a fiscal backstop for the SRF; calls for the common backstop to be made operational as soon as possible, by 2020, subject to the agreed conditions, and, in any case, before 2024;
 16. Underlines the risk arising from the delay in deepening the banking union; welcomes the conclusions of the Eurogroup report to Leaders on EMU deepening of 4 December 2018, which was endorsed, in all its elements, by the Euro Summit of 14 December 2018; welcomes, in particular, the bringing forward of the introduction of the common backstop to the SRF, provided that sufficient progress has been made in the area of risk reduction, to be assessed in 2020, and the endorsement of the term sheet on the ESM reform; recalls its previous position on the need to complete the European deposit insurance scheme (EDIS), recognising that risk reduction and risk sharing should go hand in hand; notes that no immediate outcome as regards the future eurozone budget and the stabilisation function has been reached, but takes good note of the mandate to work on the budgetary instrument for convergence and competitiveness; underlines that significant progress has been achieved in the area of risk reduction; recalls that Parliament has made substantial contributions to enabling this, in particular on the banking package and the prudential backstop for non-performing loans;
 17. Proposes the establishment of a protocol for an interim Memorandum of Cooperation (MoC) between the ESM and Parliament, with immediate effect, to improve interinstitutional dialogue and enhance the ESM's transparency and accountability, specifying the rights of Parliament and its Members as regards questions put to the reformed ESM, regular hearings, nomination rights and appropriate budgetary control rights; recalls its request for an interinstitutional arrangement for economic governance; stresses that the Managing Director of the reformed ESM should be elected by and report to the European Parliament, following a proposal by the Council; urges that gender balance be ensured in the composition of the reformed ESM governing bodies;
 18. Instructs its President to forward this resolution to the President of the European Council, the Commission, the Council, the Eurogroup, the European Central Bank, the Managing Director of the European Stability Mechanism, and the governments and parliaments of the Member States.
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