

Treaty on the Functioning of the EU (TFEU): stability mechanism for Member States whose currency is the euro (amend. Article 136 TFEU)

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The Committee on Constitutional Affairs adopted the report drafted by Elmar BROK(PPE, DE) et Roberto GUALTIERI (S&D, IT) on the draft European Council decision amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro.

Members are concerned that the draft European Council decision, if adopted, might lead to the constitution of a mechanism completely outside the Union's sphere, without any role being assigned to the Union institutions as such. They consider that **participation by the Union institutions in the mechanism** should be fully ensured and permanently safeguarded and that all possibilities should be explored with a view to **bringing the mechanism fully into the institutional framework of the Union** and providing for the involvement in it of those Member States whose currency is not the euro.

The report stresses that the establishment and functioning of the permanent stability mechanism must fully respect the core principles of democratic decision-making such as transparency, parliamentary scrutiny and democratic accountability. It emphasises that the mechanism should closely involve the Union institutions and bodies responsible for monetary issues - the European Commission, European Central Bank and European Investment Bank.

Members state that, in order for the proposed draft European Council decision to be properly scrutinised, supplementary information is needed, notably concerning the envisaged design of the stability mechanism and the relations which it is intended to have with the Union institutions, with the proposed European Monetary Fund and with the International Monetary Fund. They accordingly, call on the European Council to **fulfil the following conditions** in the process of establishing the new European stability mechanism:

(1) **a redrafting of the European Council draft decision** by suggesting that the ESM, notwithstanding its intergovernmental character, would be placed in the framework of the Union, e.g. in the form of an agency. In this regard, Members propose a series of amendments to the draft European Council Decision;

(2) alternatively, Members call for a **clear commitment by the European Council** ensuring that:

- the operational features of the permanent stability mechanism and the conditionality measures, involving a programme of economic and fiscal adjustment, will be decided on the basis of a **proposal by the Commission, in accordance with the ordinary legislative procedure**, and that the Commission will be responsible for ensuring full respect of these measures and for the precautionary use of the mechanism, regularly reporting back to Parliament;
- **the European Commission will carry out all the necessary tasks in implementing and monitoring the permanent mechanism** and in assessing the financial situation of all the Member States whose currency is the euro, regularly reporting back to the European Parliament;
- the financial assistance under the mechanism will be subject to rigorous analysis and to a programme of economic and financial recovery. Those Member States whose currency is the euro and those representing Member States participating in and contributing to the permanent stability mechanism will act, when deciding to grant financial assistance, on the basis of an evaluation

provided by the Commission, the European Central Bank and, in so far as it may be involved, the International Monetary Fund; with regard to the analysis and the conditions for financial and economic recovery, the Commission will report back to Parliament;

- no Member State whose currency is the euro and which has contributed to the permanent stability mechanism should be excluded from accessing it **on the grounds of its size**;
- the **secretariat** of the permanent stability mechanism will be provided by the Commission.

The report stresses that each **national parliament** shall be fully involved, in accordance with their budgetary and control rights, at all stages, especially in the context of the European semester, in order to increase the transparency, ownership and accountability of any decision taken.

Lastly, the Commission is called upon to look for **other mechanisms to ensure the financial stability** and sustainable and adequate economic growth of the euro area, and to make the necessary legislative proposals. Members underline the need for the stability mechanism to include measures used to reduce risks to financial, economic and social stability, including: (i) effective regulation of financial markets; (ii) revision of the SGP and better economic coordination; (iii) the introduction of instruments for the reduction of macroeconomic imbalances inside the euro area and; (iv) measures directed at ecological reconstruction.