Economic governance: facility for financial assistance for Member States whose currency is not the euro

2012/0164(APP) - 03/04/2013 - Committee interim report tabled for plenary

The Committee on Economic and Monetary Affairs adopted an **interim report** by Danuta Maria HÜBNER (EPP, PL) on the proposal for a Council regulation establishing a facility for providing financial assistance for Member States whose currency is not the Euro.

Members welcome the balance of payments (BoP) proposal as a **first step towards achieving a level playing field between euro area and non-euro area Member States**. They regret that the Commission did not conduct a wide consultation before the adoption of the BoP proposal, and that the Commission did not provide reasons to suggest that this was because of exceptional urgency, in accordance with the application of the principles of subsidiarity and proportionality.

Consequently, Members ask the Council and the Commission to **take account of the following requests before submission of the draft Regulation for consent of the European Parliament:**

Fair and transparent procedures: this interim report demands more clarity in some central concepts of the proposal and seeks to introduce procedures for financial assistance that are both clear, fair and do not impose unnecessary consultations where these are not warranted. Furthermore, the **role of the EU budget** as the ultimate collateral in the financial assistance granted under this regulation should be reflected in appropriate procedures of accountability towards the European Parliament.

In this context, the report recommends the following:

- the Commission should present appropriate solutions beyond existing provisions as to how **Parliament's budgetary oversight role** of the Union budget could be more substantially taken into account in the BoP proposal and implemented so as to allow for true accountability;
- since the EFSM will soon be discontinued in light of the entry into force of the ESM Treaty, the outstanding funding capacity in the EFSM (approximately EUR 10 000 million) could be transferred to the BoP facility, which would increase its firepower from EUR 50 000 million to EUR 60 000 million. Upon the discontinuation of the EFSM, the remaining EFSM capacity will no longer be used in the EFSM framework and **could be used from then onwards under the BoP facility**;
- no effective link or material conditionality should be established between the BoP facility and the use of **structural funds** in the BoP proposal;
- on the **consultation requirement with the Commission** where financial assistance outside the Union is sought, should not apply to a Member State receiving financial assistance on a precautionary basis in the form of a credit line which is not conditioned to the adoption of new policy measures by the concerned Member State, as long as the credit line is not drawn;
- it is necessary to enhance the **transparency and accountability** within the enhanced surveillance process by adapting the economic dialogue in a way that allows the relevant national parliament as well as the European Parliament to invite the Commission, the Council, the European Central Bank (ECB) and the International Monetary Fund (IMF) for an exchange of views;
- the Commission should present its **draft recommendation** to grant a loan to a Member State together with the draft macroeconomic adjustment programme to the European Parliament;

- regarding the conditions and the procedures for granting loans, the **European Central Bank** (ECB) should have less involvement in the preparation of the adjustment programmes;
- **more clarity and more precise guidelines** are needed as regards conditions for granting a enhanced **conditions credit line** (ECCL), of the BoP proposal as to the thresholds and criteria of the assessment at which a Member State is no longer eligible for a precautionary conditioned credit line (PCCL), but still eligible for a ECCL;
- **more clarity and specifications are required for the elaboration and assessment of the macroeconomic adjustment programme**, particularly regarding policy and procedural requirements aiming at re-establishing a sustainable balance of payments position and at restoring its capacity to finance itself fully on the financial markets.

Bank recapitalisation: the BoP proposal does not provide for Member States whose currency is not the euro to benefit from financial instruments which are fully comparable to those within the ESM at their disposal. This report seeks therefore to **establish an indirect bank recapitalisation instrument** for non-euro Member States, particularly in light of the potential participation of these Member States in the upcoming single supervisory mechanism and of the need to provide them with a fiscal backstop.

That indirect instrument would take the form of a loan for bank recapitalisation, alongside the three existing instruments for financial assistance under the BoP (PCCLs, ECCLs and loans).

Other than the indirect bank recapitalisation instrument above, the **possibility of changing the ESM treaty** and of allowing non-euro Members States, participating in the single supervisory mechanism, to benefit from the bank recapitalisation tool of the ESM could be considered. In that case, the Member States would make a capital contribution specifically to the bank recapitalisation instrument of the ESM.

Streamlining the BoP proposal with the provisional agreement of the two-pack: whilst welcoming the final agreement of the Parliament and the Council negotiating teams on the substance of the Gauzès report, Members stress that it is important that the Regulation be adopted on the basis of the BoP proposal and that it reflects the current state of play, in particular as regards:

- transparency of Commission decisions;
- specifications concerning the reinforcement of the efficiency and the effectiveness of revenue collection capacity and the fight against tax fraud and evasion, with a view to safeguarding tax revenues;
- parameters to take into account when subjecting a Member State to enhanced surveillance;
- transparency and accountability to European Parliament and where relevant to the national parliaments;
- specifications regarding the evaluation on the government debt sustainability analysis, including disclosure requirements;
- comprehensive audit of a Member State's public finances within the macroeconomic adjustment programme;
- regular communication of the review mission assessment in post-programme surveillance to the competent committee of the European Parliament and to the parliament of the Member State concerned, including the possibility to conduct an economic dialogue;
- reverse qualified majority voting in the Council regarding corrective measures under post-programme surveillance.

Members request, in the interest of transparent decision-making, that the **Council and the Commission await the adoption of this interim report** before adopting the regulation on the basis of the BoP proposal.