Enquiry report on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries

2013/2277(INI) - 13/03/2014 - Text adopted by Parliament, single reading

The European Parliament adopted by 448 votes to 140 with 27 abstentions, a resolution on the enquiry on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries.

The Troika, consisting of the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF), originated in the decision of 25 March 2010 by euro area Heads of State and Government to establish a joint programme and to provide conditional bilateral loans to Greece, thereby also building on recommendations from the Ecofin Council. It has also been operational in Portugal, Ireland and Cyprus.

Within the Troika, the Commission, acting as an agent of the Eurogroup, is entrusted with negotiating the conditions for financial assistance for euro area Member States 'in liaison with the ECB', and, ' wherever possible together with the IMF', the EU-IMF financial assistance. The Council is politically responsible for approving the macroeconomic adjustment programmes.

This resolution was to **evaluate the functioning of the Troika in the ongoing programmes** in the four countries which are Greece, Portugal, Ireland and Cyprus. Parliament recognised that the immediate objective of avoiding chaotic payment defaults had been met and that the challenges faced by the Troika had been considerable. However, it underlined **many weaknesses and recommended improvements**, urgent and longer term.

The Troika: the institutional dimension and democratic legitimacy: because of the evolving nature of the EU's response to the crisis, the unclear role of the ECB in the Troika and the nature of the Troika decision-making process, Parliament noted that the Troika's mandate has been perceived as being **unclear and lacking in transparency and democratic oversight**, which has bred Euroscepticism.

Members, pointing out that the rescue mechanisms and the Troika are of an ad hoc nature, regretted that **there was no appropriate legal basis available** for setting up the Troika on the basis of Union primary law, which has led to the establishment of **intergovernmental mechanisms** in the form of the European Financial Stability Facility (EFSF), and eventually the European Stability Mechanism (ESM). They asked that **any future solution be based on Union primary law**, which might lead to the need for a Treaty change.

Parliament questioned several points:

- the dual role of **the Commission** in the Troika as both an agent of Member States and an EU institution; a potential conflict of interest existed within the Commission between its role in the Troika and its responsibility as guardian of the Treaties and the acquis communautaire;

- the potential conflict of interest between the current role of **the ECB** in the Troika as 'technical advisor' and its position as creditor of the four Member States;

- the fact that **the IMF** because of its statutes, cannot appear formally before or report in writing to national parliaments or the European Parliament. It was stressed that the IMF's involvement as lender of last resort providing up to one third of the funding places the institution in a minority role.

Members regretted that the troika is lacking, because of its structure, the means of democratic legitimacy at EU level. They also deplored the way **EU institutions were being portrayed as the scapegoat** for adverse effects in Member States' macroeconomic adjustment, when it is the Member States' finance ministers who bear the political responsibility for the Troika and its operations. They therefore demanded that the **Eurogroup, the Council and the European Council assume full responsibility** for the operations of the Troika.

Proposals and recommendations:

1) In the short to medium term, the resolution called for: i) the establishment of clear, transparent and binding **rules of procedure** for the interaction between the institutions within the Troika and the allocation of tasks and responsibility therein; ii) the development of an improved **communication strategy** for ongoing and future financial assistance programmes.
Members recalled that the position adopted by the Parliament on Regulation (EU) No 472/2013 entailed introducing provisions requiring the macroeconomic adjustment programmes to include **contingency plans in case baseline forecast scenarios should not materialise** and in case of slippage due to circumstances outside the control of the Member State under assistance, such as unexpected international economic shocks. Members stressed that such plans were a prerequisite for prudent policymaking, given the fragility and poor reliability of economic models underpinning programme forecasts.
Parliament also demanded that pursuing economic and financial stability in the Member States and the Union as a whole **must not undermine social stability, the European social model or the social rights of EU citizens**. It called for the necessary involvement of the social partners in the design and implementation of current and future adjustment programmes.

The Commission was invited to start interinstitutional negotiations with Parliament in order to define a common procedure for informing the competent committee of Parliament on the conclusions drawn from the monitoring of the macroeconomic adjustment programme, as well as the progress made in the preparation of the draft macroeconomic adjustment programme.

Members proposed that for each programme country the Commission set up a **'growth task force'** consisting inter alia of experts from (inter alia) the Member States and the EIB, in association with representatives of the private sector and civil society in order to suggest options to promote growth which would complement fiscal consolidation and structural reforms.

By the end of 2015, the Commission should present a detailed study of the economic and social consequences of the adjustment programmes in the four countries.

Parliament also called for: i) a **reassessment of the decision-making process of the Eurogroup** so as to include appropriate democratic accountability at both national and European levels; ii) the **integration of the ESM in the Union's legal framework** so that it becomes a Community-based mechanism.

2) In the longer term, the resolution recommended clarifying the respective roles and tasks of each participant in the Troika in the following ways:

- **The creation of a European Monetary Fund (EMF)**, which would combine the financial means of the ESM and the human resources that the Commission has acquired over the last few years, would take over the Commission's role, allowing the latter to act in conformity with Article 17 of the TEU and in particular to act as guardian of the Treaties;

- **the ECB would participate as a silent observer during the negotiation process**, in order to enable it to raise strong concerns in its advising role to the Commission, and later to the European Monetary Fund if appropriate;

- **the IMF, should its involvement be strictly necessary, would be a marginal** lender and therefore could leave the programme if in disagreement.

The next Parliament was invited to pursue the work of this resolution.