

# Procedure file

Basic information	
INI - Own-initiative procedure	2013/2277(INI)
Enquiry report on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries	
Subject 5.10.01 Convergence of economic policies, public deficit, interest rates 5.20.02 Single currency, euro, euro area 5.20.03 European Central Bank (ECB), ESCB 6.40.16 Relations with/in the context of international financial organisations: World Bank, IBRD, IMF 8.40.03 European Commission	
Procedure completed	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs		08/10/2013
		PPE <a href="#">KARAS Othmar</a>	08/10/2013
		S&D <a href="#">HOANG NGOC Liem</a>	
		Shadow rapporteur	
		ALDE <a href="#">GOULARD Sylvie</a>	
		ALDE <a href="#">TORVALDS Nils</a>	
	Verts/ALE <a href="#">LAMBERTS Philippe</a>		
	ECR <a href="#">EPPINK Derk Jan</a>		
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>CONT</b> Budgetary Control		02/12/2013
		ALDE <a href="#">THEURER Michael</a>	
	<b>EMPL</b> Employment and Social Affairs	The committee decided not to give an opinion.	
	<b>AFCO</b> Constitutional Affairs		
European Commission	Commission DG	Commissioner	
	<a href="#">Economic and Financial Affairs</a>	REHN Olli	

Key events			
21/11/2013	Committee referral announced in Parliament		
24/02/2014	Vote in committee		
28/02/2014	Committee report tabled for plenary	<a href="#">A7-0149/2014</a>	Summary
12/03/2014	Debate in Parliament		
13/03/2014	Results of vote in Parliament		
13/03/2014	Decision by Parliament		

13/03/2014

End of procedure in Parliament

**Technical information**

Procedure reference	2013/2277(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Strategic initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/14607

**Documentation gateway**

Committee draft report		<a href="#">PE526.111</a>	17/12/2013	EP	
Amendments tabled in committee		<a href="#">PE528.079</a>	03/02/2014	EP	
Amendments tabled in committee		<a href="#">PE528.080</a>	03/02/2014	EP	
Amendments tabled in committee		<a href="#">PE528.117</a>	03/02/2014	EP	
Committee opinion	CONT	<a href="#">PE526.274</a>	06/02/2014	EP	
Committee opinion	AFCO	<a href="#">PE526.301</a>	11/02/2014	EP	
Committee report tabled for plenary, single reading		<a href="#">A7-0149/2014</a>	28/02/2014	EP	Summary
Text adopted by Parliament, single reading		<a href="#">T7-0239/2014</a>	13/03/2014	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2014)457</a>	11/08/2014	EC	

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

The Committee on Economic and Monetary Affairs has adopted an own-initiative report by Othmar KARAS (EPP, AT) and Liem HOANG NGOC (S&D, FR) on the enquiry on the role and operations of the Troika (European Central Bank (ECB), Commission and International Monetary Fund (IMF)) with regard to the euro area programme countries.

The report is to evaluate the functioning of the Troika in the ongoing programmes in the four countries: Greece, Portugal, Ireland and Cyprus.

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, the report noted that the Troika's mandate has been perceived as being unclear and lacking in transparency and democratic oversight.

Members pointed out that the rescue mechanisms and the Troika are of an ad hoc nature, and 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.

The report questioned the dual role of the Commission in the Troika as both an agent of Member States and an EU institution and asserted that there is a potential conflict of interest within the Commission between its role in the Troika and its responsibility as guardian of the Treaties and the *acquis communautaire*. It pointed equally to 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. Furthermore, it regretted the fact that by reason of its statutes, the IMF cannot appear formally before or report in writing to national parliaments or the European Parliament. It 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 deplored the way EU institutions are 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. It is 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 report 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. The report stressed that such plans are a prerequisite for prudent policymaking, given the fragility and poor reliability of economic models underpinning programme forecasts.

The report also stressed 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 is 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 should 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.

The report 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 report 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 would be invited to pursue the work of this report.

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

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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.