

## MEPs call for urgent reform of EU bailout fund

**A reformed European Stability Mechanism with redefined tasks and financial tools would help address the EMU's institutional weaknesses, Parliament said on Thursday.**

In the adopted [interim report](#), MEPs say 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 European Central Bank, to ensure that the institutional framework of the EU has more autonomy.

The reform should aim to continue the ESM's primary mission to provide transitional financial assistance to member states in need, making sure that it has the adequate firepower to ensure this, MEPs say. They oppose any attempt to turn the reformed ESM into an instrument that would only help bail out troubled banks, or reduce its financial capacity to support member states.

The report underlines that the reformed ESM should have its own competence to analyse the macroeconomic situations across the EU, without replacing the surveillance provided for in the EU's fiscal rules by the Commission.

### **Strengthening the Economic and Monetary Union's democratic accountability**

MEPs call for a revision of the ESM Treaty, as part of urgent steps to strengthen and enforce the EMU's democratic accountability, and its capability to promote financial stability and convergence, and to respond to economic shocks.

The need for national parliaments and the European Parliament to improve scrutiny of the reformed ESM is also highlighted in the report. National parliaments should have the right to obtain information about the activities of the reformed ESM and to engage in a dialogue with the ESM's Managing Director. The latter should be elected by, and report to, the European Parliament, following a proposal by the Council.

### **Keeping the ESM name**

MEPs agree that as the functions of the reformed ESM will be a part of economic policy, with the name 'European Monetary Fund' being potentially misleading, the ESM should retain its current name. In addition, as the ESM is recognised on the capital market, keeping the original name would make it clear that the Eurozone's monetary policy will remain under the ECB's

jurisdiction.

Speaking ahead of the vote, co-rapporteur [Vladimír MAŇKA \(S&D, SK\)](#) said:

“Since the introduction of the ESM, we have seen that its intergovernmental nature reduces its ability to respond effectively to financial problems. In the next ESM we need to take into account as well the national parliaments’ view. Moreover, the Parliament should control all the element of the budget procedure, together with the Court of Auditors. Our common effort is going to flow into more security and certainty not only for the Eurozone, but for the EU as such”.

Co-rapporteur [Pedro SILVA PEREIRA \(S&D, PT\)](#) said:

“With this report the Parliament is taking a timely role in the procedure. We are reaffirming our vision on both the short and the long-term for ESM reform: in the long-term, we aim to complete the integration of the ESM into EU law, transforming it into a real institution, with a governance and under the democratic control of the European Parliament. At the same time, in the short-term, we suggest continuing the reform of the ESM with the intergovernmental treaty that is behind it. We hope that the Council will understand and welcome our suggestions, so that together we can go down the right track”.

### Background

The interim report, adopted by 237 to 152 with 18 abstentions, sums up the Parliament’s intention to back the vote on the proposal – should the Council reach an agreement on it.

On 6 December 2017, the European Commission [proposed](#) transforming the intergovernmental European Stability Mechanism (ESM) into a European Monetary Fund (EMF) under EU law. Under this proposal, the ESM would get additional privileges, while the decision-making mechanisms would profoundly change, shifting power away from the member states.

The proposal has met considerable resistance at Council level, and at the December 2018 Euro Summit, with representatives of member states deciding to maintain the ESM’s intergovernmental character.

### Further information

[Interim report on the establishment of the European Monetary Fund](#)

[Video recording of the debate \(13.03.2019\)](#)

[Procedure file](#)

[EP Research Service ‘At a glance’: Establishment of the European Monetary Fund](#)

[Committee on Economic and Monetary Affairs](#)

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