

Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU  
Background notes

Chamber of Deputies of the Grand Duchy of Luxembourg  
9 November 2015

## **Topic 2: Parliamentary Scrutiny of the European Economic Governance**

### **1. Strengthening the parliamentary scrutiny of the European economic governance**

The Heads of State and Government of the European Union adopted a multitude of new provisions in the field of economic governance in response to requirements imposed by the financial and economic crisis and which mostly escape from an effective parliamentary scrutiny.

This new architecture on fiscal policy of the European Union aims at establishing a more solid and effective framework for the coordination and surveillance of fiscal policies of the Member States and tries above all to strengthen the guiding principle of sound public finances, which is enshrined in Article 119, paragraph 3 of the Treaty of the Functioning of the European Union.

### **2. Parliamentary scrutiny of the Economic Governance of the EU**

The Economic and Monetary Union has experienced an unprecedented boost given the crisis of Euro zone, with bailouts that assured billions of Euros on national budgets and a fundamental change on the coordination of economic policies. The crisis, with all its constraints of managing emergency situations, highlighted the **intergovernmental turn of Europe** while strengthening the European Council, the European Central Bank and the Eurogroup. Indeed, due to uncertainty about the competencies granted by the Treaties, Europe has often resorted to intergovernmental agreements.

Thus, the strengthening of fiscal discipline is kept away from national parliaments. National parliaments did not participate in the adoption of regulations establishing the European governance (Stability and Growth Pact, Six-pack and Two-Pack). The democratic deficit in economic governance is reflected not only in the adoption process but also in the daily functioning (e.g. Council of the Eurogroup).

The same happened to the adjustment plans of the European Stability Mechanism which are decided by the Ministers of Finance of Member States, the European Parliament has no say on this topic and national Parliaments can at best express their opinions to accept or refuse those plans but without being able to amend them.

This new structure has attracted a number of criticisms, especially regarding the non-transparency of decisions and meetings held behind closed doors at the Eurogroup Summits. Indeed, the economic decisions taken at various Summits often have implications on areas

of national sovereignty, especially fiscal sovereignty, and cause complex debates on the legality and constitutionality of these decisions.

As shown by the example of the Banking Union, the reforms adopted in the wake of the crisis should not necessarily go against transparency and democratic accountability. In fact, since 2013, the Interinstitutional agreement between the European Parliament and the European Central Bank confers new supervisory powers of the European Parliament.

- **Five President's Report to deepen the Economic and Monetary Union (EMU)**

In its speech on the State of the European Union, the President of the European Commission, Jean-Claude Juncker stressed that “the Parliament is the heart of democracy at EU level, just as national Parliaments are the heart of democracy at national level. **The European Parliament is and must remain the Parliament of the euro area.**”

In this sense, the President of the Commission is pleased that the “**Five President's Report on Economic and Monetary Union**”<sup>1</sup> is for the first time a “Five Presidents' Report” and not a “Four Presidents' Report”.

The Report addresses five important points including “strengthening democratic accountability, legitimacy and institutions: from rules to institutions”. The Report outlines to review and consolidate the political construct of the EU and proposes to **enhance parliamentary involvement and scrutiny**- at national and European level especially when it comes to the Country Specific Recommendations, the National Reform Programmes and the Annual Growth Survey.

On **October 21**, the European Commission proposed a **package of measures to deepen the EMU** including a reinforced democratic dialogue and an improved toolbox of economic governance, such as the introduction of national Competitiveness Boards and an advisory European Fiscal Board and a more unified representation of the euro area in the international organisations, notably the International Monetary Fund.

### **3. The new Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union**

« Article 13 » of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) has enshrined an Interparliamentary Conference in order to discuss budgetary policies and other issues covered by this Treaty.

The Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union represents an important element in the direction of a real parliamentary control of the EMU. This new body of interparliamentary cooperation enables a greater involvement of national parliaments and effective dialogue of these with the European Parliament. However, the legal framework of this conference grants no decision-making power but its role is to “provide a framework for debate and exchange of information and best

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<sup>1</sup> This report has been presented on June, 22 and revealed ambitious plans on how to deepen the Economic and Monetary Union as of 1 July 2015 and how to complete it by latest 2025.

practices in implementing the provisions of the Treaty in order to strengthen cooperation between national Parliament and the European Parliament and contribute to ensuring democratic accountability in the area of economic governance and budgetary policy in the EU, particularly in the EMU, taking into account the social dimension and without prejudice to the competences of EU Parliaments”.

Some points for discussion:

- Should the parliamentary scrutiny of the European economic governance be strengthened, and if so, how?
- Should there be a joint common control system between national Parliaments and the European Parliament?
- To what extent is budgetary sovereignty of national Parliaments undermined by the new budget rules (e.g Two Pack)?
- Which concrete measures should be undertaken to improve the Interparliamentary Conference on SCEG?
- How can national parliaments strengthen their democratic oversight on decisions taken at the Eurogroup level?