

Banking on Europe Policy Brief

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Conference Summary

Banking on Europe – Holding Pan European Public Borrowers to Account

15 March 2024, at the European Court of Auditors, Luxembourg

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NB. This summary does not reflect the opinion of the European Court of Auditors

European-level public institutions have long been able to borrow on capital markets. However, their borrowing capacities have increased rapidly over the past fifteen years. Over that period, the European Stability Mechanism (ESM) was created, the European Investment Bank (EIB) scaled up its operations, and after 2020 the European Commission became a large-scale issuer under the SURE and Next Generation EU programmes. The conference 'Banking on Europe – Holding Pan-European Public Borrowers to Account', which was held at the European Court of Auditors (ECA) on 15 March 2024, addressed the challenges for ensuring that these institutions are sufficiently transparent and held accountable.

The accountability of pan-European borrowers is 'tricky' due to the institutional diversity within the European Union's 'budgetary galaxy', which makes bespoke arrangements necessary. The European Commission, the borrowing of which is guaranteed by the EU budget, is accountable to various EU institutions, including the ECA, the Council, the European Parliament (EP), and the European Ombudsman. Thus, the ECA has closely scrutinised the reform of the Commission's borrowing operations since 2021 and arrived at a broadly positive conclusion at the time, when interest rates were still very low. By contrast, even

though the EP can oversee the disbursement of Next Generation EU funds, its formal oversight of the Commission's borrowing framework remains limited.

On the other hand, the EIB and the ESM are both financially autonomous and primarily accountable to their national government shareholders. This intergovernmental status creates gaps in accountability, as both institutions lack a resident Board of Directors and only a few national parliaments pay systematic attention to their activities. Furthermore, both the EIB and ESM have their own auditing arrangements and the ECA has only limited scrutiny over these bodies. Though both institutions already cooperate voluntarily with the EP and have internal control systems, both these arrangements have weaknesses.

To overcome the accountability gaps of pan-European public borrowers, a number of possible solutions were discussed at the conference. These include, first, the more systematic use of existing scrutiny powers, for instance those of national parliaments. Second, parliamentary oversight could be strengthened through an 'Accountability charter' that makes intergovernmental borrowers formally accountable to the EP and allows for coordination among national parliaments. Finally, a public audit

mandate for all pan-European public borrowers could ensure more systematic scrutiny by the ECA. If the expansion of pan-European borrowing responded to

unique policy challenges, it is now time to ensure that these new powers are subject to adequate controls.

Further Information

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