FROM DIALOGUE TO SCRUTINY:

Strengthening the Parliamentary Oversight of the European Central Bank

PositiveMoney Europe

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About Positive Money Europe

Positive Money Europe is a not-for-profit research and campaigning organisation aiming to make the European Economic and Monetary Union support a fair, democratic and sustainable economy. We scrutinize the European Central Bank and work with parliamentarians, NGOs and academics to develop policy proposals to reform the Eurozone.

Positive Money Europe was set up by Positive Money, a UK non-profit founded in 2010. Positive Money Europe was launched in February 2018 following the success of the campaign "Quantitative Easing for the People'. Positive Money Europe has an office in Brussels and is a registered interest group in the European Commission's transparency register.

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EXECUTIVE SUMMARY

- While the ECB enjoys a substantial degree of independence and has been tasked with a growing number of competences since the outbreak of the eurozone crisis a decade ago, its accountability framework remains mostly unchanged and largely informal.
- The ECON Committee could make better use of the quarterly hearings with the ECB President (the Monetary Dialogue) by means of a more stringent preparation, a reduction in size, and a more flexible allocation of speaking time.
- The creation of an ECON Sub-Committee dedicated to monetary policy would constitute a major step towards specialization and help achieve greater focus and persistence among MEPs, in addition to providing a more visible interlocutor for civil society.
- The consultative role of the EP in the appointment process of ECB Executive Board members remains weak. A key proposal is for the Eurogroup and the Council to provide balanced shortlists of candidates to the EP instead of single candidates.
- To enhance cooperation between ECON and the Eurogroup – in particular with regard to appointments to the ECB's Executive Board –, the Chair of ECON should be invited to Eurogroup meetings as an observer.
- Despite recent improvements, the ECB's lack of transparency remains a serious concern. The EP should keep up its pressure on the central bank to raise transparency levels with regard to asset purchases programmes and the transcripts of Governing Council meetings.
- 20 years after the creation of the euro, it is high time to review the formal and informal accountability arrangements between the EP and the ECB as well as the Council. The ECON Committee should take leadership in demanding an inter-institutional agreement to this effect.

INTRODUCTION

While the dust has settled on a decade of financial and economic distress, a crucial debate is taking place across Europe on how to strengthen the governance of the Economic and Monetary Union (EMU) in order to render it more capable of dealing with a future financial crisis as well as less susceptible to legitimacy crises. This debate has moved to the decision-making stage already, with proposals for deposit insurance and for a urozone budget making headway in the Eurogroup and in the Council. However, considerably less progress has been achieved so far in terms of bolstering the democratic legitimacy of the eurozone and its governance framework, contrary to the objectives set out in the Five Presidents Report (European Commission 2015). Equally surprisingly, there is remarkably little debate over possible reform of EMU's monetary realm (Cohen-Setton & Vallee 2018) and of the eurozone's most central and powerful institution: the European Central Bank. This report contributes to filling these gaps, by focusing on the democratic legitimacy and accountability of the ECB.

In 2017, an authoritative review by Transparency International EU identified a number of pitfalls in the current accountability framework of the central bank, as well as issues in terms of integrity and transparency (Braun 2017). While the ECB has taken steps to address these and other concerns (see, e.g., ECB 2018a and ECB 2019a), such efforts have remained incremental and modest. Our report aims at proposing concrete further measures that can be undertaken by the relevant stakeholders to strengthen the accountability of the ECB. To this end, we have hosted an expert roundtable together with Transparency International EU and have conducted a set of in-depth interviews with Members of the EP and their staff.

Our approach is deliberately pragmatic: we propose practical and actionable measures that do not require far-reaching changes in existing legislation, hoping that our recommendations will prove useful for current and future policy-makers and civil society actors alike – and for the next ECON Committee of the European Parliament in particular. Our report comes at a critical time: 2019 marks a decisive year for the future of the EU and the Economic and Monetary Union in particular – as the European elections and reshuffles at the top of the European Commission and European Council coincide with the selection and appointment of three new members to the ECB's Executive Board, including its President.

We demonstrate that while the present Treaty framework leaves the EP deprived of certain institutional powers, the existing channels of ECB accountability – and in particular the Monetary Dialogue – could be used far more effectively to hold the ECB to account. We also find that there is room within the existing framework for the Council to allow the EP to assume a more meaningful role in the appointment process of ECB Executive Board members.

The report is structured as follows: After a brief introduction to the ECB's independence and accountability, we outline pertinent challenges to the central bank's accountability framework since the crisis. We then build on these challenges to put forward four sets of policy recommendations: first as regards the European Parliament's Annual Resolution; second in terms of the workings of the Monetary Dialogue; third with regard to the role of the EP in ECB appointments; and fourth with a view to enhancing existing provisions for transparency.

1.
The ECB's Accountability in Question

1.1
A Brief Introduction to ECB Independence and Accountability

Ever since its inception in the late-1990s, the ECB has been considered the most independent central bank in the developed world (see, e.g., Goodhart 1998). This extraordinary independence is not only due to its narrow but vague mandate (De Grauwe 2012), which ascribes overriding priority to the objective of price stability (TFEU Article 127), but also due to the difficulty of amending its statutes as well as the lack of a supranational fiscal and political counterpart: there is hardly any unified executive in the eurozone that the ECB could be separated or independent 'from' (Diessner & Lisi 2019).

It is often argued that the flipside of a high degree of political independence is a sufficient degree of democratic accountability. While central bank independence effectively means that monetary policy-making powers have been delegated to unelected central bankers, the use of these powers is to be monitored and controlled by democratically elected representatives. A simplistic understanding of the relationship between central bank independence and democratic accountability would therefore suggest that the more independence a central bank is granted, the more accountable it has to be to elected officials (De Grauwe 2012).

However, this needs to be qualified. Arguably, it hinges on a distinction between different types of accountability, which we could label 'formal' and 'substantive' accountability (Buiter 2006; Sibert 2010).

- **Formal accountability is an ex post explanation and justification by the central bank for its policy actions, while**
- **Substantive accountability entails the ability to threaten or issue sanctions and rewards.**

While an increase in formal accountability is reconcilable with central bank independence, there arguably is a trade-off between substantive accountability and an extraordinary degree of independence: the former can only be increased at the expense of the latter (see Diessner 2018). Either way, however, both forms of accountability depend on an adequate degree of transparency, which enables elected representatives to form a judgement on the central bank's justifications for its policy actions in the first place (Braun 2017).

The European Treaties enshrine the ECB's independence (e.g., TFEU Article 130, Article 282(3) and ESCB & ECB Statute, Protocol No. 4 TFEU Article 7) which, in turn, is complemented by relatively weak statutory provisions for accountability. Article 15 of the ESCB & ECB Statute and Article 284(3) TFEU merely stipulate that *'The European Central Bank shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and current year to the European Parliament, the Council and the Commission, and also to the European Council', while the latter also provides for the possibility that 'The President of the European Central Bank and the other members of the Executive Board may, at the request of the European Parliament or on their own initiative, be heard by the competent committees of the European Parliament'.*[1]

It is precisely on these foundations that the Parliament, in 1998, moved to adopt an initiative report led by former MEP and ECON Chair Christa Randzio-Plath, which invoked a range of Treaty provisions that imply an involvement of the EP in monetary affairs by means of assent, cooperation, and consultation procedures (European Parliament 1998).
In particular, the report foresaw the ECON Committee and the central bank to interact in three 'fields of action:

- **the procedure for appointing members of the ECB's Executive Board;**
- **reporting to the European Parliament;**
- **the ECB's publications.'**

(European Parliament 1998: 10-11)

By building on previous experience and exchanges with the European Monetary Institute (the forerunner of the ECB), this initiative ultimately established the Monetary Dialogue between the two institutions – which remains the ECB's principal channel of accountability to this day (Claeys et al. 2014; Collignon & Diessner 2016) –, while both our expert roundtable and

1 In addition, secondary legislation has created a separate accountability framework for supervision-related tasks (see Articles 20 and 21 SSMR). While this report is mainly concerned with enhancing the accountability of the ECB's monetary policy functions, some of our recommendations do reflect on the supervisory framework as well.

the ECB itself identify several 'additional information channels' which can be seen as relevant for its accountability more broadly (see table 1 below)[2].

As a result, **the accountability structures of the European Central Bank have been shaped as much by the EU's legal framework as they have been through practice and formal and informal arrangements over time.** This was made possible by the active initiative of MEPs and the responsiveness of the ECB to demands from the EP. Building on and expanding this common ground will be paramount in order to see off future challenges as well.

Table 1a: *The ECB's 'main accountability channels vis-à-vis the European Parliament' (source: ECB 2018a)*

Accountability channel	Description
Annual Report	The ECB submits an annual report on its tasks, the activities of the ESCB and the Eurosystem's monetary policy to the European Parliament, the Council and the Commission. The report is presented each year in the European Parliament by the Vice-President of the ECB in a dedicated session of the ECON committee and by the President on the occasion of a plenary debate.
Hearings and exchanges of views	The ECB's President participates in quarterly hearings before the ECON Committee. Other Executive Board members also participate in ECON committee hearings to explain the ECB's reasoning and decisions on specific topics.
Written questions	Members of the European Parliament can address written questions to the ECB.

Table 1b: *The ECB's 'additional information channels' (source: ECB 2018a)*

Press conferences	The ECB holds press conferences after each Governing Council monetary policy meeting, i.e. every six weeks.
Economic Bulletin	The Economic Bulletin (formerly the Monthly Bulletin) presents the economic and monetary information which formed the basis for the Governing Council's policy decisions. It is published eight times a year, two weeks after each monetary policy meeting.
Weekly financial statements	The consolidated financial statement of the Eurosystem, which is published weekly, provides information on monetary policy operations, foreign exchange operations and investment activities.
Accounts of monetary policy meetings	The accounts of the Governing Council's discussions are published four weeks after each monetary policy meeting.
Articles, interview and speeches	The members of the Executive Board regularly communicate with the public by way of articles, interviews and speeches. These are published on the ECB's website.

2 On top of this, the Court of Justice of the EU has become increasingly involved in reviewing the ECB's actions in recent years. While sometimes described as a form of *accountability*, we take the judicial reviews by the Court to be principally concerned with issues of *legality*.

Christa Randzio-Plath, Chair of the ECON Committee (1999-2004) together with Wim Duisenberg ECB President (1998-2003)

Pervenche Berès, Chair of the ECON Committee from 2004 until 2009

Sharon Bowles, Chair of the ECON Committee from 2004 until 2009 with Jean-Claude Trichet, ECB president from 2003 until 2011.

Roberto Gualtieri, Chair of the ECON Committee from 2014 until 2019, with Mario Draghi, ECB President from 2011 until 2019.

1.2
Challenges for the ECB's Accountability since the Crisis

Throughout the eurozone crisis, the ECB's responsibilities and powers have expanded significantly, while its legal mandate has remained broadly unchanged.

- **The ECB has been granted supervisory powers through the Banking Union's Single Supervisory Mechanism.**
- **The ECB has assumed, at least implicitly, lender of last resort powers for eurozone banks and arguably sovereigns (the latter via the OMT programme).**
- **The ECB's unconventional monetary policies – from large-scale lending operations to a range of asset-purchase programmes – imply quasi-fiscal powers in the eyes of most observers (see, e.g., Schelkle 2014).**
- **The ECB has been tasked with responsibilities within the Troika of institutions that administer macroeconomic adjustment programmes in several eurozone member states (European Parliament 2015).**
- **The ECB has arguably enhanced its market-building and financial policy-making powers, reviving the securitization market and contributing to staving off a financial transaction tax (FTT) (Gabor 2016; Braun 2018).**

In consequence, pertinent questions have emerged about whether the ECB's accountability is commensurate with this increase in power and responsibility. While the central bank has taken some steps to address these concerns (see ECB 2018a), for example by responding to an ever-increasing number of written questions by MEPs as well as making ad hoc visits to selected national parliaments in the eurozone (Tesche 2018), most participants in our roundtable deemed those efforts to have remained fairly incremental and relatively modest.

Instead, participants identified two broad ways forward in this regard:

- **Either the ECB is solely tasked with conducting monetary policy in some stricter sense, which would imply reducing its current functions.**
- **Or the ECB's democratic accountability is brought in line with its increased extra-monetary policy tasks.**

Our roundtable deemed the first option to be less realistic, even though it was noted that there now seems to be broad consensus that the ECB should not play a part in future constellations of the Troika (as acknowledged by president Draghi during the September 2018 Monetary Dialogue). Instead, much could be done to improve existing accountability structures and procedures.

To this end, our report focuses on the ECB's primary channel of accountability vis-à-vis the European Parliament (sections 2.1 to 2.3), while also stressing the importance of the appointment process to the ECB's Executive Board (section 2.4) as well as the need for an appropriate degree of institutional transparency (section 2.5).

Indeed, and as highlighted in our recommendations below, there remains significant room for improvement across all three areas.

Hearing with Mario Draghi at the European Parliament's ECON Committee, Brussels 25 September 2017.

2.

Policy Recommendations

2.1 Revising the Monetary Dialogue (MD)

Five years ago, in the run-up to the 2014 European elections, a number of critiques of the efficiency of the Monetary Dialogue were identified by the external expert panel which prepares briefing papers ahead of each MD (see, e.g., the contributions by Claeys et al., Sibert, Wyplosz and Whelan in European Parliament 2014). Amongst others, these pointed to a lack of consistency and focus of the MD, as many of the questions were seen to be redundant, not well thought through, or even unrelated. In addition, MEPs tended to ask open questions, which enabled the ECB President to respond in an evasive way (cf. Collignon in European Parliament 2014). Several participants in our roundtable echoed these views, stressing that **specialization is key to achieving successful parliamentary oversight.**

The roots of these issues lie both in the practices and the structures of the Monetary Dialogue. To be sure, more involvement and focus on behalf of MEPs would undoubtedly improve the quality of exchanges – however, there are also structural barriers that are hindering a more meaningful exchange with the ECB President. For instance, the limited speaking time granted to each MEP provides but one example of how structural and practical issues can overlap: while granting more time to individual MEPs would allow to explore complex issues in more detail, this would crucially hinge on MEPs' willingness to make better use of their allocated time – for example, by focusing on a single key question and using the remaining time for a targeted follow-up, thus creating a back-and-forth with the ECB President, instead of fielding a larger number of potentially unrelated questions. In light of such dual challenges, we propose the following structural changes to the MD, which are intended to also improve the practice of the dialogue.

Recommendation

- The ECON Chair (or Vice-Chairs) could convene preparatory meetings ahead of the Monetary Dialogue between group coordinators – or their assistants – in order to align the questions that MEPs want to raise so as to ensure that there are no duplicates and, possibly, to group questions by topics to organise the hearing's agenda accordingly.

- The allocation of speaking time could be more flexible. This could be done, for example, by allocating the first hour of the hearing to two or three dedicated topics. Instead of strictly allocating five minutes per MEP, the Chair could allocate 20-30 minutes for each topic, allowing several MEPs to intervene on the chosen subject in a more flexible manner and in closer interaction with the ECB President. It would be the Chair's responsibility to ensure that all MEPs who want to engage on this topic may do so in a fair way, with possible rotation of the role of the Chair within the ECON bureau. An alternative, second best option, would be to group the speaking time of all MEPs by political groups, thus allowing each group to split the speaking time among their MEPs at their own discretion.

- The number of MEPs involved in the Monetary Dialogue could be reduced. This would allow for the participating MEPs to have more time to engage in meaningful dialogue, in particular through follow-up questions. In practice, already a fairly limited number of MEPs regularly takes part in the dialogue – this reality could be reflected by limiting the MD to those MEPs. A first step might consist of limiting the Monetary Dialogue to MEPs from the Euro Area. However, it has been argued that this is likely to pose challenges in terms of Articles 9 and 10 TEU, amongst other issues (see Fromage 2018; Curtin and Fasone 2017). We therefore deem the proposal for an ECON sub-committee dedicated to the ECB, as discussed below, to be potentially more expedient in this regard.

- A list of MEPs participating in the MD could be communicated a week in advance (in the ECON agenda), thus enabling journalists and NGOs to identify which MEPs might be interested in engaging with them and thus improve media coverage of the MD.

2.2
An ECON Sub-Committee Dedicated to the ECB

The fact that the ECON committee is very sizeable does not help focus efforts in scrutinizing the ECB. To date, the committee consists of 60 members and 56 substitutes (out of 751 MEPs in the European Parliament). In comparison, the Treasury Select Committee in the UK is comprised of 10 MPs plus Chair (out of 650 MPs in the House of Commons), while the US subcommittee on Monetary Policy and Trade has 23 members (out of 500 Reps in the House of Representatives).[3] **The ratio of members of parliament in charge of central bank oversight is 1.5% in the UK and 4.6% in the US, while the ratio amounts to 7.9% in the EP (and even up to 15% when including ECON substitutes).**

A more focused approach by the ECON Committee could be achieved by forming a Sub-Committee dedicated to the ECB and to eurozone monetary policy (or, alternatively, a Working Group, as is the case for Banking Union-related matters). In fact, such a sub-committee existed before the creation of the ECB, facilitating consultations between the European Monetary Institute and the Parliament.[4] A renewed push in this direction was undertaken by ECON group coordinators in early-2014, ahead of the previous EP elections.

Nowadays, such differentiation within ECON could be accomplished without amending the European Treaties, nor the rules of procedure of committees in the European Parliament. For instance, the EP's Resolution of 12 December 2013 on Constitutional Problems of a Multi-tier Governance in the EU suggests that *'the internal rules of the European Parliament offer a sufficient margin of manoeuvre to organise specific forms of differentiation on the basis of political agreement within and among the political groups in order to provide for appropriate scrutiny of the EMU'* (European Parliament 2013). Procedurally, the establishment of a sub-committee requires authorization from the Conference of the Presidents of the EP, while its workings are subject to the control of the main committee (Article 203 EP Rules of Procedure) (see Curtin & Fasone 2017: 131-134).

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3 One could submit, however, that both the US and the UK essentially have two-party political systems.

4 The 'Sub-committee on Monetary Affairs' was part of a larger EP Committee on Economic and Monetary Affairs and Industrial Policy (see European Parliament 1998). For recent academic contributions discussing the case of a eurozone oversight sub-committee, see Curtin and Fasone (2017) and Chang and Hodson (2019).

Recommendation

● An ECON sub-committee relating to the ECB could be comprised of 19 to 25 MEPs, representative of the political groups within the EP. In the limiting case, membership could be capped at 2.5 years (renewable), to ensure that all ECON members have the opportunity to participate over the course of the legislature. In the same spirit, the sub-committee's chairs and coordinators could consist of the Annual Report rapporteurs and shadows, which would imply an annual rotation in sub-committee leadership.

The sub-committee would be primarily in charge of:

- preparing the monetary dialogues
- concerting and coordinating written questions
- drafting the Annual Resolution of the EP on the ECB
- preparing the work of ECON as regards non-/legislative acts concerning the ECB
- participating in appointment procedures for members of the ECB Executive Board

The sub-committee could make use of other parliamentary scrutiny powers as well, such as requesting in-camera hearings with ECB officials where need be. It may also act as a visible interlocutor for civil society on issues relating to the ECB and to eurozone monetary policy as well as draw on the advice of the external expert panel more flexibly where it deems this to be necessary.

2.3 Ensuring a Better Follow-Up on the EP's Annual Resolution

The annual resolution of the European Parliament on the European Central Bank Annual Report is a cornerstone of the ECB's accountability framework, as it provides a rare opportunity for the EP as a whole to express an evaluation of the ECB's past activities. Although the resolution is non-binding, the exercise of a formal debate and vote in plenary session, attended by the ECB President, bears symbolic weight and enhances moral suasion in the absence of substantive sanctioning powers.

We therefore consider the EP's resolution among the most constructive channels of accountability. The amendment process allows for a broad range of issues to be raised and to be reflected in the final version of the report. Over recent years, the resolution has also increasingly incorporated suggestions echoing concerns from civil society (for example, with regard to climate change or the transparency of asset purchases programmes).

Following repeated requests by the European Parliament, the ECB has started to supply a direct feedback to the resolution. Since 2016, this feedback is publicly available and is annexed to its Annual Report. This good practice constitutes an improvement to the accountability framework, as it forces the central bank to provide explanations for its actions as well as its decision to follow-up – or not follow-up – on the EP's suggestions. Despite this laudable progress, the current arrangements still leave much room for the ECB to 'cherry pick' among the EP's propositions.

Recommendation

- **In order to further improve current practice, the ECON Committee should organise a dedicated follow-up meeting with ECB officials on at least an annual basis. The purpose of the meeting would be to discuss specific points of the EP's resolution whose complexity deserve in-depth consideration and direct conversation between the two institutions. To increase the efficiency and leverage of these encounters, the meetings could rely on a 'comply-or-explain' rule under which the ECB responds to the EP's annual resolution in a point-by-point fashion. Such meetings should take place shortly after the adoption of the**

EP's annual resolution and before the publication of the ECB's Annual Report. The meeting would likely prove more fruitful and consequential than the existing public hearing with the Vice-President of the ECB, which usually takes place at the occasion of the publication of the Annual Report.

Presentation of the ECB's Annual Report to the ECON Committee by ECB Vice-President Vítor Constâncio, Brussels, 9 April 2018.

2.4
Improving the Appointment Procedure to the ECB's Executive Board

One of the key elements through which the ECB derives its legitimacy is the fact that its decision-makers are appointed by institutions which themselves have some degree of legitimacy. In the eyes of the public, appointments might thus constitute the most important element of the ECB's democratic accountability. Crucially, the terms of three out of six members of the ECB's Executive Board are set to expire by the end of 2019.

Unfortunately, however, the current selection procedure is relatively opaque and does not leave room for a substantial public debate on the choice of future Executive Board members. The Eurogroup and the Council deliberate secretly on the various possible candidates – who are put forward by the member states – thereby creating the impression that the main criterion for selection is nationality, as opposed to qualification and experience (Jourdan & Diessner 2019).

Moreover, the European Parliament has repeatedly called for more gender diversity inside the ECB, a goal which the central bank has committed to achieving no later than by the end of 2019 (ECB 2013; 2018b). However, the central bank's gender balance has continually been found wanting, not least with regard to its top executive.[5] Ameliorating the appointment procedure would provide a lever for MEPs to stress the need for a diversity of profiles in the ECB's Executive Board.

MEPs have long been demanding a more meaningful role in the selection process and have taken several initiatives to increase their weight therein. For instance, since 2010, ECON self-organizes in-camera hearings with the prospective candidates ahead of the recommendation by the Council. In March 2018, the ECON Committee formally requested once again that the Council engage in a dialogue on how to improve the procedure, and in March 2019 the EP adopted a dedicated resolution whereby it 'commits itself not to take into account lists of candidates where the gender balance principle has not been respected alongside the requirements concerning qualifications and experience in the selection process' (European Parliament 2019). This prospect should be a wake-up call for the Council and the Eurogroup to enter into such dialogue.

5 The most recent Gender Balance Index compiled by OMFIF (2019: 13) suggests that «[t]he European Central Bank remains a disappointing outlier. While the national euro area central banks earn an aggregate score (weighted by GDP) of 37.9% (up from 33.6% last year), the ECB has stalled at 10.3%.»

Once again, the sources of the problem are both structural and practical in nature. The fact that MEPs do not have a binding veto right on appointments renders the EP's voice structurally weak throughout the process. At the same time, the practice of submitting only one candidate to the EP's consideration diminishes Parliament's role even further. Indeed, this limits the potential for scrutiny to a mere 'Yes or No' question, instead of enabling MEPs to formulate a more constructive opinion. As we have seen in the past,[6] the EP may reject or delay an appointment, but this option is bound to be seen as obstructive to the process, by lack of ability for MEPs to express a preference for an alternative candidate.

In principle, however, the legal framework for appointments grants some flexibility. Article 283(2) TFEU merely states that board members *'shall be appointed by the European Council, acting by a qualified majority, from among persons of recognised standing and professional experience in monetary or banking matters, on a recommendation from the Council, after it has consulted the European Parliament and the Governing Council of the European Central Bank'.* In particular, **the content and extent of the consultative role of the EP in appointing ECB board members remains a matter of interpretation.**

Besides, the inter-institutional agreement concluded in 2013 with regard to the SSM (see Fromage and Ibrido 2018; Maricut-Akbik 2018) sets out that *'the ECB shall aim at the highest professional standards and take into account the need to safeguard the interest of the Union as a whole and diversity in the composition of the Supervisory Board'* (2013/694/EU). The spirit of this disposition should apply in the context of appointments of ECB Executive Board members as well.

Recommendation

- **In line with a long-standing demand by the EP, the Eurogroup and the Council should provide MEPs with a balanced shortlist of at least two candidates, similar to appointments to the ECB's Supervisory Board (although, in the latter case, the shortlist is provided by the ECB itself). A shortlist would allow the Parliament to play a more substantive role, by enabling MEPs to rank candidates by preferential order.**

- **Importantly, the Eurogroup and the Council should commit to initiating all appointment procedures in due course – i.e., well**

6 In 2012, MEPs delayed the appointment of Yves Mersch to the Executive Board as a means to object to the lack of diversity.

ahead of the expiration of an Executive Board member's term – so as to ensure that there is adequate space for in-depth public debate. As past experience has shown, the European Parliament has at times been squeezed by the timetable set forth by national ministers, thus inhibiting its oversight and consultative functions.

- More ambitiously, the Eurogroup and the Council could even pre-commit to accepting the EP's suggestions for at least two to three positions on the ECB Executive Board, for instance. A general principle could be that no candidate should be appointed who has formally been rejected by the EP (see European Parliament 1998).

- Relatedly, and to avoid insulation among the involved actors, the Chair of ECON (or an alternate) should be invited to attend Eurogroup meetings as an observer. Such practice would enable the ECON committee to be integrated into the appointment process early on and reinforce the above recommendations, while also allowing the Eurogroup to consult the ECON Chair more directly where need be.

In the long run, a more comprehensive reform would consist of opening the selection process for any citizen of the EU to apply for the position. The selection could then be conducted by an appointment committee comprised of representatives from both the EP and the Council. An intermediate step could be to align the process with the selection procedure for the three European Supervisory Authorities (see, for instance, Article 48 of Regulation (EU) No 1093/2010 on the appointment of the Chairperson of the European Banking Authority).

2.5

Ensuring a Continuous Progression in Transparency

A precondition for any form of successful parliamentary scrutiny is an adequate degree of transparency. To give but one example, it is now time to take stock of the management of the global financial crisis which started more than ten years ago with the collapse of Lehman Brothers. However, this is severely complicated by current rules governing access to ECB documents (such as, e.g., ECB decision ECB/2004/03).

In consequence, improvements in ECB transparency require the ECON Committee to engage the central bank and actively demand those improvements through the monetary dialogue, letters to the President, and other available channels, such as the European Ombudsman, the European Data Protection Supervisor or the ECB staff representatives.[7]

In the past, MEPs have successfully raised issues with regards to inflation forecasts, the ANFA agreement, the corporate sector purchase programme (CSPP), and the publication of the accounts of the ECB's governing council meetings, arguably resulting in tangible progress on behalf of the ECB. Building on those past successes will be key to achieving a more systematic transparency of the central bank, in particular with regard to the assets that it purchases.[8]

The ECB clearly remains a laggard among major central banks when it comes to the publication of the transcripts of its monetary policy meetings. The 'accounts' that the ECB decided to publish since 2015 merely constitute a general, unattributed overview of discussions. In comparison, while meeting transcripts are published after ten years in the case of the Bank of Japan, after eight years in the case of the Bank of England (since 2014), and after five years in the case of the US Federal Reserve, current secrecy guidelines foresee a lag of up to 30 years for publication in the EU. Even after those three decades, it is not clear whether publication would consist of verbatim transcripts or of redacted minutes. The Treaties merely stipulate that: *'The proceedings of the meetings shall be confidential. The Governing Council may decide to make the outcome of its deliberations public'* (ESCB & ECB Statute, Protocol No. 4 TFEU, Article 10(4)). The wording can be taken to imply that there is some leeway as to how detailed these publications may be.

7 To give but one example, even after a year-long inquiry by the Ombudsman into the ECB President's involvement in the so-called 'Group of 30', MEPs have still not consistently followed-up on this issue to date (European Ombudsman 2018).

8 For example, and in contrast with the CSPP, the ECB has been reluctant to disclose the list of securities held under its ABSPP and CBPP3 programmes.

Recommendation

- The ECON Committee should continuously engage the ECB on matters of transparency and employ all available resources to this end, including by drawing on the work of the European Ombudsman.

- The ECB should align the degree of transparency over all **asset purchase programmes,** especially those which involve assets issued by private sector companies (see, e.g., ECB 2019b).

- The ECB should release more detailed transcripts (and possibly voting records), starting with a 10-year lag such as in the case of Japan. This would constitute a key step towards enabling the ECB's audiences (including market participants, MEPs, and civil society and the wider public) to appreciate and oversee the ECB's decision-making, especially throughout the last financial crisis.

- Relatedly, the ECB could do more to engage civil society groups representing the interests of those affected by its monetary policy-making. For instance, the organisation of a Civil Society Forum, initially on an annual basis, should be encouraged. The support and participation of MEPs will be indispensable for bringing such efforts to bear.

CONCLUSION

Over recent years, the ECB has implemented a number of improvements in terms of its democratic accountability and has shown to be relatively responsive to the demands of the European Parliament. However, given its high degree of independence and the difficulty to amend its statutes and mandate, the ECB has an obligation to be exemplary in the field of transparency and to seek further pro-active improvements to its accountability practices.

At the same time, much of the room for progress lies in the hands of the European Parliament itself, as the institution that is primarily tasked with holding the ECB accountable. While the EP has achieved successes on several fronts, there is broad consensus that it can do more by means of making better use of the Monetary Dialogue. This means both enhancing the practices of the dialogue as well as pushing for improvements in its structures, as set out in our key recommendations above.

It was due to the strong initiative of the ECON Committee at the outset of EMU that the Monetary Dialogue came into being. Since then, it has also successfully created dialogues on economic affairs and banking union-related matters. Now, it is time for MEPs and the European Central Bank to take the next step: after years of dialogue, it is appropriate for both institutions to review their practices and to arrive at an inter-institutional agreement similar to that of 2013 with regard to the SSM. To the extent that the agreement would also cover the selection procedure of ECB Executive Board members, the Council shall be a party to these discussions as well.

The next ECON Committee should seize the opportunity of eurozone reform and take decisive leadership in this direction.

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