

European Investment Stabilisation Function

2021–2027

2018/0212(COD) - 31/05/2018 - Legislative proposal

PURPOSE: to establish a European investment stabilisation function (EISF) for the period 2021-2027.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: deepening the **Economic and Monetary Union** (EMU) and modernising EU public finances are key strands in the debate on the future of Europe initiated by the Commission's [White Paper](#) of 1 March 2017.

The financial crisis has shown that in the euro area available instruments such as the single monetary policy, automatic fiscal stabilisers and discretionary fiscal policy measures at national level are insufficient to absorb large asymmetric shocks. However, due to the architecture of the EMU with a centralised single monetary policy but a decentralised fiscal policy at national level, **euro area Member States are insufficiently capable to absorb large asymmetric shocks in isolation.**

By complementing the role of the existing national automatic stabilisers, the European investment stabilisation mechanism proposed by the Commission should help **stabilise levels of public investment** and facilitate rapid economic recovery in the event of major economic shocks in euro area Member States and in those participating in the European Exchange Rate Mechanism (ERM II).

The package builds, in particular, on the Five Presidents' Report on completing Europe's Economic and Monetary Union of 22 June 2015 and on the [Commission's reflection paper](#) on the deepening of the Economic and Monetary Union of 31 May 2017.

CONTENT: the proposed Regulation seeks to establish a **European investment stabilisation function** (EISF).

The EISF shall provide **financial assistance in the form of loans and interest rate subsidies** for public investment to a Member State which is experiencing a large asymmetric shock in order to enhance cohesion.

EISF support shall be available for Member States whose currency is the euro and for other Member States that participate in the exchange rate mechanism (ERM II).

Eligibility and activation criteria: the decision-making procedure allows for a lean and swift mobilisation and disbursement of support by the Commission following the fulfilment of clearly defined eligibility and activation criteria as well as a criterion determining the public investment that should be supported.

The Commission's decision to provide support under the instrument shall be subject to strict eligibility criteria based on compliance with decisions and recommendations under the **Union's fiscal and macro-economic surveillance framework.**

Activation criteria for support shall be determined by a double unemployment trigger which is based on both the national **unemployment** rate compared to its past average and the change in unemployment compared to a certain threshold in the last year.

In addition, Member States shall invest the support under the EISF in eligible public investment and **maintain the level of public investment in general compared to the average public investment over the last five years**. They shall also give priority to maintaining eligible investment in programmes supported by the Union under the European Regional Development Fund, the Cohesion fund, the European Social Fund, the European Maritime and Fisheries Fund and the European Agricultural Fund for Rural Development..

Stabilisation Support Fund: the proposal provides for the establishment of the Stabilisation Support Fund and its use. The Fund shall be endowed with contributions by Member States in accordance with an intergovernmental agreement which determines the method for calculating them and the rules regarding their transfer. For euro area Member States, national contributions shall be calculated as a percentage of the monetary income allocated to the euro area Member States' national central banks.

The Fund shall **only be used to pay the interest rate subsidy** and shall be administered by the Commission on the basis of a prudent and safe investment strategy.

The proposed Regulation also provides for a potential involvement by the **European Stability Mechanism** (ESM) or its legal successor in case the latter would autonomously decide in the future to also provide financial assistance in support of public investment to cater for macro-economic stabilisation purposes.

BUDGETARY IMPLICATIONS:

- the loans that the proposed instrument allows the Commission to grant to Member States would be subject to a **fixed ceiling of EUR 30 billion**. Such loans constitute contingent liabilities for the EU budget in the event of a default on a loan repayment by a Member State granted under the scheme;
- the **interest rate subsidy** shall be financed by a Stabilisation Support Fund endowed with annual national contributions based on the share of the Eurosystem's monetary income allocated to the national central bank of each euro area Member State. These national contributions constitute externally assigned revenue and have no impact on the EU budget.