European Investment Stabilisation Function 2021–2027

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OPINION of the European Central Bank (ECB) on a proposal for a regulation on the establishment of a European Investment Stabilisation Function.

The establishment of the European Investment Stabilisation Function (EISF) aims to protect national public investment in the presence of large asymmetric macroeconomic shocks in Member States whose currency is the euro and in non-euro area Member States participating in the exchange rate mechanism (ERM II).

General observations

The ECB highlights the following points:

- when it is created, the EISF should ensure that it provides effective macroeconomic stabilisation, particularly in the presence of deep euro area-wide recessions. To that end, a fiscal stabilisation function should be sufficient in size;

- effective stabilisation also requires that EISF support is triggered and implemented in a timely manner. The EISF trigger that is envisaged is related to average unemployment over a 60-quarter period. This long period of time appears unwarranted, given that the current unemployment could be far from the 60-quarter average for countries that have experienced a strong upward or downward trend in unemployment over the preceding 15 years;

- EISF support should complement incentives for sound national fiscal and economic policies and, in particular, for reforms aimed at addressing national structural challenges and strengthening compliance with the Union's fiscal and macroeconomic surveillance framework. EISF support should be linked to the participating Member State's past track record of full respect for the Union's fiscal and macroeconomic surveillance framework. Against this background, the envisaged eligibility criteria appear weak;

- a prospective stabilisation function should provide incentives for Member States to build fiscal buffers in good economic times, which may suffer depletion in recessions;

Lastly, clarity would be required regarding: (i) the interaction between the proposed regulation and the use of flexibility within the SGP, notably as regards the provisions of the so-called ‘investment clause’, which has a similar objective to the EISF, i.e. to maintain investment in difficult economic times; (ii) a provision to ensure that the level of EISF support is commensurate with the level required to maintain debt sustainability.

Specific observations

The ECB stresses the following:

- the principle of institutional independence expressly referred to in Article 130 of the Treaty and Article 7 of the Statute of the ESCB. These two articles prohibit the NCBs in the ESCB and the members of their decision making bodies from seeking or taking instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body. In addition, the Union

institutions, bodies, offices or agencies, and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the NCBs' decision-making bodies in the performance of their ESCB-related tasks;

- the principle of financial independence requires that NCBs have sufficient means to perform their ESCB-related and national tasks;

- the readiness of the ECB to establish with the Commission the necessary arrangements for the administration of the loans, and to receive from the Member State concerned the principal and interest due under an EISF loan into an account held with the ECB, as envisaged by the proposed regulation.