Basic information

2018/0212(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure lapsed or withdrawn
European Investment Stabilisation Function 2021–2027 **Subject** 5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU)	

Key players

Council of the European Union		
European Commission	**Commission DG**	**Commissioner**
	Economic and Financial Affairs	MOSCOVICI Pierre
European Economic and Social Committee		
European Committee of the Regions		

Key events

Date	Event	Reference	Summary
31/05/2018	Legislative proposal published	COM(2018)0387	Summary
11/06/2018	Committee referral announced in Parliament, 1st reading		
05/07/2018	Referral to joint committee announced in Parliament		
21/10/2019	Resumption of business from the previous parliamentary term		
06/10/2025	Proposal withdrawn by Commission		

Technical information

Procedure reference	2018/0212(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	Rules of Procedure EP 59 Treaty on the Functioning of the European Union TFEU 175-p3
Mandatory consultation of other institutions	European Economic and Social Committee European Committee of the Regions
Stage reached in procedure	Procedure lapsed or withdrawn
Committee dossier	CJ16/10/00122

Documentation gateway

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2018)0387	31/05/2018	Summary
Document attached to the procedure	SWD(2018)0297	31/05/2018	
Document attached to the procedure	SWD(2018)0298	31/05/2018	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	FR_ASSEMBLY	COM(2018)0387	13/07/2018	
Contribution	ES_PARLIAMENT	COM(2018)0387	27/09/2018	
Contribution	RO_SENATE	COM(2018)0387	22/10/2018	
Contribution	CZ_SENATE	COM(2018)0387	26/10/2018	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES3003/2018	17/10/2018	
ECB	European Central Bank: opinion, guideline, report	CON/2018/0051 OJ C 444 10.12.2018, p. 0011	09/11/2018	Summary
CofR	Committee of the Regions: opinion	CDR3764/2018	06/12/2018	

Additional information

Source	Document	Date
European Parliament	Briefing	
European Commission	EUR-Lex	

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.

European Investment Stabilisation Function 2021–2027

2018/0212(COD) - 09/11/2018 - European Central Bank: opinion, guideline, report

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.