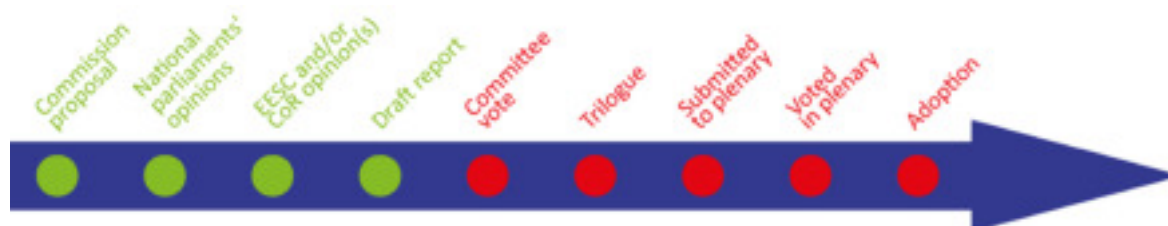


European Investment Stabilisation Function (EISF)

OVERVIEW

The idea behind the Commission's proposed European Investment Stabilisation Function is to use dedicated financial means from the EU budget to help Member States stabilise their economies in the event of a major asymmetric shock. The Commission would borrow on the financial markets and then lend to the country concerned, which would use the money to finance public investment. Once the crisis was over, the Member State would reimburse the debt. The Commission hopes the other Member States would agree to subsidise the interest payments incurred. The function would be limited to euro-area countries, but those that have entered the exchange rate mechanism II (ERM II) might also benefit. The lending would be quasi automatic once statistical data showed an exceptional and steep rise in unemployment. The dossier has met with considerable opposition at Council level.

Proposal for a regulation of the European Parliament and of the Council on the establishment of a European Investment Stabilisation Function		
<i>Committees responsible:</i>	Economic and Monetary Affairs (ECON) and Budgets (BUDG) (jointly under Rule 55)	COM(2018) 387 31.5.2018
<i>Rapporteur:s</i>	Pervenche Berès (S&D, France) and Reimer Böge (EPP, Germany)	2018/0212(COD)
<i>Shadow rapporteurs:</i>	Manuel dos Santos (S&D, Portugal) Bernd Kölmel (ECR, Germany) Bernd Lucke (ECR, Germany) Urmas Paet (ALDE, Estonia) Ramon Tremosa i Balcells (ALDE, Spain) Liadh Ní Riada (GUE/NGL, Ireland) Martin Schirdewan (GUE/NGL, Germany) Philippe Lamberts (Greens/EFA, Belgium) Jordi Solé (Greens/EFA, Spain) Marco Valli (EFDD, Italy) Marco Zanni (ENF, Italy)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
<i>Next steps expected:</i>	Vote in committee	



Introduction

At the current juncture, the European Commission sees a window of opportunity to launch proposals on both the future of economic and monetary union (EMU) and on how future public finances can help to respond to challenges. Building not least on the [Five Presidents' Report](#) on completing Europe's economic and monetary union (EMU)¹ and on President Juncker's [2017 state of the Union address](#), together with the accompanying [letter of intent](#), the Commission put forward several proposals. Starting in December 2017, two important proposals were made, [one](#) to transform the [European Stability Mechanism](#) (ESM) into a European Monetary Fund (EMF), and [another](#) to incorporate the [Treaty on Stability, Coordination and Governance](#) (TSCG), also known as the Fiscal Compact, into Community law.

The present [proposal](#) to establish a European Investment Stabilisation Function (EISF) is another piece of this puzzle. The Commission judges that a more integrated and performing euro area would add to stability and prosperity and strengthen Europe's voice on the global stage. Under the proposal, a Member State whose economy was suffering from an asymmetric shock (measured by a significant decline in employment), would be given a loan destined to maintain a high level of investment even during the crisis. In particular, through the creation of such a function, the European budget could be used to strengthen the economic resilience of the euro area and thus contribute to economic and social cohesion.

The European Parliament has made a number of calls to create this kind of fiscal capacity, most notably in its [resolution](#) of February 2017 on a budgetary capacity for the euro area.

The proposals are also to be seen as part of the Commission's answer to a lingering debate between those advocating a more intergovernmental approach to the further development of EMU, and those who would prefer to adhere strictly to the Community method, where all aspects of EMU's architecture are governed by EU law.

In addition, the proposals are also forward-looking in a significant way, as they are meant by the Commission to serve as stepping stones towards an EMU that will at some point in the future be much more integrated, with extended economic powers conferred to EU level, coupled with decision-making prerogatives shifting from Council to Commission in a significant way.

Context

The Commission's EISF proposal was made in a complex and multi-faceted context.

First, the proposal is linked to the negotiations on the next [multiannual financial framework](#) (MFF). However, as the proposed function does not involve grants from the EU budget, it will not be in competition with other budget lines, such as for example the cohesion funds or agriculture, and should not therefore be directly dependent on the outcome of the MFF negotiations. Nevertheless, the fact the EU budget would serve as a guarantee for the EISF may have an impact on the negotiations.

Second, the proposal has to be seen in relation to the general evolution of economic and monetary union (EMU) architecture. The relevant chapters in two EPRS publications ([Ten issues to watch in 2018](#) and [The Juncker's Commission's 10 priorities](#)) can provide a useful background to this. In essence, discussion is underway on the general direction EMU should take. Options range from reducing EU involvement in national economies to maintaining the status quo while putting greater emphasis on enforcing existing rules (possibly also simplifying them, as the Commission handbook detailing their application is over 400 pages long, creating confusion and thus diminishing the effectiveness of fiscal coordination), or [adding](#) new mechanisms, such as for example a function to reduce the impact of asymmetric shocks (as in the EISF proposal) or creating a framework for orderly state default. Going even further, some proposals would completely revamp the EMU architecture. The political debate is accompanied by lively academic discussion.

Third, many of the relevant crisis resolution mechanisms, such as the ESM, were created outside the EU's legal framework by intergovernmental means. There is clear disagreement between the Commission (supported by Parliament) and the Council regarding what should be brought under EU law and what should be kept outside the framework. This divergence of views also affects the EISF proposal directly, as in 2017 some in Council, most prominently French [President Emmanuel Macron](#), advocated creating a euro-area budget outside the Community's multiannual financial framework, a budget that would potentially also be given the task of acting against asymmetric shocks.

It is to be noted that for a number of years after the crises, despite many pushes such as the Five Presidents' Report and a string of promises of roadmaps, timetables and decisions to be taken 'at the next European Council', very few legislative proposals were presented and even fewer are now making progress, with the exception of some banking union proposals. Clear opposition to a broad deepening of EMU materialised in March 2018, when a group of eight Member States, now known as the 'New Hanseatic League', led by the Dutch finance minister [signalled](#) that 'further deepening of the EMU should stress real added-value, not far-reaching transfers of competence to the European level' and that 'the discussion on the deepening of EMU should find a consensus on the 'need to haves', instead of focusing on the 'nice to haves'. Their advice was to concentrate on banking union and the ESM. They expected a revised EU budget to focus on supporting structural reforms, and did not mention an EU instrument for investment stabilisation as something they would welcome within the MFF.

Fourth, many of the Commission's suggestions and proposals, including the EISF, may give the impression of being part of a general attempt to increase its own prerogatives and power. This includes the [suggestion](#) that the Council elect a Commissioner as Eurogroup chair. Also, most of the proposals to incorporate intergovernmental instruments into EU law would provide for an extension of Commission prerogatives, most notably with the ESM, where decision-making is presently in the exclusive hands of governments and national parliaments.

Existing situation

The Commission points to the fact that there is no available EU instrument designed exclusively to ensure that a high level of investment is maintained in the event of a crisis. Similarly, there is no EU function tailored exclusively to alleviating asymmetric shocks. It should not be concluded that the EISF, which is meant to carry out both of these tasks, would be filling a total void, rather it would be working in conjunction with a family of policies and instruments, notably the European Stability Mechanism (ESM), and the Stability and Growth Pact (SGP).

With regard to the SGP, the underlying [Resolution of the Amsterdam European Council on the stability and growth pact](#) of June 1997 specifies that 'Member States undertake to abide by the medium-term budgetary objective of positions close to balance or in surplus'. In essence, this means that each Member State has agreed to build up financial reserves in economically good times, in order to be able to increase its expenditures during a crisis, supporting demand. The SGP thus contains a strong Keynesian-type anti-cyclical element that can help to maintain a high level of public investment.²

With regard to the ESM: governments that have lost – or are on the verge of losing – access to the capital markets can only cover expenditures through their immediate tax revenues. This invariably leads to a reduction in expenditures, and can hit public investment hard. During the height of the [European sovereign debt crisis](#) a number of ad-hoc mechanisms were created, such as the [European Financial Stabilisation Mechanism](#) (EFSM), most of which were replaced by the ESM. The aim was to allow affected euro area countries to maintain a substantially higher level of public expenditure than a default on their debt would have entailed. In other words: the help provided by the EU (together with the [International Monetary Fund](#)) radically reduced the scale of the budgetary cuts and brutal austerity that would otherwise have followed an outright default on public debt. Thanks to these

mechanisms pressure on public investment could be reduced in crisis countries. In addition, these mechanisms aimed at considerably reducing the negative economic spill-overs on other Member States.

Thus both the SGP – when correctly implemented – and the ESM can play a role in alleviating the effects of an economic crisis and help sustain investment. Furthermore, the help provided by the [European Central Bank](#) (ECB) both in the form of historically low interest rates and through its purchase of government bonds on the secondary market have diminished the pressure on public investment in crisis countries.³

Comparative elements

There is no permanent specific mechanism put in place outside the EU where sovereign states take up loans in order to support investments in another sovereign state with the aim of absorbing economic shocks. The EISF also differs in a significant way from [fiscal equalisation systems](#) established within sovereign states, notably in federal states, such as the German [Länderfinanzausgleich](#), or similar systems in the US and Canada.

Parliament's starting position

Parliament's [resolution](#) of 16 February 2017 on a budgetary capacity for the euro area requires the area to make a qualitative leap in integration as soon as possible, as membership in a common currency area requires common tools and solidarity. The transfer of sovereignty regarding monetary policy requires not least the capacity to absorb macro-economic shocks. Shock absorption would be ensured by a European monetary fund, which would emerge from a modified ESM. The ESM/EMF macro-economic stabilisation would be complemented by automatic shock absorption mechanisms as part of a fiscal capacity. That capacity would first be part of the EU budget and later, once well established, financed through own resources. The ESM and the fiscal capacity would be used to absorb both asymmetric and symmetric shocks. The report also warns against permanent transfers, moral hazard and unsustainable public risk sharing. The Community method should be applied to the euro area's economic governance.

Preparation of the proposal

Most of the Commission's assessment of the present proposal relies on internal expertise. Relevant economy- and policy-oriented literature was taken into account, as was the ongoing discussion at Union level.

The [impact assessment](#) compares three policy options in addition to the status quo, which constitutes option 1.

Option 2 is a borrowing and lending scheme, focused on public investment. Loans are provided by a central agent to Member States affected by a major shock, allowing public investments to be maintained.

Option 3 corresponds to an insurance mechanism. A fund would be accumulated, either through regular contributions, especially in normal or good economic times, or fed by own resources. In addition, a limited borrowing capacity might be necessary to run this scheme. Member States experiencing major shocks would receive support in form of pay-outs/grants.

Option 4 describes a dedicated euro area budget. Rather than solely concentrating on economic stabilisation, the aim would be to provide European public goods. It would rely on cyclical revenues in good times compensating for countercyclical spending, thus creating what the Commission describes as an automatic stabiliser at EU level.

The Commission chose option 2 for its legislative proposal, which would provide a strong incentive to protect key public investments, although the Commission regrets the fact that the support takes

the form of loans, which actually limits the instrument's capacity for macroeconomic stabilisation. Access to finance would be cheap for Member States and would not lead to a permanent transfer, which the Commission says responds to stakeholders' worries concerning cross-country neutrality. The signalling effect of this instrument might help to prevent a loss of market access and thus avert an adjustment programme.

Options 3 and 4, although described by the Commission as interesting in their own right and worth exploring in the future, are seen as having received a mixed response from stakeholders. The Commission notes that the policy options are not mutually exclusive and may at some point be combined.

EPRS has prepared an [initial appraisal](#) of the Commission's impact assessment.

The changes the proposal would bring

The Treaties do not provide for a specific function for economic stabilisation in general, nor for stabilisation of investment in particular. So the Commission chose Article 175(3) TFEU, which concerns economic, social and territorial cohesion, as the legal basis for its [proposal](#). Procedurally, the legal base provides for the ordinary legislative procedure (co-decision). In addition, the Commission would like to supplement the regulation with an intergovernmental agreement.

Main elements of the proposal

The European Investment Stabilisation Function is a financial assistance instrument under the revised Financial Regulation.⁴ It is meant to support public investment in Member States affected by a major asymmetric shocks. Help is provided in the form of loans and interest rate subsidies. In order to benefit from this function Member States need to either be part of the euro area or participate in the [exchange rate mechanism II](#) (ERM II). Member States under a macro-economic adjustment programme are not eligible, as they already get support through dedicated instruments such as the ESM.

Carrying out EISF tasks would be the exclusive prerogative of the Commission, which would be allowed to borrow up to €30 billion on the financial markets for the purpose of re-lending to Member States in need. This would be a back-to-back operation, where the Member State would have to re-pay the loans to the Commission. There would be no impact on the EU budget as long as all Member States receiving loans honoured their obligations. These loans therefore carry a financial risk, which is covered by a guarantee from the EU budget.

A Member State would have to request help, and would only be able to do so once a year. The eligibility criteria would require compliance with decisions and recommendations under the Union's fiscal framework as well as the macro-economic surveillance framework. A double unemployment trigger would be based on the national unemployment rate compared with the past average, as well as the change in unemployment in the past year compared against a threshold. More precisely, the quarterly national unemployment rate would have to exceed the average unemployment rate in the Member State concerned over a period of 60 months, and the quarterly national unemployment rate would have to have increased above one percentage point compared with the same quarter the previous year. The unemployment rate was chosen as the Commission considers it to be an excellent indicator of the business cycle and to be roughly synchronised with the effects of shocks on public finance. It would also leave time for national automatic stabilisers to work and national policies to be activated before EU help was requested.

Recipient Member States would be obliged to channel the finance into eligible public investment, i.e. in support of policy objectives in the [Common Provisions Regulation](#) (which is being revised) and in social investment such as education and training. In addition, there would be an obligation to maintain the country's general level of public investment on a par with its average public investment over the last five years, with priority to be given to investment in programmes supported by the Union. The help would be provided in a single instalment. The year following the disbursement the

Commission would make an evaluation of the correct use of the aid, and as a correcting mechanism might request partial or total reimbursement of the payment.

Once requested, the activation of the stabilisation function has a high degree of in-built automatism, as two mathematical formulae are used, one to determine the maximum level of eligible public investment that can be supported, and another for calculating the amount of the support in the form of loan. The maximum amount for a loan is calculated on the basis of several criteria, such as the severity of the crisis and the maximum level of eligible public investment. However, the Commission is given a degree of discretion to depart from these strict formulae. In addition, as a consequence of the fund being limited to €30 billion, no support in excess of 30 % of the remaining available means can be given. Therefore, in a situation where several countries request help, those that do so early will receive more.

It is also proposed to create a mechanism by which the Member State receiving a loan would not have to pay the interest incurred. The interest payments would be 100 % subsidised through a yet-to-be-created stabilisation support fund administrated by the Commission. To make this possible the Commission hopes that the Member States of the euro area and ERM II would sign an intergovernmental agreement, under which they would commit themselves to contribute to this fund through direct transfers from their national budgets. To calculate the proportion for each Member State's contribution, it is proposed to use the [distribution](#) of ECB earnings (seigniorage) to national central banks (which usually hand over the bulk of their earnings to the finance ministries) as a reference, thus creating an implicit link between that specific government's income and its subsidising effort.

The proposal is forward-looking, and linked to other pieces of legislation, existing or future. If the ESM, which the Commission would like to see transformed into an EMF, was to see its prerogatives extended to support public investment, the Commission would like to be empowered to adopt delegated acts that would, for instance, extend the stabilisation support fund's help to ESM/EMF interest payments. The Commission also considers the EISF as a possible first step in the development over time of a voluntary insurance mechanism for the purpose of macro-economic stabilisation.

Expected impact and analysis of the proposal

The Commission expects to achieve economic stabilisation of the Member State that is receiving help, but also hopes to fend off negative spill-overs into other EU countries.

There are aspects of the proposal that are unclear. The Commission text is about asymmetric shocks, but it does not provide for a mechanism to help make a distinction between asymmetric and symmetric shocks. The two unemployment triggers are focused exclusively on data from individual countries, and no comparison is made between countries.⁵ In the case of a Lehman Brothers-type shock affecting employment in all euro-area Member States in a similar way, and all of them requesting help, then this would lead to the identification of 19 simultaneous 'asymmetric shocks', rather than a single, symmetric shock. It therefore appears that the proposed function will work for both asymmetric and symmetric shocks.

Although at first sight the proposal seems to do no more than add a new crisis resolution mechanism, it might actually alter the EU's crisis-prevention and resolution architecture and the associated decision-making mechanisms. Here is how the two systems compare: ESM help is approved after a thorough economic analysis, concentrating on the causes of the crisis, the best way to overcome it, and achieving a sustainable economic and social situation in the future. A formal debt sustainability analysis needs to be carried out to insure that the money will be paid back. Help is conditional upon structural reforms and achieving sustainable public finance and is disbursed in tranches that are released on measured progress. The ESM leaves the final decision-making power to the Member States, under the sometimes strict control of national parliaments. In contrast, the EISF would disburse quasi automatically on the basis of two mathematical formulae after a request

has been made by a Member State, with few criteria having to be fulfilled, and no analysis of debt sustainability being conducted. There is neither an ex-ante analysis of the expected effects of the help provided nor an evaluation of whether or not the instrument will work efficiently. Once the money, which is disbursed in a single tranche, flows, the only remaining conditions concern the way money is spent. Member States and parliaments have no say in the procedure. By creating an EISF which would intervene before the ESM is called upon, the existing crisis resolution mechanism and the philosophy that stands behind it may lose their relevance.

Parliament's request to make the mechanism cross-country neutral is not taken fully into account, as Member States are asked to subsidise another state's interest payments, thus creating a transfer.

The Commission states that the fund should only intervene if the shock is not due to a government's own mistakes. It remains unclear by which means the proposed function would ensure that no money is disbursed in the event that a government's economic policy is responsible for the sudden drop in employment. Although the Commission is given limited discretion to adjust the amount of a payment and decide the terms of the support, there is no indication that the Commission could oppose a disbursement for whatever good reason.

Furthermore, Parliament's request always to use the Community method is not taken into account, as the Commission intends to add yet another intergovernmental agreement to create the stabilisation support fund.

Advisory committees

The legal basis used for the EISF proposal, Article 175 Paragraph 3 TFEU, provides for the mandatory consultation of both the [Economic and Social Committee](#) (EESC) and the [Committee of the Regions](#) (CoR).

For the EESC, the rapporteur was Philip von Brockdorff (Workers – Group II, Malta), with Michael Smyth (Diversity Europe – Group III, UK) as co-rapporteur. The EESC opinion was [adopted](#) at the plenary session of 17 October 2018. Although the Committee considers the EISF to be a step forward in euro-area integration, it is mostly critical towards the proposal. It takes the view that the funding capacity is too low and the effects unlikely to be immediate. In addition, it considers that using unemployment as a sole criterion for triggering help is likely to start disbursements too late, and that the Member States should get a greater say in the use of the money, reducing the Commission's prerogatives. To protect against shocks the EESC would prefer a well-crafted Union-wide insurance scheme that acts as an automatic stabiliser.

The CoR rapporteur was Olga Zrihen (PES, Belgium) and the opinion was [adopted](#) in plenary on 6 December 2018. It welcomes the EISF, but questions its effectiveness in view of the modest financial means available, especially if several Member States were to be hit by a crisis at once. It also notes that macro-economic stabilisation is currently not recognised as an explicit objective of the EU budget, thus limiting how much the EISF can achieve. The CoR 'reiterates its call to the European Commission to develop over time a fully fledged insurance mechanism to cater for stabilisation, with a borrowing capacity based on contributions by Member States'.

National parliaments

National parliaments can raise objections to proposals. The [deadline](#) for the submission of reasoned opinions on the grounds of subsidiarity was 24 September 2018.⁶ No national parliament objected to the proposal on the grounds of subsidiarity.

Aside from the issue of subsidiarity, the French Assemblée Nationale adopted a [resolution](#) that expresses doubts about the EISF's capacity to perform macro-economic stabilisation effectively by itself, and calls for further instruments to be explored.

Stakeholders' views⁷

It has to be taken into account that, for this dossier, the stakeholders are primarily governments, which do not generally see this kind of topic in isolation, but rather in relation to the general discussion on the future of EMU, as outlined above in the Context chapter. The Member States' profound divisions on the broader aspects outlined in that chapter trickle down to their perception of dossiers such as EISF.

A [paper](#) from the French ministry of economics and finance advocates a multi-pronged approach, building in part on a central EU fiscal capacity shielding against major macroeconomic and financial shocks. This would involve a volume of at least 2 % of euro-area GDP also being used to support private investment. The Spanish ministry of economy [paper](#) also suggested a loan-based scheme to support private investment in order to provide macroeconomic stabilisation, in addition to a grant-based insurance mechanism.⁸ German finance minister Olaf Scholz is also exploring a 'European Unemployment Stabilisation Fund (EUSF)', which would provide loans in support of national unemployment schemes in the event of a steep increase in unemployment. The ECB also [recommends](#) establishing a stabilisation function other than the ESM, but does not give it high priority.

The original eight countries of the 'new Hanseatic League' mentioned above, which opposed wide-ranging development of EMU in March 2018, had grown to twelve three months later.

Academic views

Academics' views cover the whole range: from those who wholeheartedly support the proposal to those in total opposition. Most of the discussion in the academic field concentrates on the general topic of a fiscal capacity, with investment stabilisation being a part of it. More on this field can be found in two EPRS publications: [Deepening EMU and fiscal union: Risk sharing versus risk reduction](#) and [A fiscal capacity for the euro area?](#)

Legislative process

Parliament's Committees on Budgets and Economic and Monetary Affairs are dealing with this file jointly, and Pervenche Berès (S&D, France) and Reimer Böge (EPP, Germany) were appointed co-rapporteurs on 5 July 2018. In their [draft report](#), tabled on 4 November 2018, they recommended to the committee that the total amounts allocated to the EISF be increased, along with the amount that can be disbursed to a single Member State. They also advocated making the introduction of the Stabilisation Support Fund mandatory rather than voluntary. Member States not respecting the EU's values should be excluded from help, and the European Parliament should be informed at different stages of the procedure. A total of 463 amendments to the Commission proposal were tabled for vote in committee. These covered a very wide range of options, from a substantially more restrictive system to much ampler funding activities, including the possibility for grants (rather than loans) and for support for unemployment benefit systems.⁹

The Franco-German [Meseberg Declaration](#) of 19 June 2018, part of which advocated a euro-area budget, was meant to give guidance in the process, as well as to create unity in Council. However, shortly before the declaration was made, a group of 12 Member States, the 'new Hanseatic League', had already [voiced](#) their opposition to a separate euro-area budget.¹⁰

As a result, Council was slow to pick up the EISF dossier. Concerning possible fiscal capacity, the Eurogroup President's [letter](#) of 25 June, which builds on the discussions held within the Eurogroup, warns that 'different views remain on the need and the possible features of a Eurozone budget for competitiveness, convergence and stabilisation in the EU', but that it still stands ready, subject to guidance from the Leaders, for further discussion, including on an investment stabilisation function within the MFF. Although the Euro Summit of 29 June 2018 gave some guidance on the banking package and on a backstop for the ESM, it failed to give guidance on anything else and simply [stated](#)

that the Eurogroup should continue discussing the letter's recommendations. It also announced that the Euro Summit would come back to these issues in December.

Leading up to the December 2018 summit a number of meetings took place, including the [Euro Summit of 18 October 2018](#), and the Eurogroup meetings of [19 November](#) and [3 December 2018](#). Building on the Meseberg Declaration, the [French/German plan of 16 November 2018](#) was presented to the Eurogroup. The plan envisages a euro-area budget that would be embedded in the European budget. The plan is vague concerning the total amount, how it would be financed, and what its finance would be used for.

In essence, the outcome of these meetings, which was heavily shaped by the 'new Hanseatic League', focuses mainly on the ESM, and on further development of banking union. The ESM, which remains intergovernmental, will become a backstop for the SRM and obtain additional powers in economic surveillance, and in addition the effectiveness of precautionary instruments will be increased.¹¹ A possible euro-area budget would concentrate on investment improving convergence and competitiveness. The progressive disappearance in the discussions, first in the French/German plan, then in the Eurogroup outcome of 3 December 2018, of a shock-absorption function, may also cast serious doubts on the Member States' intention to pursue the present EISF proposal.

Notoriously absent in the Eurogroup and Euro Summit discussions were the creation of a European finance minister post, the possibility for the Commission to chair the Eurogroup, the establishment of a dedicated euro-area parliament, and the creation of a rainy day fund. The establishment of a common European unemployment insurance (or re-insurance) scheme was discussed but no common ground could be found.

The long-awaited Euro Summit of 14 December 2018 [confirmed](#) this outcome, but stayed vague on any further evolution of the euro area.

In the meantime the Eurogroup [discussed](#) *national* automatic stabilisers. In his [wrap-up](#) of the 1 October 2018 Eurogroup meeting, Mário Centeno noted that national automatic stabilisers were often the first line of defence when a country was experiencing an economic shock, and that they worked best when good economic times were used to build up fiscal buffers, in line with the SGP.

EP SUPPORTING ANALYSIS

Esther Kramer, [Establishing a European Investment Stabilisation Function](#), Initial appraisal of a European Commission impact assessment, EPRS, January 2019.

Andrej Stuchlik: [Deepening EMU and fiscal union Risk sharing versus risk reduction](#), EPRS Briefing, July 2017.

Alessandro D'Alfonso, Andrej Stuchlik: [A fiscal capacity for the euro area?](#), EPRS, September 2016.

Christian Scheinert: [Vicious circles – The interplay between Europe's financial and sovereign debt crises](#), EPRS, June 2016.

OTHER SOURCES

[European Investment Stabilisation Function](#), European Parliament, Legislative Observatory (OEIL).

ENDNOTES

- ¹ The Five Presidents' Report reflects the personal deliberations and discussions of the presidents of the Commission, the European Council, the ECB, the Eurogroup and the European Parliament. Despite the personal nature of the document, which neither represents nor binds the institutions they preside over, the report carries real weight.
- ² The pact's objective of a budget that is at least balanced over the medium term has since been reiterated several times by the European Council, and is also an important element enshrined in the fiscal compact.
- ³ The ECB's support action may soon no longer be an option. With the current trend of inflation returning to pre-crisis levels the bank will see its margin for action shrink, as its primary objective of maintaining price stability will be put in jeopardy if it continues to keep interest rates low and if it maintains quantitative easing. More on this can be found in the EPRS briefing [Servicing government debt – The impact of rising interest rates](#).
- ⁴ It should be noted that the EISF will exist in a new legislative environment that is being forged around the next MFF, and that some of the criteria and references used here will depend on the outcome of on-going legislative action.
- ⁵ On its pages 34 to 40, the Commission staff working document [SWD\(2018\) 298](#) outlines how a double trigger applied to national unemployment data works in a more targeted way than a simple one, and that a 'double trigger targets more specifically the situation where unemployment is rising, i.e. times of economic worsening'. None of the triggers compares unemployment data across different countries.
- ⁶ A reasoned opinion is issued by a national parliament or chamber when a legislative proposal is deemed not to comply with the principle of subsidiarity. If a certain number of reasoned opinions are issued, then the Commission is obliged to reconsider its proposal.
- ⁷ This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.
- ⁸ It should be noted that both papers were issued shortly before a change of government, and thus may not fully reflect the present governments' positions.
- ⁹ These amendments comprise those of the [draft report](#), as well as those tabled by individual Members, see [part 1](#) and [part 2](#).
- ¹⁰ In June 2018 a letter opposing the French/German plans for creating a budget outside the MFF was sent to Eurogroup President Mário Centeno, drafted by the Dutch Finance Minister Wopke Hoekstra on behalf of his own country as well as Austria, Belgium, Denmark, Finland, Ireland, Luxembourg, Malta, Sweden and the Baltic States.
- ¹¹ At a certain stage the ESM itself [suggested](#) it be given powers to counter asymmetric shocks.

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