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Dear Presidents,

The Commission would like to thank the Cortes Generales for their Opinion on the Commission proposals for a regulation of the European Parliament and of the Council on the establishment of a European Investment Stabilisation Function (EISF) {COM(2018) 387 final} and a regulation of the European Parliament and of the Council establishing the InvestEU Programme {COM(2018) 439 final}.

The proposal on the establishment of an European Investment Stabilisation Function is put forward in the context of the ongoing discussions on the next Multiannual Financial Framework. It delivers on the commitments made by President Juncker in his 2017 State of the Union Address and builds on the vision of the Five Presidents' Report as well as the Commission's roadmap for deepening Europe's Economic and Monetary Union from December 2017¹.

The financial crisis made clear that existing instruments at national level are not always capable of absorbing the impact of large asymmetric shocks, even in those Member States with sound public finances at the outbreak of a crisis. Moreover, Member States that share the euro or are part of the exchange rate mechanism cannot use exchange rate and monetary policies as a way of reacting to asymmetric shocks. The incomplete architecture of the euro area (centralised monetary policy and decentralised national fiscal policies) can mean that the burden of adjustment falls heavily on national public finances. For these reasons, the European Commission believes that a stabilisation capacity at the euro area level is necessary and has proposed the European Investment Stabilisation Function as a first step in this direction.

¹ https://ec.europa.eu/commission/publications/reflection-paper-deepening-economic-and-monetary-union_en

The stabilisation function would be specifically directed at supporting Member States' public investment, which is often one of the first budget items that is cut in times of crisis. However, a decrease in public investment has long-lasting consequences on the Member State's economic growth and its ability to recover from a shock. Supporting public investment would therefore help a Member State to absorb the shock and facilitate a more rapid and stronger economic recovery.

The Commission is pleased that the Cortes Generales share the view that the stabilisation of the economy in case of large asymmetric shocks cannot be sufficiently achieved by Member States alone and that a stabilisation capacity at euro area level is necessary.

The Commission proposal on the InvestEU Programme forms part of a broader package for the upcoming Multiannual Financial Framework for the period 2021-2027. In proposing this programme, the Commission aims at continuing the necessary support to address market failures and sub-optimal investment conditions in targeted sectors to achieve the Union's policy objectives. InvestEU will bring together all the current financial instruments of the European Union as well as the European Fund for Strategic Investments in one programme, simplifying the current structure of financial instruments and guarantees at Union level. The Commission is pleased that the Cortes Generales share the view that the objectives of the InvestEU Programme cannot be sufficiently achieved by Member States alone, that the proposed Regulation represents an efficient bundling of multiple financial instruments and that it is compliant with the subsidiarity principle.

The Cortes Generales' Opinion has been forwarded to the relevant Commission services and will form part of their briefing files used for the negotiations of the proposals.

The Commission looks forward to continuing the political dialogue with the Cortes Generales in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Jyrki Katainen
Vice-President*