Procedure file

Basic information

COD - Ordinary legislative procedure (ex-codecision procedure) Decision	2014/0034(COD)	Procedure completed
Capital increase of the European Investment Fund (EIF) Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 8.40.07 European Investment Bank (EIB) 8.70 Budget of the Union 8.70.02 Financial regulations		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	BUDG Budgets		12/02/2014
		S&D GARDIAZABAL RUBIAL Eider	
		Shadow rapporteur	
		PPE RIQUET Dominique	
		ALDE MULDER Jan	
		ECR ASHWORTH Richard	
		EFD MORGANTI Claudio	
	Committee for opinion	Rapporteur for opinion	Appointed
	ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
	ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	3310	06/05/2014
European Commission	Commission DG	Commissioner	
	Economic and Financial Affairs	REHN Olli	
European Economic and Social Committee			

Key events

06/02/2014	Legislative proposal published	COM(2014)0066	Summary
24/02/2014	Committee referral announced in Parliament, 1st reading		
04/03/2014	Vote in committee, 1st reading		
04/03/2014	Committee report tabled for plenary, 1st reading	A7-0156/2014	Summary
16/04/2014	Results of vote in Parliament		
16/04/2014	Decision by Parliament, 1st reading	T7-0437/2014	Summary

06/05/2014	Act adopted by Council after Parliament's 1st reading		
15/05/2014	Final act signed		
15/05/2014	End of procedure in Parliament		
24/05/2014	Final act published in Official Journal		

Technical information

Procedure reference	2014/0034(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	Treaty on the Functioning of the EU TFEU 173-p3
Other legal basis	Rules of Procedure EP 159
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/7/15207

Documentation gateway

Legislative proposal		COM(2014)0066	06/02/2014	EC	Summary
Committee draft report		PE529.800	20/02/2014	EP	
Amendments tabled in committee		PE529.861	27/02/2014	EP	
Committee report tabled for plenary, 1st reading/single reading		A7-0156/2014	04/03/2014	EP	Summary
Economic and Social Committee: opinion, report		CES1436/2014	25/03/2014	ESC	
Text adopted by Parliament, 1st reading/single reading		T7-0437/2014	16/04/2014	EP	Summary
Draft final act		00074/2014/LEX	15/05/2014	CSL	
Commission response to text adopted in plenary		SP(2014)471	09/07/2014	EC	
Follow-up document		COM(2016)0795	19/12/2016	EC	Summary
Follow-up document		COM(2018)0815	12/12/2018	EC	Summary

Additional information

European Commission	EUR-Lex

Final act

Decision 2014/562
OJ L 156 24.05.2014, p. 0001 Summary

Capital increase of the European Investment Fund (EIF)

PURPOSE: to enable the purchase of 450 additional shares in the European Investment Fund in the context of a capital increase of the EIF.

PROPOSED ACT: Decision 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: the European Investment Fund (EIF) was founded in 1994 to stimulate sustained and balanced growth within the Community. Its statutory goal to support EU policies has been reflected in the exceptional growth of both equity investments and guarantees during the recent crisis. Following the capital increase of the EIF in 2007, the subscribed capital amounts to EUR 3 billion divided into 3 000 shares each with a nominal value of EUR 1 million. The paid-in capital of the EIF is currently EUR 600 million (i.e. 20 % of subscribed capital).

Consequently, the Union, represented by the Commission, is currently subscribed to in total 900 shares of the Fund for a nominal value of EUR 900 million, of which EUR 180 million are paid-in.

As of October 2013, the EIF is owned by the EIB (62.1 %), the European Union (30 %) and 24 public and private financial institutions (7.9 %).

Recalling that restoring normal lending to the economy, in particular to SMEs, remains a priority, the European Council of December 2013 called on the Commission and the EIB to further enhance the capacity of the Fund through an increase in its capital with a view to reaching final agreement by May 2014.

The current size of Fund's own funds does not allow for a substantial increase in the Fund's activity, as the guarantee and venture capital operations of the Fund may not exceed the ceilings set by the Statutes of the Fund or by the General Meeting of the Fund. Furthermore, the credit enhancement capacity of the Fund is limited by the size of its available own funds.

Accordingly, on 26 November 2013, the EIF Board of Directors approved the increase in the EIF subscribed capital by up to EUR 1,500 million, of which 20 % will be paid-in. This would imply the subscription of 450 additional shares by the EU.

CONTENT: the draft decision provides that in addition to its current shareholding in the EIF, the Union shall subscribe for up to 450 shares each of a nominal value of EUR 1 million in the Fund. The subscription of shares and the annual payments shall be carried out in accordance with the terms and conditions that shall be approved by the General Meeting of the Fund. In addition:

- the Union shall purchase the new shares in the Fund over a four-year period starting in 2014;
- during 2014 to 2017, the dividends received for the participation of the Union in the Fund shall be considered as external assigned revenue, in accordance with Regulation No 966/2012 on the financial rules applicable to the general budget of the Union, to cover part of the cost of subscription;
- a total amount of up to EUR 170 million for the whole period shall be available within the general budget of the European Union to cover the remaining cost, making use of appropriations already programmed within Heading 1a of the Multi-annual Financial Framework 2014-2020 in order to leave unchanged the total expenditure allocated. The budgetary commitment may be broken down into annual instalments over four years in accordance with Regulation No 966/2012.

BUDGETARY IMPLICATIONS: the resources needed for the purchase of 450 shares are estimated at approximately EUR 175 million.

The Commission proposes that the dividends which will be paid by the EIF during the years 2014-2017 will be used to cover part of the cost of the new shares. Assuming the 2013 level of the dividend pay-out ratio of 20 % to remain constant for the next four years, the dividends to be received during this period are estimated at around EUR 11.5 million. However, it needs to be stressed that the EIF uses a dividend pay-out ratio of 33% as a working assumption for their calculations in the document proposing EIF's capital increase to its Board of Directors. If this level of dividends was assumed, the purchase of 450 shares would require approx. EUR 172 million and the estimated dividends received during 2014-2017 would reach approx. EUR 19 million. The dividends are decided annually by the General Meeting of the EIF.

Consequently, at this stage both the share issue price and the level of dividends cannot be calculated exactly for the whole period of subscription. In any case, the price to be paid by the EU for its part of the increase is not expected to exceed the sum of indicative budget appropriation for EUR 170 million plus the dividends received during 2014-2017. The Commission proposes to make use of appropriations already programmed for financial instruments under COSME and Horizon 2020 programmes to enhance access to financing for SMEs. Since both the COSME Regulation and the Horizon 2020 Regulation aim to assist SMEs, it is proposed to use part of the appropriations available for COSME and Horizon 2020 for the proposed EIF capital increase. The necessary adjustment to the 2014 budget will be proposed separately in a draft amending budget.

Capital increase of the European Investment Fund (EIF)

The Committee on Budgets adopted the report by Eider GARDIAZÁBAL RUBIAL (S&D, ES) on the proposal for a decision of the European Parliament and of the Council on the participation of the European Union in the capital increase of the European Investment Fund (EIF).

The parliamentary committee recommended that the position adopted by the European Parliament at first reading under the ordinary legislative procedure should amend the proposal so as to provide that the Commission monitor how the objective of the Decision has been achieved and present two reports to the European Parliament and to the Council: an interim report by 31 December 2016 and a final report by 31 December 2018.

Capital increase of the European Investment Fund (EIF)

The European Parliament adopted by 547 votes to 22, with 10 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council on the participation of the European Union in the capital increase of the European Investment Fund.

Parliament adopted its position at first reading following the ordinary legislative procedure. The amendments adopted in plenary are the result of an agreement reached between the European Parliament and the Council. They amended the proposal as follows:

Aim: this Decision aims to increase the European Investment Fund support of actions which complement Member States' actions in favour of enterprises, particularly small and medium-sized enterprises.

Reports: the Commission should monitor how the objective of the Decision has been achieved and present two reports to the European Parliament and to the Council, an interim report by 31 December 2016 and a final report by 31 December 2018.

Capital increase of the European Investment Fund (EIF)

PURPOSE: EU participation in a capital increase of the European Investment Fund (EIF).

LEGISLATIVE ACT: Decision No 562/2014/EU of the European Parliament and of the Council on the participation of the European Union in the capital increase of the European Investment Fund.

CONTENT: the European Investment Fund (EIF) was founded in 1994 to stimulate sustained and balanced growth within the Community. Following the capital increase of the EIF in 2007, the subscribed capital amounts to EUR 3 billion divided into 3 000 shares each with a nominal value of EUR 1 million with a ratio of 20 % of the capital paid-in.

The Union, represented by the Commission, participated in the previous increase of the Fund's subscribed capital. Consequently, the Union, represented by the Commission, is currently subscribed to 900 shares of the Fund in total for a nominal value of EUR 900 million, of which EUR 180 million are paid-in.

In order to further promote investment and access to credit, the European Council of 27-28 June 2013 launched a New Investment Plan for Europe to support small and medium-sized enterprises (SMEs) and boost the financing of the economy. In that context, it asked the Commission and the European Investment Bank (EIB) to implement an increase in the Fund's credit enhancement capacity as a matter of priority.

This Decision aims to increase the European Investment Fund support of actions which complement Member States' actions in favour of enterprises, particularly small and medium-sized enterprises. In addition to its current shareholding in the Fund, the Union shall subscribe for up to 450 shares each of a nominal value of EUR 1 million in the Fund.

The new shares in the Fund will be purchased over a four-year period starting in 2014. During the 2014-2017 period, a total amount of up to EUR 178 million shall be available within the general budget of the Union to cover the cost of the subscription.

The Commission shall monitor how the objective of the Decision has been achieved and present two reports to the European Parliament and to the Council, an interim report by 31 December 2016 and a final report by 31 December 2018.

ENTRY INTO FORCE: 25.05.2014.

Capital increase of the European Investment Fund (EIF)

In accordance with Decision No 562/2014/EU, this interim report verifies the extent to which the objective of the increase in the funding from the European Investment Fund (EIF) of measures complementary to those taken by the Member States in favour of businesses, particularly small and medium-sized enterprises (SMEs), was reached between 2014 and the third quarter of 2016.

The EIF was established in 1994 by the European Investment Bank (EIB), the European Union (EU), represented by the Commission, and several public and private financial institutions. Its mission is to support European SMEs by facilitating their access to finance.

Increase in capital: the EIFs capital increased to EUR 4.5 billion in 2014, following the second capital increase (1 500 new shares were issued). The main objectives of the capital increase were to:

- develop SME loan capital markets to diversify the liquidity sources of banks and leasing companies that support SMEs;
- improve SMEs access to finance;
- support the EIF's growth as a core investor in the venture capital and growth capital markets;
- strengthen the role of the EIF in the fields of microfinance and social impact investment;
- allow risk sharing in the EIF's mandates through co-investment;
- support the EIF's AAA rating by injecting new capital and by demonstrating the strengthening of its strategic importance.

According to Decision No 562/2014/EU, the European Union may subscribe up to 450 new shares for the period 2014-2017, using budget appropriations the maximum sum of which amounts to EUR 178 million. The Commission subscribed 332 shares at a total cost of EUR 133 479 829.08 (i.e. an average price of EUR 402 047.68 per unit).

The EIB subscribed 923 shares to which it was entitled. 15 financial institutions fully subscribed their respective capital increase entitlements and four more subscribed more than 50% of their entitlement, representing a total of 193 new shares.

118 new shares remain authorised but not issued, all reserved by the Commission. Of the budget appropriations of EUR 178 million initially earmarked for the acquisition of EU shares, EUR 44.5 million remain. The EIF has provisionally fixed the sale and purchase share price in 2017 at approximately EUR 436 000.

The remaining budget allows the EU to subscribe to 102 other shares at this price. As a result, the Union will have subscribed, not 450, but 434 new shares, as a result of the higher than expected increase in the share price over the reference period, and will hold 1 334 shares (29.6% of the authorised capital) at the end of the capital increase exercise. Its participation will therefore be diluted (it was previously 30%).

EIF achievements for the period 2014-2016: the report notes that as of 30 September 2016, the EIF had increased the volume of its activity by 40% on average per year compared to 2013. It entered into 607 transactions for an investment volume of EUR 16.9 billion. Of these, 370 relied on its capital base. They mobilised EUR 5.8 billion of the EIFs own resources, of which over EUR 4 billion was invested alongside resources managed by the Fund under various mandates.

The large capitalisation resulting from the capital increase contributed decisively to the successful deployment of the European Strategic Investment Fund (EFSI). It enabled the EIF to pre-finance the first operations and to deploy the InnovFin system more rapidly and capital investments under the EFSI component of the CPR mandate (in which the EIF co-invests systematically 5%).

In conclusion, the Commission considers that, although it has not yet been fully completed, due in particular to the EU's pending decision on the 118 remaining shares, the capital increase has already led to an increase in the funding available to SMEs and mid-size enterprises.

The capital increase also created additional risk-taking capacity, which increased the volume and the speed of the implementation of capital investments in SMEs, thanks to which the EIF capital had a considerable multiplier effect.

The capital increase also boosted the EIF's own risk activity in credit enhancement operations, notably with respect to guarantees and securitisation, which enabled the mobilisation of private financing and the improvement of SMEs access to finance.

However, the budget made available will probably not be sufficient to subscribe fully the remaining 118 shares reserved for the EU, which will lead to a slight dilution in its shareholding. For the EU, the dilution of its participation will result in a slight decrease in its share of future dividends.

The Commission considers that the EIF still has sufficient scope to pursue new activities in the coming years and it is too early to forecast its capital requirements beyond 2018. However, a further mobilisation of the EIFs own resources is expected once the EFSI has been adopted.

Capital increase of the European Investment Fund (EIF)

The Commission presents its final report pursuant to Article 4 of Decision No 562/2014/EU of the European Parliament and the Council on the participation of the European Union in the capital increase of the European Investment Fund.

This report assesses how the increase in the capital of the European Investment Fund (EIF) capital has reached the objective of increasing the EIF support of actions which complement Member States' actions in favour of enterprises, particularly small and medium-sized enterprises (SMEs).

Overview as of the Second Quarter of 2018

The 2014 capital increase made significantly more financing available to SMEs and mid-caps. The capital increase created additional risk-taking capacity, allowing a higher volume and speed of deployment of equity investment into SMEs, whereby the EIF's capital was substantially leveraged. The increase boosted the EIF's own-risk activity in credit enhancement operations, in particular for guarantees and securitisation, mobilising private financing and increasing access to finance for SMEs. The EUs participation of EUR 178 million in the 2014 capital increase was essential to strengthen the EIF and to put it into a position to achieve tangible results for Europes SMEs.

It is expected that the EIF will outperform the initial expectations leading to the 2014 capital increase. By the end of June 2018, EIF had thus committed almost 30% more resources (EUR 44 billion), than anticipated in 2014 (EUR 34 billion) for the benefit of more than 547 000 SMEs and other final recipients, while sustaining more than 4 million jobs. By end-2020, another EUR 26 billion are expected to be committed, raising the overall commitments to EUR 70 billion over 7 years and leveraging simultaneously EUR 250 to 300 billion of financing in the real economy. This means the initial expectations in 2014 (EUR 175 billion) will be exceeded by more than 40%.

The resulting strong capitalisation was a determining factor for the EIFs successful deployment of the European Fund for Strategic Investment (EFSI) and underpins the increase of EFSI (EFSI 2.0) decided in late 2017. The EIF drew on its own resources, mobilising up to EUR 500 million, to advance the deployment of EFSI before the adoption of the EFSI 2.0 legislation. Under EFSI 2.0, the EFSI guarantee has been increased to a total of EUR 26 billion (and the expected mobilised investment from EUR 315 billion to EUR 500 billion) while the investment period was extended until 2020. It will thus be necessary for the EIF to mobilise significant own resources alongside EFSI between 2018 and 2020.

The way ahead

The EIF is expected to continue to play a significant role in the financing of enterprises, in particular in critical areas of the European economy (research and innovation, SMEs, microfinance, etc.) throughout the period covered by the 2021-2027 MFF. The EIF estimates that a strengthening of the EIFs capital base with EUR 3-3.5 billion would be necessary, starting in 2021. There are however several uncertainties related to any capital increase. The EIF's capital requirements will have to be reassessed in light of the financial products to be rolled out by the EIF in the implementation of InvestEU and possible blending operations in the 2021-2027 multiannual financial framework.