

# European Fund for Strategic Investments (EFSI)

2015/0009(COD) - 13/01/2015 - Legislative proposal

**PURPOSE:** to establish the European Fund for Strategic Investments aiming to mobilise funding for projects of at least EUR 315 billion to help promote growth and employment.

**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:** as a consequence of the economic and financial crisis, the level of investment in the EU has dropped by about 15% since its peak in 2007. General uncertainty about the economic situation, high levels of public and private debt in parts of the EU economy and their impact on credit risk limit the room for manoeuvre. However, significant levels of savings and high levels of financial liquidity exist.

The President of the European Commission in his Political Guidelines for the Commission 2014-2019 identified the [Investment Plan for Europe](#) as a key policy challenge, as did the European Council on 18 December 2014. The Plan is based on three mutually reinforcing strands:

- 1) the mobilisation of at least EUR 315 billion in additional investment over the next three years, maximising the impact of public resources and unlocking private investment;
- 2) targeted initiatives to make sure that this extra investment meets the needs of the real economy;
- 3) measures to provide greater regulatory predictability and to remove barriers to investment, making Europe more attractive and thereby multiplying the impact of the Plan.

The European Council also invited the Union legislators to agree on the necessary legal text by June, so that the new investments could be activated as early as mid-2015.

**CONTENT:** the Commission proposes comprises the following elements :

**Creation of a European Fund for Strategic Investments:** the Commission shall conclude an agreement with the European Investment Bank (EIB) in order to support investments in the Union and to ensure increased access to financing for companies having up to 3000 employees, with a particular focus on small and medium enterprises, through the supply of risk bearing capacity to the EIB.

Participation in the EFSI should be open to third parties, including Member States, national promotional banks or public agencies owned or controlled by Member States, private sector entities and entities outside the Union subject to the consent of existing contributors.

**Governance of the EFSI:**

- a Steering Board shall determine the strategic orientation, the strategic asset allocation and operating policies and procedures, including the investment policy of projects that EFSI can support and the risk profile of the EFSI;
- an Investment Committee, consisting of independent professionals, shall be responsible for examining potential operations and approving the support for operations irrespective of the geographic location of the project concerned.

**European Investment Advisory Hub (EIAH):** building on existing EIB and Commission advisory services, the EIAH shall provide advisory support for investment project identification, preparation and development and act as a single technical advisory hub (including on legal issues) for project financing within the EU.

**Granting of an EU Guarantee and Establishment of an EU Guarantee Fund:** the proposal creates an initial EU guarantee of EUR 16 billion for EIB financing and investment operations. Those operations need to support:

- development of infrastructure;
- investment in education, health, research, development, information and communications technology and innovation;
- expansion of renewable energy and energy efficiency; or infrastructure projects in the environmental, natural resources, urban development and social fields;
- SMEs and mid cap companies including by providing working capital risk financing.

The support can be provided directly from the EIB or through the European Investment Fund.

**A transparent European investment project pipeline:** a stumbling block to greater investment levels within the EU is a lack of knowledge of ongoing and future investment projects within the Union. The proposal also provides for the creation of a European investment project pipeline as a means to ensure that information on potential projects is transparent and available to investors.

**BUDGETARY IMPLICATION:** the EU guarantee provided for the EFSI amounts to EUR 16 billion. The proposal establishes a guarantee fund which is intended to provide a liquidity cushion for the Union budget against losses incurred by the EFSI in pursuit of its objectives.

However, for an initial period, EUR 8bn will be provided only via payments from the budget. From 2016 onwards, these payments from the budget will gradually build up the endowment of the Fund and should reach an accumulated sum of EUR 8bn by 2020 (EUR 1.35 billion in 2015, EUR 2.03 billion in 2016, EUR 2.641 billion in 2017 and EUR 1.979 billion in 2018).

However, two actions will create costs for the EIB for which the beneficiaries cannot be charged:

The European Investment Advisory Hub will primarily be funded from existing envelopes for EIB technical assistance under existing EU programmes ([Connecting Europe Facility](#), [Horizon 2020](#)). However, additional funding of up to a maximum of EUR 20 million per year (EUR 10 million in 2015) may be necessary and will be budgeted in consequence. Any potential costs for the project

pipeline will also be covered;

The EIB will incur administrative expenses for increasing its financing via the European Investment Fund to small and medium enterprises. This will require the payment of fees in the order of an accumulated total of EUR 105 million, around EUR 48 million of which until 2020.

Operational appropriations required by this proposal are to be fully financed within the Multiannual Financial Framework 2014-2020.

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.