

# European Fund for Strategic Investments: extension of duration; technical enhancements for the Fund and the European Investment Advisory Hub

2016/0276(COD) - 14/09/2016 - Legislative proposal

**PURPOSE:** to extend the duration of the European Fund for Strategic Investments and introduce technical enhancements for that Fund and the European Investment Advisory Hub (EIAH).

**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 Council.

**BACKGROUND:** since the [Investment Plan for Europe](#) was presented in November 2014, the conditions for an uptake in investment have improved and confidence in Europe's economy and growth are returning. The Union is now in its fourth year of moderate recovery, with GDP growing at 2% in 2015.

The EFSI implemented and co-sponsored by the European Investment Bank (EIB) Group - was established for an initial period of three years and with the aim of mobilising at least EUR 315 billion in additional investments in the real economy by mid-2018. Given its success, the Commission is committed to the doubling of the EFSI, both in terms of duration and financial capacity.

The Commission feels that the positive momentum generated by the Investment Plan should be maintained. The mechanisms of the Investment Plan work and should be reinforced to continue the mobilisation of private investments in sectors important to Europe's future and where market failures or sub-optimal investment situations remain.

The proposal takes place in the context of the Commission communication of 1 June 2016 entitled [Europe investing again taking stock of the Investment Plan for Europe and next steps](#), which outlines the achievements so far and the next steps envisaged, including the extension of the duration of the EFSI beyond its initial three-year period, the scaling-up of the SME window within the existing framework and the enhancement of the EIAH.

**CONTENT:** the proposal to amend [Regulation \(EU\) 2015/1017](#) establishes the legislative framework needed to extend the duration of the EFSI until the end of the current Multiannual Financial Framework, and sets out technical amendments to the EIAH. It includes the following points:

## 1) Financing:

- the extension of the duration of the EFSI until the end of the current Multiannual Financial Framework, i.e. until 31 December 2020, with a view to reaching a target for the full investment period of at least EUR 500 billion of private and public investment;
- the increase of the EU guarantee to EUR 26 billion, of which a maximum of EUR 16 billion are available for guarantee calls prior to 6 July 2018;
- an adjustment of the target rate of the EU guarantee fund to 35 % of total EU guarantee obligation;
- the increase of the EIB contribution from EUR 5 billion to EUR 7.5 billion for the full investment period;
- a further contribution from the general budget of the Union to the EU guarantee fund for the investments to be made during the full investment period through a transfer of EUR 500 million of the available envelope of the Connecting Europe Facility for financial instruments and EUR 150 million from the unallocated margin;
- an estimated EUR 450 million of net positive income from costs charged to beneficiaries and the investment of the guarantee fund's resources will be used to build up the guarantee fund.

## 2) Governance and project selection:

-enhanced additionality: the proposal includes provisions whereby operations under the EFSI have to address clearly identified market failures or sub-optimal investment situations as part of the eligibility criteria. Projects under the Infrastructure and Innovation window linking two or more Member States must satisfy the additionality requirement;

-support for investments generating growth : the proposal involves:

- an additional focus on projects that contribute to achieving the Union's ambitious targets set at the Paris Climate Conference (COP21);
- targeting energy interconnection priority projects and energy efficiency projects;
- the explicit inclusion of agriculture, fishery and aquaculture in the general objectives eligible for EFSI support;
- gearing a larger share of financing towards SMEs given the exceptional market demand for SME financing under the EFSI: 40% of the increase of the EFSI's risk-bearing capacity should be geared towards increasing access to financing for SMEs.

In addition, the proposal provides that EFSI support to motorways should be avoided, unless it is needed to support private investment in transport in cohesion countries or in cross-border transport projects involving at least one cohesion country.

## 3) Transparency: the proposal provides for:

- the requirement that the Investment Committee of the EFSI explain in its decisions, which are made public and accessible, the reasons why it deems that a certain operation should be granted the EU guarantee ;
- the publication of the scoreboard of indicators once an operation under the EU guarantee is signed ;
- an obligation for the EIB and the EIF to inform the final beneficiaries, including SMEs, of the existence of EFSI support.

The proposal also includes provisions strengthening compliance with Union principles on good governance relating to taxation, and the coverage of losses due to exchange rate fluctuations in certain situations.

4) European Investment Advisory Hub: the proposal provides for:

- more targeted technical assistance services for projects involving several Member States, for projects that contribute to reaching the objectives of COP21, for digital infrastructures and for the combination of other sources of Union funding with the EFSI, such as the European Structural and Investment Funds (ESIF), Horizon 2020 and the Connecting Europe Facility;
- the active contribution of the EIAH to the objective of sectorial and geographical diversification of the EFSI, by supporting the EIB to originate projects where needed.

**BUDGETARY IMPLICATIONS:** the EU guarantee provided for the EFSI will be increased from EUR 16 billion to EUR 26 billion. Out of the EUR 26 billion, a maximum of EUR 16 billion will be available for guarantee calls prior to 6 July 2018. To provide a guarantee of EUR 26 billion over the full investment period, the guarantee fund should be increased by EUR 1.1 billion, thus reaching EUR 9.1 billion in total.

- Payments into the guarantee fund will amount to: EUR 500 million in 2016, EUR 2.3 billion in 2017, EUR 1.6 billion in 2018, EUR 1.4 billion in 2019, EUR 2.0 billion in 2020, EUR 450 million in 2021 and EUR 400 million in 2022.
- Commitment appropriations will amount to: EUR 1.35 billion in 2015, EUR 2.104 billion in 2016, EUR 2.641 billion in 2017, EUR 2.010 billion in 2018, EUR 167 million in 2019 and EUR 378 million in 2020.

The reallocation from the Connecting Europe Facility requires an amendment of Article 5 of [Regulation \(EU\) 1316/2013](#). The financial envelopes for the transport sector and the energy sector laid down in Article 5 should be reduced by respectively EUR 155 million and EUR 345 million.