September 2016

Revision of the Regulation on the European Fund for Strategic Investments – towards an EFSI 2.0?

This briefing is one of a series of 'Implementation Appraisals', produced by the European Parliamentary Research Service (EPRS), on the operation of existing EU legislation in practice. Each such briefing focuses on a specific EU law, which is, or will soon be, subject to an amending proposal from the European Commission, intended to update the current text. 'Implementation Appraisals' aim to provide a succinct overview of material publicly available on the implementation, application and effectiveness of an EU law to date – drawing on available inputs from, inter alia, the EU institutions and advisory committees, national parliaments, and relevant external consultation and outreach exercises. They are provided to assist parliamentary committees in their consideration of the new Commission proposal, once tabled.

EP committee responsible at the time of adoption of the EU legislation: Economic and Monetary Affairs (ECON) and Budgets (BUDG).
Date of adoption of the original legislation in plenary: 24 June 2015.
Entry into force: 24 July 2015 (Article 25).
Planned date for review: Article 18 of Regulation 2015/1017 requires the European Investment Bank (EIB) to evaluate the functioning of the fund by **5 January 2017** and submit its analysis to the co-legislators and the European Commission. By the same date, the Commission should evaluate the use of the EU guarantee and the functioning of the guarantee fund. This second evaluation, to be submitted to the co-legislators, should be accompanied by an opinion from the Court of Auditors (ECA).[1] Successive comprehensive reports by the European Commission and the EIB looking, among others, at the impact of EFSI on employment and access to funding for SMEs are expected by **30 June 2018** and every three years thereafter. Finally, the Commission should submit, by **5 July 2018**, 'a report containing an **independent evaluation**' of the application of the regulation, **accompanied by a legislative proposal** to prolong, amend or terminate EFSI. Should the approved projects absorb the available guarantee before that date, the independent evaluation and the accompanying legislative proposal should be submitted earlier and without delay.
Timeline for new amending legislation: in its Communication 'Europe investing again – Taking stock of the Investment Plan for Europe and next steps' of 1 June 2016,[2] the European Commission announced its intention to put forward a proposal 'to extend the duration of the EFSI, bearing in mind the scarcity of budgetary resources'.[3] The list of possible items on the College agenda of 26 July 2016 indicates 13 September 2016 as the expected date of adoption of an 'EFSI 2.0' proposal to that effect. This proposal was **published on 14 September** and is well in advance of the July 2018 date indicated in Article 18 of the Regulation, as described above. It was accompanied by a communication on the second phase of the EFSI.

1. Background

Created as the first pillar of European Commission President Juncker's Investment Plan for Europe (IPE) of November 2014, the European Fund for Strategic Investment (EFSI) has been in operation for about a year. Together with IPE's other two pillars,[4] EFSI is intended to help Europe mobilise finance for investment so as to partially close the

[1] ECA's Opinion of March 2015 on the EFSI Regulation proposal.
[2] COM (2016) 359.
[3] COM (2016) 359, p. 18.
[4] Namely, 2) ensuring that finance reaches the real economy, and 3) providing an improved investment environment through e.g. structural reforms at the national level and a predictable regulatory landscape. The second pillar provides for dedicated advisory services for project promoters and the creation of a European Investment Project Portal (EIPP) and of the European Investment

Author: Lorna Schrefler
Policy Cycle Unit
PE 587.342

investment gap that developed after the recent economic and financial crises. This gap is present in various areas affecting growth and competitiveness, as illustrated in Table 1 below. Eventually, EFSI should contribute to economic recovery, growth and job creation in the EU.[5] Indeed, while the overall level of investment in the EU is moving upwards again, it remains well below the historical trend observable in the pre-crisis years.[6]

Table 1: Annual investment needs in the EU

Investment need/objective	Annual Investment (EUR billion)		
	Required	Current	Gap
Education	**960**	**860**	**100**
Capital expenditure on education infrastructure (including IT)	80	70	10
Operating expenditure (mostly teaching staff)	880	790	90
Energy	**230**	**130**	**100**
Energy efficiency savings in buildings and industry	112	42	70
Power generation (including renewables)	53	41	12
Upgrading energy networks (gas & electricity)	65	47	18
ICT	**160**	**95**	**65**
Matching US data centre capacity	50	25	25
Matching US investments in cyber-security	35	25	10
Reaching global benchmark for broadband services	75	45	30
Industry	**320**	**230**	**90**
Adoption of latest generation technology for advanced manufacturing	320	230	90
R&D	**170**	**85**	**130**
Life sciences/pharmaceuticals	40	15	25
Machinery & equipment, including ICT & electronics	75	40	35
Other sectors			25
Renewable energy and eco-innovation			20
Transport equipment	55	30	25
Transport & Logistics	**160**	**80**	**80**
Sufficient capacity in interurban traffic	80	40	40
Modernising urban transport to meet global benchmarks	80	40	40
Water & Waste	**138**	**48**	**90**
Additional needs for urban infrastructure	40	13	27
Compliance & rehabilitation of Europe's water infrastructure	75	30	45
Enhancing waste management/materials recovery	8	3	5
Water security (including flood risk management)	15	2	13
Total	**2 138**	**1 528**	**655**

Source: EIB (2016) 'Restoring EU Competitiveness' and European Commission's presentation of 22 April 2016, adapted by EPRS.

Adopted after a swift decision-making process through Regulation 2015/1017, EFSI guarantees €16 billion from the EU budget, complemented by an additional €5 billion from EIB capital. This guarantee provides EFSI with a risk-bearing capacity of €21 billion and the ability to trigger additional funding from third parties. Specifically, the fund is expected to mobilise €315 billion of additional private and public investments in the real economy over a three-year period. EFSI has two windows, one managed by the EIB and covering investments in infrastructure and innovation and a second window managed by the European Investment Fund (EIF), targeting small and medium-sized enterprises (SMEs) and mid-cap companies,[7] to tackle the recurring problem of limited access to finance for small businesses in the EU. The SME window functions via intermediary institutions such as National Promotional Banks or Investment Platforms, which in turn will channel the EFSI funds to the relevant companies.[8] As will be explained below, this second window has been in high demand during the first year of EFSI's existence. The sectors that are eligible to receive EFSI funding reflect EU policy objectives and are: research, development and innovation (RDI); energy; transport; information and communication technologies (ICT); environment and resource efficiency; human capital,

Advisory Hub (EIAH). For an overview of the different pillars of the Investment Plan, see European Commission (2016) 'The Investment Plan for Europe - State of Play' and a presentation on the IPE by the EIB, EIF and the Commission. For further details, see also EPRS (2015a), 'Cornerstone of the Commission's Investment Plan – European Fund for Strategic Investments'.

[5] The Commission expects the plan to create up to 1.3 million jobs over three years. For further details on the Plan, see EPRS (2015b) 'European Fund for Strategic Investments (EFSI) - Set up and EU budget contribution'.

[6] When compared to the pre-crisis average measures between Q1 1995 and Q2 2006, there was a shortfall of some €61.4 billion at the end of 2015, with the EU investment gap corresponding to 82% of the total shortfall. For further details, see European Political Strategy Centre – EPSC (2016) 'The European Fund for Strategic Investments (EFSI) – Maximising its potential', EPSC Strategic Notes, p.1.

[7] The EIB defines SMEs as companies with less than 250 employees; small mid-cap companies as those with at least 250 employees and less than 500, and mid-cap companies as enterprises with at least 500 employees and a maximum of 3 000.

[8] For additional details and a comprehensive glossary see EPRS (2015a).

culture and health; and support to SMEs and mid-cap companies. These sectors correspond to those experiencing an investment gap with an impact on competitiveness, as shown in Table 1.

Moreover, EFSI is meant to support projects that are riskier than those usually funded by the EIB and other EU funds, in line with the 'additionality principle'.[9] Indeed, EFSI addresses, among others, a specific market failure: while there is enough liquidity in the EU, in a climate of public budget constraints and in the aftermath of the recent crisis, the appetite for supporting potentially risky but rewarding initiatives in the EU real economy remains low. Member States may also draw from other EU funds, such as the EU Structural and Investment Funds (ESIFs) to complement EFSI projects. Finally, it is worth recalling that EFSI has no sectoral or geographic pre-allocation; hence, projects are assessed on an individual basis.

A mid-term review of EFSI's implementation and first results is ongoing.[10] As mentioned above, Regulation 2015/1017 also requires a comprehensive and independent evaluation of the fund by mid-2018, i.e. at the end of the three-year period initially planned. However, the European Commission announced in June 2016 that it plans to put forward a legislative proposal to expand and continue EFSI as early as September 2016. It is in light of this announcement that the present briefing provides a concise overview of the available information on EFSI's functioning to date.

2. EU-level reports, communications, evaluations and studies

European Investment Bank – 2015 EFSI Report[11]

This first EFSI Report was the European Investment Bank (EIB) Group response to the annual reporting requirements set out in Regulation 2015/1017. It covered all signed operations for the year 2015 and provided some additional details on projects that had been approved but not yet signed. The report recalled that EFSI has increased the EIB's risk bearing capacity and allowed the bank to complement its traditional financing activities. In particular, EFSI allowed the EIB to support riskier projects, namely those that would normally fall under the category of 'EIB special activities'.[13] It is worth noting that EFSI can also be used to fund less risky projects, provided these face a market failure or suboptimal investment conditions. To be approved, projects must not only meet the criteria set out in Article 9 of Regulation 2015/1017, but also respect the EIB's requirements on eligibility and bankability. The textbox on the right summarises the main criteria used by the EIB to assess the value added of a candidate project. The report also explained that, to ensure higher risk taking, the EIB developed new types of products that would allow it to differentiate EFSI operations from its traditional portfolio. Moreover, the bank recruited additional staff to respond to the higher workload.

Assessing the value added of a candidate project

The EIB follows a precise set of indicators to assess the value of the projects it receives. As mentioned, additionality (expressed in level of risk or in the projects' potential to address a market failure/sub-optimal investment) is a pre-condition to benefit from EFSI support. In addition, the EIB takes into consideration a project's contribution to the achievement of EFSI's policy objectives (pillar 1), the quality and soundness of the project (pillar 2), and the EIB technical and financial contribution needed (pillar 3). Overall, these indicators allow the EIB to assign to each project a 'Value Added Score', ranging from 4 (lowest score) to 1 (highest score). The 93 projects covered in the EIB 2015 EFSI Report displayed scores ranging from 1.1 to 1.4 for the different pillars.[12] An illustration of the scoring system is provided below.

Source: EIB, EC and EIF, Presentation on the IPE.

In 2015, the EIB approved over 170 transactions covering 22 Member States under EFSI, with the expectation that these transactions would lead to €60 billion of investments, roughly corresponding to one-fifth of the IPE target of €315 billion over a three-year period. Ninety-three transactions had been signed by the end of the year, covering, de

[9] Additionality means that the projects funded by EFSI are those that the EIB, the EIF and other EU funds would/could not have financed in their entirety or in part without the back-up guarantee provided by EFSI.
[10] See also EPRS (2016) 'Mid-term review of the EU investment plan', June 2016.
[11] European Investment Bank (2016), '2015 EFSI Report - From the European Investment Bank to the European Parliament and the Council on 2015 EIB Group Financing and Investment Operations under EFSI'.
[12] EIB (2016), p. 14.
[13] Namely, activities that have an EIB internal rating below investment grade.

facto, a period of six months since the launch of the EFSI initiative.[14] During the same period, EFSI's governance structure was set up and the EFSI Steering Board selected the EFSI Managing Director and Deputy Managing Director, as well as the eight independent experts in the Investment Committee.

By December 2015, approved projects were in the areas of Research, Development and Innovation (32% of the total), in the digital sector (18%), projects targeting smaller companies (16%), in transport (6%), social infrastructure (4%) and in environmental and resource efficiency (2%). Under the **first EFSI window** (infrastructure and innovation), 42 projects were approved in 15 Member States and 10 had been signed by the time the EIB report was drafted. The EIB's share of financing amounted to €5.6 billion, with an expected total related investment of €23 billion. As mentioned above, EFSI's **SME window** was particularly successful: €37 billion out of the total initial investment target of €75 billion had been reached by the end of 2015. This resulted in about 100 000 financed businesses across 18 Member States. The report noted that, under the SME window, EFSI proved particularly valuable in accelerating the effect of existing EU and EIF financial instruments.

While having no sectoral or geographical 'quotas', EFSI should nonetheless **avoid an excessive concentration of projects** in certain sectors or countries/geographical areas. EFSI's strategic orientation set a limit of 30% concentration 'of signed operations in any one sector, as defined in the sector classification of Article 9(2) of the Regulation'[15] as appropriate for projects under the first window. This limit was, however, not applicable in the launching period of the fund, and resulted in the concentration of projects in the energy sector (91% of operations approved and signed), including projects on energy efficiency and energy savings. Funded initiatives varied more under the SME window. The report also judged the first 93 signed operations according to the performance indicators developed for EFSI. A key measure in this respect is the **leverage/multiplier effect**. The target for EFSI over a three-year period is 15 times. The EIB estimated that for the projects covered by the 2015 Report, the multiplier was slightly below target, at 13.3 times.

The report also noted that it was **too early to draw conclusions on the functioning of EFSI** after one year of operation. This was also true as regards the estimation of impacts, due to the limited number of signed projects and their diversity. Yet, preliminary estimates indicated that the 10 projects approved under the first window generated 2 103 permanent employment contracts and some 35 218 temporary posts. Overall, the EIB indicated that the signed projects under the two EFSI windows could support 26 906 jobs. In terms of sectoral impacts, an assessment could only be made in the energy field, where the majority of signed projects were concentrated in 2015. The EIB estimated that the relevant projects could lead to 1 451 GWh/year of energy savings; 5 820 GWh/year of electricity produced from renewable energy sources; and energy generated through EFSI-funded projects could supply 1.2 million households.[16]

By the end of June 2016, when the report was completed, the number of approved transactions under EFSI amounted to 270, spread over 26 Member States (i.e. all countries except Cyprus and Malta), with the expectation that they would trigger €106.8 billion of investments across various EFSI objectives.

European Commission Communication 'Europe investing again – Taking stock of the Investment Plan for Europe and next steps'[17]

In a climate of moderate recovery, investment in the EU is growing again but 'remains below historically sustainable levels'.[18] The European Commission communication recalled that larger investment projects do not have immediately tangible effects but indicated that the IPE is already delivering concrete results. Therefore, the communication called for continued support for investments, so as not to lose such positive momentum. It also invited the European Council to 'endorse all the continued efforts in the context of the implementation of the Investment Plan for Europe'[19] and in particular a series of priorities including a reinforcement of EFSI and an extension of its duration beyond the initial three-year period. According to the Commission, the IPE needs reinforcement to continue mobilising private investment and address persisting market failures in sectors that are key for Europe's future, such as climate change, energy, social and human capital and the environment. In this context, it recalled the EU's crucial assets, namely the Single Market, a skilled workforce, a stable and predictable legal environment, and high social and environmental

[14] The complete list of projects is available in Annex 2 of the report. Two short examples/case studies of financed projects are also included. For an updated list, see the EFSI project list on the EIB's website.
[15] EFSI Strategic Orientation, p. 8.
[16] EIB (2016), p. 17.
[17] COM (2016) 359 of 1 June 2016.
[18] COM (2016) 359, p. 2.
[19] COM (2016) 359, p. 20. See also point 15 of the European Council conclusions of 28 June 2016, reacting to the Communication.

protection. Turning to the successful results delivered in the first year of EFSI implementation, the communication cited the rapid absorption of funds under the SME window and the fact that the EFSI 'is firmly on track to deliver the objective of mobilising at least €315 billion in additional investments in the real economy by mid-2018'.[20] It also added that synergies between EFSI and ESIFs are increasingly being exploited.[21] Similar complementarities are being explored for the Connecting Europe Facility (CEF) and Horizon 2020.[22] With the launch of the European Investment Advisory Hub's advisory services, a fully functioning European Investment Project Portal, targeted interventions in other areas (e.g. lower capital charges for insurance and reinsurance companies when it comes to infrastructure) and reforms at the national level in the framework of the European Semester, the IPE was set up rapidly.

Thanks to the **principle of additionality**, the EIB was able 'to increase the volume of its portfolio of higher risk/special activities, from around €4 billion to more than €20 billion per year so far'. However, the communication noted that both the sectoral and the geographical scope of the EFSI projects need improvement. In this respect, **combination with ESIFs** is expected to allow for a 'truly balanced geographical coverage'. The complementary role of the EIAH was also evoked. As mentioned, one of the most successful initiatives since the launch of EFSI has been the SME window, with over 140 000 beneficiary companies in 26 Member States. This has led to the development of new financial instruments to enlarge available support for innovative small and mid-cap businesses. The European Commission is also examining the possibility of establishing a pan-European venture capital 'fund-of-funds' to complement EIF actions. The communication also explained that the **EFSI model** and its ability to 'crowd in' private investment **could be replicated** in the future **in other areas** where mobilising funds is essential, e.g. in developing third countries and for cooperation programmes and migration-related projects.[23] EFSI also managed to mobilise additional funding from Member States[24] and is open to co-investments from non-EU countries. The People's Republic of China expressed interest in contributing to the IPE via a co-investment structure.[25] The communication also called on Member States to continue ongoing and planned structural reforms at the national level to promote a favourable investment climate and tackle remaining inefficiencies. In this respect, the European Commission will further strengthen and closely monitor the link between the approval of ESIFs and the key priorities contained in country-specific recommendations in the near future. The communication concluded with a list of detailed priorities to be endorsed by the European Council to have a reinforced IPE and an EFSI 2.0. These are summarised in the box below.

Priorities for a reinforced Investment Plan and EFSI 2.0

- Continue with a reinforced EFSI beyond the initial three-year period.
- Quickly scale-up the EFSI SME window. Possible ways of doing so under the current framework include shifting up to €500 million from the other EFSI window & using the EFSI guarantee to top-up other EU Funds for SMEs (e.g. COSME, InnovFin).
- European Commission to explore the possibility of replicating the EFSI model for investments in developing third countries.
- Continue simplifying the combination of EFSI and ESIFs and remove remaining legislative and other obstacles to that effect.
- Enhance the EIAH to provide more targeted outreach and increase impact at the local level.
- Encourage the further establishment of Investment Platforms and cooperation with National Promotional Banks.
- Continue EFSI's contribution to the development of the market for green/sustainable projects.
- Commission to continue delivering on Single Market priorities.
- Member States to continue establishing clear priorities and devise concrete investment projects. Implement country-specific recommendations to remove national barriers to investment.

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[20] COM (2016) 359, p. 4.

[21] For further details, see the dedicated Commission Guidance on combining EFSI and the ESIFs.

[22] Part of the initial funding for EFSI was obtained by reducing the initial EU budget allocation to the Connecting Europe Facility and to Horizon 2020. While the former also targets infrastructure and thus the similarity with the EFSI Infrastructure and Innovation window is apparent, the link between the type of projects financed under EFSI and Horizon 2020 has so far proved more complex to exploit. On this point, see for instance the contribution by the European University Association, 'One year EFSI: what's in it for universities?', 16 June 2016.

[23] On this point, see President Juncker State of the Union speech of 14 September 2016.

[24] The communication reported that Germany, Spain, Italy, France, Luxembourg, Poland, Slovakia, the United Kingdom and Bulgaria committed to co-finance projects through e.g. National Promotional Banks, for €42.5 billion. Moreover, the Commission has clarified the position of EFSI financing with respect to **state aid rules**. Specifically, financing under EFSI by the EIB Group does not need the Commission's approval under EU state aid rules. When Member States co-finance a project, the latter must receive the Commission's approval under certain circumstances. To facilitate EFSI's implementation, the Commission treats these cases within six weeks from receiving the relevant information.

[25] On China's involvement in the IPE, see also parliamentary question E-013905-15 of 16 October 2015.

3. European Parliament activities

Amending budget 2/2015: European Fund for Strategic Investments (EFSI) of 7 July 2015

In its reaction to the Council's position on the establishment of EFSI, the European Parliament welcomed the 'speedy agreement on the EFSI ... made possible due to the determination of all institutions'. It also stressed that the final result of the negotiations improved the original Commission proposal. However, it regretted the 'negative impact' on Horizon 2020 and the Connecting Europe Facility, in spite of the fact that the initial budget cuts proposed for the two programmes were reduced by recurring to the Global MFF margin for commitments. It stressed its intention to remedy the redeployments from Horizon 2020 and the CEF in the coming years, due to their crucial role for growth and employment in Europe.

Resolution of 6 July 2016 on synergies for innovation: European Structural and Investment Funds, Horizon 2020 and other European innovation funds and EU programmes

The resolution explored the synergies between the different EU sources of funding that can directly contribute to boosting investment and competitiveness and to the achievement of the Europe 2020 policy goals. Noting that SMEs can already benefit from various initiatives (e.g. COSME, the EFSI SME window, the SME instrument of Horizon 2020), the Parliament called on the European Commission to undertake a 'thorough evaluation of the relevant SME programmes ... with regard to both budgetary allocation and project success rate, as well as to the administrative burden and ease of implementation'. It also stressed the complementary role that EFSI should play towards other existing funds and the importance of ensuring coherence between these funds, so as to consistently contribute to 'the overarching strategic goals of smart, sustainable and inclusive growth', prevent overlaps and contradictions, and ensure an efficient and effective use of resources, also at national level. Finally, the Parliament underlined that the Horizon 2020 budget 'should be fully restored to the pre-EFSI level'.

Members' questions

There have been over 100 questions on EFSI in the past year, with a wide distribution across political groups. Due to space constraints, the present briefing provides a selection of questions on the issues that Members of the European Parliament have raised more frequently.

EFSI and budget cuts to the Connecting Europe Facility and Horizon 2020. Impacts on universities, research and innovation

Written question by Nadine Morano (EPP, France), 29 July 2016.

In referring to the European Commission's intention to extend EFSI beyond 2018, the MEP stressed that this would require additional funding and recalled that funding for the CEF had already been reallocated when EFSI was established. As CEF projects tend to attract less private investment than EFSI ones, while award criteria between the two funds are complementary, the MEP stressed that sufficient resources should be set aside for the CEF and wanted to know what guarantees the Commission planned to offer on the future funding of the CEF.[26]

Written question by Anneleen Van Bossuyt (ECR, Belgium), 9 June 2016.

The MEP recalled that an important portion of the initial funding for EFSI came from the Horizon 2020 programme supporting research and innovation. At the time, it was stated that some of these funds would be 'channelled back to the world of research through EFSI', and that the pillar of fundamental research of Horizon 2020 remained untouched. However, the MEP stressed that the other areas affected by the budget reallocation also contribute to fundamental research. According to the first interim assessment of the EFSI, only 10% of the funding was allocated to research and innovation, while the remaining resources were destined to infrastructure projects. Hence, the MEP wanted to know how much of EFSI's funding is dedicated to fundamental research and how the Commission plans to ensure that a greater portion of EFSI goes to research and development. [27]

Answer given by Research, Science and Innovation Commissioner Carlos Moedas on behalf of the Commission, 23 August 2016

In his answer, the Commissioner referred to the EIB's latest figures and indicated that by mid-July 2016 some 25% of all approved EFSI projects were in the areas of research, development and investment, and that two thirds of these projects have a strong Research, Development and Innovation (RDI) component. He also recalled that under the SME

[26] Note that the European Commission still has to answer this question. On a connected topic, see also question E-011468-15.

[27] On this issue, see also questions E-011690-15, E-004193-15; E-004185-15, P-003632-15, E-003147-15, P-004285-15, E-007165-15 and E-003295-15.

window the share of RDI projects is about 57%, often benefitting start-ups and spin-offs 'that are prime vehicles for commercialising the fruits of fundamental research'. The structure of the fund allows better catalysing private investments for RDI-intensive SMEs than traditional grants, thus accelerating the pace at which loans reach companies. The Commissioner indicated that in 2016 EFSI would start supporting the Horizon 2020 'venture capital and business angels facilities and its upcoming technology transfer support scheme'. A potential increase of EFSI support for the InnovFin SME Guarantee would also be examined.

Synergies with other EU funding programmes

Written question by Andrea Cozzolino (S&D, Italy), 17 April 2015.
According to the MEP, EFSI will have a significant impact on the role played by ESIFs. In particular, the shift away from grants towards loans and equity in the ESIFs may be problematic for some regions. He also mentioned that national EFSI contributions would not be included in national debts and deficit calculations, in contrast to other types of co-financing under ESIFs. Therefore, the MEP wanted to know how the European Commission would ensure that ESIFs would not be neglected in favour of EFSI in some of the EU's less developed regions and how the synergies between the two types of funds would be guaranteed. Finally, he recalled the role of local authorities in pursuing the objectives of the Europe 2020 Strategy[28] and asked how the Commission planned to encourage their participation in EFSI, which appears to follow a more top-down approach.

Answer given by Vice-President Katainen on behalf of the Commission, 23 June 2015
The Vice-President underlined the complementary role of ESIFs and EFSI and stressed the IPE's ambition to 'at least double the use of financial instruments' under ESIFs. He also noted that EFSI's target of €315 billion over three-years would be additional to ESIFs. Following the political compromise reached between the Commission, the Parliament and the Council, EFSI will feature the necessary flexibility to allow EU Member States to use ESIFs 'to contribute to the financing of eligible projects that are supported by the EU guarantee'. Dedicated guidance on how to exploit synergies between the funds would be provided (see next Parliamentary question below).

Written question by Ernest Maragall (Greens/EFA, Spain), Bronis Ropė (Greens/EFA, Lithuania), Monika Vana (Greens/EFA, Austria), Terry Reintke (Greens/EFA, Germany), 15 June 2016.

The MEPs referred to the guidelines on how to combine EFSI with ESIFs published by the European Commission on 22 February 2016, and in particular Annex 3 therein, where it is explained that 'the first-loss-piece, which is the highest risk-taking tranche, is to be financed by ESI Funds'. The Members also evoked a statement by Commission Vice-President Katainen, indicating that the ESIFs could allow EFSI to take higher risks. This statement appeared to be 'turning the initial rational of EFSI upside-down', given that the latter was supposed to be used for financing riskier projects or portions of projects than those normally supported by other EU Funds. The MEPs asked for clarification of this apparent lack of coherence and how the Commission intended to clarify the provision on the first-loss-piece of a project to ensure legal certainty in the use of ESIFs. Finally, they asked how the Commission planned to assess the risk-profile of EFSI if a loss is attributed to ESIFs. [29]

Selection of projects and operations approved so far

Written question by Tonino Picula (S&D, Croatia), 9 June 2016.
The MEP noted that after one year of operation, the majority of EFSI projects are in the areas of energy, research and development, transport and digital technology and that there appears to be a geographical concentration of projects in larger Member States such as France, Italy, the United Kingdom, Germany and Spain. In light of the European Commission's stated intention to extend EFSI beyond its initially planned duration and the wish to further support the SME widow, the MEP wanted to know whether the Commission was considering criteria to expand the allocation of resources and prevent concentration in certain sectors or advanced/larger countries. For instance, he asked whether instead of allocating resources to projects 'on the basis of their state of readiness', the level of development of the Member State of origin could also be taken into consideration as well as the impact of the financial crisis on some national economies.[30]

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[28] See also the Committee of the Regions, the Commission and the EIB at the 7th European Summit of Regions and Cities on mobilising local actors.
[29] Note that the European Commission still has to answer this question.
[30] Some MEPs also raised the issue of the limited uptake of EFSI in Central and Eastern Europe, see e.g. questions E-005289-16, P-004720-16 and in small, peripheral and southern Member States (see questions E-003161-16 and E-004334-16).

Answer given by Vice-President Katainen on behalf of the Commission, 28 July 2016
The Vice-President explained that EFSI uses a scoreboard of indicators for assessing projects transparently and independently. One set of EFSI indicators takes into account the macroeconomic environment of each project and estimates potential impacts on 'economic disparities within the Union and long-term growth potential'. He also noted that EFSI does not impose quotas for projects; he expected, however, that combining EFSI with other funds in the future and the establishment of investment platforms would contribute to achieving more geographical balance. He also stressed that the EIAH would facilitate a better mobilisation of expertise and would 'help develop better projects, in particular for regions or sectors where additional outreach and technical capacity may be needed'.

Written question by Marco Zanni and Marco Valli (EFDD, Italy), 2 June 2016.
Taking stock of the results in terms of investments reported after one year of implementation by the EIB and the European Commission, the MEPs noted that in reporting figures (i.e. €100 billion of investment), the EIB appeared more cautious than the Commission. They also noted that the projects financed so far do not seem to substantially differ from past EIB projects, particularly in terms of their risk profile. In light of the above, the MEPs wanted to know if there was a specific reason behind the seemingly more cautious reporting of the EIB and whether the concept of additionality had been complied with so far. Finally, they asked whether the Commission agreed that the information provided on each project by the EIB was limited and too general.

Answer given by Vice-President Katainen on behalf of the Commission, 22 July 2016
The Vice-President clarified that the European Commission communication stated that approved EFSI transactions could be expected to mobilise '€107 billion in total investment'. Until each operation is signed, caution is warranted when communicating total investment figures. He also recalled that the EFSI investment committee only approves projects that comply with the criteria laid down in Regulation 2015/1017, including additionality.

4. Conclusions

After a year of implementation and in the absence of the comprehensive and independent evaluations of EFSI and its impacts determined by Regulation 2015/1017, it would be premature to draw firm conclusions based on the information currently available. On 14 September 2016, the European Commission published a proposal to **double EFSI's financial capacity and duration**, together with a Communication on the second phase of the EFSI. The proposal indicates that an independent evaluation is ongoing and will be published in November 2016. In the meantime, some preliminary elements have emerged in the first reports on EFSI's functioning to date. In terms of mobilisation of additional investments, EFSI appears to be a success, particularly as regards the SME-window, which has seen an uptake beyond initial expectations. On the other hand, EFSI's current leverage effect appears slightly below the initial target (i.e. 13.3 instead of 15). Other specific issues still need to be addressed, such as the sectoral and geographical concentration of the first group of approved projects, the perceived limited additionality (in terms of risk) of EFSI projects when compared to traditional EIB funded initiatives, and how to best exploit synergies with other EU Funds. The text of the new proposal and the accompanying communication contain specific measures to tackle some of these questions.

5. Other sources of information

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To contact the Policy Cycle Unit, please e-mail: EPRS-PolicyCycle@ep.europa.eu

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