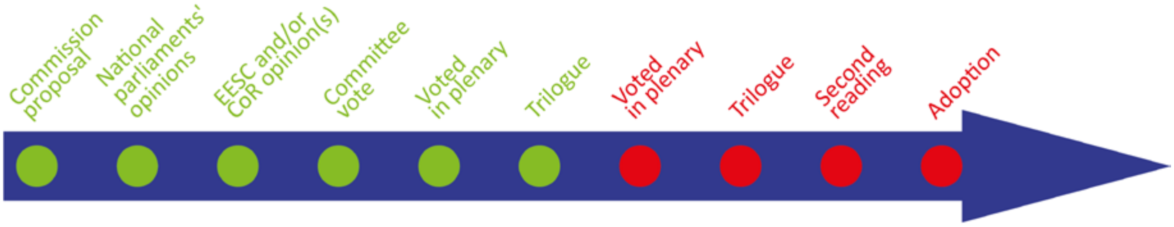
The InvestEU programme

Continuing EFSI in the next MFF

OVERVIEW

Since its launch in November 2014, the Investment Plan for Europe (IPE) has had considerable success in mobilising private investment across Europe. Despite its success, investment levels in Europe remain below pre-crisis levels. There is therefore a need to provide for an extended EU investment programme under the new multiannual financial framework (MFF), which caters for multiple objectives in terms of simplification, flexibility, synergies and coherence across relevant EU policies. The InvestEU programme, expected to run from 2021 onwards, has been designed to address this challenge. It will bring diverse EU financial instruments within a single structure, making EU funding for investment projects in Europe simpler and more efficient and flexible. It will build on the success achieved by the European Fund for Strategic Investments (EFSI) and consist of the InvestEU Fund, the InvestEU Advisory Hub and the InvestEU Portal. Negotiators for Parliament and Council have reached a partial agreement on the text of the proposal, excluding budgetary figures and other elements which will not be finalised until overall agreement on the new MFF. Parliament is due to vote on that agreement in April 2019.

Proposal for a regulation of the European Parliament and of the Council establishing the InvestEU programme		
Committees responsible:	Budgets (BUDG) and Economic and Monetary Affairs (ECON) – jointly under Rule 55	COM(2018) 439 6.6.2018
Rapporteurs:	José Manuel Fernandes (EPP, Portugal) Roberto Gualtieri (S&D, Italy)	2018/0229(COD)
Shadow rapporteurs:	Othmar Karas (EPP, Austria); Eider Gardiazabal Rubial (S&D, Spain); Bernd Kölmel (ECR, Germany); Ralph Packet (ECR, Belgium); Nils Torvalds (ALDE, Finland); Ramon Tremosa I Balcells (ALDE, Spain); Liadh Ní Riada (GUE/NGL, Ireland); Dimitrios Papadimoulis (GUE/NGL, Greece); Sven Giegold (Greens/EFA, Germany); Jordi Solé (Greens/EFA, Spain); Marco Valli (EFDD, Italy); Barbara Kappel (ENF, Austria)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
Next steps expected:	First-reading vote in plenary	



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Introduction

Despite the fact that conditions for increasing investment have improved since 2014, major investment gaps remain in various policy areas across the EU, and these are often difficult to address owing to persistent market failures. The need to mobilise further investment in order to meet the policy objectives of the EU therefore remains. The current investment programme, EFSI 2.0, is set to run until the end of the current MFF in 2020. In order to respond to the challenges of the next MFF period (2021 to 2027) there is a need for a new programme to facilitate and stimulate investment. This programme should be simpler, more flexible and coherent across all relevant EU policies. Furthermore, at a time of budgetary constraints, there is a need 'to do more with less' and to place greater emphasis on leveraging the EU budget. In this context, the InvestEU programme has been designed to integrate the various financial instruments at EU level supporting investment within a single fund. It will be based on the same budgetary model as EFSI, using limited budgetary resources to mobilise as much private investment as possible. According to the Commission, the programme will 'stand on four legs' already present in EFSI: the InvestEU Fund, the InvestEU Advisory Hub and the InvestEU Portal, as well as blending operations. Blending would include operations supported by the EU budget that combine repayable and/or non-repayable forms of support from the EU budget with repayable forms of support from development banks or other public finance institutions, as well as from commercial finance institutions and investors.

Existing situation

The European Fund for Strategic Investments (EFSI), the central pillar of the Investment Plan for Europe (Juncker Plan), was proposed in 2015 to address the major investment gap that unfolded following the outbreak of the global financial and the European sovereign debt crises.

EFSI was aimed at mobilising private investment in specific areas by providing first loss guarantees from the EU budget. It was estimated that through the provision of €21 billion in guarantees a total investment of €315 billion would be generated by the end of 2017. The EIB Group launched investment activities under EFSI in spring 2015, even before the legislative framework had been set up. A transition period was put in place, with the European Commission fulfilling the obligations of the EFSI Investment Committee. During 2016, one year into its implementation, progress under EFSI was closely monitored, with evaluation reports from the European Commission, the European Investment Bank and Ernst and Young. The evaluations concluded that EFSI was largely on track in terms of its key objective. Given the promising start and the broadly positive overall evaluations, the European Parliament and the Council agreed to extend EFSI's duration and guarantees, in order to reach a total investment of €500 billion by the end of the current multiannual financial framework (2020). EFSI 2.0 was also improved in terms of governance and transparency. Figures from October 2018 show €67.3 billion in approved EFSI financing, expected to mobilise €344.4 billion in investment.

Parliament's starting position

Parliament has expressed its views in two resolutions, namely the October 2017 resolution on the reflection paper on the future of EU finances and the March 2018 resolution on the Parliament's position on the MFF post-2020.

Among other things, Parliament called for 'real and tangible simplification of implementation rules for beneficiaries and a reduction of the administrative burden ... to simplify the rules governing the use of financial instruments and to encourage the possibility of a combination of various EU resources under harmonised rules by creating synergies and avoiding any competition between different forms of funding'. It further noted that the future framework would need to integrate new types of financial support that can play a prominent part in the Union's economic agenda, including 'the continuation of the investment support schemes, such as the European Fund for Strategic Investment'. It called on the Commission to simplify and harmonise the rules governing the use of financial instruments in the next MFF, with the aim of creating synergies between the various instruments and maximising their efficient application.

Parliament insisted that subsidies should remain the predominant means of funding EU projects under the next MFF, and underlined that loans, guarantees, risk-sharing and equity financing should only be used with caution, based on an appropriate ex-ante assessment and only when their use can result in clear added value and leverage effects. At the same time, it called for a major effort to facilitate access to financial instruments, and for more flexibility in the cross-sectoral use of different financial instruments, in order to overcome restrictive rules preventing recipients from taking advantage of multiple programmes.

It expressed concern regarding the option considered in the 2017 Commission reflection paper (on the future of EU finances) on the establishment of a single fund (point 4.2.2) that would integrate EU-level financial instruments and provide loans, guarantees and risk-sharing instruments in different policy windows. Lastly, it reiterated its demand for greater transparency and democratic scrutiny regarding the implementation of financial instruments.

Preparation of the proposal

The proposal and its impact assessment incorporate the results of an open public consultation (January to March 2018).

According to the impact assessment, most respondents expressed the view that current EU support for investment does not do enough to address policy challenges such as reducing unemployment, supporting social investment, facilitating the digital transformation, improving access to finance in particular for small and medium-sized enterprises (SMEs), ensuring a clean and healthy environment, and supporting industrial development. The respondents also highlighted the importance of EU-wide policy challenges in areas including research, support for education and training, a clean and healthy environment, the transition to a low carbon and circular economy, and the reduction of unemployment. Most critically, respondents in their vast majority emphasised the need for simplification and to cut red tape, in particular by establishing fewer, clearer and shorter rules and aligning rules between EU funds.

The impact assessment examined the main challenges for the next MFF in detail, in particular investment gaps and sub-optimal investment in various policy areas, including research and innovation, sustainable infrastructure, SME financing and social investment. It explained the choices for the proposed InvestEU Fund structure, its governance, objectives, target actions, financial products and final recipients. It underlined that experience with EU financial instruments and the EFSI budgetary guarantee demonstrates the need for simplification, streamlining and better coordination of the EU's investment support instruments during the next MFF.

In October 2018, the European Parliamentary Research Service published an initial appraisal of the European Commission impact assessment. The appraisal concluded that the impact assessment provided a thorough description of the challenges, comprising both qualitative and quantitative elements and that the proposed measures responded to the challenges identified. The impact assessment discussed risks and risk management measures, but could have gone into more detail. Regarding alternative options, it discussed some options briefly but did not assess or compare the various options. Furthermore, the impact assessment was not very informative regarding the initiative's expected impact on competitiveness, the economy or social aspects. Overall, the impact assessment appeared to focus on describing the objectives and measures, rather than on assessing the initiative's expected impact.

The changes the proposal would bring

The proposal is built around nine main chapters.

Chapter I sets out the general provisions and the general and specific objectives of the InvestEU programme, which are subsequently reflected in the policy windows. Article 1 states the subject matter of the regulation (establishing the InvestEU Fund, the InvestEU Advisory Hub and the InvestEU Portal and laying down the programme's objectives, budget and guarantee for the programme period, as well as the forms of funding and rules for its provision). Article 3 sets the general and specific objectives[1] of the programme. In article 4, a proposed EU guarantee is set at €38 billion, provisioned at a rate of 40 %, i.e. €15.2 billion (both amounts in current prices).[2] The indicative allocation of the EU guarantee between the policy windows is laid down in Annex I. A financial envelope of €525 million in current prices is proposed for the InvestEU Advisory Hub, the InvestEU Portal and accompanying measures. Article 5 specifies which third countries can contribute to the EU compartment of the InvestEU Fund, in order to participate in certain financial products. Article 6 deals with the implementation of the EU guarantee and forms of Union funding (financing, investment, or blending operations).

Chapter II deals with the InvestEU Fund. Article 7 identifies the four policy windows of the InvestEU Fund, which are meant to address market failures or sub-optimal investment situations within their specific scope: (i) sustainable infrastructure; (ii) research, innovation and digitisation; (iii) SMEs; and (iv) social investment and skills. It further empowers the Commission to adopt delegated acts to define the investment guidelines for each of the aforementioned windows. Article 8 defines the two compartments each policy window will consist of (EU compartment and Member State compartment) and specifies which compartment will address what type of situations. Article 9 contains specific provisions applicable to the Member State compartment.

Chapter III relates to the EU guarantee. Article 10 deals with the guarantee itself. The conditions for eligible financing and investment operations are set in article 11. The following article relates to criteria the Commission must take into consideration during the selection of implementing partners, while article 13 deals with eligible types of financing. Guarantee agreements are dealt with in article 14 (including what provisions they must include). Article 15 contains the requirements for use of the EU guarantee. The coverage of the EU guarantee depending on the nature of the financing that can be provided under it is contained in Article 16.

Governance aspects are dealt with in Chapter IV. This chapter provides for the establishment of an Advisory Board, a Project Team and an Investment Committee. The Advisory Board is composed of representatives of the implementing partners and Member States, and is established to exchange information and discuss the take-up of the financial products deployed under the InvestEU Fund and its evolving needs and products. Article 17 contains provisions relative to its composition, its configurations, its tasks and its meetings. The Project Team is composed of experts put at the disposal of the Commission by the implementing partners, to provide professional expertise in financing and investment operations. Article 18 details its composition and tasks. Lastly, article 19 relates to the Investment Committee, (composed of independent experts), specifying its tasks, its four configurations (which depend on the relative policy window), the obligations for its members and ways of adopting conclusions.

The InvestEU advisory hub is the subject of Chapter V (Article 20). The Hub has been designed to support the development of a 'pipeline of investment projects in each policy window'. The article further specifies the services offered and states, among other things, that fees may be charged to cover part of the costs to the Hub of providing those services.

Chapter VI contains just article 21, relating to the **InvestEU Portal**, i.e. an easily accessible and user-friendly project database promoting the visibility of investment projects. The article specifies that the Commission will establish the portal, that the portal will have to be easily accessible and user friendly, and that it will provide a channel for project promoters to present their projects, under the condition that those projects are compatible with EU law and policies.

Chapter VII contains provisions that relate to monitoring and reporting (article 22) and evaluation (article 23). The chapter also contains provisions on auditing (article 24) and on OLAF's rights (article 25) with regard to financing and investment operations in third countries. Lastly, it empowers the Commission to adopt delegated acts (article 26).

Article 27, which is the only article in **Chapter VIII,** contains standard provisions to ensure adequate transparency and visibility.

Lastly, **Chapter IX** includes provisions relating to the use of revenues, repayments and recovery from the predecessor programmes.

Advisory committees

For this proposal, consultation of the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR) is mandatory.

On 17 October 2018, the EESC adopted an opinion on the InvestEU programme. The Committee welcomed the European Commission's efforts to create an umbrella financial instrument through the InvestEU programme that will result in unified management, enhanced transparency and create synergies. It stressed the need to carry out a thorough market test of projects to ensure the adequacy of specific projects. It welcomed the fact that, in addition to promoting sustainable infrastructure, SMEs, and research and innovation, the InvestEU programme also focuses on social investment and skills. It also welcomed the expected positive impact of the InvestEU programme on the development of financial markets in the Member States. In this regard, the EESC stressed the need for an appropriate structure for the implementing partners, especially at national level.

The Committee of the Regions adopted its opinion on 5 December 2018. It welcomed the Commission's ambition to further support investment in Europe, building on the experience acquired with EFSI and, more broadly, the Investment Plan for Europe. It noted that the persistent investment challenges in EU Member States were even more diverse at regional level, and remained particularly worrying in a number of European regions. It stressed the need to place emphasis on investment activities in the sphere of research and innovation and highlighted the importance of establishing the 'social investment and skills' policy window, through which much needed innovative social infrastructure projects could be supported at local level. In this context, the CoR also called for the economic, social and territorial cohesion of the Union to be included among the objectives of the InvestEU programme.

National parliaments

The deadline for national parliaments to submit reasoned opinions on the grounds of subsidiarity was 24 September 2018. No such opinions were submitted.

Legislative process

The legal basis for this legislative proposal is provided by Articles 173 and 175(3) of the Treaty on the Functioning of the European Union, which concern the competitiveness of the Union's industry and specific actions necessary to strengthen economic, social and territorial cohesion. The ordinary legislative procedure (co-decision) applies.

In the European Parliament, the BUDG committee (rapporteur José Manuel Fernandes, EPP, Portugal) and the ECON committee (rapporteur Roberto Gualtieri, S&D, Italy) are dealing with the file jointly, in accordance with Rule 55 of Parliament's Rules of Procedure. The co-rapporteurs published their draft report on 11 October 2018. The BUDG and ECON committees jointly voted to approve the report on 13 December 2018. Five additional committees also provided opinions. These were: the Committee on Industry, Research and Energy, rapporteur Seán Kelly (EPP, Ireland); the Committee on the Environment, Public Health and Food Safety, rapporteur Ivo Belet (EPP, Belgium); the Committee on Transport and Tourism, rapporteur Wim van de Camp (EPP, Netherlands); the Committee on Regional Development, rapporteur Kerstin Westphal (S&D, Germany); and the Committee on Culture and Education, rapporteur Angel Dzhambazki (ECR, Bulgaria).

The amendments included in the report are aimed at maximising the value added of InvestEU, ensuring that it is more effective in reaching all possible financial beneficiaries, and emphasising the need for complementarities and synergies with other financing and related actions under the policy areas it supports, in line with the objectives of other Union programmes.

The report raises the EU guarantee from €38 billion to €40.8 billion, at current prices. This is expected to mobilise more than €698 billion of additional investment across the Union, as compared to the €650 billion envisaged under the original Commission proposal.

Moreover, the amendments broaden the general objectives of InvestEU to promote an increase in the Union employment rate and the creation of high quality jobs, the sustainability of the Union's economy, including the achievement of the sustainable development goals (SDGs) and the objectives of the Paris Climate Agreement, scientific and technological advance, culture, education and training, and economic, territorial and social cohesion. As regards climate protection, the report earmarks at least 40 % of the overall financial envelope of the InvestEU programme for climate objectives. The programme's specific objectives are adapted to cover upscaling for innovative companies, bringing technologies to the market and improving the global competitiveness of innovative start-ups and microenterprises.

The report places increased emphasis on three additional areas, namely boosting the governance structure of InvestEU, including risk management, the selection of national implementing partners and the role of the EIB, and highlighting accountability.

As regards governance, the report’s amendments provide for the establishment of a steering board in addition to the proposed advisory board and a fully independent investment committee. The aim is to ensure the right balance between policy and banking experience in governing the programme. According to the report, the steering board will be composed of three representatives of the Commission, one representative of the EIB group, one representative from other implementing partners (appointed by the advisory board) and one expert appointed by the European Parliament. The steering board would provide strategic orientation and lay out the operating policies, procedures and rules for the functioning of InvestEU. It could propose modifications to the allocation of finance between the four policy windows and further offer advice to the Commission. As regards the configuration of the advisory board, amendments propose the inclusion of additional experts, appointed by the European Economic and Social Committee and the Committee of the Regions.

The report further provides for the development of a risk assessment methodology by the Commission in cooperation with the EIB group and implementing partners. A detailed scoreboard is also envisaged in the report, to be used to evaluate the quality and soundness of investments potentially to be supported by InvestEU.

The amendments emphasise that the selection of implementing partners beyond the EIB group should be transparent and free from conflicts of interest. The report retains the proposal's argument that the EIB should remain a privileged implementing partner under the EU compartment. It further specifies that at least 75 % of the EU guarantee under the EU compartment should be allocated to the EIB group, while the remainder would go to national promotional banks or institutions. Amounts exceeding these shares could be allocated to the other party, should the EIB group or the other implementing partners not fully use their share of the guarantee.

The amendments also clearly establish accountability under InvestEU, with the Commission and the steering board reporting to the European Parliament and Council annually on the progress, impact and operations of the programme.

Parliament adopted its position on the new EU programme in plenary on 16 January 2019. The file was then referred back to the joint committee to initiate interinstitutional negotiations.

In the Council, EU ambassadors adopted a partial negotiating mandate on 20 February 2019. This excludes budget-related and horizontal issues, which are being discussed as part of the negotiations on the EU's overall MFF for the period 2021 to 2027.

In its negotiation mandate, the Council stressed that a partnership between the Commission and the EIB group needs to be established to ensure maximum policy impact, deployment efficiency, as well as risk management and budgetary oversight. Additionally, the views of other potential implementing partners should actively be sought – along with the EIB group – in the formulation of investment guidelines, climate tracking and sustainability guidance documents and common methodologies. Regarding the EU guarantee, the Council's negotiation mandate retained the levels of the original Commission proposal at €38 billion, at current prices.

The Council's amendments also place emphasis on strengthening the governance structure. A steering board is proposed in addition to the advisory board and the independent Investment Committee, none of which should encroach upon or interfere with the decision-making of the EIB group or other implementing partners. An extensive system of checks will ensure that financing proposals and investment operations, by implementing partners other than EIB, are in line with Union law and policies.

The steering board should determine the strategic and operational guidance for InvestEU and will be composed of four representatives of the Commission, three representatives of the EIB group and two representatives from other implementing partners. The investment committee will, in addition to the responsibilities assigned to it under the Commission's proposal, also need to give particular attention to the additionality requirement referred to in Article 209(2)(b) of the Financial Regulation.[3] Moreover, the investment committee is to be assisted by a secretariat, which will be administratively located within the EIB.

On monitoring and evaluation, the Council's amendments emphasise the need, in particular, to demonstrate how the inclusion of the implementing partners and advisory partners will have contributed to the achievement of InvestEU programme targets as well as EU policy goals, especially with regard to the value added, geographical and sectoral balance of the financing and investment operations supported.

Interinstitutional negotiations (trilogues) began on 4 March 2019 and four meetings took place up to 20 March 2019. In those four technical meetings the co-legislators provided clarifications on their respective positions, while the wording of less political provisions was also discussed.

On 27 March 2019, a partial provisional agreement was produced reflecting the co-legislators' common understanding on the state of play of negotiations under the current legislature. This partial agreement is without prejudice to the final outcome of the negotiations on the full text. On 27 March, Coreper took note of the current progress and confirmed the common understanding reached in trilogue, under the current legislature. The partial agreement was approved at a joint ECON-BUDG committee meeting on 1 April 2019. The text is due to be voted in plenary in April 2019.

The partial agreement confirms the Parliament's approach of broadening the general objectives for the InvestEU programme. These would include contributing to growth and employment, sustainability, including environmental and climate dimensions, the achievement of the SDGs and the objectives of the Paris Climate Agreement, and the promotion of scientific and technological advance, culture, education and training, and economic, territorial and social cohesion.

The partial agreement is consistent with the Council's position on the establishment of a clear partnership between the Commission and the EIB Group, with the objective of supporting programme implementation and consistency, inclusivity, additionality and efficiency of deployment.

As regards governance, the progress report endorses common proposals for the establishment of a steering board, in addition to the proposed advisory board, and a fully independent investment committee. Its composition strikes a balance between the proposals of the Parliament and the Council, including four representatives of the Commission, three representatives of the EIB group and two representatives from other implementing partners and a non-voting expert appointed by the European Parliament. The advisory board will include one expert appointed by the European Economic and Social Committee and one by the Committee of the Regions (as requested by the Parliament). The investment committee will be assisted by a secretariat, which shall be administratively located within the Commission. Commercially sensitive parts of the conclusions of the investment committee shall be forwarded by the Commission to the European Parliament and the Council upon request, subject to strict confidentiality requirements.

The partial agreement is consistent with Parliament's proposal for a scoreboard destined to ensure an independent, transparent and harmonised assessment by the investment committee of requests from implementing partners. It is also consistent with the Council's approach on the evaluation of the inclusion of the implementing partners and the advisory partners, and their contribution to the achievement of InvestEU's programme targets.

The partial agreement does not include budget-related issues, in particular precise figures for budgetary lines, as these will depend on the outcome of the ongoing negotiations on the next MFF. It also excludes a number of horizontal issues, as well as other matters, such as third countries participation in the programme. These topics will be addressed in separate negotiations.

Negotiations will resume under the new parliamentary term, with a view to their finalisation on the basis of the progress achieved as reflected in the partial agreement. These negotiations will also have to take into account the overall agreement on the multiannual financial framework for 2021-2027.

EP SUPPORTING ANALYSIS

Tuominen M., 'Establishing the InvestEU programme', initial appraisal of the Commission impact assessment, EPRS, European Parliament, 2018.

Delivorias A., Implementation of the European Fund for Strategic Investments: From EFSI 1.0 to 2.0 and beyond, EPRS, European Parliament, 2018.

OTHER SOURCES

InvestEU programme 2021–2027, Legislative Observatory (OEIL), European Parliament.

ENDNOTES

[1] The general objectives are to contribute to the EU's competitiveness; economic sustainability and growth, social resilience and inclusiveness; and to the integration of its capital markets and strengthening of the single market. Specific objectives are to support financing and investment operations in sustainable infrastructure, in research, innovation and digitisation, and social investment, as well as the access to finance for SMEs and social enterprises.

[2] The size of the provisioning is based on the type of financial products envisaged and the riskiness of the portfolios, taking into account experience under EFSI and former financial instruments.

[3] Financial instruments and budgetary guarantees shall achieve additionality by preventing the replacement of potential support and investment from other public or private sources.

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