European Parliament

Establishing the InvestEU programme

Impact assessment (SWD(2018) 314), accompanying a Commission proposal for a regulation of the European Parliament and of the Council establishing the InvestEU Programme (COM(2018) 439)

This note is one of a series of brief initial appraisals of the European Commission impact assessments (IAs) accompanying the MFF proposals, tailored to reflect the specificities of the MFF package and the corresponding IAs.[1] It provides an initial analysis of the strengths and weaknesses of the European Commission's IA accompanying the above-mentioned proposal, submitted on 6 June 2018.

Political and legal context: objectives

Building on the Investment Plan for Europe, the Commission is proposing to set up the InvestEU programme and bring various existing EU financial instruments into a single structure.[2] This would contribute to the cross-cutting MFF objectives of simplification, flexibility, synergies and coherence and to the budgetary aim of 'doing more with less'.[3] This proposal, which would seek to mobilise public and private investment to reduce investment gaps, is based on stakeholder consultation and various ex post evaluations of the programmes relevant to the InvestEU programme.[4]

The IA identifies investment **challenges** and presents quantified investment gaps, which concern, in particular, weak infrastructure investment; the EU's underinvestment in research and innovation; a financing and knowledge gap in investments by small and medium-sized enterprises (SMEs); and a social infrastructure investment gap (difficulties for micro-enterprises and social enterprises in accessing finance) (IA, pp. 4-12).[5] Furthermore, experience with EU investment support instruments and the European Fund for Strategic Investments (EFSI) budgetary guarantee has shown the need for simplification, streamlining, avoidance of overlaps and increased flexibility to meet emerging priorities and achieve better complementarity between EU investment support instruments (IA, pp. 12-16 and Annexes 2 and 3).[6]

The IA defines the **general objective** of the proposal as being to 'support EU policy priorities by financing investment operations that contribute to the competitiveness of the Union, including innovation and digitisation; the sustainability of the Union economy and its growth; the social resilience and inclusiveness of the Union; and the integration of the Union capital markets and the strengthening of the single market'. The IA defines the **specific objectives**, which are quite broad, as i) 'to promote financing and investment operations supporting sustainable infrastructure'; ii) 'to promote financing and investment operations supporting research, innovation and digitisation'; iii) 'to increase the access to and the availability of finance for SMEs and in duly justified cases, for small mid-cap companies'; and iv) 'to increase the access to and the availability of finance to social enterprises, promote financing and investment operations supporting social investment and skills and develop and consolidate social investment markets' (IA, pp. 16-17 and Annex 4, pp. 80-120). The IA also outlines the operational objectives for four thematic policy windows (sustainable infrastructure; research, innovation and digitisation; SMEs; and social investment and skills and human capital), although their formulation is not as clear for the SME window as for the other windows (IA, pp. 18-21).

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Programme structure and priorities: delivery mechanisms of the intended funding

The InvestEU programme would consist of an InvestEU Fund, an InvestEU Advisory Hub and an InvestEU Portal. The InvestEU Fund would integrate the EFSI and various investment support instruments under a single structure and, in so doing, seek to address the calls for simplification and streamlining voiced in the evaluations (IA, pp. 12 and 23). The budgetary guarantee underpinning the fund would be allocated to four thematic policy windows. The fund, which would support all types of financial product (e.g. debt, equity, etc.), would comprise two compartments (EU and Member State levels) for each window in order to enhance complementarity (IA, pp. 2-3, 17-19 and 28-29). The InvestEU Advisory Hub would provide technical assistance support and, by serving as a single contact point, would contribute to synergies, coherence and avoidance of overlaps. According to the IA, 'such technical assistance support will also promote environmental and social sustainability that are important cross-cutting objectives' (IA, p. 3). The IA does not say much about the InvestEU Portal. It can be noted that in terms of the intended measures, the IA does not really provide alternative options. As regards the implementing partners (e.g. the EIB and national promotional banks) and organisation of InvestEU governance and blending and combinations of support, it briefly discusses some options but does not provide an assessment and comparison of options as is usually required under the better regulation guidelines.

The IA openly recognises one challenge relating to the governance structure organised at Commission level, which, according to the IA, would potentially not provide a sufficient level of investment and banking expertise, and could be mitigated by the involvement of experts in the governance structure. The IA discusses risk management in the context of the budgetary guarantee and describes its governance structure. The IA could perhaps have explained the risks of the initiative and risk management in more detail (IA, pp. 30-33 and 43-44). In relation to effectiveness and efficiency, the IA considers that the proposed single fund would promote more efficient use of resources and consequently, the EU intervention would be more effective. Furthermore, the IA notes that use of the budgetary guarantee would engage fewer budgetary resources and would bring efficiency gains due to a limited provisioning rate. It would have benefited the analysis if the assessment had elaborated more on the expected economic, social and environmental impacts (for example growth, employment, competitiveness, and EU's 2030 energy and climate targets), given also the defined objectives of the initiative, as the focus in the IA appears to be on the description of the objectives and measures rather than on an assessment of the initiative's expected impacts.

Budgetary or public finance implications

The EU budget allocates €15.2 billion (current prices) for 2021 to 2027. The budgetary guarantee would be €38 billion and expected investment mobilised would be €650 billion (IA, p. 23 and explanatory memorandum of the legislative proposal, p. 10).[7]

SME test / competitiveness

One of the specific objectives is to facilitate SME access to finance. The IA discusses investment and financing gaps for SMEs and micro-enterprises, which are also covered in the monitoring indicators (pp. 7-12). The general objective of this proposal is also to enhance EU competitiveness, but the IA does not present an estimate of the expected impact of the initiative on competitiveness.

Simplification and other regulatory implications

Simplification is one of the MFF's cross-cutting objectives. The InvestEU Fund would integrate various EU investment support instruments into a single fund and simplify the management of these instruments. The IA does not present a quantitative estimate of the expected gains resulting from simplification and streamlining.

Subsidiarity / proportionality

As regards proportionality, the IA explains that EU-level intervention is necessary to 'ensure a critical mass of resources to be leveraged in order to maximise the impact of investment' as well as to 'effectively address investment needs linked to the EU-wide policy objectives' (IA, p. 30, also Annex 4, pp. 80-120). The InvestEU Fund would seek to 'strengthen requirements on additionality and EU added value of the intervention' (IA, p. 26, Annex 10, pp. 138-143).[8] The structure with two compartments (EU and Member State levels) would, according to the IA, promote more effective application of the subsidiarity principle (IA, p. 29). No reasoned opinions were submitted by national parliaments by the deadline of 24 September 2018.

Quality of data, research and analysis

The IA is supported by several ex-post evaluations, the stakeholder consultation, studies and recommendations of the high-level group on simplification of post-2020 European structural and investment (ESI) funds. The IA notes, however, that on account of the EFSI having been launched only quite recently, many of its supported projects are not yet complete. It can be noted that the IA could have discussed the expected impacts of the initiative as in this respect it is not very informative. The IA openly provides a list of data sources with links, although, in Annex 3 (evaluation results), some useful links are missing (pp. 13, 52-56, and Annex 3, pp. 64-79).

Stakeholder consultation

The Commission conducted six online public consultations for the MFF proposals, clustered by policy area, rather than carrying out one online public consultation for each accompanying IA as normally required by the better regulation guidelines. Instead of the mandatory 12 weeks, these six public consultations ran for eight weeks, from 10 January to 9 March 2018. The IA provides a summary of the stakeholder consultation, as required by the better regulation guidelines, focusing in particular on the open public consultation on EU Support for Investment, which received 642 replies under the investment, research and innovation, SMEs, and single market cluster.[9] The IA does not mention any targeted consultations.

Monitoring and evaluation

The IA presents the monitoring and evaluation plans and the legislative proposal contains corresponding provisions, including a list of indicators (IA, pp. 48-49 and Annexes 7-9, pp. 128-137).

Commission Regulatory Scrutiny Board

The RSB issued a positive opinion with reservations on a draft IA on 27 April 2018. As required by the better regulation guidelines, the IA explains in Annex 1 how the RSB's remarks have been addressed (IA, pp. 50-56). It appears that the RSB's remarks have largely been taken into account, although the IA could perhaps have provided more detail on the risk assessment aspect. The RSB gave a positive opinion on an evaluation of the EFSI (published concurrently with the InvestEU proposal).

Coherence between the Commission's legislative proposal and the IA

The legislative proposal appears to be consistent with the findings of the IA.

Conclusions

The IA provides a thorough description of challenges in investment, comprising both qualitative and quantitative elements. This is supported by ex post evaluations, a stakeholder consultation and studies. The proposed measures are linked to the challenges identified, and risks and mitigating measures are also discussed. The IA could perhaps have given more detail on the risks and risk management. As regards alternative options, the IA discusses some options briefly (implementing partners, organisation of governance, blending and combinations the support) but does not provide an assessment and comparison of various options as is normally required under the better regulation guidelines. It can be noted that the IA is not very informative on the expected competitiveness, economic, social and environmental impacts of the initiative. Overall, the focus in the IA appears to be on the description of the objectives and measures rather than on an assessment of the initiative's expected impacts.

ENDNOTES

[1] The almost parallel adoption of the spending programmes and the MFF proposals had an impact on the IA process and resulted in simplified IAs, with their format and scope differing from the standard IAs as defined by the Commission's better regulation guidelines (see also Toolbox 10 Financial Programmes and Instruments).

[2] For example, the European Fund for Structural Investments (EFSI), the Connective Europe Facility (CEF) debt instrument, the Loan Guarantee facility (COSME – the EU programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (SMEs), the Innovfin SME Guarantee (Horizon 2020), the EU programme for Employment and Social Innovation (EaSI) Capacity Building Investments, and the Private Finance for Energy Efficiency Instrument (LIFE).

[3] See the Commission's Reflection paper on the future of EU finances, June 2017; The Investment Plan for Europe, November 2014; A. Delivorias, InvestEU Programme 2021-2027, EPRS, European Parliament, (forthcoming).

[4] For example, the IA refers to the following evaluation documents: Evaluation of the European Fund for Strategic Investments, of the European Investment Advisory Hub, and of the European Investment Project Portal; EIB evaluation of the functioning of EFSI; Commission report on the use of the EFSI EU guarantee and the functioning of the EFSI guarantee fund; Mid-term evaluation of the Connecting Europe Facility (CEF); Mid-term evaluation of the Erasmus+ programme; Mid-term evaluation of the LIFE programme; Interim evaluation of Horizon 2020; Interim evaluation of the COSME programme.

[5] The EIB estimates the investment gap in transport, energy and resource management infrastructure at €270 billion (per year) and in telecommunications at €65 billion. The Commission's estimate for investment gap in research and development was €144 billion in 2016. The IA presents €30 billion as the debt finance gap of SMEs (per year) and illustrates the knowledge gap by referring to 16 % of SMEs as being highly digitised, whereas the comparison figure is 42 % for large companies. The gap in social infrastructure investments is estimated at €142 billion (per year), the investment gap for micro-enterprises constitutes between €33 and 81 billion of the loan gap and the financing gap for social enterprises is at €3 to 8 billion (IA, p. 5-8, 11).

[6] See also Annex 12 concerning overlaps between existing investment instruments (IA, pp. 146-149).

[7] The Commission communication on the multi-annual financial framework for the period of 2021 to 2027; M. Parry and M. Sapala, 2021-2027 multiannual financial framework and new own resources, EPRS, European Parliament, July 2018.

[8] As regards this principle, the IA refers to the Financial Regulation, according to which 'EU financial instruments should not crowd-out or substitute existing sources of funding' (IA, p. 138).

[9] According to the IA, the results from other open public consultations (in particular under the clusters on cohesion; security; and strategic infrastructure) have also been taken into account.

This briefing, prepared for the Committee on Economic and Monetary Affairs (ECON) and the Committee on Budgets (BUDG), analyses whether the principal criteria laid down in the Commission's own better regulation guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal.

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