



EUROPEAN COMMISSION

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*Mr Gérard Larcher
President of the Sénat
Palais du Luxembourg
15, rue de Vaugirard
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Dear President,

The Commission would like to thank the Sénat for its Opinion concerning the Commission Communication "An Investment Plan for Europe" COM(2014)903 final}.

Since its adoption in November 2014 the Communication has been supplemented by two documents, the Task Force Report on Investment in the EU¹ and the Commission proposal for a Regulation of the European Parliament and the Council on the European Fund for Strategic Investments {COM(2015) 10 final}. Those documents provide answers to the issues and questions raised in the Opinion of the Sénat. The summary presented below can only offer a glimpse of the full complexity of both elements, for which full documentation is available on the Commission website².

The Task Force Report on Investment in the EU, which was published on 9 December 2014, showed that there was significant potential for investment in Europe. It identified around 2,000 potential investment projects across Europe worth some €1.3 trillion, out of which over €500 billion worth of projects could potentially be implemented over the next three years. Many of these projects are currently not being implemented because of financial, regulatory or other barriers.

The report recommends immediate action to create a transparent pipeline of investment projects. The identification of projects by the Task Force is a first step towards creating a forward-looking and transparent pipeline of investable projects. It should be stressed that the lists of projects provided by the Member States and the Commission to the Task Force was a starting point, which did not exclude other potentially viable investments from being included at any given time. Any project identified by the Task Force would have to be assessed thoroughly before being considered for finance. Indeed, the report clarified that it does not intend to provide an inventory of possible investment needs and that projects, which were identified on a best efforts basis in the short timeframe available, should be considered illustrative, non-exhaustive and do not give rise to preferred access to national or EU resources.

¹ http://ec.europa.eu/priorities/jobs-growth-investment/plan/docs/special-task-force-report-on-investment-in-the-eu_en.pdf

² http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm

Furthermore, the Task Force recommends actions in five areas: 1. improving the business environment, 2. developing national long-term investment plans, 3. providing technical assistance to help develop sound investment projects; 4. carrying out value for money assessments; and 5. promoting innovative financial instruments.

The proposal for a Regulation on the European Fund for Strategic Investments was adopted by the Commission on 13 January 2015 and is currently being negotiated by the European Parliament and the Council. The Fund will be established in close partnership with the European Investment Bank (EIB) and is at the very heart of President Juncker's Investment Offensive, which will mobilise at least €315 billion in private and public investment across the European Union. This will especially support strategic investments, such as in broadband and energy networks, as well as smaller companies with fewer than 3000 employees.

The Commission proposal includes several elements:

1. European Fund for Strategic Investments (EFSI)

The EFSI is the main channel to mobilise at least €315 billion in additional investment in the real economy over the next three years. It will finance projects with a higher risk profile, thereby maximising the impact of public spending and unlocking private investments. One of the selection criteria for the projects will thus be that they have the potential to leverage other sources of funding. As regards further public funding, Member States and national promotional banks will be able to provide co-financing at the level of different projects and Member States will be able use Structural Funds to finance projects which need a high level of public participation and where it may be more difficult to attract private investors, given the more limited levels of return.

The Fund will be established within the EIB, with which the Commission will work as strategic partner. Member States can participate in the EFSI. Participation in the EFSI is also open to third parties, such as 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. The Commission welcomes France's announcement that it would contribute €8 billion in the context of the European Fund for Strategic Investments through its National Promotional Banks Caisse des Dépôts and Bpifrance.

The Commission already indicated in November 2014 that it would ensure favourable treatment under the Stability and Growth Pact for national contributions to the EFSI. A separate Communication published by the Commission also on 13 January 2015 on the use of flexibility within the existing rules of the Pact {COM(2015) 12 final} provided further guidance on this question. It makes clear that Member State contributions to the EFSI will not be counted when assessing the fiscal adjustment. This will be the case for all Member States, whether in the preventive or corrective arm of the Pact. For countries benefiting from the so-called "investment clause", co-financing with the EFSI of projects or investment platforms will also benefit from a favourable treatment under the Pact.

A Steering Board will decide on the overall orientation, the investment guidelines, the risk profile, strategic policies and asset allocation of the Fund, in line with the Union policies. Pursuant to the Commission proposal, as long as the EIB and the Commission

are the only contributors to the EFSI, the number of members and votes will be allocated based on the size of their contributions and all decisions will be taken by consensus. When other contributors join the Fund, the number and votes will remain proportionate to the contributions and decisions will be taken by simple majority, if no consensus can be found. No decision can be adopted if the Commission or the EIB votes against it.

An Investment Committee will be accountable to the Steering Board. Pursuant to the Commission proposal, it will select specific projects and decide which will receive EFSI support, without any geographic or sectorial quotas. The Committee will consist of independent market experts and a Managing Director who will be in charge of the day-to-day management of the EFSI. The Managing Director and the deputy will be appointed by the Steering Board on a joint proposal of the Commission and the EIB.

2. A European Investment Advisory Hub

Using existing expertise, the European Investment Advisory Hub will be the EU-wide one-stop-shop to help identify projects, prepare, develop and finance them. It will also advise how to use innovative financial instruments and public-private partnerships.

3. A transparent European Project Pipeline

A transparent European project pipeline will inform investors about available existing and potential future projects. Today, a lack of information is a major obstacle to investments. The pipeline will be regularly updated so that investors have reliable and current information to take investment decisions.

4. An EU Guarantee Fund and Effects on the EU Budget

The proposal establishes an EU Guarantee Fund which will provide a liquidity cushion for the Union budget against potential losses incurred by the EFSI when supporting projects. It will gradually reach €8 billion by 2020 via payments from the EU budget deducted from the EU2020 and CEF programmes. The Structural Funds and Cohesion Fund will be fully preserved. This would require an amendment to the 2015 EU Budget to create the necessary new budget lines and transfer €1.36 billion in commitment appropriations and €10 million in payment appropriations to these new lines. The overall impact for the 2015 EU Budget is neutral. The €10 million in payments will help cover the administrative costs of the European Investment Advisory Hub. Beside the EU budget allocation, the EIB will also support the EFSI by an allocation of €5 billion taken from its own capital.

As regards the proposal for a Regulation on the EFSI, it is important to stress that the clarifications made above are based on the initial proposal presented by the Commission which is currently in the legislative process involving both the European Parliament and the Council in which your government is represented.

The Commission hopes that these clarifications address the issues raised by the Sénat and looks forward to continuing our political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Jyrki Katainen
Vice-President*