

Bundesrat - Document 580/14 (Resolution) - 6 February 2015

Resolution of the Bundesrat

Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: An Investment Plan for Europe

COM(2014) 903 final

At its 930th session on 6 February 2015, pursuant to Sections 3 and 5 EUZBLG (Act on Cooperation between the Federation and the Länder in European Union Affairs),

the Bundesrat adopted the following opinion:

General comments on the communication:

1. The Bundesrat welcomes the Commission's commitment to stimulating investment projects within the EU in order to create more jobs and growth and thus strengthen the overall competitiveness of the EU.

It also generally welcomes the goal of the proposed initiative to improve the conditions for stimulating investment in Europe's real economy.

2. The Bundesrat stresses that improving the investment environment is particularly crucial for tackling underinvestment in Europa. Setting up the new European Fund for Strategic Investments (EFSI) can be an important contribution to this.
3. Austerity measures which are not also accompanied by incentives for growth will not lead to sustainable stability in the euro area. Therefore, the Bundesrat welcomes the proposed 'Investment Plan', as it also brings the focus more on the goal of increasing investment projects in the economy as a whole.
4. The Bundesrat shares the Commission's opinion that governments cannot shoulder much more public debt. It therefore welcomes the fact that the Investment Plan uses the leverage of public funds as an instrument to encourage more private investment.

5. Nevertheless, achieving the greatest leverage effect possible is not the sole aim. Allocating funds merely to increase investment, irrespective of its sustainability, should be avoided. Rather, the focus should be on the quality of, or the need for, these measures. Funds are only put to good use if there is sufficient return on an investment project and/or it can be shown that it has sustainable economic benefits. For example, this would be expected from projects to improve energy efficiency.
6. It should be made possible for Member States to combine funding for projects under the Investment Plan with other national support programmes so that they can achieve further goals.
7. The Bundesrat therefore regrets that the Länder were not properly involved in the compilation of the list of potential investment projects by the Special Task Force on investment set up by the European Commission and the EIB (European Investment Bank) in September 2014. The identification of projects by the task force is, in their own words, the first step towards building a forward-looking and transparent overview of likely investment projects. From the point of view of the Länder, it would have been appropriate, in the light of this and in a spirit of cooperation based on trust between the federal government and the Länder, to involve the Länder in the initial selection of projects to be proposed by the Commission. As the list provided by the Commission is not conclusive, the Bundesrat hopes that the Länder will be involved in any further contributions made to it by the federal government, all the more so as the federal government itself stresses that the Commission's list consists only of proposals and is not yet final.

First strand: Mobilising finance for investment

8. When setting up the EFSI, it will be necessary to ensure that administrative burdens and costs are kept as low as possible. We welcome the EIB's participation in the setting up, development and administration of the planned EFSI, as the EIB can provide its well-established expertise in these matters and funds can also be allocated more objectively.
9. The Bundesrat asks that the federal government ensure that the EFSI is financed solely by existing EU budget funds and available EIB funds, without prejudice to any voluntary contributions. In particular, the decisions made by the Parliament so far should not require any further uncovered contributions from Member States.

10. Capital contributions from Member States to the EFSI could also lead to an increase in overall investment. However, if Member States do not make such capital contributions, this should not count against them in the assessment of projects for the country concerned in the context of the project pipeline. The Bundesrat welcomes the fact that the Commission is using its available room for manoeuvre to ensure that national contributions to the EFSI will not be taken into account when defining the fiscal adjustment under either the preventive or the corrective arm of the Stability and Growth Pact. It is therefore essential to guarantee that the current margin of flexibility set by the Commission be strictly observed.
11. The Bundesrat believes that, to be effective, the EFSI requires appropriate structures to be able to absorb additional investment. Therefore, Member States must continue to consistently implement the necessary structural reforms, for example in the public sector but also in the labour market.
12. In the Regulation to be adopted, it should be ensured that EFSI funds are not just used for new projects. It would be a good idea to extend the current infrastructure, once it has reached its congestion limit, and to overhaul it so that more projects would be eligible to receive funding. Unprofitable projects which could be a drain on public funds should not be supported.

Second strand: Channelling funds into the real economy

13. The Bundesrat welcomes the idea of a dynamic pipeline. The procedures for selecting and prioritising projects should be objective and transparent. Public and private investment projects should be treated in the same manner. Moreover, the Bundesrat considers that public funding through the EFSI should not discourage private investment.
14. In the Bundesrat's opinion, bad investments should be avoided by setting strict criteria for project selection in the EFSI investment guidelines. Selection should be based only on the eligibility criteria being met and the maturity of a project.

The Bundesrat considers it essential that the economic viability of a project be consistently checked. The EFSI should only support profitable projects based on the EIB criteria set. Moreover, there should be an added value for Europe. The planned project pipeline must be accessible to all interested parties through

transparent procedures. The Bundesrat hopes that the federal government will involve the Länder in all further stages of the process.

Projects should particularly be encouraged in the areas of research and development, innovation, green technologies and developing broadband networks. The Bundesrat asks the federal government to ensure that projects are selected in the energy sector as part of the Investment Plan for Europe, in particular projects for developing energy networks, increasing energy efficiency and further developing renewable energy sources in the electricity and heating sector. The Bundesrat does not support the development of nuclear power plants.

15. The Bundesrat welcomes the Commission's goal to support the Investment Plan by using the existing European Structural and Investment Funds more efficiently and the fact that, alongside the establishment of the EFSI, the European Structural and Investment Funds are to be made more effective. Making use of more financial instruments such as loans, equity and guarantees, instead of traditional grants, could lead to the deployment of funds on a revolving basis, thus reducing the burden on public funds and, at the same time, increasing the support provided. However, the Bundesrat points out that this should not lead to delays in the implementation of, or suspension of funds for, ongoing EU programmes for the 2014-2020 programming period.

Third strand: Improving the investment environment

16. The Bundesrat agrees with the Commission that regulatory complexity and unnecessary regulatory burdens should be reduced as soon as possible. The Bundesrat therefore views favourably the Commission's announcement that it will further strengthen its overall approach of better regulation for 2015 and step up its efforts under the Regulatory Fitness and Performance Programme (REFIT).
17. The Bundesrat welcomes the Commission's suggestion of linking the Investment Plan with steps towards a Capital Markets Union and an Energy Union, as well as projects in the areas of European cross-border transport infrastructure and a Digital Single Market. These projects could fundamentally change the amounts invested in investment projects, as the EU's internal market provides a broader framework than national markets for both the supply and demand side.

18. The Bundesrat considers the Commission's plan to further develop EU financial markets, in order to diversify sources of financing for SMEs (small and medium-sized enterprises), to be a possible means of reducing the overall cost of financing in the real economy. However, individual measures should be assessed for their actual impact on the real economy, in particular on SMEs. Diversifying sources of financing should not create a situation where one form of financing gains a competitive advantage over another because of different regulations.
19. In addition, the Bundesrat supports the Commission's plan to produce a report in the near future detailing in which priority areas targeted measures are needed to facilitate the provision of funds for investments. In the Bundesrat's opinion, this report should include the evaluation of financial market regulations announced by the Commission. It would therefore be a good idea to launch this evaluation as soon as possible, as has already been requested for the REFIT Programme (see paragraph 22 of the Bundesrat's opinion in Document 272/14 (resolution)).

Research

20. The Bundesrat stresses that investment in research and innovation is crucial for sustainable development in Europe. It particularly welcomes the fact that the Commission succeeded in launching the EU's Horizon 2020 programme for research and innovation immediately at the beginning of the current programming period which started in January 2014. Thus, research and innovation projects funded by Horizon 2020 are already making significant direct contributions to Europe's competitiveness and ability to innovate.
21. The Bundesrat welcomes the Commission's Investment Plan in the latest version of the proposal for a regulation on the EFSI (COM(2015) 10 final, see Bundesrat Document 15/15), on which it has yet to make specific comments; however, it opposes the use of Horizon 2020 funds in an amount of EUR 2.7 billion to partially fund the EFSI. These reductions in funds should be avoided if possible. The EU Horizon 2020 programme for research and innovation is already a well-established and fully functioning programme supporting growth in Europe which should not be eroded.
22. The Bundesrat assumes that, should there be a reduction in funds for this EU research and innovation programme, it will be carried out in such a way that it

will not jeopardise the full implementation of Horizon 2020, in particular that it will not undermine fundamental research projects. The Bundesrat does not consider a prorata reduction spread across all the funding lines of the EU research and framework programme to be productive.

23. As the plan is to set aside a provision to guarantee the EFSI by reallocating EUR 2.7 billion in EU budget funds from the Horizon 2020 programme, it should be ensured that these funds are used for their original purpose by the Fund.
24. The Bundesrat points out that investment in research-based projects should be a priority for EFSI financing, as these projects will contribute most sustainably to increasing innovation, competitiveness and growth in Europe. In the event that EU funds for research and innovation are used to endow the EFSI, it is essential to ensure at any rate that the equivalent amount is invested in projects in these areas.
25. The Bundesrat considers that clear and straightforward criteria should be laid down in the legal act setting up the EFSI and the Investment Plan for Europe, on the basis of which projects will be selected. Economic criteria should, above all, include the long-term perspective as, in the opinion of the Bundesrat, this has a clear link with the capacity to foster innovation. These criteria must therefore ensure that the EFSI strengthens Europe's potential for innovation.
26. The Bundesrat stresses that the legal framework for the EFSI must ensure that university and public research institutions can benefit in full from the advantages of the EFSI, for example, by using the Fund to fully guarantee contract research for companies in the context of EFSI projects.

Nomination of a representative to discuss the proposal

27. The Bundesrat nominates to discuss this proposal with Council bodies, pursuant to Section 6(1) EUZBLG (Act on Cooperation between the Federation and the Länder in European Union Affairs) in conjunction with Part I of the *Bund-Länder-Vereinbarung* (Federal/Regional Agreement),

a representative of the Land

Hessen.

Representative of the Land of Hessen at the European Union
(Ministerial Advisor Holger Daum).

Direct submission to the Commission

28. The Bundesrat is submitting this opinion directly to the Commission.