



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Bundesrat for its Opinion concerning the Commission Proposal for a Regulation of the European Parliament and of the Council on the European Fund for Strategic Investments and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 {COM(2015) 10 final}.

The Commission welcomes the Bundesrat's support for the "Investment Plan for Europe" and agrees with the Bundesrat that it is critical to increase the level of investments in Europe in order to enhance short and long term growth prospect, employment creation and competitiveness. On this point, the Commission would like to recall that the Investment Plan is based on three main pillars: (i) to mobilise at least 315 billion EUR in new investments over the coming three years; (ii) to take measures to make finance reach the real economy and (iii) to remove barriers to investment, making Europe more attractive and thereby multiplying the impact of the Investment Plan.

Against this backdrop, the Commission agrees with the Bundesrat on the importance of structural reforms in all Member States. In fact, this is the reason why the Commission identified this policy area as the third pillar of its comprehensive Investment Plan. At the same time, the Commission did not propose to link a possible financing of projects in a given Member State to the implementation of structural reforms.

With regard to the Investment Plan's first two pillars, the Commission already submitted the legislative proposal for the creation of a European Fund for Strategic Investments (EFSI), only a few months into its term. In this context, the Commission would like to address some of the points raised in the Bundesrat's Opinion:

The Commission fully agrees with the Bundesrat that the projects supported by the Investment Plan need to offer a sufficient return and economic value added in order to ensure compatibility between private and public interests. It is precisely for this reason that the Commission proposed to support projects only in strategic policy areas determined ex ante by co-legislators.

The Commission does not consider public sector co-financing to be an obstacle for financial support in the context of the Investment Plan. Conversely, it does not pursue the intention to make such co-financing a precondition for support.

The Commission finds it important to clarify that it does not interpret the objective to mobilise "new investments" in a narrow sense. For instance, the extension of existing

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infrastructure may be considered "new" to the extent that its realisation takes place thanks to the support it receives.

As regards the funding of the Investment Plan and more specifically the contributions of Horizon 2020, the Commission takes note of the concerns expressed by the Bundesrat, but would like to bring the following points to its attention:

The principle of prudent budgeting dictates the need for appropriate resources in the guarantee fund. At the same time, the objective of the initiative, namely the promotion of growth and jobs, bears a direct link to Heading 1A of the Multiannual Financial Framework. In accordance with the decisions of the Council and of the European Parliament, Horizon 2020 accounts for the biggest part under this Heading. As a consequence, a reallocation of appropriations from this programme in order to fund the initiative is unavoidable.

At the same time, the Commission would like to emphasise that it does not propose a pro-rata cut for the Horizon 2020 sub-programmes and initiatives. The reallocation of appropriations from "Marie Curie" activities amounts to only 1.7%, in comparison to 3.4% for Horizon 2020 as a whole and 12.9% for the European Institute for Innovation and Technology. Even after ensuring the funding for the Investment Plan, the allocations to Horizon 2020 will be 38% higher than in the previous financial programming period.

Moreover, it is important to underline that the success of the initiative depends on a rapid absorption of the resources and the selection of projects compatible with market considerations. For this reason, the Commission opposes a subdivision, respectively an ex ante determination of the financing share, for certain sectors or geographical areas. At the same time, the Commission expects that the overall investment volume will be significantly higher in any given policy area than it would be under the current conditions, thanks to the mobilisation of private co-financing.

Concerning the future pipeline of investment projects in the Union, the Commission welcomes the positive feedback provided by the Bundesrat and would like to emphasise that a comprehensive list is in the interest of the initiative. Therefore, the Commission does not see any reason to limit its scope ex ante. However, the Commission would like to stress that the primary aim of this pipeline is to ensure the visibility of listed projects to the wider public and notably to potential investors. As such, it does not bear a direct link to potential financial support under the Investment Plan.

The points 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 Bundesrat and looks forward to continuing our political dialogue in the future.

Yours faithfully,

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First Vice-President*

*Jyrki Katainen
Vice-President*