

## **Informal ECOFIN, September 7-8 2018**

### **MFF 2021-2017: Deepening EMU - a) EU funding for investment - InvestEU**

#### **PRESIDENCY ISSUES NOTE**

##### **I. Introduction**

In the context of the MFF post 2020, the Commission put forward a proposal on establishing the InvestEU programme as a means for mobilising public and private investment within the EU. The aim is to leverage EUR 650bn in investment with a guarantee of EUR 38bn provided by the EU budget, 40% of which or EUR 15,2bn being actually provisioned. With InvestEU 14 different financial instruments, including EFSI would be merged, covering all EU policy areas. Further, the proposed programme would lead to a certain degree of competition between the EIB Group, international and national public finance institutions. Although the EIB Group would remain the main implementing partner, IFIs and national promotional banks would also be considered for this task.

First discussions at the expert level have shown that political guidance is mainly needed on the merging of financial instruments, the broadening of access to the EU guarantee, the proposed governance and the remuneration for the implementation of the EU guarantee.

##### **II. Merging of 14 financial instruments**

Addressing the weaknesses of the current financial landscape, like the fragmentation of instruments and the synchronisation of different funding sources for a single project (“blending”) has been broadly welcomed in the Member States’ initial reactions. The proposed single set of modalities for access, eligibility criteria and reporting requirements would lead to simplification and efficiency gains for implementing partners and final beneficiaries. According to the Commission, despite rather conservative assumptions (40% instead of 30% provisioning, multiplier of 13,7 instead of 15 compared to EFSI) the merger of financial instruments into InvestEU will increase leverage from EUR 600bn to EUR 650bn.

### **III. Broadening the access to the EU-guarantee**

Under the Commission's proposal, 75% of the guarantee would have to be implemented EU-wide, while the remaining 25% would have to cover at least 3 Member States. The EIB Group being the only potential implementing partner acting EU-wide, would consequently profit from guarantees of about EUR 28,5bn – an increase of EUR 2,5bn compared to EFSI – and could compete for the remaining amount. In line with the financial Regulation non-EIB implementing partners (IFIs and national public finance institutions) would have to undergo an ex ante assessment for being allowed to access the EU guarantee, if not yet “cleared”. Further, they would have to contribute to the provisioning of the guarantee (“skin in the game”) and to second staff to the “project team” for assessing the financial parameters of projects.

Broadening access to the guarantee has also been generally welcomed by the Member States. At the same time, some argue that the rules of access are rather complex, especially for small potential implementing partners, possibly implying an impediment to achieving a geographically balanced deployment.

### **IV. Governance**

The proposed governance of the EU guarantee foresees the following elements:

On a more strategic level, the Advisory Board will be established in order to have regular exchange with Member States and implementing partners.

- When meeting in the configuration with implementing partners, the Commission and the EIB will co-chair the Board; its task is to provide expertise on financial instruments and market developments.
- When meeting in the configuration with Member States for an exchange of view on issues related to the implementation of InvestEU, the Commission will chair the Board.

On concrete projects:

- The implementing partner submits a project after an implementing partner's internal due diligence has been done.
- The Commission verifies compliance with EU law and policies.
- The project team (consisting of implementing partners' experts seconded to the Commission) would score the financial parameters and the additionality of the project with the help of a scoreboard.
- The Investment Committee (independent external experts) finally decides on extending the guarantee. In contrast to EFSI, the Investment Committee is not based at the EIB, but at the Commission.

As soon as the decision on the guarantee has been taken, implementing partners have to decide on the financing of the project according to their internal procedures (EIB: decision of the Board of Directors).

The EIB has voiced severe criticism on this governance structure, i.a. because also projects proposed by the EIB would have to be assessed by the Commission (compliance with EU law and policies) and the project team (scoreboard). Others see the proposed governance as a way to ensure coherence, comparable quality and value added of projects proposed by different implementing partners.

## **V. Cost coverage**

The proposal does not foresee fees being paid to implementing partners for the implementation of InvestEU as they would profit already from the guarantee out of the EU budget. The EIB, however, asks for remuneration of implementation in order not to make losses as it seems to be the case under EFSI. At the same time, Article 17 of the EIB's statute foresees that EIB's pricing has to be calculated in such a way "*to cover its expenses and risks and to build up a reserve fund*".

## **VI. Issues for Discussion**

- 1) Do you support merging 14 financial instruments into one overarching instrument? Do you share the Commission's assessment with regard to simplification and efficiency gains?**
- 2) Should non-EIB implementing partners have the possibility to access 25% or more of the InvestEU guarantee? Could access especially for small partners be further facilitated (e.g. attenuating the requirement to cover 3 Member States)?**
- 3) Could the proposed governance structure be improved without affecting policy coherence and quality of the projects supported by the EU guarantee? If yes, how?**
- 4) Should implementing partners be paid fees out of the EU budget for implementing the InvestEU guarantee?**