Group of the Progressive Alliance of
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in the European Parliament

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European Fund for Strategic Investment (EFSI)

1st reading agreement

S&D Group rapporteurs: Udo BULLMANN (ECON committee) - Eider Gardiazabal (Shadow for the Budget committee)

Kathleen van Brempt, S&D Group vice-president responsible for sustainable development was the rapporteur for the ITRE committee

Ines Ayla Sender, S&D Group negotiator for the Transport committee.
Roberto Gualtieri: Chair of the economic and monetary committee in the European Parliament

EP and the Council reached an agreement on the European Fund for Strategic Investments on the 28th May, which has been finally endorsed 4th of June. The S&D Vote in plenary will take place this Wednesday in Plenary. This agreement allows the EFSI plan to start very rapidly (1st July 2015).
The outcome of this negotiation represents a **great success for the S&D Group** and marks the concrete achievement of our **key priority to reorient the European economic policy toward growth and investment.** S&D members were in the lead throughout negotiations and successfully ensured that EFSI becomes an investment tool that promotes projects which are in line with our political priorities. The main achievements of the negotiation for our Group are as follows:

1. Only high quality investments are to be financed under the EFSI

The agreement includes qualitative requirements which would ensure that the investments to be financed by EFSI would be:

- Projects that promote smart, sustainable and inclusive growth, quality job creation and economic, social and territorial cohesion.
- Projects which are really additional to former practices: this means that only projects that would not have obtained financing from the European Investment Bank, or any of the other European funds or the market should be considered under EFSI. It is crucial that EFSI does not replace investments that would have taken place anyway through other channels. Nor should it subsidize private investment which could occur without EFSI.

The high quality criteria combined with additionality should ensure that projects such as those financing infrastructure, broadband and energy efficiency - the ones which can make the difference in Europe today-, can be supported under this scheme.
We also insisted on the inclusion of Investment guidelines into the annex of the Regulation (as part of the Regulation, therefore based on co-decision) as well as a scoreboard for the selection of projects to further strengthen the quality of investment to be financed under EFSI. The guidelines complement the Regulation by i) giving further guidance on the choice of projects ii) providing detail on the risk framework for investment operations iii) defining thresholds for sector and geographic diversification and

iv) defining criteria to assess the quality of projects and facilitate their prioritisation. The scoreboard will allow the scoring of different projects to help further in the prioritisation and later in the monitoring.

2. Facilitating more investment into EFSI via additional co-financing by the Member States

Following up on our demands during the negotiation on the revised Stability and Growth Pact (2-pack),the Commission communication of 13 January 2015 on Flexibility that, both under the preventive and corrective arms stated that the "*Council specifies targets in structural terms. Such targets exclude exceptional one-off measures, which have no bearing on the underlying fiscal position. This would typically be the case for initial cash contributions to the Fund*". The agreement on EFSI clarifies that this approach with regard to financial contributions the Fund should also apply to EFSI related investment platforms and to national promotional banks. This clarification is made in a Declaration by the Commission attached to the Regulation and a recital in the Regulation.
Therefore, all Member States will receive equal treatment with regard to one-off measures consisting of financial contributions to the Fund, as well as to investment platforms and to national promotional banks. Accordingly, Investment platforms and national promotional banks operation would be part of the EFSI by the use of the EU guarantee. This means that Members States which are facing economic difficulties should also be allowed to invest more through EFSI.

3. Strengthened governance scheme within the EU framework

The EFSI is set up within the EIB and is to be governed by a Steering Board (Commission and EIB). The day-to-day management is ensured by a Managing Director. The Investment Committee (8 independent experts) are responsible for examining projects and approving support of the EU guarantee based on specific criteria detailed above.
The governance structure of EFSI, by contrast to the Commission's initial proposal, has been clearly strengthened in order to ensure proper involvement of the Parliament:

- the EP has to approve the appointment of the Managing Director and the Deputy Managing Director of the Investment committee;
- the role of the Investment committee is reinforced notably to grant the EU guarantee and select the investment projects. In parallel its independence and expertise capacity has been reinforced to include also environmental, social, territorial cohesion and education and training expertise
- more reporting and hearing obligations for the EFSI and EIB in the framework of its role within the EFSI.

4. A budgetary solution to finance the EFSI Guarantee Fund (GF), which takes less money away from Horizon 2020 and Connecting Europe Facility

From the very beginning of negotiations on EFSI, the S&D Group pushed to use another way of financing the EU Guarantee Fund (GF) than the one outlined in the original Commission proposal and taken over by the Council. S&D succeeded to get the support of the EP.
In brief:
We rejected that out of the EUR 8 billion needed for the financing of the GF, only **EUR 2 billion** shall come from the Global Margins in Commitments (GMC) and **EUR 6 billion** shall be taken away from the EU programmes **Horizon 2020 (H2020)** and **Connecting Europe Facility (CEF).**

The S&D refused to pre-empt a priori the funding of important investments foreseen in the H2020 and in the CEF and fought to **mitigate as much as possible cuts in H2020 and CEF.**

As Council and Commission stood hand in hand and did not want to move an inch from its position, the negotiations were lengthy and extremely difficult. Only in the last trilogue, after more than thirteen hours of negotiations, an agreement could be reached where the originally envisaged **cuts to the H2020 and CEF have been decreased by EUR 1 billion.**

The EFSI agreement on budgetary aspects:

The EU GF of EUR 8 billion, which is a liquidity cushion for the EIB in case of a failure of an EFSI operation and which backs the EUR 16 billion EU Guarantee to be granted to EIB to conduct riskier operations under EFSI **will be financed from the EU budget as follows:**

- **EUR 3 billion** to be used from the **Global Margin in Commitments (GMC)** of which: EUR 543 million come from the GMC of EU budget 2014
  EUR 457 million come from the GMC of EU budget 2015 and
  EUR 2 billion from the accumulated GMC only under heading H1a (Competitiveness for growth and employment) over the EU budgets 2016-2020.
  In total this represents **EUR 1 billion in addition to Council position, who considers the GMC to be fresh money;**

- **EUR 5 billion** to be taken away from **H2020/CEF** (EUR 2.2 billion from H2020/EUR 2.8 billion from CEF).

This package is a success for our Group, because it improves the financing of the Guarantee Fund and decreases the cuts to be made on H2020 and CEF. By having agreed to use the GMC from 2014/2015 we can avoid cuts of H2020/CEF for the financing of the Guarantee Fund as from the 2016 budget. Furthermore, the agreed cuts in H2020/CEF can be further redistributed via the negotiations on the annual EU budgets, starting from the 2016 budget.

The EFSI agreement includes a clear statement that all **appropriations from the EU budget for provisioning the EFSI Guarantee Fund (GF)** shall be authorised by the European Parliament and by the Council **within the framework of the annual budgetary procedure in full compliance with Multiannual Financial Regulation for the years 2014 - 2020.**

Procedural budgetary aspects:
While the adoption of the **EFSI regulation** will be voted in **June II Plenary**, the adoption of the accompanying **Draft Amending Budget (DAB) No 1/2015 will take place in July Plenary**. This DAB is needed to technically integrate the EFSI agreement in the already adopted EU Budget 2015 in order to provide EUR 1 360 million for the EFSI Guarantee Fund in 2015. S**&D Member Eider Gardiazabal is rapporteur for DAB1/2015.** No problems are expected for the vote in Plenary.

5. ITRE Breakdown of cuts in Horizon 2020 for the financing of the EFSI GF

The institutions agreed that the following budget lines will not contribute to the funding of EFSI: "Strengthening frontier research in the European Research Council, Marie Sklodowska-Curie actions" and "Spreading Excellence and Widening Participation".
Just to have an idea of what these cuts, mean, if we had kept the cuts proposed by the Commission to the ERC, this would have translated into about 150 fewer grants than expected, which corresponds to about 900 qualified jobs; on the Marie Curie side, knowing that the average size of a fellowship amounts to 195.000€, it would have meant a cut of 99,7 m€, which would amount to ca 500 fellowships; and on the last line, the 33 million € cut would have meant the suppression of roughly 30 twinning projects or 13 ERA Chairs.

The Commission agreed to a Declaration in which it commits to analysing the potential impact of the contributions to EFSI of the different budget lines of H2020 on the effective implementation of the respective programmes and, if appropriate, propose an amending letter to Draft Budget 2016 to adjust the breakdown of the H2020 budget lines.

In any case, we will always make full use of the possibilities given to us by the annual budgetary procedures to introduce the necessary flexibility to it, and to try and distribute the cuts according to our own priorities.

6.TRAN Breakdown of cuts in CEF for the financing of the EFSI GF

From the original proposal of the Commission and Council, the agreement has reduced the breakdown only on the transport lines in CEF. In particular transport grants has been reduced its breakdown to EFSI in EUR 1000 million *(the additional EUR 500 million from margins and the transfer of another EUR 500 million coming from the CEF line for financial instruments).*

In any case, we will always make full use of the possibilities given to us by the annual budgetary procedures and within the MFF mid- term revision, to compensate the CEF transport allocations to the largest possible extend.

EFSI agreement has clearly established criteria for the use of the EFSI Guarantee to limit the aim of the Council for the financing of “any” type of transport infrastructure. EFSI will support the development of transport infrastructures projects and priorities which are in fully compliance with the objectives established in the CEF and TEN-T Regulation, connecting TEN-T nodes as well as for the financing of smart and sustainable urban mobility projects, to make them accessible, greener and safer. TEN-T and urban mobility expertise is included also in the governance structure of the EFSI fund.