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WORKING DOCUMENT

From: General Secretariat of the Council
To: Working Party of Financial Counsellors

Subject: SSI - Commission non-paper on consolidated working version

Delegations will find attached the Commission non-paper on consolidated working version on EFS SSI regulation discussed in the Financial Counsellors Working Paper on 8 June 2020.

Non paper drafted by the Commission services in order to facilitate the negotiations; it is not agreed by the Commission nor does it commit the Commission, not being the official proposal adopted by the College.

7.6.2020

Consolidated working version of the EFSI Regulation

(Additions in ***bold italics***, deletions in ~~strike through~~, recitals only from the proposal COM(2020)404)

► **B** REGULATION (EU) 2015/1017 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 25 June 2015

on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1)

Amended by:

		Official Journal		
		No	page	date
► <u>M1</u>	Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017	L 345	34	27.12.2017

Corrected by:

► **C1** Corrigendum, OJ L 96, 12.4.2016, p. 50 (2015/1017)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) 2015/1017 as regards creation of a Solvency Support Instrument

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 172 and 173, the third paragraph of Article 175 and Article 182(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas

- (1) Commission estimates derived from firm-level data suggest that the equity repair needs resulting from the Covid-19 pandemic could be in the region of EUR 720 billion in 2020. The number could go higher in case lockdown measures were to stay in place for longer than currently assumed, or if they had to be re-imposed due to a resurgence of contaminations. If left unaddressed these capital shortfalls may lead to a prolonged period of lower investment and higher unemployment. The impact of the capital shortfall will be uneven across sectors and Member States, leading to divergences in the single market. This is compounded by the fact that the capacity of Member States to provide State aid differs greatly.*
- (2) In accordance with Regulation [European Union Recovery Instrument] and within the limits of resources allocated therein, recovery and resilience measures under the solvency support window of the European Fund for Strategic Investments should be carried out to address the unprecedented impact of the COVID-19 crisis. Such additional resources should be used in such a way as to ensure compliance with the time limits provided for in Regulation [EURI].*
- (3) In order to counter the severe economic consequences of the Covid-19 pandemic in the Union, companies that have encountered difficulties because of the economic crisis caused by the pandemic and that cannot obtain sufficient support through market financing, or measures undertaken by Member States, should be provided with a facility for solvency support as a matter of urgency under a Solvency Support Instrument which should be added as a third window under the EFSI.*
- (4) Companies supported under the Solvency Support Instrument should be established and operating in the Union, meaning that they should have their registered office in a Member State and should be active in the Union in the sense that they have substantial activities in terms of staff, manufacturing, research and development or other business activities in the Union. They should pursue activities in support of objectives covered by this Regulation. They should have a viable business model and not have been in*

¹ OJ C [...], [...], p. [...].

² OJ C [...], [...], p. [...].

difficulty in terms of the State aid framework³ already at end 2019. Support should be targeted at eligible companies operating in those Member States and sectors which are most impacted by the Covid-19 crisis and/or where the availability of State solvency support is more limited.

- (5) *The EU guarantee granted to the European Investment Bank (EIB) should be increased by EUR 66 436 320 000 in order to create the third window of the EFSI – the solvency support window – under which solvency support should be provided.*
- (6) *The provisioning of the EU guarantee should be increased accordingly. Given the high level of riskiness of the investment and financing operations under the solvency support window the overall EFSI provisioning rate should be adjusted to 45,8 %.*
- (7) *The amount of the EU guarantee available under the solvency support window is expected to mobilise up to EUR 300 000 000 000 of investment in the real economy.*
- (8) *The delivery modes of the support should be flexible in view of the need of differing solutions in different Member States. They should include, inter alia, EIB Group financing, or guarantee or investment in existing independently managed funds or in special purpose vehicles that in turn invest in eligible companies. Furthermore, the support could be channelled via newly established independently managed funds, including via first-time teams, or via special purpose vehicles especially set up either at European or regional or national level with a view to benefiting from the EU guarantee in order to invest in eligible companies. The EU guarantee could also be used to guarantee or finance an intervention by a national promotional bank or institution in line with State aid rules together with private investors in support of eligible companies. Undue distortion of competition in the internal market should be avoided.*
- (9) *The equity funds, special purpose vehicles, investment platforms and national promotional banks and institutions should provide equity or quasi-equity (such as hybrid debt, preferred stock or convertible equity) to eligible companies, but excluding entities targeting buy-out (or replacement capital) intended for asset stripping.*
- (10) *The financing and investment operations should be aligned with current policy priorities of the Union such as the European Green Deal and the Strategy on shaping Europe's digital future. Support to cross-border activities should also be targeted.*
- (11) *Financing and investment operations under the solvency support window should be decided upon until end-2024 with at least 60 % of financing and investment operations to be decided by end-2022 to allow for a rapid reaction to the economic crisis caused by the Covid-19 pandemic.*
- (12) *In order to be able to channel support to the European economy through the European Investment Fund (EIF), the Commission should be in a position to participate in one or more possible capital increases of the EIF in order to allow it to continue supporting the European economy and its recovery. The Union should be able to maintain its overall share in the EIF capital. A sufficient financial envelope to this effect should be foreseen in the revised Multiannual Financial Framework for the current period.*
- (13) *An amount of EUR 100 000 000 should be established to support the set-up and management of investment funds, special purpose vehicles and investment platforms in Member States, in particular in those which do not have developed equity fund markets, and to support the green and digital transformation of companies financed under the solvency support window.*
- (14) *The Investment Committee under the InvestEU Regulation should become responsible for granting the EU guarantee also under this Regulation once it is established.*
- (15) *Article 137(2) of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community provides that the United Kingdom and projects located in the United Kingdom shall only be eligible for financial operations guaranteed by the Union budget under the EFSI approved by the entities and bodies, including the EIB and the European Investment Fund ('EIF'), or by persons entrusted with the implementation of part of those actions before the date of entry into force of the Withdrawal Agreement. Further, Article 143(1) of the Withdrawal Agreement limits the liability of the United Kingdom for its share of the contingent liabilities of the Union to those contingent liabilities, which arise from financial operations decided by the Union before the date of the entry into force of the Withdrawal Agreement. Any contingent liability of the Union under this Regulation is subsequent to the date of the withdrawal of the United Kingdom from the Union. Therefore, this Regulation should not apply to and in the United Kingdom.*
- (16) *Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union (TFEU) apply to this Regulation. These*

³ As defined in Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p.1).

rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.

(17) Regulation (EU) No 2015/1017 should therefore be amended accordingly,

CHAPTER I

INTRODUCTORY PROVISIONS

Article 1

Subject matter

1. This Regulation establishes a European fund for strategic investments (EFSI), an EU guarantee and an EU guarantee fund. In addition, this Regulation establishes a European investment advisory hub (EIAH) and a European investment project portal (EIPP).
2. For the purposes of paragraph 1, this Regulation provides for the Commission to conclude an agreement with the European Investment Bank (EIB) on the EFSI and an agreement with the EIB on the implementation of the EIAH.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘EFSI Agreement’ means the legal instrument whereby the Commission and the EIB specify the conditions laid down in this Regulation for the management of the EFSI;
- (2) ‘EIAH Agreement’ means the legal instrument whereby the Commission and the EIB specify the conditions laid down in this Regulation for the implementation of the EIAH;
- (3) ‘national promotional banks or institutions’ means legal entities carrying out financial activities on a professional basis which are given a mandate by a Member State or a Member State’s entity at central, regional or local level, to carry out development or promotional activities;
- (4) ‘investment platforms’ means special purpose vehicles, managed accounts, contract-based co-financing or risk-sharing arrangements or arrangements established by any other means by which entities channel a financial contribution in order to finance a number of investment projects, and which may include:
 - (a) national or sub-national platforms that group together several investment projects on the territory of a given Member State;
 - (b) cross-border, multi-country, regional or macro-regional platforms that group together partners from several Member States, regions or third countries interested in projects in a given geographic area;
 - (c) thematic platforms that group together investment projects in a given sector;
- (5) ‘small and medium-sized enterprises’ or ‘SMEs’ means micro, small and medium-sized enterprises as defined in Article 2 of the Annex to Commission Recommendation 2003/361/EC ⁽¹⁾;
- (6) ‘small mid-cap companies’ means entities having up to 499 employees that are not SMEs;
- (7) ‘mid-cap companies’ means entities having up to 3 000 employees that are not SMEs or small mid-cap companies;
- (8) ‘additionality’ means additionality as defined in Article 5(1);
- (9) ***‘companies’ means for the purposes of the solvency support window companies, project companies, public-private partnerships and other legal structures.***

(1) Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36).

CHAPTER II

EUROPEAN FUND FOR STRATEGIC INVESTMENTS

Article 3

Purpose

The purpose of the EFSI shall be to support, in the Union, through the supply of risk-bearing capacity to the EIB, the following:

- (a) investments;
- (b) increased access to financing for entities having up to 3 000 employees, with a particular focus on SMEs and small mid-cap companies;
- (c) ***the solvency of companies established in a Member State and operating in the Union.***

Article 4

Terms of the EFSI Agreement

1. The Commission shall conclude an agreement with the EIB on the management of the EFSI and on the granting of the EU guarantee, in accordance with the requirements of this Regulation.

2. The EFSI Agreement shall contain, in particular, provisions concerning:

(a) the establishment of the EFSI, including:

(i) the establishment of the EFSI as a distinct, clearly identifiable and transparent facility and as a separate account managed by the EIB, the operations of which are clearly distinguished from other operations of the EIB;

(ii) the amount, of no less than EUR 7 500 000 000 in guarantees or cash, and the terms of the financial contribution which is to be provided by the EIB through the EFSI;

(iii) the terms of the funding or the guarantees which are to be provided by the EIB through the EFSI to the EIF;

(iv) the pricing of operations under the EU guarantee which is to be in line with the EIB's pricing policy; ***for the solvency support window, other arrangements may be agreed;***

(v) the procedures to contribute, without prejudice to Protocol No 5 on the Statute of the European Investment Bank annexed to the TEU and to the TFEU and the EIB prerogatives set out therein, to a reduction of the financing cost of the operation borne by the beneficiary of the EIB financing under EFSI, in particular by modulating the remuneration of the EU guarantee, where necessary in particular in situations where stressed financial market conditions would prevent the realisation of a viable project or where necessary to facilitate the establishment of investment platforms or the funding of projects in sectors or areas experiencing a significant market failure or suboptimal investment situation, to the extent it does not significantly impact the necessary financing of the provisioning of the Guarantee Fund;

(b) governance arrangements concerning the EFSI, in accordance with Article 7, without prejudice to Protocol No 5 on the Statute of the European Investment Bank annexed to the TEU and to the TFEU (the EIB Statute), including:

(i) the composition and number of members of the Steering Board;

(ii) a provision that a representative of the Commission is to chair the Steering Board meetings;

(iii) a provision that the Steering Board is to take decisions in accordance with the procedure laid down in Article 7(3);

(iv) the procedure for the appointment of the Managing Director and of the Deputy Managing Director, their remuneration and working conditions, in accordance with the Staff Regulations of the EIB, the rules

- and procedures on their replacement in their functions and on accountability, without prejudice to this Regulation;
- (v) the procedure for the appointment and dismissal of the members of the Investment Committee, their remuneration and working conditions and the voting arrangements within the Investment Committee, specifying the quorum and allocating one vote to each member;
 - (vi) the requirement that the Steering Board and the Investment Committee adopt their respective rules of procedure;
 - (vii) the requirement that financing and investment operations covered by this Regulation are to be ultimately approved by the EIB governing bodies in accordance with the EIB Statute;
 - (viii) provisions on avoidance and handling of possible conflicts of interest;
- (c) the EU guarantee, which is to be an unconditional, irrevocable, first demand guarantee in favour of the EIB, including:
- (i) in accordance with Article 11, detailed rules on the provision of the EU guarantee, including its arrangements on coverage, its defined coverage of portfolios of specific types of instruments and the respective events triggering possible calls on the EU guarantee;
 - (ii) requirements that remuneration for risk-taking be allocated among contributors to the EFSI in proportion to their respective share in the risk-taking and that remuneration to the Union and payments on the EU guarantee are to be made in a timely manner and only after remuneration and losses from operations have been netted;
 - (iii) in accordance with Article 9, requirements for the use of the EU guarantee, including the payment conditions, such as specific time frames, the interest to be paid on due amounts and the necessary liquidity arrangements;
 - (iv) in accordance with Article 11(5), provisions and procedures relating to the recovery of claims that is to be entrusted to the EIB;
- (d) in accordance with this Regulation, and in particular Articles 7(12) and 9(5) thereof, Annex II thereto, and any delegated act adopted pursuant to this Regulation, the arrangements for approval by the Investment Committee of the use of the EU guarantee for individual projects or for supporting investment platforms or funds, or national promotional banks or institutions;
- (e) the procedures for the submission and approval of investment proposals for the use of the EU guarantee, including:
- (i) the procedure for the transmission of investment proposals to the Investment Committee;
 - (ii) provisions on the information to be provided when submitting investment proposals to the Investment Committee;
 - (iii) the requirement that the procedure for submission and approval of investment proposals for the use of the EU guarantee be without prejudice to the EIB decision-making rules laid down in the EIB Statute, and in particular Article 19 thereof;
 - (iv) rules further detailing the transitional provisions which comply with Article 24 of this Regulation, and in particular the manner in which operations approved by the EIB during the period referred to in that Article are to be included under the EU guarantee coverage;
- (f) the reporting, monitoring and accountability with regard to the EFSI, including:
- (i) in accordance with Article 16, the operational reporting obligations incumbent on the EIB, where appropriate in cooperation with the EIF;
 - (ii) the financial reporting obligations with regard to the EFSI;

- (iii) in accordance with Articles 20 and 21, rules on auditing and fraud prevention;
 - (iv) key performance indicators, in particular as regards the use of the EU guarantee, the fulfilment of the objectives and criteria laid down in Articles 6 and 9 and Annex II, the mobilisation of private capital, and the macro-economic impact of the EFSI, including its effect on supporting investment;
- (g) evaluations of the functioning of the EFSI in accordance with Article 18;
 - (h) the communication and promotion strategy of the EFSI;
 - (i) the procedures and conditions for the amendment of the EFSI Agreement, upon the initiative of the Commission or of the EIB, including the obligation to report to the European Parliament and the Council on such amendment;
 - (j) any other administrative or organisational conditions necessary for the management of the EFSI in so far as they permit the proper use of the EU guarantee;
 - (k) the arrangements concerning the contributions by Member States to the EFSI in the form of guarantees or cash, and by other third parties only in the form of cash, that are not to confer upon those Member States or other third parties any right to participate in the decision-making and voting of the Steering Board.
3. The EFSI Agreement shall also provide that:
- (a) EFSI activities conducted by the EIF are to be governed by the EIF governing bodies;
 - (b) EFSI activities conducted by the EIF are to be subject to reporting requirements in accordance with Article 16;
 - (c) remuneration attributable to the Union from financing and investment operations covered by this Regulation is to be provided following the deduction of payments due to calls on the EU guarantee and, subsequently, of costs in accordance with Article 9(6) and with the EIAH Agreement.

Article 5

Additionality

1. For the purposes of this Regulation, ‘additionality’ means support by the EFSI for operations which address market failures or sub-optimal investment situations and which could not have been carried out during the period in which the EU guarantee can be used, or not to the same extent, by the EIB, the EIF or under existing Union financial instruments, without EFSI support. Projects supported by the EFSI shall support the general objectives laid down in Article 9(2), shall strive to create employment and sustainable growth and shall typically have a higher risk profile than projects supported by normal EIB operations. Overall, the EFSI portfolio shall have a higher risk profile than the portfolio of investments supported by the EIB under its normal investment policies before the entry into force of this Regulation.

To better address market failures or sub-optimal investment situations, and to facilitate, in particular, the use of investment platforms for small- scale projects, thereby ensuring complementarity and thus avoiding crowding out participants in the same market, EIB special activities supported by the EFSI shall, as a preferred way and if duly justified:

- (a) have features of subordination, including the taking of junior positions vis-à-vis other investors;
- (b) participate in risk-sharing instruments;
- (c) demonstrate cross-border characteristics;
- (d) be exposed to specific risks; or
- (e) have other aspects as further described in point (d) of Section 3 of Annex II.

Without prejudice to the requirement to meet the definition of additionality as set out in the first subparagraph, the following elements are strong indications of additionality:

- projects that carry a risk corresponding to EIB special activities, as defined in Article 16 of the EIB Statute, especially if such projects present country-, sector- or region-specific risks, in particular those experienced in less developed regions and transition regions and/or if such projects present risks associated with innovation, in particular in growth-, sustainability- and productivity-enhancing unproven technologies,
- projects that consist of physical infrastructure, including e-infrastructure, linking two or more Member States or of the extension of such infrastructure or services linked to such infrastructure from one Member State to one or more Member States,
- ***support to funds, special purpose vehicles, investment platforms or other arrangements under the solvency support window.***

2. In line with the investment guidelines laid down in Annex II, the Steering Board shall adjust the project mix as regards sectors and countries, on the basis of an ongoing monitoring of the developments of market conditions in the Member States and of the investment environment to help overcome market failures and sub-optimal investment situations including problems resulting from financial fragmentation. When carrying out that adjustment, the Steering Board shall avoid an approach which would be riskier than necessary.

Where the risk level so requires, EIB special activities shall be more broadly used under this Regulation than before the entry into force thereof. This shall in particular apply with respect to those Member States where EIB special activities have not been used or have been used only exceptionally before the entry into force of this Regulation, in order to allow for the implementation of additional operations and projects, as well as additional financing by the EIB and national promotional banks or institutions or investment platforms.

Article 6

Eligibility criteria for the use of the EU guarantee

1. The EFSI Agreement shall provide that the EFSI is to support projects which address market failures or sub-optimal investment situations and which:

- (a) are economically viable according to a cost-benefit analysis following Union standards, taking into account possible support from, and co-financing by, private and public partners to a project;

However, support under the solvency support window shall only be granted if it is to the benefit of companies that were not in difficulty in State aid terms⁸ already at the end of 2019 but since then face significant solvency risks due to the crisis caused by the Covid-19 pandemic;

- (b) are consistent with Union policies, including the objective of smart, sustainable and inclusive growth, quality job creation, and economic, social and territorial cohesion;
- (c) provide additionality;
- (d) maximise where possible the mobilisation of private sector capital; and
- (e) are technically viable.

⁸ As defined in Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1).

2. There shall be no restriction on the size of projects eligible for EFSI support for the operations conducted by the EIB or the EIF via financial intermediaries. In order to ensure that EFSI support also covers small-scale projects, the EIB and the EIF shall, where necessary and to the extent possible, extend cooperation with national promotional banks or institutions and support the possibilities provided, including through facilitating the creation of investment platforms.

3. Notwithstanding paragraph 2, the sub-operations by the financial intermediaries may be limited to a minimum size in financing and investment operations under the solvency support window.

Article 7

Governance of the EFSI

1. When carrying out their tasks under this Regulation, the Steering Board, the Investment Committee and the Managing Director shall pursue only the objectives set out in this Regulation.

1a. All institutions and bodies involved in EFSI governing structures shall endeavour to ensure gender balance in relevant EFSI governing bodies.

2. The EFSI Agreement shall provide that the EFSI is to be governed by a steering board, which, for the purpose of the use of the EU guarantee, is to determine, in conformity with the general objectives set out in Article 9(2):

- (a) the strategic orientation of the EFSI, including the allocation of the EU guarantee within the infrastructure and innovation windows and any decision to be taken under Article 11(3) and Section 7(b) of Annex II;
- (b) the operating policies and procedures necessary for the functioning of the EFSI;
- (c) the rules applicable to the operations with investment platforms and national promotional banks or institutions;
- (d) the risk profile of the EFSI;
- (e) ***the guidance referred to in Section 6 point d of Annex II.***

3. The Steering Board shall comprise five members: three appointed by the Commission, one by the EIB and one expert appointed as a non-voting member by the European Parliament. That expert shall not seek or take instructions from Union institutions, bodies, offices or agencies, from any Member State government or from any other public or private body, and shall act in full independence. The expert shall perform his or her duties impartially and in the interest of the EFSI.

The Steering Board shall elect a Chairperson from among its voting members for a fixed term of three years, renewable once. The Steering Board shall discuss and take the utmost possible account of the positions of all members. If the members cannot converge in their position, the Steering Board shall take its decisions by unanimous vote among its voting members. The minutes of Steering Board meetings shall provide a substantive account of the positions of all members.

The detailed minutes of Steering Board meetings shall be published as soon as they have been approved by the Steering Board. The European Parliament shall be immediately notified of their publication.

The Steering Board shall regularly organise a consultation of relevant stakeholders - in particular co-investors, public authorities, experts, education, training and research institutions, the relevant social partners and representatives of civil society - on the orientation and implementation of the investment policy carried out by the EIB under this Regulation.

The instruments used by the EIF for carrying out operations covered by this Regulation shall be approved jointly by the Steering Board and the Managing Director, after consulting the Investment Committee.

4. Member States and other third parties may - subject in the case of other third parties to the agreement of the Steering Board - contribute to the EFSI in the form of guarantees or cash as regards Member States, and only in the form of cash as regards other third parties. Neither Member States nor other third parties shall be granted membership of the Steering Board, nor shall they be granted a role in the appointment of other EFSI staff including members of the Investment Committee, nor shall they have any right concerning other aspects of governance of the EFSI as set out in this Regulation.

5. The EFSI Agreement shall provide that the EFSI is to have a managing director, who is to be responsible for the day-to-day management of the EFSI and the preparation and chairing of meetings of the Investment Committee referred to in paragraph 6.

The Managing Director shall be assisted by a deputy managing director. The Managing Director and the Deputy Managing Director shall participate in the meetings of the Steering Board as observers. The Managing Director shall report every quarter on the activities of the EFSI to the Steering Board.

6. Following an open and transparent selection process in line with EIB procedures, the Steering Board shall select a candidate for each of the positions of Managing Director and Deputy Managing Director.

The European Parliament and the Council shall be kept duly informed in a timely manner at all stages of the selection procedure, subject to strict confidentiality requirements. That applies regardless of the conclusion of the agreement between the European Parliament and the EIB referred to in Article 17(5).

The European Parliament shall organise as rapidly as possible, and at the latest within four weeks from the communication of the name of a selected candidate, a hearing with the candidate for each position.

Following the approval from the European Parliament, the Managing Director and the Deputy Managing Director shall be appointed by the President of the EIB for a fixed term of three years, renewable once.

7. The EFSI Agreement shall provide that the EFSI is to have an investment committee, which is to be responsible for examining potential projects in line with the EFSI investment policies and for approving the support of the EU guarantee for EIB operations for projects that comply with the requirements of Articles 6 and 9, irrespective of the geographic location, in accordance with Article 8, of such projects. Furthermore, the Investment Committee shall be the competent body for approving operations with investment platforms and national promotional banks or institutions.

8. The Investment Committee shall be composed of eight independent experts and the Managing Director. The experts of the Investment Committee shall, following an open and transparent selection procedure, be appointed by the Steering Board for a fixed term of up to three years. Their term shall be renewable but shall not exceed six years in total. The independent experts shall have a high level of relevant market experience in project structuring and project financing, as well as micro- and macro-economic expertise.

When appointing the experts of the Investment Committee, the Steering Board shall ensure that the composition of the Investment Committee is diversified, so as to ensure that it has a wide knowledge of the sectors referred to in Article 9 and of the geographic markets in the Union.

The composition of the Investment Committee shall be gender-balanced. The Steering Board shall strive to select experts having experience in investment in one or more of the following fields:

- (a) research, development and innovation;
- (b) transport infrastructures and innovative technologies for transport;
- (c) energy infrastructures, energy efficiency and renewable energy;
- (d) information and communication technologies infrastructures;

- (e) climate action, environmental protection and management;
- (f) education and training;
- (g) health and medicine;
- (h) SMEs;
- (i) cultural and creative industries;
- (j) urban mobility;
- (k) social infrastructures and the social and solidarity economy;
- (l) sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider bioeconomy.

9. When participating in the activities of the Investment Committee, its members shall perform their duties impartially and in the interests of the EFSI. When implementing the investment guidelines set out in Annex II and taking decisions on the use of the EU guarantee, they shall not seek or take instructions from the EIB, the institutions of the Union, Member States, or any other public or private body. Without prejudice to the provision of analytical, logistical and administrative support by the staff of the EIB to the Investment Committee, adequate organisational arrangements shall be established and maintained to ensure the operational independence of the Investment Committee. Any project assessment conducted by EIB staff shall not be binding on the Investment Committee for the purposes of granting the EU guarantee.

10. CVs and declarations of interest of each member of the Investment Committee shall be made public and constantly updated. Each member of the Investment Committee shall communicate without delay to the Steering Board, the Managing Director and the Deputy Managing Director all information needed to check, on an ongoing basis, the absence of any conflict of interest.

11. Following a request from the Steering Board, the contract of any member of the Investment Committee who breaches the obligations set out in paragraphs 9 and 10 shall be terminated, in accordance with applicable employment and labour law rules. The Managing Director shall be responsible for informing the Steering Board of any such breach that comes to his or her knowledge and be responsible for proposing and following up on appropriate action. The Managing Director shall exercise his or her duty of care regarding potential conflicts of interest of any member of the Investment Committee.

12. The Investment Committee shall decide on the use of the EU guarantee in accordance with this Regulation, including the investment guidelines set out in Annex II.

Decisions of the Investment Committee shall be taken by simple majority. Decisions approving the use of the EU guarantee shall be public and accessible, and shall include the rationale for the decision, with particular focus on compliance with the additionality criterion. They shall also refer to the global assessment stemming from the scoreboard of indicators referred to in paragraph 14. The publication shall not contain commercially sensitive information. In reaching its decision, the Investment Committee shall be supported by the documentation provided by the EIB.

The scoreboard, which is a tool for the Investment Committee to prioritise the use of the EU guarantee for operations that display higher scores and added value, shall be publicly available after the signature of a project. The publication shall not contain commercially sensitive information.

Commercially sensitive parts of the decisions of the Investment Committee shall be forwarded by the EIB to the European Parliament upon request subject to strict confidentiality requirements.

Twice a year, the EIB shall submit to the European Parliament, to the Council and to the Commission a list of all decisions of the Investment Committee as well as the scoreboards relating to all those decisions. That submission shall be subject to strict confidentiality requirements.

13. The Commission shall be empowered to adopt delegated acts in accordance with Article 23 to amend the non-essential elements of Sections 6 to 8 of the investment guidelines laid down in Annex II to this Regulation, without deleting any of those Sections altogether. Such delegated acts shall be prepared in close dialogue with the EIB.

14. The Commission shall be empowered to adopt delegated acts in accordance with Article 23(1) to (3) and (5) to supplement this Regulation by establishing a scoreboard of indicators to be used by the Investment Committee to ensure an independent and transparent assessment of the potential and actual use of the EU guarantee. Such delegated acts shall be prepared in close dialogue with the EIB.

The Steering Board shall, as part of the strategic orientation of the EFSI, establish a minimum score for each pillar in the scoreboard with a view to enhancing the assessment of projects.

The Steering Board may, upon request from the EIB, allow the Investment Committee to examine a project whose score in any of the pillars is below the minimum score when the global assessment contained in the scoreboard concludes that the operation related to that project would either address a significant market failure or present a high level of additionality.

CHAPTER III

EU GUARANTEE AND EU GUARANTEE FUND

Article 8

EU guarantee

The Union shall provide an irrevocable and unconditional guarantee to the EIB for financing and investment operations covered by this Regulation and by the EFSI Agreement (EU guarantee) where those operations:

- (a) are carried out within the Union; or
- (b) involve entities located or established in one or more Member States and extend to one or more third countries falling within the scope of the European Neighbourhood Policy, including the Strategic Partnership, the enlargement policy, the European Economic Area or the European Free Trade Association, or to an overseas country or territory as set out in Annex II to the TFEU, whether or not there is a partner in those third countries or overseas countries or territories.

The EU guarantee shall be granted as a guarantee on demand in respect of instruments referred to in Article 10.

Notwithstanding the first paragraph, only companies established in a Member State and operating in the Union can be supported by the financing and investment operations under the solvency support window.

Article 9

Requirements for the use of the EU guarantee

1. The granting of the EU guarantee shall be subject to the entry into force of the EFSI Agreement.
2. The EU guarantee shall be granted for EIB financing and investment operations approved by the Investment Committee or for funding or guarantees to the EIF in order to conduct EIB financing and investment operations in accordance with Article 11(3). ***The EU guarantee shall also be granted for financing and investment operations conducted by the EIF under the solvency support window.***

The EIB shall, where appropriate, delegate the appraisal, selection and monitoring of small-scale sub-projects to financial intermediaries or approved eligible vehicles, in particular investment platforms and national promotional banks or institutions as a means to increase and facilitate the access to finance for small-scale projects. Notwithstanding the third subparagraph of paragraph 5 of this Article, the Investment Committee shall not retain the right to approve the use of the EU guarantee for sub-projects delegated to financial intermediaries or approved eligible vehicles where the EFSI contribution to such sub-projects is below EUR 3 000 000. Where necessary, the Steering Board shall provide guidance on the procedure by which the Investment Committee is to decide on the use of the EU guarantee for sub-projects for which the EFSI contribution is equal to or above EUR 3 000 000.

The operations concerned shall be consistent with Union policies, ***including the European Green Deal⁹ and the Strategy on shaping Europe's digital future¹⁰, as well as supporting an inclusive and symmetric recovery in the aftermath of the COVID-19 pandemic***, and support any of the following general objectives:

- (a) research, development and innovation, in particular through:
 - (i) projects that are in line with Horizon 2020;
 - (ii) research infrastructures;
 - (iii) demonstration projects and programmes as well as deployment of related infrastructures, technologies and processes;
 - (iv) support to academia including collaboration with industry;
 - (v) knowledge and technology transfer;
- (b) development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, and the 2020, 2030 and 2050 climate and energy frameworks, in particular through:
 - (i) expansion of the use or supply of renewable energy;
 - (ii) energy efficiency and energy savings (with a focus on reducing demand through demand-side management and the refurbishment of buildings);
 - (iii) development and modernisation of energy infrastructure (in particular interconnections, smart grids at distribution level, energy storage and synchronisation of networks);
- (c) development of transport infrastructures, and equipment and innovative technologies for transport, in particular through:
 - (i) projects and horizontal priorities eligible under Regulations (EU) No 1315/2013 and (EU) No 1316/2013;
 - (ii) smart and sustainable urban mobility projects (targeting accessibility, reduction of greenhouse gas emissions, energy consumption and accidents);
 - (iii) projects connecting nodes to TEN-T infrastructures;
 - (iv) railway infrastructure, other rail projects, and maritime ports;

9. COM(2019)640 final.

10. COM(2020)67 final.

- (d) financial support through the EIF and the EIB to entities having up to 3 000 employees, with a particular focus on SMEs and small mid-cap companies, in particular through:
- (i) provision of working capital and investment;
 - (ii) provision of risk financing from seed to expansion stages for SMEs, start-ups, small mid-cap companies and mid-cap companies, to ensure technological leadership in innovative and sustainable sectors;
- (e) development and deployment of information and communication technologies, in particular through:
- (i) digital content;
 - (ia) blockchain technology;
 - (ib) internet of things;
 - (ic) cybersecurity and network protection infrastructures;
 - (ii) digital services;
 - (iii) telecommunications infrastructures of high speed;
 - (iv) broadband network;
- (f) environment and resource efficiency, in particular through:
- (i) projects and infrastructures in the field of environmental protection and management;
 - (ii) strengthening of eco-system services;
 - (iii) sustainable urban and rural development;
 - (iv) climate change actions;
- (g) human capital, culture and health, in particular through:
- (i) education and training;
 - (ii) cultural and creative industries, for which sector-specific financial mechanisms are to be authorised in interaction with the Creative Europe Programme established by Regulation (EU) No 1295/2013 of the European Parliament and of the Council ⁽¹⁾ and the Cultural and Creative Sectors Guarantee Facility established pursuant to that Regulation, in order to provide fit-for-purpose loans for those industries;
 - (iii) innovative health solutions;
 - (iv) new effective medicines;
 - (v) social infrastructures, social services, social and solidarity economy;
 - (vi) tourism;
- (h) sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider bioeconomy;
- (i) within the requirements of this Regulation for less developed regions and transition regions as listed respectively in Annexes I and II to Commission Implementing Decision 2014/99/EU ⁽²⁾, other industry and services eligible for EIB support;
- (j) ***solvency support under the solvency support window to companies referred to in Article 3(c) supporting any of the objectives referred to in this paragraph.***

(1) Regulation (EU) No 1295/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Creative Europe Programme (2014 to 2020) and repealing Decisions No 1718/2006/EC, No 1855/2006/EC and No 1041/2009/EC (OJ L 347, 20.12.2013, p. 221). (2) Commission Implementing Decision 2014/99/EU of 18 February 2014 setting out the list of regions eligible for funding from the European Regional Development Fund and the European Social Fund and of Member States eligible for funding from the Cohesion Fund for the period 2014-2020 (OJ L 50, 20.2.2014, p. 22).

While recognising the demand-driven nature of the EFSI, the EIB shall target that at least 40 % of EFSI financing under the infrastructure and innovation window support project components that contribute to climate action, in line with the commitments made at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). ~~EFSI financing for SMEs and small mid-cap companies shall not be included in that computation. The EIB shall use its internationally agreed methodology to identify those climate action project components or cost shares. The Steering Board shall, where necessary, provide detailed guidance to that end.~~

2a. While recognising the demand-driven nature of the EFSI, the EIB shall:

- (a) target that at least 40 % of EFSI financing under the infrastructure and innovation window support project components that contribute to climate action, in line with the commitments made at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). EFSI financing for SMEs and small mid-cap companies shall not be included in that computation. The EIB shall use its internationally agreed methodology to identify those climate action project components or cost shares;**
- (b) ensure that the majority of EFSI financing under the solvency support window is utilised to support eligible companies in Member States and sectors economically most hit by the Covid-19 pandemic;**
- (c) ensure that the majority of EFSI financing under the solvency support window is utilised to support eligible companies in Member States where the availability of State solvency support is more limited.**

The Steering Board shall, where necessary, provide detailed guidance concerning points (a) to (c).

3. The investment period during which the EU guarantee may be granted for supporting financing and investment operations covered by this Regulation shall last until:

- (a) 31 December 2020, for EIB operations *under the infrastructure and innovation window* for which a contract between the EIB and the beneficiary or financial intermediary has been signed by 31 December 2022;**
- (b) 31 December 2020, for EIF operations *under the SME window* for which a contract between *the EIB and the beneficiary or the EIF and* the financial intermediary has been signed by 31 December 2022.**
- (c) 31 December 2024, for EIB or EIF operations under the EU guarantee for solvency support window referred to in the third subparagraph of Article 11(1). Contracts between the EIB or EIF and the beneficiary or financial intermediary for those operations shall be by 31 December 2026 subject to the approval by the EIB or EIF governing bodies in accordance with Article 4(6) of Regulation [EURI].**

4. The EIB shall, where necessary and to the extent possible, cooperate with national promotional banks or institutions and investment platforms.

5. The EIB shall use the EU guarantee for supporting investment platforms or funds and national promotional banks or institutions that invest in operations meeting the requirements of this Regulation (eligible vehicles), after approval by the Investment Committee.

The Steering Board shall specify policies, in accordance with Article 7(2), regarding eligible vehicles referred to in the first subparagraph of this paragraph. The Investment Committee shall evaluate the conformity of such vehicles and their specific instruments seeking support from the EFSI with the policies specified by the Steering Board.

The Investment Committee may decide to retain the right to approve new projects put forward by financial intermediaries or within approved eligible vehicles.

6. In accordance with Article 17 of the EIB Statute, the EIB shall require that all its expenses relating to the EFSI are met by the beneficiaries of the financing and investment operations. Without prejudice to the second and third subparagraphs of this paragraph, no administrative expenditure or any other fees of the EIB for its financing and investment operations covered by this Regulation shall be met by the general budget of the Union.

The EIB may use the EU guarantee within a cumulated maximum limit corresponding to 1 % of the total outstanding EU guarantee obligations to cover expenses that would have been met by beneficiaries of the financing and investment operations but which have not been recovered as of the event of default.

In addition, the EIB may use the EU guarantee to meet the relevant share of any recovery costs, unless deducted from recovery proceeds, and any costs linked to liquidity management.

In the event that the EIB provides funding or guarantees to the EIF on behalf of the EFSI which are backed by the EU guarantee in accordance with Article 11(3), fees of the EIF may be met by the general budget of the Union to the extent that they are not deducted from the remuneration referred to in Article 4(2)(c)(ii) or from revenues, recoveries or other payments received by the EIF.

7. Member States may use any source of Union funding, including instruments under the European Structural and Investment Funds and the trans-European networks and industry policies, to contribute to the financing of eligible projects in which the EIB itself, or through the EIF, is investing with the support of the EU guarantee, provided that those projects comply with the eligibility criteria and the objectives and principles applicable under the legal framework of the relevant instruments and of the EFSI.

The Commission shall, as appropriate, provide guidance on combining the use of Union instruments with EIB financing under the EU guarantee, so as to ensure coordination, complementarity and synergies.

Article 10

Eligible instruments

1. For the purposes of Article 9(2) and in accordance with Article 11, the EIB shall use the EU guarantee towards risk coverage for instruments referred to in paragraph 2 of this Article.
2. The following instruments shall be eligible for coverage by the EU guarantee:
 - (a) EIB loans, guarantees, counter-guarantees, capital market instruments, any other form of funding or credit enhancement instrument, including subordinated debt, equity or quasi-equity participations, including in favour of national promotional banks or institutions, investment platforms or funds;
 - (b) EIB funding or guarantees to the EIF enabling it to undertake loans, guarantees, counter-guarantees, any other form of credit enhancement instrument, capital market instruments and equity or quasi-equity participations, including in favour of national promotional banks or institutions, investment platforms, ~~or~~ funds *or special purpose vehicles*;
 - (c) EIB guarantees to national promotional banks or institutions, investment platforms, ~~or~~ funds *or special purpose vehicles* under a counter-guarantee of the EU guarantee.

The instruments referred to in points (a) and (b) of the first subparagraph shall be granted, acquired or issued for the benefit of operations referred to in Article 8 that meet the requirements of this Regulation, where the EIB or EIF financing has been granted in accordance with a financing agreement or transaction signed or entered into by the EIB or the EIF which has not expired or been cancelled.

The eligible instruments under the solvency support window shall result in providing equity or quasi-equity to companies referred to in Article 3(c). Hybrid instruments may be used in line with Annex II if such instruments fulfil the purpose of the window.

3. EIB guarantees granted to a national promotional bank or institution under the counter-guarantee of the EU guarantee shall, where appropriate, seek to achieve capital relief.
4. In its operations under this Regulation, the EIF may grant a guarantee to a national promotional bank or institution or an investment platform or invest in an investment platform. ***Under the solvency support window, the EIF may grant a guarantee to funds and special purpose vehicles.***
5. ***The intermediaries under the solvency support window shall be established in a Member State and operate in the Union. The Steering Board shall set any necessary requirements relating to the control of intermediaries (funds, special purpose vehicles and others) in the light of any applicable public order or security considerations.***

Article 11

Coverage and terms of the EU guarantee

1. The EU guarantee shall not, at any time, exceed EUR ~~92 436 320 000~~~~26 000 000 000~~, of which a part may be allocated for EIB funding or guarantees to the EIF in accordance with paragraph 3 **or under the solvency support window**. ~~Aggregate net payments from the general budget of the Union under the EU guarantee shall not exceed EUR 26 000 000 000 and not exceed EUR 16 000 000 000 before 6 July 2018.~~

An amount of up to EUR 66 436 320 000 of the EU guarantee shall be allocated for operations under the solvency support window.

An amount of up to EUR 56 476 320 000 out of the amount referred to in the second subparagraph shall be allocated for implementing measures referred to in Article 2 of Regulation [EURI] and shall only be available as of the date referred to in Article 4(3) of that Regulation.

Aggregate net payments from the general budget of the Union under the EU guarantee shall not exceed EUR 92 436 320 000 and not exceed EUR 26 000 000 000 before [the date of entry into force of this Regulation].

2. The remuneration for risk-taking of a portfolio shall be allocated amongst contributors in proportion to their respective share in the risk-taking. The EU guarantee shall be eligible to provide either first loss guarantees on a portfolio basis or a full guarantee. The EU guarantee may be granted on a pari passu basis with other contributors.

3. Where the EIB provides funding or guarantees **under the SME window** to the EIF in order to conduct EIB financing and investment operations, the EU guarantee shall provide for a full guarantee on such funding or guarantees up to an initial limit of EUR 6 500 000 000, provided that an amount of at least EUR 4 000 000 000 of funding or guarantees is gradually provided by the EIB without coverage by the EU guarantee. Without prejudice to paragraph 1, the limit of EUR 6 500 000 000 may, where appropriate, be adjusted by the Steering Board up to a maximum of EUR 9 000 000 000, without an obligation on the EIB to match the amounts above EUR 4 000 000 000.

4. Where the EIB calls on the EU guarantee in accordance with the EFSI Agreement, the Union shall pay on demand in accordance with the terms of that Agreement.

5. Where the Union makes a payment to the EIB upon a call on the EU guarantee, the Union shall be subrogated into the relevant rights of the EIB relating to any of its financing or investment operations covered by this Regulation and the EIB shall, on behalf of the Union, pursue the recovery of claims for the amounts paid and reimburse the Union from the sums recovered in accordance with the provisions and procedures referred to in Article 4(2)(c)(iv).

6. The EU guarantee shall be granted as a guarantee on demand in respect of the instruments referred to in Article 10 and shall cover:

- (a) for debt instruments referred to in Article 10(2)(a):
 - (i) the principal and all interest and amounts due to the EIB but not received by it in accordance with the terms of the financing operations until the event of default; for subordinated debt a deferral, reduction or required exit shall be considered to be an event of default;
 - (ii) losses arising from fluctuations of currencies other than the euro in markets where possibilities for long-term hedging are limited;
- (b) for equity or quasi-equity investments referred to in Article 10(2)(a), the amounts invested and their associated funding cost and losses arising from fluctuations of currencies other than the euro;
- (c) for operations referred to in Article 10(2)(b), the amounts used and their associated funding costs.

The EU guarantee shall also cover the amounts referred to in the second, ~~and~~ third **and fourth** subparagraphs of Article 9(6).

Article 12

EU guarantee fund

1. An EU guarantee fund (guarantee fund) shall be established which shall constitute a liquidity cushion from which the EIB shall be paid in the event of a call on the EU guarantee.
2. The guarantee fund shall be endowed by:
 - (a) contributions from the general budget of the Union;
 - (b) returns on guarantee fund resources invested;
 - (c) amounts recovered from defaulting debtors in accordance with the recovery procedure laid down in the EFSI Agreement as provided for in Article 4(2)(c)(iv);
 - (d) revenues and any other payments received by the Union in accordance with the EFSI Agreement.
 - (e) ***an amount of EUR 28 238 160 000 out of the amount referred to in point (ii) of Article 3(2)(c) of Regulation [EURI].***
3. Endowments to the guarantee fund provided for in points (b), (c) and (d) of paragraph 2 of this Article shall constitute internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council ⁽¹⁾.

Endowment to the guarantee fund provided for in point (e) of paragraph 2 of this Article shall constitute an external assigned revenue in accordance with Article 21(5) of the Financial Regulation.
4. The resources of the guarantee fund provided to it under paragraph 2 shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules.
5. Endowments to the guarantee fund referred to in ***points (a) to (d) of paragraph 2 and endowment referred to in point (e) of paragraph 2*** shall be used to reach an appropriate level (target amount) to reflect the total EU guarantee obligations. The target amount shall be set at ***45,835*** % of the total EU guarantee obligations.
6. Following an assessment of the adequacy of the level of the guarantee fund in accordance with the report provided for in Article 16(6), the following payments shall be made:
 - (a) any surplus shall be paid to the general budget of the Union as internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012 for any budget lines which may have been used as a source of redeployment to the guarantee fund;
 - (b) any replenishment of the guarantee fund shall be paid in annual tranches during a maximum period of three years starting in the year n+1.
7. From 1 ~~January~~ **July 2028** 2018, if as a result of calls on the EU guarantee, the level of the guarantee fund falls below 50 % of the target amount, or it could fall below that level within a year according to a risk assessment by the Commission, the Commission shall submit a report on any exceptional measures that could be required.

(1) Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

8. After a call on the EU guarantee, endowments to the guarantee fund provided for in points (b) and (d) of paragraph 2 of this Article above the target amount shall be used within the limits of the investment period provided for in Article 9 to restore the EU guarantee to its full amount.
9. Endowments to the guarantee fund provided for in point (c) of paragraph 2 shall be used to restore the EU guarantee to its full amount.
10. In the event that the EU guarantee is fully restored to an amount of EUR ~~92 436 320 000~~ 26 000 000 000, any amount in the guarantee fund in excess of the target amount shall be paid to the general budget of the Union as ~~internal assigned revenue in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012 for any budget lines which could have been used as a source of redeployment to the guarantee fund.~~

Article 13

Financing of the guarantee fund from the general budget of the Union

Regulation (EU) No 1291/2013 and Regulation (EU) No 1316/2013 are amended as set out in Annex I to this Regulation.

If necessary, payment appropriations may be entered in the general budget of the Union beyond 2020 and up to and including the financial year ~~2023~~ 2027 to fulfil the obligations stemming from ~~the second subparagraph of Article 12(5).~~

The annual appropriations from the general budget of the Union for provisioning the guarantee fund shall be authorised by the European Parliament and by the Council within the framework of the annual budgetary procedure in full compliance with Council Regulation (EU, Euratom) No 1311/2013 ⁽¹⁾.

CHAPTER IIIa

Article 13a

Participation in a capital increase of the European Investment Fund

The Union shall subscribe shares in forthcoming capital increases of the European Investment Fund so that its relative share in the capital remains at current level. The subscription of the shares and the payment of up to EUR 500 000 000 of the paid-in part of the shares shall be carried out in accordance with the terms and conditions that shall be approved by the General Meeting of the Fund.

CHAPTER IV

EUROPEAN INVESTMENT ADVISORY HUB

Article 14

European Investment Advisory Hub

1. The European Investment Advisory Hub (EIAH) shall have as its objective to build upon existing EIB and Commission advisory services in order to provide advisory support for the identification, preparation and development of investment projects and to act as a single technical advisory hub for project financing within the Union. Such support shall include the provision of targeted support on the use of technical assistance for project structuring, on the use of innovative financial instruments, on the use of public-private partnerships and on the provision of information, as appropriate, on relevant issues relating to Union law, taking into account the specificities and needs of Member States with less developed financial markets, as well as the situation in different sectors.

(1) Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

The EIAH shall be able to provide technical assistance in the areas listed in Article 9(2), in particular energy efficiency, TEN-T and urban mobility. It shall also support the preparation of climate action and circular economy projects or components thereof, in particular in the context of COP21, the preparation of projects in the digital sector, as well as the preparation of projects referred to in the second indent of the third subparagraph of Article 5(1).

2. The EIAH shall provide services in addition to those already available under other Union programmes, including:

- (a) providing a single point of entry for technical assistance for authorities and project promoters;
- (b) assisting project promoters, where appropriate, in developing their projects so that they fulfil the eligibility criteria set out in Article 6;
- (c) leveraging local knowledge to facilitate EFSI support across the Union and contributing actively where possible to the objective of sectorial and geographical diversification of the EFSI referred to in Section 8 of Annex II by supporting the EIB and national promotional banks or institutions to originate and develop operations, in particular in less developed regions and transition regions, and, where necessary, by helping to structure demand for EFSI support;
- (d) providing a platform for peer-to-peer exchange and sharing of know-how regarding project development;
- (e) providing proactive, advisory support, where necessary by means of local presence, on the establishment of investment platforms, in particular cross-border and macroregional investment platforms involving several Member States and/or regions;
- (f) using the potential of attracting and financing small-scale projects, including through investment platforms;
- (g) providing advice on the combination of other sources of Union funding, such as the European Structural and Investment Funds, Horizon 2020 and the Connecting Europe Facility established by Regulation (EU) No 1316/2013, with the EFSI with a view to resolving practical problems linked to the use of such combined sources of funding;
- (h) providing proactive support to promote and encourage the operations referred to in point (b) of the first paragraph of Article 8;
- (i) ***providing support to financing and investment operations under the solvency support window.***

3. EIAH services shall be available for public and private project promoters, including national promotional banks or institutions, ~~and~~ investment platforms, ~~or~~ funds, ***special purpose vehicles*** and regional and local public entities.

4. Fees charged by the EIB for EIAH services under paragraph 2 shall be used for covering costs of the EIAH operations and for providing those services. Fees charged to SMEs shall be capped at one third of the cost of the technical assistance provided to them. EIAH services provided to public project promoters in addition to those already available under Union programmes shall be free of charge.

5. In order to achieve the objective referred to in paragraph 1 and to facilitate the provision of advisory support at local level, the EIAH shall seek to use the expertise of the EIB, the Commission, national promotional banks or institutions, and the managing authorities of the European Structural and Investment Funds.

5a. The EIB shall propose to project promoters applying for EIB financing, including in particular small-scale projects, to refer their projects to the EIAH in order to enhance, where appropriate, the preparation of their projects and/or to allow for the assessment of the possibility of bundling projects through investment platforms. It shall also inform promoters of projects for which EIB financing has been denied, or which are experiencing

a financing gap in spite of possible EIB financing, of the possibility of listing their projects on the European Investment Project Portal.

6. In order to ensure broad coverage of services provided by the EIAH across the whole Union, the EIAH shall cooperate where possible with providers of similar services at Union, regional, national or sub-national level. Cooperation between, on the one hand, the EIAH and, on the other hand, a national promotional bank or institution, an international financial institution or an institution or a managing authority, including those acting as a national advisor, having expertise relevant for the purposes of the EIAH, may take the form of a contractual partnership. The EIAH shall endeavour to conclude at least one cooperation agreement with a national promotional bank or institution per Member State. In Member States where national promotional banks or institutions do not exist, the EIAH shall provide, where appropriate, and at the request of the Member State concerned, proactive advisory support on the establishment of such bank or institution.
- 6a. In order to develop a wide geographic outreach of the advisory services across the Union and to successfully leverage local knowledge about the EFSI, a local presence of the EIAH shall be ensured where necessary, taking into account existing support schemes, with a view to providing tangible, proactive, tailor-made assistance on the ground. It shall be established in particular in Member States or regions that face difficulties in developing projects under the EFSI. The EIAH shall assist in the transfer of knowledge to the regional and local level with a view to building up regional and local capacity and expertise.
7. An annual reference amount of EUR 20 000 000 shall be made available from the general budget of the Union to contribute towards covering the costs of EIAH operations until 31 December 2020 for the services referred to in paragraph 2, insofar as those costs are not covered by the remaining amount from fees referred to in paragraph 4.
8. The Commission shall conclude an agreement with the EIB for the implementation of the EIAH within the EIB (EIAH Agreement).

The EIAH Agreement shall contain in particular provisions on the necessary financing of the EIAH in accordance with paragraph 7.

9. By 1 September 2016, and annually thereafter, the EIB shall submit a report to the European Parliament, to the Council and to the Commission with regard to the services provided by the EIAH under paragraph 2 and the execution of its budget. That report shall include information on the fees received and the use thereof.

Article 14a

Financing of advisory services and technical assistance

An amount of up to EUR 100 000 000 shall be made available for covering costs, advisory services and technical and administrative assistance to set-up and manage funds, special purpose vehicles, investment platforms and other vehicles for the purposes of the solvency support window including for support referred to in point (i) of Article 14(2) and having a special focus on Member States with less developed equity markets. The technical assistance shall also be available to support the green and digital transformation of companies financed under this window.

The Commission shall implement this amount under direct or indirect management as referred to in points (a) and (c) of Article 62(1) of the Financial Regulation.

An amount of EUR 80 000 000 out of the amount referred to in the first subparagraph shall constitute an external assigned revenue in accordance with Article 21(5) of the Financial Regulation and shall be subject to Article 4(4) and (8) of the [EURI] Regulation.

CHAPTER V

EUROPEAN INVESTMENT PROJECT PORTAL

Article 15

European Investment Project Portal

1. The Commission, with the support of the EIB, shall create a transparent European investment project portal (EIPP) gathering current and future investment projects in the Union. It shall constitute a publicly accessible and user-friendly project database, providing relevant information for each project.
2. The EIPP shall primarily be for the purpose of visibility to investors and for information purposes. The inclusion of projects in the EIPP shall be without prejudice to the decisions on the final projects selected for support under this Regulation, under any other instrument of the Union, or for public funding.
3. Member States may contribute to the establishment and management of the EIPP.
4. A non-refundable fee may be charged to private project promoters for processing project applications for admission to the EIPP. The fee revenue collected shall constitute external assigned revenue for the EIPP in accordance with Article 21(4) of Regulation (EU, Euratom) No 966/2012.

CHAPTER VI

REPORTING, ACCOUNTABILITY AND EVALUATION

Article 16

Reporting and accounting

1. The EIB, in cooperation with the EIF where appropriate, shall submit every six months a report to the Commission on EIB financing and investment operations covered by this Regulation. The report shall include an assessment of compliance with the requirements on the use of the EU guarantee and with the key performance indicators referred to in Article 4(2)(f)(iv). The report shall also include statistical, financial and accounting data on each EIB financing and investment operation and on an aggregated basis. Once a year, the report shall also include information on barriers to investment encountered by the EIB when carrying out investment operations covered by this Regulation.
2. The EIB, in cooperation with the EIF where appropriate, shall submit an annual report to the European Parliament and to the Council on EIB financing and investment operations covered by this Regulation. The report shall be made public and shall include:
 - (a) an assessment of EIB financing and investment operations at operation, sector, country and regional levels and their compliance with this Regulation, in particular with the criterion of providing additionality, together with an assessment of the allocation of EIB financing and investment operations between the general objectives set out in Article 9(2);
 - (b) an assessment of the added value, the mobilisation of private sector resources, the estimated and actual outputs and the outcomes and impact of EIB financing and investment operations on an aggregated basis, including the impact on employment creation;
 - (c) an assessment of the extent to which operations covered by this Regulation contribute to the achievement of the general objectives set out in Article 9(2) including an assessment of the level of EFSI investments in the areas of research, development and innovation and transport (including TEN-T and urban mobility), telecommunications, energy infrastructure and energy efficiency;
 - (d) an assessment of the compliance with the requirements concerning the use of the EU guarantee and with the key performance indicators referred to in Article 4(2)(f)(iv);

- (e) an assessment of the leverage effect achieved by EFSI-supported projects;
- (f) a description of the projects where the support of the European Structural and Investment Funds is combined with the support of the EFSI, and the total amount of the contributions from each source;
- (g) the financial amount transferred to beneficiaries and an assessment of EIB financing and investment operations on an aggregated basis;
- (h) an assessment of the added value of EIB financing and investment operations, and of the aggregate risk associated with those operations;
- (i) detailed information on calls on the EU guarantee, losses, returns, amounts recovered and any other payments received;
- (j) the financial reports on EIB financing and investment operations covered by this Regulation audited by an independent external auditor.

Operations under the solvency support window shall be reported on separately, as appropriate and as set out in the guarantee agreement.

3. For the purposes of the Commission's accounting, its reporting of the risks covered by the EU guarantee and its management of the guarantee fund, the EIB, in cooperation with the EIF where appropriate, shall provide the Commission and the Court of Auditors annually with:
 - (a) the risk assessment of the EIB and of the EIF and grading information concerning EIB financing and investment operations covered by this Regulation;
 - (b) the outstanding financial obligation for the Union arising from the EU guarantee provided towards EIB financing and investment operations covered by this Regulation, broken down by individual operations;
 - (c) the total profits or losses deriving from EIB financing and investment operations within the portfolios referred to in Article 4(2)(c)(i);

Annual financial statements of the EU guarantee, prepared in compliance with the accounting rules as adopted by the Accounting Officer of the Commission as referred to in Article 80 of the Financial Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union. The unaudited financial statements and any information necessary to produce the Union accounts shall be provided by the EIB group by 15 February of the following financial year and audited financial statements by 31 March of the following financial year.

4. The EIB – where appropriate in cooperation with the EIF – shall, upon request, provide to the Commission any additional information necessary to fulfil the Commission's obligations in relation to this Regulation.
5. The EIB and, where appropriate, the EIF shall provide the information referred to in paragraphs 1 to 4 at their own expense.
6. By 31 March of each year, the Commission shall submit to the European Parliament, to the Council and to the Court of Auditors, in the context of the financial statements of the Commission, the required information on the situation of the guarantee fund. In addition, it shall, by 31 May of each year, submit to the European Parliament, to the Council and to the Court of Auditors an annual report on the management of the guarantee fund in the previous calendar year, including an assessment of the adequacy of the target amount and the level of the guarantee fund and of the need for its replenishment. The annual report shall contain the presentation of the financial position of the guarantee fund at the end of the previous calendar year, the

financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts. The report shall also include information about the financial management, the performance and the risk of the guarantee fund at the end of the previous calendar year.

Article 17

Accountability

1. At the request of the European Parliament or of the Council, the Chairperson of the Steering Board and the Managing Director shall report on the performance of the EFSI to the requesting institution, including, where the European Parliament makes such a request, by participating in a hearing before the European Parliament. In addition, at the request of the European Parliament or of the Council, the Managing Director shall report on the work of the Investment Committee to the requesting institution.
2. The Chairperson of the Steering Board and the Managing Director shall reply orally or in writing to questions addressed to the EFSI by the European Parliament or by the Council, in any event within five weeks of the date of receipt of a question. In addition, the Managing Director shall reply orally or in writing to the European Parliament or to the Council to questions regarding the work of the Investment Committee.
3. At the request of the European Parliament or of the Council, the Commission shall submit a report on the application of this Regulation.
4. At the request of the European Parliament, the President of the EIB shall participate in a hearing of the European Parliament that concerns EIB financing and investment operations covered by this Regulation. The President of the EIB shall, within five weeks of the date of receipt, reply orally or in writing to questions addressed to the EIB by the European Parliament or the Council concerning EIB financing and investment operations covered by this Regulation.
5. An agreement shall be concluded between the European Parliament and the EIB on the detailed arrangements for the exchange of information between the European Parliament and the EIB under this Regulation, including on the selection procedure for the Managing Director and the Deputy Managing Director.

Article 18

Evaluation and Review

1. By 5 January 2017, the EIB shall evaluate the functioning of the EFSI. The EIB shall submit its evaluation to the European Parliament, the Council and the Commission.
2. By 5 January 2017, the Commission shall evaluate the use of the EU guarantee and the functioning of the guarantee fund. The Commission shall submit its evaluation to the European Parliament and the Council. That evaluation shall be accompanied by an opinion of the Court of Auditors.
3. By 30 June 2018, **by 30 December 2021** and every three years thereafter:
 - (a) the EIB shall publish a comprehensive report on the functioning of the EFSI, which shall include an evaluation of the impact of the EFSI on investment in the Union, employment creation and access to financing for SMEs and mid-cap companies;
 - (b) the Commission shall publish a comprehensive report on the use of the EU guarantee and the functioning of the guarantee fund.
4. The EIB, in cooperation with the EIF as appropriate, shall contribute to and provide the necessary information for the Commission evaluation and report under paragraphs 2 and 3 respectively.
5. The EIB and the EIF shall, on a regular basis, provide the European Parliament, the Council and the Commission with all of their independent evaluation reports which assess the impact and practical results achieved by the activities of the EIB and the EIF under this Regulation.

6. Both before the tabling of any new proposal in the framework of the multiannual financial framework starting in 2021 and at the end of the investment period, the Commission shall submit to the European Parliament and to the Council a report containing an independent evaluation of the application of this Regulation, which shall include:
 - (a) an assessment of the functioning of the EFSI, the use of the EU guarantee and the functioning of the EIAH;
 - (b) an assessment of whether the EFSI consists of a good use of resources of the general budget of the Union, mobilises a sufficient level of private capital, and crowds-in private investment;
 - (c) an assessment of whether maintaining a scheme for supporting investment is useful from a macroeconomic point of view;
 - (d) at the end of the investment period, an assessment of the application of the procedure referred to in Article 4(2)(a)(v).
7. Taking due account of the first report containing an independent evaluation as referred to in paragraph 6, the Commission shall, if appropriate, put forward a legislative proposal together with an appropriate financing under the multiannual financial framework starting in 2021.
8. The reports referred to in paragraph 6 of this Article shall include an evaluation concerning the use of the scoreboard referred to in Article 7(14) and Annex II, in particular with regard to the consideration of the appropriateness of each pillar and their respective roles in the assessment. The report shall, if appropriate and duly justified by its findings, be accompanied by a proposal for a revision of the delegated act referred to in Article 7(14).

CHAPTER VII

GENERAL PROVISIONS

Article 19

Transparency and public disclosure of information

In accordance with its transparency policies and general Union principles on access to documents and information, the EIB shall make publicly available on its website information relating to all EIB financing and investment operations covered by this Regulation, including on the role of financial intermediaries, and relating to the manner in which those operations contribute to the general objectives set out in Article 9(2).

The EIB and the EIF shall inform, or shall oblige financial intermediaries to inform, the final beneficiaries, including SMEs, of the existence of EFSI support by making that information visible, particularly in the case of SMEs, in the relevant agreement providing EFSI support, thereby increasing public awareness and improving visibility.

Article 20

Auditing by the Court of Auditors

1. The external audit of the activities undertaken in accordance with this Regulation shall be carried out by the Court of Auditors in accordance with Article 287 TFEU.
2. For the purpose of paragraph 1 of this Article, the Court of Auditors shall, at its request and in accordance with Article 287(3) TFEU, be granted full access to any document or information necessary to carry out its task.

Article 21

Anti-fraud measures

1. The EIB shall notify OLAF promptly and provide it with the necessary information when, at any stage of the preparation, implementation or closure of financing and investment operations covered by this Regulation, it has grounds for suspecting fraud, corruption, money laundering or any other illegal activity that may affect the financial interests of the Union.
2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council ⁽¹⁾, Council Regulation (Euratom, EC) No 2185/96 ⁽²⁾ and Council Regulation (EC, Euratom) No 2988/95 ⁽³⁾ in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption, money laundering or any other illegal activity affecting the financial interests of the Union in connection with any financing and investment operations covered by this Regulation. OLAF may transmit any information obtained in the course of its investigations to the competent authorities of the Member States concerned.

Where such illegal activities are proven, the EIB shall undertake recovery efforts with respect to its financing and investment operations covered by this Regulation that are concerned by such activities.

3. Financing agreements signed in relation to financing and investment operations covered by this Regulation shall include clauses allowing exclusion from EIB financing and investment operations and, if necessary, appropriate recovery measures in cases of fraud, corruption or other illegal activity in accordance with the EFSI Agreement, EIB policies and applicable regulatory requirements. The decision whether to apply an exclusion from EIB financing and investment operations covered by this Regulation shall be taken in accordance with the relevant financing or investment agreement.

(1) Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

(2) Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

(3) Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

Excluded activities and non-cooperative jurisdictions

1. In their financing and investment operations covered by this Regulation, the EIB and the EIF shall comply with applicable Union legislation and agreed international and Union standards and, therefore, shall not support projects under this Regulation that contribute to money laundering, terrorism financing, tax avoidance, tax fraud or tax evasion.

In addition, the EIB and the EIF shall not enter into new or renewed operations with entities incorporated or established in jurisdictions listed under the relevant Union policy on non-cooperative jurisdictions, or that are identified as high-risk third countries pursuant to Article 9(2) of Directive (EU) 2015/849 of the European Parliament and of the Council ⁽¹⁾, or that do not effectively comply with Union or internationally agreed tax standards on transparency and exchange of information.

When concluding agreements with financial intermediaries, the EIB and the EIF shall transpose the requirements referred to in this Article into the relevant agreements and shall request the financial intermediaries to report on their observance.

The EIB and the EIF shall review their policy on non-cooperative jurisdictions at the latest following the adoption of the Union list of non-cooperative jurisdictions for tax purposes.

Every year thereafter, the EIB and the EIF shall submit a report to the European Parliament and to the Council on the implementation of their policy on non-cooperative jurisdictions in relation to EFSI financing and investment operations including country-by-country information and a list of intermediaries with which they cooperate.

2. In its financing and investment operations covered by this Regulation, the EIB shall apply the principles and standards set out in Union law on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and in particular in Regulation (EU) 2015/847 of the European Parliament and of the Council ⁽²⁾ and Directive (EU) 2015/849 of the European Parliament and of the Council ⁽³⁾. In particular, the EIB shall make both direct funding and funding via intermediaries under this Regulation contingent upon the disclosure of beneficial ownership information in accordance with Directive (EU) 2015/849.

(1) Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).

(2) Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006 (OJ L 141, 5.6.2015, p. 1).

(3) Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).

Article 23

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 7(13) and (14) shall be conferred on the Commission for a period of five years from 4 July 2015. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of that five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.

The delegation of power referred to in Article 7(13) and (14) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

3. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
4. A delegated act adopted pursuant to Article 7(13) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of one month of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by one month at the initiative of the European Parliament or of the Council.
5. The delegated act that first establishes the scoreboard and is adopted pursuant to Article 7(14) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of three weeks of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by three weeks at the initiative of the European Parliament or of the Council.

As regards any further delegated act adopted pursuant to Article 7(14), paragraph 4 of this Article shall apply *mutatis mutandis*.

CHAPTER VIII
TRANSITIONAL AND FINAL PROVISIONS

Article 24

Transitional provision

1. The EIB and the EIF may submit to the Commission financing and investment operations approved by them during the period from 1 January 2015 until the EFSI Agreement has been concluded and the first appointments of all the members of the Investment Committee and of the Managing Director following the date of entry into force of this Regulation have been made.
2. The Commission shall assess the operations referred to in paragraph 1 and, where they comply with the eligibility criteria set out in Article 6, the general objectives set out in Article 9(2) and Annex II, decide that the EU guarantee coverage extends to them.
3. ***The EIB may submit to the Investment Committee after the entry into force of this Regulation financing and investment operations approved by its governing bodies during the period from the adoption of the Commission proposal to amend Regulation (EU) 2015/2017 until the signature of the amended guarantee agreement resulting from the amended Regulation if such operations fulfil the requirements for support under the solvency support instrument. Operations to be submitted to the Investment Committee must not have benefited from the support of the EU guarantee previously.***
4. ***Once the Investment Committee foreseen in the InvestEU Regulation has taken up its functions, it will also become responsible for granting the EU guarantee under this Regulation.***

Article 25

Entry into force

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

ANNEX I

AMENDMENTS TO REGULATION (EU) NO 1291/2013 AND REGULATION (EU) NO 1316/2013

(1) Regulation (EU) No 1291/2013 is hereby amended as follows:

(a) In Article 6, paragraphs 1, 2 and 3 are replaced by the following:

‘1. The financial envelope for the implementation of Horizon 2020 is set at EUR 74 828,3 million in current prices, of which a maximum of EUR 72 445,3 million shall be allocated to activities under Title XIX TFEU.

The annual appropriations shall be authorised by the European Parliament and by the Council within the limits of the multiannual financial framework.

2. The amount for activities under Title XIX TFEU shall be distributed among the priorities set out in Article 5(2) of this Regulation as follows:

(a) Excellent science, EUR 24 232,1 million in current prices;

(b) Industrial leadership, EUR 16 466,5 million in current prices; (c) Societal challenges, EUR 28 629,6 million in current prices.

The maximum overall amount for the Union financial contribution from Horizon 2020 to the specific objectives set out in Article 5(3) and to the non-nuclear direct actions of the JRC shall be as follows:

(i) Spreading excellence and widening participation, EUR 816,5 million in current prices;

(ii) Science with and for society, EUR 444,9 million in current prices;

(iii) Non-nuclear direct actions of the JRC, EUR 1 855,7 million in current prices.

The indicative breakdown for the priorities and specific objectives set out in Article 5(2) and (3) is set out in Annex II.

3. The EIT shall be financed through a maximum contribution from Horizon 2020 of EUR 2 383 million in current prices as set out in Annex II.’.

(b) Annex II is replaced by the following text:

ANNEX II

Breakdown of the budget

The indicative breakdown for Horizon 2020 is as follows, subject to the annual budgetary procedure:

	EUR million in current prices
I Excellent science, of which:	24 232,1
1. European Research Council (ERC)	13 094,8
2. Future and Emerging Technologies (FET)	2 585,4
3. Marie Skłodowska-Curie actions	6 162,3
	EUR million in current prices

4. Research infrastructures	2 389,6
II Industrial leadership, of which:	16 466,5
1. Leadership in enabling and industrial technologies (*), (***)	13 035
2. Access to risk finance (**)	2 842,3
3. Innovation in SMEs (***)	589,2
III Societal challenges, of which (****)	28 629,6
1. Health, demographic change and well-being	7 256,7
2. Food security, sustainable agriculture and forestry, marine, maritime and inland water research, and the bioeconomy	3 707,7
3. Secure, clean and efficient energy	5 688,1
4. Smart, green and integrated transport	6 149,4
5. Climate action, environment, resource efficiency and raw materials	2 956,5
6. Europe in a changing world – Inclusive, innovative and reflective societies	1 258,5
7. Secure societies – Protecting freedom and security of Europe and its citizens	1 612,7
IV Spreading excellence and widening participation	816,5
V Science with and for society	444,9
VI Non-nuclear direct actions of the Joint Research Centre (JRC)	1 855,7
VII The European Institute of Innovation and Technology (EIT)	2 383
TOTAL	74 828,3

(*) Including EUR 7 423 million for Information and Communication Technologies (ICT) of which EUR 1 549 million for photonics and micro-and nanoelectronics, EUR 3 741 million for nanotechnologies, advanced materials and advanced manufacturing and processing, EUR 501 million for biotechnology and EUR 1 403 million for space. As a result, EUR 5 792 million will be available to support Key Enabling Technologies.

(**) Around EUR 994 million of this amount may go towards the implementation of Strategic Energy Technology Plan (SET Plan) projects. Around one third of this may go to SMEs.

(***) Within the target of allocating a minimum of 20 % of the total combined budgets for the specific objective “Leadership in enabling and industrial technologies” and the priority “Societal challenges” for SMEs, a minimum of 5 % of those combined budgets will be initially allocated to the dedicated SME instrument. A minimum of 7 % of the total budgets of the specific objective “Leadership in enabling and industrial technologies” and the priority “Societal challenges” will be allocated to the dedicated SME instrument averaged over the duration of Horizon 2020.

(****) The Fast Track to Innovation (FTI) pilot actions will be funded from the specific objective “Leadership in enabling and industrial technologies” and from the relevant specific objectives of the priority “Societal challenges”. A sufficient number of projects will be launched in order to allow a full evaluation of the FTI pilot.’.

(2) Regulation (EU) No 1316/2013 is amended as follows:

(a) In Article 5, paragraph 1 is replaced by the following:

‘1. The financial envelope for the implementation of the CEF for the period 2014 to 2020 is set at EUR 30 442 259 000 in current prices. That amount shall be distributed as follows:

(a) transport sector: EUR 24 050 582 000, of which EUR 11 305 500 000 shall be transferred from the Cohesion Fund to be spent in line with this Regulation exclusively in Member States eligible for funding from the Cohesion Fund;

(b) telecommunications sector: EUR 1 041 602 000; (c) energy sector: EUR 5 350 075 000.

These amounts are without prejudice to the application of the flexibility mechanism provided for under Council Regulation (EU, Euratom) No 1311/2013 (*).

(*) Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-20 (OJ L 347, 20.12.2013, p. 884).’;

(b) In Article 14, paragraph 2 is replaced by the following:

‘2. The overall contribution from the Union budget to the financial instruments shall not exceed 8,4 % of the overall financial envelope of the CEF as referred to in Article 5(1).’;

(c) In Article 21, paragraph 4 is replaced by the following:

‘4. The Commission shall be empowered to adopt delegated acts in accordance with Article 26 to raise the ceiling set out in Article 14(2) up to 10 %, provided the following conditions are met:

(i) the evaluation of the pilot phase of the Project Bond Initiative carried out in 2015 is positive; and

(ii) the take-up of financial instruments exceeds 6,5 % in terms of project contractual commitments.’.

EFSI INVESTMENT GUIDELINES

1. Scope

The purpose of the investment guidelines shall be to serve together with this Regulation as a basis for the Investment Committee to decide in a transparent and independent manner on the use of the EU guarantee for EIB operations that are eligible under the EFSI in conformity with the objectives and any other relevant requirements laid down in this Regulation.

The investment guidelines are based on the principles established by this Regulation with regard to general objectives, eligibility criteria, eligible instruments and the definition of additionality. They complement this Regulation by (i) giving further guidance on eligibility, (ii) providing a risk framework for operations, (iii) defining sector and geographic diversification thresholds, and (iv) defining criteria to assess the contribution to the EFSI objectives to facilitate prioritisation.

The investment guidelines only apply to EFSI operations relating to the debt and equity instruments referred to in Article 10(2)(a) of this Regulation **and to EFSI operations under the Solvency Support Window referred to in Articles 10(2)(b) and 10(2)(c).** ~~and~~ **The guidelines** are thus not applicable to EFSI operations relating to the instruments referred to in Article 10(2)(b) **) other than those supported under the Solvency Support Window.**

2. Eligible Counterparts, Project Types and Instruments

(a) The eligible counterparts to benefit from the EU guarantee shall include:

- entities of all sizes, including utilities, SPVs or project companies, SMEs or mid-cap companies;
- national promotional banks or institutions or financial institutions for intermediation;
- equity/debt funds and any other form of collective investment vehicles;
- investment platforms;
- public sector entities (territorial or not, but excluding operations with such entities giving rise to direct Member State risk) and public-sector type entities.

(b) The EU guarantee shall be granted to support, directly or indirectly, the financing of new operations. In the infrastructure field, greenfield investments (asset creation) should be encouraged. Brownfield investments (extension and modernisation of existing assets) may also be supported. ***Under the Solvency Support Window, financing shall aim at improving the equity base of companies and their solvency. The terms of the financing should avoid distorting competition between companies.*** As a rule, the EU guarantee shall not be granted for supporting refinancing operations (such as replacing existing loan agreements or other forms of financial support for projects which have already partially or fully materialised), except ***under the Solvency Support Window or*** in exceptional and well-justified circumstances where it is demonstrated that such a transaction will enable a new investment of an amount at least equivalent to the amount of the transaction and that would fulfil the eligibility criteria and general objectives laid down in Article 6 and Article 9(2) respectively.

EFSI support to motorways shall be limited to private and/or public investment as concerns:

- transport in cohesion countries, in less developed regions or in cross-border transport projects,
- upgrading, maintaining or improving road safety, development of intelligent transport systems' (ITS) devices or guaranteeing the integrity and standards of existing motorways on the trans-European transport network, in particular safe parking areas, alternative clean fuels stations and electric charging systems,
- contributing to the completion of the trans-European transport network by 2030.

EFSI support shall also be explicitly possible for maintaining and upgrading existing transport infrastructure.

- (c) The EU guarantee shall support a wide range of products to allow the EFSI to adapt to market needs while encouraging private investment in projects, without crowding out private market finance. In this context, it is expected that the EIB will provide financing under the EFSI with a view to reach an overall target of at least EUR 500 000 000 000 of public or private investment ***under the Infrastructure and Innovation Window and under the SME Window together, which includes*** ~~including~~ financing mobilised through the EIF under EFSI operations relating to the instruments referred to in Article 10(2)(b), national promotional banks or institutions and through increased access to financing for entities having up to 3 000 employees. The eligible products shall include inter alia ⁽¹⁾ loans, guarantees /counter-guarantees, mezzanine and subordinated finance, capital market instruments including credit enhancement, and equity or quasi-equity participations, including through national promotional banks or institutions, investment platforms, ~~or~~ ~~funds~~ ***or special purpose vehicles***. In this context, in order to allow a broad range of investors to invest in EFSI projects, the EIB shall be allowed to structure appropriate portfolios. ***Under the Solvency Support Window the eligible products shall consist of those that result in providing investments, intermediated equity or quasi-equity to companies and projects, but excluding entities targeting buy-out (or replacement capital) intended for asset stripping. It is expected that EIB and EIF will provide financing with a view to reach a target of up to EUR 300 000 000 000 of investment under the Solvency Support Window.***
- (d) National promotional banks or institutions, ~~and~~ investment platforms, ~~or~~ ~~funds~~ ***and special purpose vehicles*** shall be eligible for coverage by the EIB guarantee under the counter-guarantee of the EU guarantee in accordance with Article 10(2)(c). The decision to grant that EIB guarantee shall strive to mobilise investments at both the national and regional level and to exploit the complementary expertise, the specific comparative advantages, and the scope of such entities, for the benefit of the EFSI initiative.

3. Additionality

The EU guarantee shall be granted in support of operations that meet the criterion of providing additionality as defined in Article 5(1) of this Regulation. The following general principles shall also apply:

- (a) in order to avoid duplication of existing financial instruments, the EU guarantee may complement, be combined with, or strengthen or enhance existing Union programmes or other sources of Union funds or joint instruments;
- (b) over the course of the EFSI investment period, investment supported by the EFSI shall in principle not crowd out the use of other Union financial instruments;
- (c) attention shall be paid to the complementarity of new infrastructure and innovation window products focusing on SMEs and small mid-cap companies with existing EU financial instruments and EFSI financial instruments under the SME window so that the highest level of efficient use of financial resources is achieved. Nonetheless, a cumulative use of instruments shall be possible in particular in cases where the usual support is not sufficient to kick-start investments;
- (d) presence of one or more of the following features would typically lead to the classification of operations as EIB special activities:
- subordination in relation to other lenders, including national promotional banks or institutions and private lenders,
 - participation in risk-sharing instruments where the position taken exposes the EIB to high-risk levels,
 - exposure to specific risks, such as country-, sector- or region-specific risks, particularly those experienced in less developed regions and transition regions, and/or risks associated with innovation, in particular in growth-, sustainability- and productivity-enhancing unproven technologies,
 - equity type characteristics, such as performance-linked payments, or
 - other identifiable aspects leading to higher risk exposure as per the credit risk guidelines of the EIB such as counterparty risk, limited security and recourse only to project assets for repayment.

4. Added value: contribution to the EFSI objectives

Projects benefitting from the EU guarantee shall respect the eligibility criteria and general objectives set out in Article 6 and Article 9(2) respectively.

5. Scoreboard

The scoreboard referred to in Article 7 shall be used by the Investment Committee with a view to ensuring an independent and transparent assessment of the possible use of the EU guarantee. The scoreboard shall be made public as soon as an operation under the EU guarantee is signed, with the exclusion of commercially sensitive information.

(1). This is a non-exclusive indication of products that may be offered via the EFSI

6. Investment Windows

- (a) The debt and equity instruments referred to in Article 10(2)(a) shall be provided under an Infrastructure and Innovation Window, which will consist of a Debt Sub-window and an Equity-Type Sub-window. Allocation of operations (1) to one of the two Sub-windows shall be based on the EIB's system of loan grading and the EIB's standard risk assessment and subject to guidance provided by the Steering Board.
- (b) Infrastructure and Innovation Window - Debt Sub-window
- For debt-type operations, the EIB or the EIF shall carry out its standard risk assessment, involving the computation of the probability of default and the recovery rate. Based on these parameters, the EIB or the EIF shall quantify the risk for each operation. Such computation shall be performed without taking into account the EU guarantee, to reflect the overall risk of the transaction.
 - Each debt-type operation shall receive a risk classification (the 'Transaction Loan Grading') as per the EIB's or the EIF's system of loan gradings. Information on loan grading shall be included in the project documentation for the Investment Committee. Transactions with a higher risk profile than projects supported by EIB normal operations are referred to as special activities as defined in Article 16 of the EIB Statute
 - Projects shall be economically and technically viable and the EIB's financing shall be structured in line with sound banking principles and comply with the high-level risk management principles set by the EIB or the EIF in its internal guidelines. All relevant information shall be made available to the members of the Steering Board and of the Investment Committee.
 - Debt-type products shall be priced in line with Article 4(2)(a)(iv).
- (c) Infrastructure and Innovation Window - Equity Type Sub-window
- For equity-type operations, the EU guarantee may be used to support direct investments in individual companies or projects (Equity-Type Direct Investments) or financing for funds or analogous portfolio risks (Equity-Type Portfolio), provided that the EIB invests on a pari passu basis for its own risk as well. The determination whether an operation bears equity-type risks or not, irrespective of its legal form and nomenclature, shall be based on the EIB's or the EIF's standard assessment.
 - The EIB's equity-type operations shall be carried out in accordance with the EIB's or the EIF's internal rules and procedures. All relevant information for the assessment of the operation shall be made available to the members of the Steering Board and of the Investment Committee.
 - Equity-type investments shall be priced in line with Article 4(2)(a)(iv).
- (d) *Solvency Support Window*
- *The EU guarantee may be used to support EIB or EIF financing, or guarantees to, or investments in funds, special purpose vehicles or other investment platforms, including through national promotional banks or institutions or other relevant arrangements, that provide equity and equity-type investments in companies.*
 - *Funds, special purpose vehicles or investment platforms that target companies engaging in cross-border activities within the Union and/or companies which have high potential for green or digital transformation shall be particularly targeted under the Solvency Support Window.*
 - *The funds, special purpose vehicles or investment platforms shall provide financing on commercial terms or on terms consistent with the State aid Temporary Framework¹², while paying due regard to the European nature of the Solvency Support Instrument and to the funds' and other vehicles' independent management.*
 - *The funds, special purpose vehicles or investment platforms shall have commercial management that take investment decisions or independent management that is at arm's length from any investors.*
 - *Companies targeted by funds, special purpose vehicles or investment platforms shall be encouraged to comply, to the extent possible, with minimum high-level social and environmental safeguards in line with guidance provided by the Steering Board. Such guidance should include adequate provisions for avoiding undue administrative burdens, taking into account the size of companies and including lighter provisions for SMEs. Companies with a certain level of exposure to a pre-defined list of environmentally harmful activities, in particular the sectors covered by the EU Emissions Trading System (EU ETS), shall be encouraged to put in place, in the future, green transition plans. Companies shall also be encouraged to advance in their digital transformation. Technical assistance shall be available to assist companies for the purpose of these transitions.*
 - *The operations under this window shall be carried out in accordance with the EIB's or the EIF's internal rules and procedures. All relevant information for the assessment of the operation shall be made available to the members of the Steering Board and of the Investment Committee.*
 - *EIB or EIF guarantees or investments shall be priced in line with Article 4(2)(a)(iv) or Article 4(2)(a)(v).*

(1) The term 'operation' applies to both direct investment in a project (debt or equity) or an 'operation' (projects, programmes or facilities) with a financial or other intermediary but not, for the avoidance of doubt, to the underlying projects supported by such an intermediated operation.

12. *Communication from the Commission: Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (C(2020)1863), as amended by C(2020) 3156 final.*

7. Exposure limits per risk category

- (a) The exposure limits for special activities categories decreases with increasing risk-level, as expressed in the Transaction Loan Grading. The limit is thus generally higher for debt-type risk than for equity-type risk.
- (b) Reflecting the availability of credit enhancement provided by the EU guarantee, the exposure limits for the EFSI shall be set by the EIB at a level higher than the equivalent limit under the EIB's own risk business. The members of the Steering Board and the Investment Committee shall receive a detailed overview of the EFSI risk limits. The Steering Board shall supervise regularly the development of the risk profile of the EFSI portfolio and adopt appropriate measures if deemed necessary.
- (c) Transactions for higher amounts than the specific EFSI limits can be included into the EFSI portfolio on an exceptional basis, with the agreement of the Steering Board, provided that additionality and added value is clearly demonstrated and their inclusion is unlikely to jeopardise the overall portfolio risk- level target at the end of the investment period.

8. Sectoral and geographical diversification

The EFSI is demand driven but aims to support eligible projects across the Union as well as cross-border projects, covered by Article 8 of this Regulation, without any sectoral or geographical pre-allocation. However, best efforts shall be made to ensure that at the end of the investment period a wide range of sectors and regions will be covered and excessive sectoral or geographical concentration is avoided.

(a) Sectoral Concentration

In order to manage sector diversification and concentration of the EFSI portfolio, the Steering Board shall set indicative concentration limits in respect of the volume of operations supported by the EU guarantee at the end of the investment period. The indicative concentration limits shall be made public.

The Steering Board may decide to modify these indicative limits, after consulting the Investment Committee. In that case, the Steering Board shall explain its decision to the European Parliament and to the Council in writing.

(b) Geographical Concentration

EFSI-supported operations shall not be concentrated in any specific territory at the end of the investment period *concerned*. To this end the Steering Board shall adopt indicative geographical diversification and concentration guidelines. The Steering Board may decide to modify these indicative limits, after consulting the Investment Committee. ~~The Steering Board shall explain its decisions relating to the indicative limits to the European Parliament and the Council in writing. The EFSI should aim to cover all Member States.~~

The Steering Board shall set specific diversification and concentration limits under the Solvency Support Window to ensure that the respective requirements of Article 9(2a)(b) and (c) are fulfilled, whilst avoiding excessive concentration in a limited number of Member States. The Steering Board shall regularly take stock of the economic impact of the Covid-19 pandemic on Member States and sectors. On this basis, the Steering Board may decide to modify these limits, after consulting the Investment Committee.

The Steering Board shall explain its decisions relating to the indicative and Solvency Support Window specific limits to the European Parliament and the Council in writing. The EFSI should aim to cover all Member States.

1. Joint statement by the European Parliament, the Council and the Commission on the breakdown for Horizon 2020

"The European Parliament, the Council and the Commission agree that the following budget lines will not contribute to the funding of the EFSI: "Strengthening frontier research in the European Research Council", "Marie Skłodowska-Curie actions" and "Spreading Excellence and Widening Participation". The remaining amount stemming from the additional use of the margin as compared to the Commission's proposal will be re-instated to the other Horizon 2020 budget lines in proportion to the reductions proposed by the Commission. The indicative breakdown is set out in Annex I to the EFSI Regulation."

2. Statement by the Commission on the draft budget 2016

"The Commission will analyse the potential impact of the contributions to the EFSI from the different budget lines of Horizon 2020 on the effective implementation of the respective programmes and will, if appropriate, propose an amending letter to the draft general budget of the Union for 2016 to adjust the breakdown of the Horizon 2020 budget lines."

3. Statement by the Commission on its assessment of one-off contributions within the context of the EFSI initiative for the purpose of implementing the Stability and Growth Pact

"Without prejudice to the prerogatives of the Council in the implementation of the Stability and Growth Pact (SGP), one-off contributions by Member States, either by a Member State or by national promotional banks classified in the general government sector or acting on behalf of a Member State, into the EFSI or thematic or multi-country investment platforms established for the implementation of the Investment Plan, should in principle qualify as one-off measures, within the meaning of Article 5 of Council Regulation (EC) No 1466/97 and Article 3 of Council Regulation (EC) No 1467/97."