



Council of the European Union
General Secretariat

Brussels, 20 September 2017

WK 9928/2017 INIT

LIMITE

**ECOFIN
UEM
POLGEN
EDUC
SOC
EMPL
EF
COMPET
RECH
ENER
AGRI
TELECOM
TRANS
ENV
JAI**

WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party of Financial Counsellors
Subject:	EFSI 2.0 - Revised financial statement

Delegations will find attached the revised financial statement to be discussed at the Financial Counsellors Working Party on 21 September 2017.

REVISED LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND THE COUNCIL amending Regulation (EU) No 2015/1017

1.2. Policy area(s) concerned in the ABM/ABB structure¹

Policy area: Economic and Financial Affairs

ABB Activity: Financial operations and instruments

For a detailed account of the ABB Activities, refer to Section 3.2

Policy area: Mobility and Transport

Policy area: Communications networks, content and technology

Policy area: Energy

1.3. Nature of the proposal/initiative

☐ The proposal/initiative relates to **a new action**

☐ The proposal/initiative relates to **a new action following a pilot project/preparatory action²**

☒ The proposal/initiative relates to **the extension of an existing action**

☐ The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

Supporting growth-enhancing investments in line with Union budgetary priorities, especially in the areas of:

1) Strategic infrastructure (Digital and energy investments in line with the EU policies)

2) Transport infrastructure in industrial centres, education, research and innovation

3) Investments boosting employment, in particular through SME funding and measures for youth employment

1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned

Specific objective No 1

Increasing the number and volume of European Investment Bank (EIB) financing and investment operations in priority areas

Specific objective No 2

¹ ABM: activity-based management; ABB: activity-based budgeting.

² As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

Increasing the volume of European Investment Fund (EIF) financing for small and medium-sized enterprises

ABM/ABB activity(ies) concerned:

ECFIN: Financial operations and instruments

1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The initiative should allow the European Investment Bank and the European Investment Fund to carry out financing and investment operations in the areas mentioned under 1.4.1 with larger financing volume and, in the case of the EIB, with riskier but still economically viable projects.

A multiplier effect should be generated by means of the provision of an EU guarantee to the EIB, so that EUR 1 of the EU guarantee under this initiative could generate approximately EUR 15 invested in projects.

Thereby the initiative should help mobilise funding for projects of at least EUR 500 billion until the end of the current Multiannual Financial Framework. This should help raise overall investments in the Union and thereby potential and actual growth and employment.

1.4.4. Indicators of results and impact

Specify the indicators for monitoring implementation of the proposal/initiative.

The objective is to increase investments in strategic areas as listed under 1.4.1.

In that context, the following indicators will be applied:

- The number of projects/SMEs having received EIB/EIF financing under the initiative.
- The achieved average multiplier effect. The expected multiplier effect is around 15 in terms of the use of the EU guarantee compared to the total investment raised for the projects supported under the initiative and the terms of the transactions.
- The cumulative volume of funding raised for supported projects

The monitoring of the results will be based on the reporting by the EIB and market research.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

[...]

[...]

1.5.2. Added value of EU involvement

Since the Investment Plan for Europe was presented in November 2014³, the conditions for an uptake in investment have improved and confidence in Europe's

³ COM(2014) 903 final.

economy and growth are returning. The Union is now in its fourth year of moderate recovery, with GDP growing at 2% in 2015. The comprehensive efforts initiated with the Investment Plan are already delivering concrete results, despite the fact that macroeconomic effects of larger investment projects cannot be immediate. Investment is expected to pick up gradually throughout 2016 and 2017 although it remains below historically sustainable levels.

This positive momentum should be maintained and efforts need to be continued to bring investment back to its long-term sustainable trend. The mechanisms of the Investment Plan work and should be reinforced to continue the mobilisation of private investments in sectors important to Europe's future and where market failures or sub-optimal investment situations remain.

1.5.3. Lessons learned from similar experiences in the past

The first year of implementation of EFSI has proven the soundness of the initial plan. The EFSI, implemented and co-sponsored by the EIB Group, is firmly on track to deliver the objective of mobilizing at least EUR 315 billion in additional investments in the real economy by mid-2018. The market absorption has been particularly quick under the SME Window where the EFSI is delivering well beyond expectations. In July 2016 the SME Window was thus scaled-up by EUR 500 million within the existing parameters of the Regulation (EU) 2015/1017.

On 28 June 2016 the European Council concluded that "The Investment Plan for Europe, in particular the European Fund for Strategic Investments (EFSI), has already delivered concrete results and is a major step to help mobilise private investment while making smart use of scarce budgetary resources."

1.5.4. Compatibility and possible synergy with other appropriate instruments

The initiative is fully compatible with existing programmes under Heading 1a, notably the Connecting Europe Facility, Horizon 2020 and COSME. Synergies with the European Structural Investment Funds (ESIF) are also clear; a brochure has been issued on February 2016 on the complementarity between ESIF and EFSI. In addition, a proposal to amend the Common Provision Regulations of the structural funds in order to facilitate the combination of ESFI and EFSI has been made in parallel to the current proposal.

Synergies will be exploited by making use of existing Commission expertise in the management of financial resources and the experience acquired under existing EU-EIB financing instruments.

1.6. Duration and financial impact

☐ Proposal/initiative of **limited duration**

- ☐ Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
- ☐ Financial impact from YYYY to YYYY

X Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. Management mode(s) planned⁴

X **Direct management** by the Commission

- X by its departments, including by its staff in the Union delegations;
- ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated;
- ☐ international organisations and their agencies (to be specified);
- ☐ the EIB and the European Investment Fund;
- ☐ bodies referred to in Articles 208 and 209 of the Financial Regulation;
- ☐ public law bodies;
- ☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

The Guarantee Fund will be under direct management by the Commission.

⁴ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

In accordance with Article 10 of Regulation (EU) 2015/1017, the EIB, in cooperation with the EIF as appropriate, shall report semi-annually to the Commission on EIB financing and investment operations. In addition, the EIB, in cooperation with the EIF as appropriate, shall report annually to the European Parliament and to the Council on EIB financing and investment operations. By 31 March of each year, the Commission is required to send to the European Parliament, the Council and the Court of Auditors an annual report on the situation of the Guarantee Fund and the management thereof in the previous year.

In accordance with Article 12 of the Regulation, the EIB shall evaluate the functioning of the European Fund for Strategic Investments (EFSI) and provide its evaluation to the European Parliament, the Council and the Commission. Moreover, the Commission shall evaluate the use of the EU guarantee and the functioning of the Guarantee Fund and provide into the European Parliament and the Council. A comprehensive report on the functioning of the EFSI is required by 30 June 2018 and every three years thereafter, as well as a comprehensive report on the use of the EU guarantee and the functioning of the Guarantee Fund.

2.2. **By 30 June 2018 and 30 June 2020, the Commission shall submit to the European Parliament and the Council a report containing an independent evaluation of the application of this Regulation. Management and control system**

2.2.1. *Risk(s) identified*

The EIB financing and investment operations covered by the EU guarantee carry a non-negligible financial risk. The probability of a call upon the guarantee is tangible. However, it is estimated that the Guarantee Fund provides the protection required for the Union budget. Projects themselves may be subject to implementation delays and cost overruns.

Even if based on conservative assumptions, the cost-efficiency of the initiative could suffer from insufficient market-uptake of the instruments and changing market conditions over time reducing the assumed multiplier effect.

In accordance with Article 8(4) of the Regulation (EU) 2015/1017, the resources of the Guarantee Fund are to be invested. Those investments will bear an investment risk (e.g. market and credit risk) and some operational risk.

2.2.2. *Information concerning the internal control system set up*

The EFSI is governed by a Steering Board, which determines the strategic orientation of the EFSI, the operating policies and procedures, the rules applicable to the operations with the investment platforms and national promotional banks and the risk profile of the EFSI.

Decisions on the use of the EFSI support for infrastructure and larger mid-cap projects are to be made by an Investment Committee. The Investment Committee is composed of independent experts who are knowledgeable and experienced in the

areas of investment projects and are accountable to the Steering Board, who supervises the fulfilment of the EFSI's objectives.

There is a Managing Director responsible for the day-to-day management of the EFSI and preparation of the meeting of the Investment Committee. The Managing Director is directly accountable to the Steering Board and reports every quarter on the activities of the EFSI to the Steering Board. The Managing Director was appointed by the President of the EIB, after approval by the European Parliament of the candidate selected by the Steering Board.

The Commission manages the assets of the Guarantee Fund in accordance with the Regulation and under its internal rules and procedures in force.

2.3. Measures to prevent and fight fraud and irregularities affecting the financial interests of the Union

Specify existing or envisaged prevention and protection measures.

Article 21 of the Regulation (EU) 2015/1017 clarifies the competence of the European Anti-Fraud Office (OLAF) to carry out investigations on operations supported under this initiative. In accordance with the EIB Board of Governors' Decision of 27 July 2004 concerning the EIB's cooperation with OLAF, the Bank has established specific rules for cooperation with OLAF in connection with possible cases of fraud, corruption or any other illegal activity detrimental to the financial interests of the Communities.

Beyond that, the EIB's rules and procedures are applicable. Notably those include the EIB internal Investigation Procedures approved by the EIB Management Committee in March 2013. Furthermore, in September 2013, the EIB adopted its "Policy on preventing and deterring Prohibited Conduct in European Investment Bank activities" (EIB Anti-Fraud Policy).

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

3.2. Estimated impact on expenditure

The proposal will not increase the total level of expenditure programmed under Heading 1a of the Multiannual Financial Framework 2014-2020, as the envelope of the Connecting Europe Facility will be reduced to finance the contribution from the EU Budget to the European Fund for Strategic Investments.

EUR million (to three decimal places)

Sources of financing for the European Fund for Strategic Investments	2016	2017	2018	2019	2020	Total
CONNECTING EUROPE FACILITY, of which	73,908	-	31,277	106,879	62,936	275,000
06.020105 – Creating an environment more conducive to private investment for transport infrastructure projects		-	-	-	-	-
32.020104 - Creating an environment more conducive to private investment for energy projects	73,908	-	31,277	106,879	62,936	275,000
Unallocated Margin				60,000	90,000	150,000
TOTAL FINANCING SOURCES FOR THE PROVISIONING OF THE EFSI GUARANTEE FUND	73,908	-	31,277	166,879	152,936	425,000

In order to eliminate the mismatch in each specific budget year between the sources of financing and the envisaged commitment schedule, the commitment schedule included in the legislative financial statement accompanying the Regulation of the European Parliament and the Council No 2015/1017 (EFSI) needs to be amended as follows:

EUR million (to three decimal places)

Amendment of the EFSI commitment schedule	2015	2016	2017	2018	2019	2020	Total
Existing commitment schedule – 01.0405	1350,000	2030,000	2641,000	1979,000			8000,000

Amendment		73,908	-	-73,908			000,000
Revised commitment schedule – 01.0405	1350,000	2 103,908	2 641,000	1 905,092			8000,000

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	1A	Competitiveness for growth and jobs
--	----	-------------------------------------

DG: ECFIN			2017	2018	2019	2020	2021	TOTAL
• Operational appropriations								
01.0405	Commitments	(1)		105,185	166,879	152,936		425,000
	Payments	(2)			150,000	150,000	125,000	425,000
01.0407	Commitments	(1)	p.m.	p.m.	p.m.	p.m.		p.m.
	Payments	(2)	p.m.	p.m.	p.m.	p.m.		p.m.
Appropriations of an administrative nature financed from the envelope of specific programmes ⁵								
Number of budget line		(3)						
TOTAL appropriations	Commitments	=1		105,185	166,879	152,936		425,000

⁵ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

for DG ECFIN	Payments	=2			150,000	150,000	125,000	425,000
• TOTAL operational appropriations	Commitments	(4)		105,185	166,879	152,936		425,000
	Payments	(5)			150,000	150,000	125,000	425,000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)						
TOTAL appropriations under HEADING 1A of the multiannual financial framework	Commitments	=4+ 6		105,185	166,879	152,936		425,000
	Payments	=5+ 6			150,000	150,000	125,000	425,000

Heading of multiannual financial framework	5	‘Administrative expenditure’
---	----------	------------------------------

EUR million (to three decimal places)

	2019	2020	TOTAL
DG: ECFIN			
• Human resources			
• Other administrative expenditure			
TOTAL DG ECFIN			

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)			
---	---	--	--	--

EUR million (to three decimal places)

		2017	2018	2019	2020	2021	TOTAL
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments		105,185	166,879	152,936		425,000
	Payments			150,000	150,000	125,000	425,000

3.2.2. Estimated impact on operational appropriations

- ☐ The proposal/initiative does not require the use of operational appropriations
- ☒ The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓			2018		2019		2020		TOTAL	
	Type ⁶	Average cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVES										
NO 1: INCREASING THE NUMBER AND VOLUME OF EIB FINANCING AND INVESTMENT OPERATIONS IN PRIORITY AREAS AND 2: INCREASING THE VOLUME OF EIF FINANCING FOR SMALL AND MEDIUM ENTERPRISES										
				105,185		166,879		152,936		425,000

⁶ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

3.2.3. *Estimated impact on appropriations of an administrative nature*

3.2.3.1. Summary

- X The proposal/initiative does not require the use of appropriations of an administrative nature beyond what was already included in the legislative financial statement accompanying Reg 2015/1017.
- ☐ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

3.2.3.2. Estimated requirements of human resources

- X The proposal/initiative does not require the use of human resources beyond what was already included in the legislative financial statement accompanying Reg 2015/1017.
- ☐ The proposal/initiative requires the use of human resources, as explained below:

3.2.4. *Compatibility with the current multiannual financial framework*

- X The proposal/initiative is compatible the current multiannual financial framework.
- ☐ The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.
- ☐ The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

3.2.5. *Third-party contributions*

- X The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

3.3. Estimated impact on revenue

- ☐ The proposal/initiative has no financial impact on revenue.
- X The proposal/initiative has the following financial impact:
 - ☐ on own resources
 - X on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ⁷				
		2019	2020	2021	2022	total
Article 660 – Other contributions and refunds		200,000	400,000	50,000	25,000	675,000

For miscellaneous ‘assigned’ revenue, specify the budget expenditure line(s) affected.

01 04 05 Provisioning of the EFSI guarantee fund

Specify the method for calculating the impact on revenue.

Remuneration of the EU guarantee as foreseen in the EFSI agreement signed with the EIB.

⁷

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.