Beat: Politics

Agreed the negotiation on a European fund for strategic investments

Ecofin Council Meeting

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USPA NEWS - The Council agreed its negotiating stance on a European fund for strategic investments, enabling negotiations with the European Parliament to start rapidly. The fund is part of a plan aimed at mobilising more than €315bn in private and public investment.

The aim is to reach an overall agreement by June, so as to enable new investments to begin as early as mid-2015. “There is strong political support amongst member states for this initiative“�, said Janis Reirs, minister for finance of Latvia and president of the Council. “In the current economic context, there is a clear understanding that we need to deliver rapidly new investments in Europe“�.

The Council granted France two extra years to bring its government deficit below 3% of GDP, calling for the deficit to be corrected by 2017. Extending the deadline was justified by the fiscal effort made by France since 2013, the Council found, and by the current weak economic situation and other factors. It called on France to implement fully measures agreed for 2015, and asked for an additional fiscal effort to be made by the end of April.

Banking union and investments

The Council reviewed implementation of Europe´s banking union, specifically as concerns instruments to deal with the recovery and resolution of failing banks. It called on member states to speed up moves to ratify the intergovernmental agreement on the single resolution fund and implement the European Union directive on bank recovery and resolution.

The fund will support projects in a broad range of areas, including transport, energy and broadband infrastructure, education, health, research and risk finance for SMEs. It will target socially and economically viable projects without any sectoral or regional pre-allocation, in particular to address market failures. The EFSI will complement and be additional to ongoing EU programmes and traditional EIB activities.

The Council agreed that the fund would be built on €16 billion in guarantees from the EU budget and €5 billion from the EIB. To facilitate the payment of potential guarantee calls, a guarantee fund would be established that would gradually reach €8 billion (i.e. 50% of total EU guarantee obligations) by 2020. In line with the Commission's proposal, EU funding would mostly come by redeploying grants from the Horizon 2020 programme (research and innovation) and the Connecting Europe facility (transport, energy and digital networks), as well as unused margins in the budget.

The EFSI would enhance risk-bearing capacity. By taking on part of the risk of new projects through a first-loss liability, the fund would enable private investors to join under more favourable conditions. Thereby the EFSI is estimated to reach an overall multiplier effect of 1:15 in real investment. Third parties, including member states' national promotional banks, would be able to co-finance projects together with the EFSI, either on a project-by-project basis or through investment platforms.

Under the compromise agreed by the Council, the EFSI would have a two-tier governance structure: First, a steering board would set the overall strategy, investment policy and risk profile of the fund. It would adopt investment guidelines for the use of the EU guarantee to be implemented by the investment committee. To ensure an impartial steering board and avoid political influence over the selection of projects, the board members would come from the Commission and the EIB only. Their numbers would reflect the institutions' size of contributions in the form of cash or guarantees. The steering board would take decisions by consensus.

Later, an independent investment committee would select projects to receive EFSI support. Accountable to the steering board, it would consist of eight independent experts and a managing director. It would take decisions by simple majority. Any project supported by the EFSI would require approval by the EIB. The proposed regulation would also set up a "European investment advisory hub" to provide advisory support for the identification, preparation and development of projects across the EU. It would further establish a "European investment project directory" to improve investors' knowledge of existing and future projects.

The EFSI is one of the core elements of the Commission's "investment plan for Europe", published in November 2014. The plan foresees the mobilisation of at least €315 billion in new investments between 2015 and 2017, maximising the impact of public resources and unlocking private investment. This will be done by establishing the EFSI within the EIB Group. Too foresees targeted initiatives to ensure this extra investment meets the needs of the real economy, and measures to provide greater regulatory predictability and to remove barriers to investment. The proposed regulation creates a legal framework and provides budgetary allocations for the first two work strands.

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