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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN
ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE
REGIONS**

**Europe investing again
Taking stock of the Investment Plan for Europe and next steps**

1. Introduction

Jobs, growth and investment are one of the Juncker Commission's 10 key priorities. The Investment Plan for Europe was presented on 26 November 2014¹ and initiated concerted and targeted action to stimulate financing for investment, with the support of the European Investment Bank (EIB) and the European Investment Fund (EIF) – together, the EIB Group –, as part of the virtuous triangle of structural reforms, responsible fiscal policies and investment. The purpose is threefold: making sure that scarce public resources are used to mobilise private investment to target market failures in an efficient manner by crowding-in private capital, ensuring that investments reach the real economy, and improving the investment environment at the European level as well as at the level of individual Member States. The European Council endorsed the Investment Plan with all its components in December 2014, calling for a swift delivery². The EIB Group heeded the call of the European Council and started investment activities under the plan as of January 2015. The European Parliament and the Council subsequently adopted the necessary legislative proposal with exceptional speed in July 2015³. Time has now come to take stock of the progress made and look ahead.

In the 18 months since the Investment Plan was presented, the conditions for an uptake in investment have improved and confidence in Europe's economy and growth are returning. The European Union (EU) is now in its fourth year of moderate recovery, with GDP growing at 2% in 2015⁴. While the level of investment in the EU dropped significantly as a consequence of the financial crisis, there are early signs of recovery in spite of global and domestic risks to growth. 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 continue to pick up gradually throughout 2016 and 2017 although it remains below historically sustainable levels (see Chart 1).

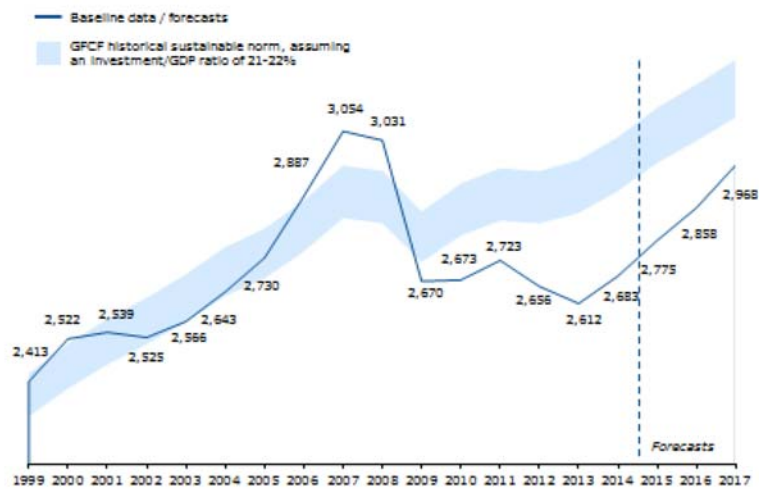
1 COM(2014) 903 final

2 EUCO 237/14, available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/146411.pdf

3 Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2016 on the European Fund for Strategic Investments (EFSI), the European 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).

4 The Spring 2016 European economic forecast is was published on 3 May 2016 and is available at http://ec.europa.eu/economy_finance/eu/forecasts/2016_spring_forecast_en.htm

Chart 1. Investment trends in the EU



Note: Real gross fixed capital formation (GFCF), Baseline vs. historical norm, EU, in 2013 prices, EUR billion

This positive momentum must 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 must be reinforced to continue the mobilisation of private investments in sectors critical to Europe's future and where market failures remain. This includes investments in the areas of energy, environment and climate action⁵, social and human capital⁶ and related infrastructure, healthcare, research and innovation, cross-border and sustainable transport, as well as the digital transformation. The EU has clear and unique assets which are crucial for investment: the Single Market, the most skilled population in the world, a high level of social and environmental protection, as well as stable, predictable, efficient and transparent legal systems. While there is no silver bullet that can ensure that the full potential for EU investments is exploited within only a few months' time, the encouraging results delivered in a short period of time provide a sound basis for future policy initiatives on both the use of the EU budget and the regulatory environment.

5 This is in line with the EU's strong commitments reiterated at the Paris climate conference in December 2015.

6 The forthcoming "New Skills Agenda for Europe" will address the specific question of investing and improving skills and human capital in a broader context: while there is broad agreement that skills fuel R&D, innovation, employability and competitiveness, evidence shows that a significant share of the European workforce (c.20%) has only a low level of basic skills. This makes it hard to employ these low-skilled workers and contributes to structural unemployment. At the same time, many vacancies remain unfilled due to shortages of skilled labour. This points to a structural investment gap in human capital. Equipping more people with better and more relevant skills requires appropriate funding alongside structural reforms to improve the efficiency of education and training systems.

2. A model for the future

a. A rapid and comprehensive set-up

The Investment Plan has already started to deliver tangible results thanks to the rapid set-up of all its components:

- The **European Fund for Strategic Investments (EFSI)**, implemented and co-sponsored by the EIB Group, is firmly on track to deliver the objective of mobilising at least EUR 315 billion in additional investments in the real economy by mid-2018.⁷ The market absorption has been particularly quick under the Small and Medium-sized Enterprises (SME) window where the EFSI is delivering well beyond expectations.
- The Commission has issued guidance on how **European Structural and Investment Funds (ESI Funds)** can be combined with the EFSI to support additional investments. A first set of projects is being developed which shows how this combination works in practice. This will also support the objective mentioned in the Investment Plan to increase the use of financial instruments under the ESI Funds.
- The **European Investment Advisory Hub (EIAH)**⁸, a joint initiative of the Commission and the EIB, delivers 360-degree technical assistance and advisory service and has already dealt with more than 160 requests. Whilst this is a promising start, steps are being undertaken to bring the advisory services closer to the final beneficiaries and increase EIAH services in specific areas with unmet needs (including cross-border projects).
- The **European Investment Project Portal (EIPP)**⁹, an online platform bringing together European project promoters and investors from the EU and beyond, has been launched and is increasing the visibility and the financing opportunities for investment projects across Europe.
- Finally, **the Commission has already tabled a number of initiatives to help supporting investment and facilitating the financing of the economy**, such as the lowering of capital charges for insurance and reinsurance companies as regards infrastructure investments and the adoption of practical guidance on the application of State aid rules in the context of public funding of infrastructure and public-private partnerships (PPPs). In addition, the **Energy Union, the Capital Markets Union, the**

7 The delivery of the EFSI was accelerated in line with the transitional provision of Regulation (EU) 2015/1017.

8 <http://www.eib.org/eiah/>

9 https://ec.europa.eu/priorities/european-investment-project-portal-eipp_en

Single Market and the Digital Single Market¹⁰ Strategies, and the Circular Economy package all contain specific measures that will remove concrete obstacles and further improve the environment for investment, if fully implemented. The Commission has also engaged in a structured dialogue with Member States to help removing national obstacles to investment in the context of the **European Semester¹¹** in areas like insolvency, public procurement, judicial systems and the efficiency of public administration or sector-specific regulations.

b. The European Fund for Strategic Investments: using scarce resources in a more efficient way

Concrete and tangible results

The EFSI¹² is already supporting additional EIB Group investments in key areas for EU sustainable growth. Around 250 transactions have been approved under EFSI in 26 EU Member States¹³, which are expected to mobilise EUR 100 billion in total investment, representing around 32% of the overall objective of EUR 315 billion in new investments over three years. It has been successful in crowding in significant additional finance (85% of the total investment mobilised) from private and public investors. The lists of projects under both EFSI windows are all accessible to the public¹⁴. The EFSI supports projects that contribute to addressing existing market failures and suboptimal investment situations, as well as many of our most pressing societal challenges.

Additionality is a fundamental feature of the EFSI guarantee that needs to be strengthened in the selection of projects. EIB projects receiving budgetary support through

10 See the Communication "Delivering the Single Market for Jobs, Growth and Investments", also adopted today.

11 The set of country-specific recommendations for the Member States adopted by the Commission in May put a particular focus on investment, asking where relevant to address shortfalls in investment, notably in infrastructure and in intangible assets, as well as to adopt and implement the needed structural reforms to improve the investment environment, which are complementary with action at EU level. See COM(2016) 321 final.

12 As it is inherent in the business model of the EIB to mobilise private sources for financing projects in order to maximise the use of scarce public resources the available EUR 16 billion EU budget guarantee and the EUR 5 billion contribution from EIB are the basis for attracting significant private capital.

13 The overview is available at <http://www.eib.org/efsi/index.htm>. These projects were approved by the EIB Group and vetted by the EFSI Investment Committee (or the Commission prior to the establishment of the Investment Committee). Some of the projects are not yet signed. Final figures may thus vary.

14 For the Infrastructure and Innovation Window the list of approved projects is available at <http://www.eib.org/efsi/efsi-projects/index.htm>. For the SME window, the list of agreements signed with intermediaries is available at http://www.eif.org/what_we_do/efsi/index.htm. More information per sector and Member State can be found online, at http://ec.europa.eu/priorities/jobs-growth-and-investment/investment-plan_en

the EFSI must be 'additional' in the sense that they point to a market failure or suboptimal investment situations and therefore would – in principle – not have been financed in the same period by the EIB without EFSI support, or not to the same extent¹⁵. To this end, a number of indicators and guiding principles are used by the EIB and the Investment Committee¹⁶ when assessing eligibility criteria. The level of risk is an essential element of how to assess the additionality of projects supported by the EFSI guarantee. All operations approved by the EIB so far carry a risk corresponding to so-called EIB Special activities¹⁷. As a result, the EIB has been able to increase the volume of its portfolio of higher risk/Special activities, from around EUR 4 billion to more than EUR 20 billion per year so far. The EIB Group is also developing new products focussing on new ways of collaboration with National Promotional Banks, Investment Platforms and with new types of beneficiaries in order to address financing needs in a variety of sectors.

The geographic and sectorial coverage should be enhanced. Whilst the EFSI does not work with quotas, the current sectorial and geographic coverage (see Chart 2) should be further developed as the implementation of the EFSI moves forward. The combination of the EFSI with other EU funds as well as the establishment of Investment Platforms should be conducive to a truly balanced geographical coverage. Also, the EIAH can be an effective means to progressively mobilise the expertise required and help developing better projects, in particular for regions or sectors where additional outreach and technical capacity may be needed.

The EFSI is supporting the European Investment Fund (EIF) to help exceptional numbers of European SMEs to access finance. The SME window of the EFSI has made a particularly swift start, exceeding expectations and confirming the high market demand. Within one year, the EFSI has supported EIF transactions that are expected to mobilise a total investment value of EUR 49 billion, which is already more than 65% of the target of EUR 75 billion to be reached over three years¹⁸. Today, already more than 140,000 SMEs and mid-cap companies in 26 Member States are expected to benefit from the EFSI.

15 See Article 5 of Regulation (EU) 2015/1017. Further guiding principles are outlined in the EFSI Scoreboard of Indicators: Commission Delegated Regulation (EU) 2015/1558 of 22 July 2015 supplementing Regulation (EU) 2015/1017 of the European Parliament and of the Council by the establishment of a scoreboard of indicators for the application of the EU guarantee (OJ L 244 19.9.2015, p.20).

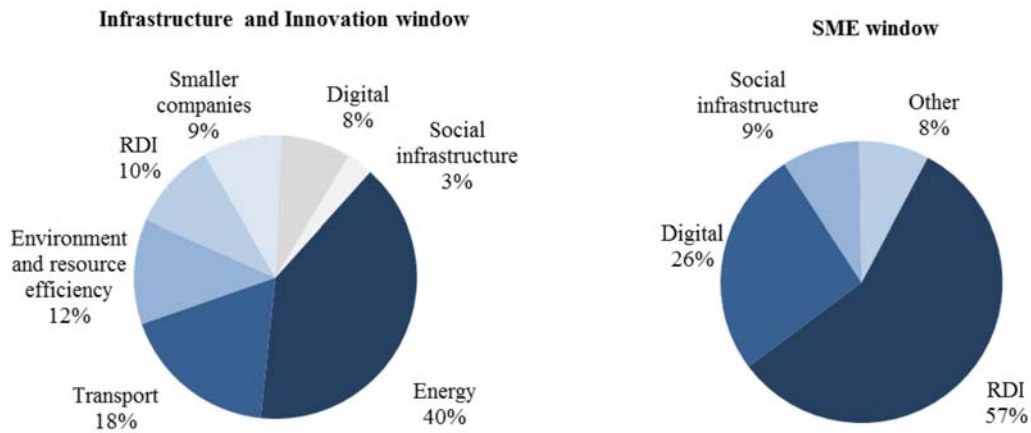
16 The Investment Committee of the EFSI is the Committee composed of eight independent experts responsible for approving the use of the EU guarantee under the EFSI. The CVs of its members are available at <http://www.eib.org/efsi/governance/efsi-investment-committee/index.htm>

17 Special activities are activities for which the EIB internal rating is below investment grade, i.e. riskier activities than EIB normal operations.

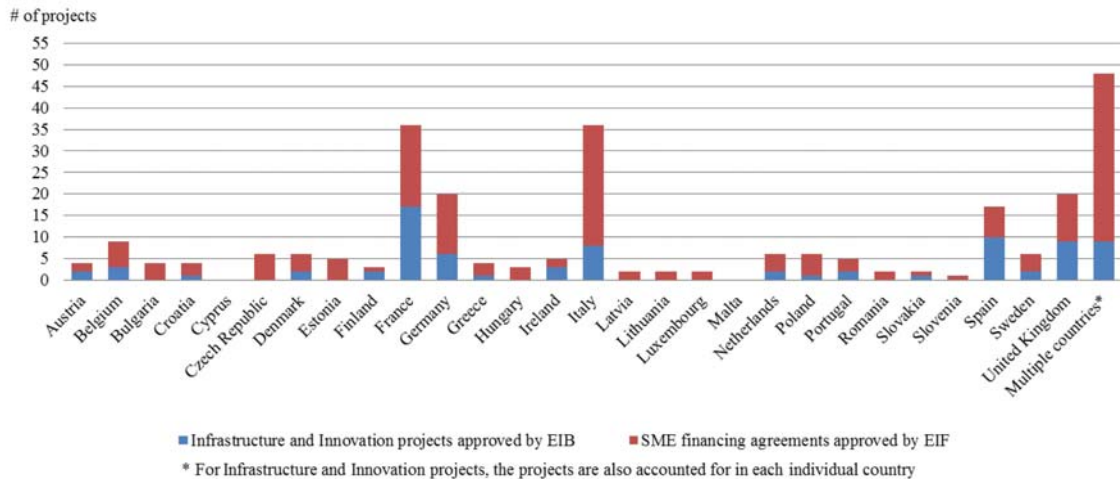
18 Through the front-loading of the EFSI on of Horizon 2020 InnovFin and COSME SME guarantee schemes and the reinforcement of the EIB Risk Capital Resources Mandate.

Chart 2. Key EFSI figures as of end-May 2016

EFSI sectorial coverage (% of approved EIB Group financing under the EFSI)



EFSI geographic coverage



Going forward

The EFSI's potential to play an even stronger role for sustainable finance needs to be fully exploited. Europe requires significant new long term and sustainable investments to increase its productivity and shift to a low-carbon and resource-efficient economy¹⁹. This also includes support of the green/sustainable bond market, in which the EIB is the world's largest bond issuer. The EFSI, also in combination with other EU funds, and in the context of the Capital Markets Union, provides a new impetus to this shift by increasing the number and volume of sustainable projects to be financed in line with the ambitious goals of the Paris

19 This includes incentives that support the integration of environmental externalities into the financial market decision processes.

climate agreement²⁰. Technical assistance can also play an important role in these and other sectors like digital infrastructure.

Building on the success of the SME window, new financial instruments are under development to support a broader spectrum of innovative SMEs and mid-cap companies, including an equity product, which will enhance access to equity financing for innovative and fast growing SMEs and mid-cap companies. In this context, the Commission is also working with the EIF with a view to establishing a Pan-European Venture Capital Fund-of-Funds that will combine public finance with greater volumes of private capital to bring additional scale and stimulus for the support of the most promising new enterprises, complementing existing actions by the EIF. This Fund-of-Funds will operate on commercial terms and will aim at helping to overcome the fragmentation and limited scale that currently hamper the development of an EU Venture Capital asset class. In line with the EU's social and skills agenda, other new instruments will be targeted at supporting social enterprises and microfinance. Furthermore, products will be developed to support securitisation transactions mobilising additional finance for SMEs, and to enhance the access to finance by innovative SMEs and small mid-cap companies through guarantees for un-collateralised loans.

The use of the EFSI model to mobilise investments in developing third countries should be explored. Regulation (EU) 2015/1017 limits the scope of EFSI investments to EU Member States and cross-border investments with neighbouring countries. However, a distinctive but similar scheme could prove useful also for the EU's external cooperation programmes. The Commission will assess the possibilities for using an EFSI-type model for investments in third countries, i.e. a scheme that would allow international financial institutions (IFIs) to address specific bottlenecks to investment and in that way crowd-in private actors. It could also enable different IFIs to expand operations in challenging investment environments, such as fragile and post-conflict countries, as well as in migration-related projects. In its assessment the Commission will take into account the functioning of and complementarity with existing investment programmes at EU level (such as the EIB-managed investment facility for African, Caribbean and Pacific countries, the investment facilities managed by the European Commission and the loan/guarantee programme of the EIB).

c. Ensuring complementarity at all levels to unlock additional investments

Complementarity

Complementarity between the EFSI and other EU funds is a key part of the Commission's overall commitment to ensure a better use of EU funds across all policy areas²¹. The combination of EFSI support and other sources of EU funding can cover

20 New pilot instruments such as the Private Finance for Energy Efficiency (PF4EE) and the Natural Capital Financing Facility (NCF) can help show the way.

21 The 2014 Communication "An Investment Plan for Europe", recommended Member States to commit to increase significantly their use of innovative financial instruments in key investment areas such as SME-

different types of risk of a given project, and thereby attract more investors. Co-investment in EFSI projects can take place either at project level or at the level of an Investment Platform. These Platforms can help finance smaller projects and bundle funds from different sources to enable diversified investments with a geographic or thematic focus. They can also render smaller or local investment opportunities financially attractive to new investor groups, for example pension funds or overseas institutional investors.²² First examples of Platforms include a Fund set up in February 2015 to boost productive investment in France. This Fund aims to support, together with private partners and funds from the French state, newly created companies in order to finance their transition to the industrialisation phase of new technologies and new sectors. The objective is to promote the development of new industrial opportunities, enhancing competitiveness and support the development of industrial clusters in particular with respect to the ecological and energy transitions. Other EFSI Investment Platforms are under preparation.

Combining EU Funds with EFSI support

The Commission will take further action to ensure that EU funds and EFSI support can be easily combined. Such combinations, in particular in the case of ESI Funds, can be particularly useful to ensure a wide geographical coverage of the EFSI. The Commission has already published concrete guidance on this matter²³ and will continue to further simplify the overall framework to develop such combinations. For instance, the Commission is preparing proposals to change the Common Provisions Regulation governing the combination of ESI Funds with the EFSI to facilitate their use in EFSI Investment Platforms, the combination of ESI Funds and EFSI in blended instruments, and encourage the general use of financial instruments. The establishment of smart specialisation platforms (e.g. for industrial modernisation) will facilitate this further.

Beyond ESI Funds, the Commission, in cooperation with the EIB Group and EIAH, is also exploring ways to further facilitate the blending and combination of funds available under other EU programmes (as for example the Connecting Europe Facility (CEF)²⁴ or Horizon

support, energy efficiency, Information and Communication Technology, transport and R&D support. This would achieve an overall doubling in the use of financial instruments under the ESI Funds for the programming period 2014-2020.

22 The EFSI Steering Board has adopted a set of rules applicable to EFSI operations with Investment Platforms and National Promotional Banks, available at http://www.eib.org/attachments/strategies/efsi_steering_board_rules_applicable_to_operations_with_investment_platforms_and_npbs_or_institutions_en.pdf

23 http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/efsi_esif_compl_en.pdf

24 Regulation (EU) No 1316/2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010. Since the beginning of 2015, 4 projects have been approved using the CEF Debt Instrument (or the legacy financial instrument Project Bond Initiative-PBI). These projects leverage total investments for EUR 1.8 billion additional to the investment mobilized by the EFSI.

2020²⁵) with EFSI opportunities in order to unlock additional investments. This combination and blending could lead in particular to additional investments through Investment Platforms²⁶, SME risk-sharing instruments, and to projects with high EU added value²⁷.

Mobilising co-financing from Member States

In partnership with the EIB Group, National Promotional Banks (NPBs) play a key role in the implementation of the Plan given their complementary product ranges, local knowledge and geographic reach²⁸. Nine Member States²⁹ have so far committed to co-finance projects in the context of the EFSI mostly via their NPBs for a total of EUR 42.5 billion.

Under the SME window, the EIF is currently developing additional cooperation models with NPBs in the areas of equity investments and SME securitisation, with a view to further increasing the involvement of NPBs in the achievement of the EFSI's objectives.

Accommodating capital inflows in Europe

The EFSI is part of the EU's open economy and is open to co-investments from third parties (both at the level of projects or Investment Platforms) in non-exclusive terms, provided that the EU's guiding principles and legislative framework are fully respected. The Commission and the EIB have developed technical options to accommodate co-investments from sovereign wealth funds. The People's Republic of China was the first non-EU country to announce its willingness to contribute to the Investment Plan³⁰ and considers doing so through a co-investment structure. The Commission is open to considering similar options for other sovereign investors.

25 Regulation (EU) No 1291/2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC.

26 For example in the fields of energy efficiency, smart urban mobility, and innovative technologies such as regarding alternative fuels and electric vehicles, broadband, as well as infectious diseases.

27 For example cross-border Trans-European Network projects.

28 COM(2015) 361 final

29 In February 2015, Germany announced that it would contribute €8 billion to the Investment Plan through KfW. Also in February, Spain announced a €1.5 billion contribution through Instituto de Crédito Oficial. In March 2015, France announced a €8 billion pledge through Caisse des Dépôts and Bpifrance and Italy announced it will contribute €8 billion via Cassa Depositi e Prestiti. In April 2015 Luxembourg announced that it will contribute €80 million via Société Nationale de Crédit et d'Investissement, and Poland announced that it will contribute €8bn via Bank Gospodarstwa Krajowego. In June 2015, Slovakia announced a contribution of €400 million through its National Promotional Banks Slovenský Investičný Holding and Slovenská Záručná a Rozvojová Banka, and Bulgaria announced a contribution of €100 million through the Bulgarian Development Bank. On 16 July 2015, the UK announced that it will contribute £6 billion (about €8.5 billion) to projects benefiting from EFSI backing.

30 http://europa.eu/rapid/press-release_IP-15-5723_en.htm

3. Making investments happen in the real economy with a stable pipeline of stronger projects

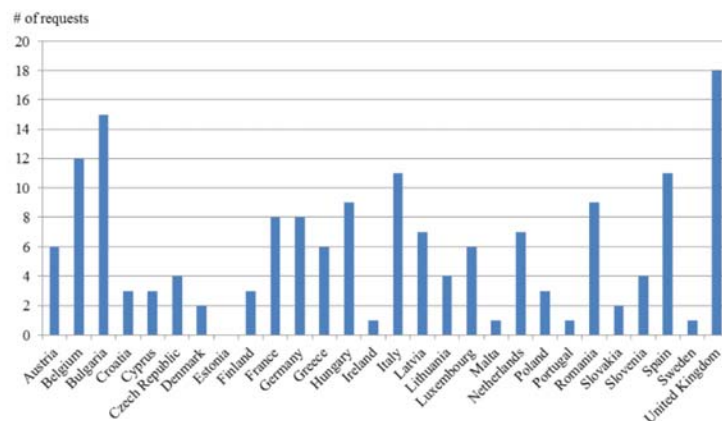
a. Strengthened and more targeted technical assistance to make investments happen

The **European Investment Advisory Hub (EIAH/the Advisory Hub)** is a joint initiative by the Commission and the EIB, which provides a single entry point for advisory support - free of charge for public authorities – for the identification, preparation and development of investment projects in all sectors and regions in Europe.

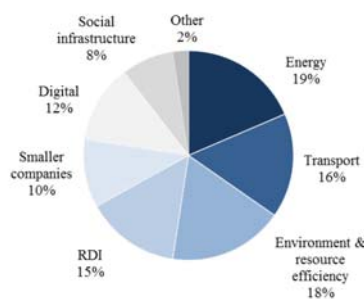
The number of requests to the Advisory Hub is increasing: as of end-May 2016 more than 160 requests were received from 26 Member States; around two-thirds are from the private sector. The Advisory Hub is easily accessible online³¹ and is engaging proactively in priority areas such as energy efficiency, SMEs, as well as emerging areas such as smart cities or electromobility and broadband. The Advisory Hub devotes a particular attention to public-private partnerships and cross-border projects.

Chart 3. Requests to the EIAH as of end-May

Number of requests by country



Project-specific requests by sector



31 <http://www.eib.org/eiah/>

To deploy the services of the Advisory Hub at national level, the EIB and the Commission have been working closely with National Promotional Banks as well as with other international partners such as the European Bank for Reconstruction and Development and the World Bank both to enhance presence on the ground as well as to provide advisory support complementary to those areas currently not delivered by the EIB. The EIB is also developing its network of local external offices which will facilitate the dissemination of information, and more tailor-made technical assistance at the local level and the implementation of suitable EFSI products.

The EIB and the Commission will also explore the possibility for the EIAH to advise Member States in the development of local technical assistance schemes for smaller projects, which could be possibly be supported by ESI Funds. The Commission will explore with interested Member States the possibility of strengthening the EIAH network with contributions from their ESI Funds allocations.

The Commission will also contribute to strengthening the administrative capacity of Member States to set up public-private partnerships by further facilitating the exchange of good practices between local, regional, national and EU authorities.

More and improved technical assistance. In the future, the Advisory Hub has a vital role in ensuring more streamlined access for beneficiaries by simplifying and merging the underlying envelopes for technical assistance and directing them to the support most suited to their needs. Improved synergies between the current dedicated Technical Assistance Programmes at EU level (for example CEF, Horizon 2020, Jaspers, etc.) could lead to better access for beneficiaries and may ultimately provide more financial flexibility, lead to more targeted advice, allowing for improved assistance. Moreover, the Advisory Hub should be further streamlined to ensure more specific advice and outreach activities, increasing the support and reach a higher number of potential project promoters where the needs are the greatest. There is also significant untapped potential to be mobilised for investments in digital infrastructures, e.g. broadband fibre networks³² and large scale demonstrators. More can be done to facilitate investment in other innovative and sustainable solutions contributing to the development of smart cities, providing better integration of ICT infrastructure with energy, transport, water and waste.

b. A new Portal for better visibility of investment opportunities in Europe

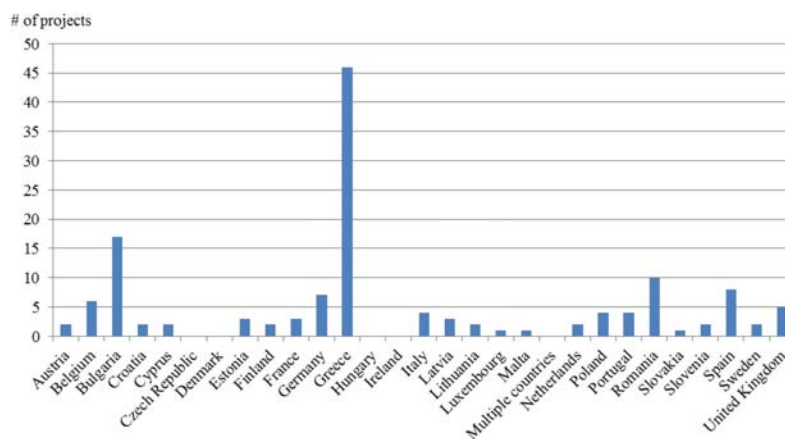
Providing greater visibility to Europe's investment opportunities. In order to match existing liquidity in the financial markets and investment projects in the real economy, the Commission has developed a **European Investment Project Portal** (EIPP), where EU project promoters are given the opportunity to boost the visibility of their projects to investors

32 Technical assistance specifically for broadband should help in that context, as well as the combination of CEF broadband, Horizon2020 and EFSI.

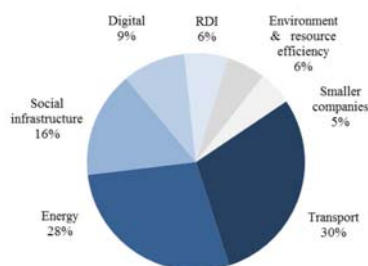
worldwide³³. This initiative responds to one of the clearly identified structural bottlenecks to investment in the European Union.

Chart 4. Projects submitted to the EIPP as of end-May

Number of projects by country



Main sector of projects on the EIPP



This initiative supports the policy orientation endorsed in international fora like the IMF, the G20 and the OECD, which have all underlined the need to create a transparent, forward looking pipeline of projects that could serve potential investors. In the future, the Project Portal will also provide links to national and regional pipelines of smaller projects.

The Commission will closely monitor the feedback from the market with a view to progressively improve the Portal's features and ensure coherence with on-going initiatives under the aegis of the G20.

33 The Project Portal is launched on the 1st of June and it is available under <http://ec.europa.eu/eipp>. By creating a common meeting point, the Commission seeks to serve both EU project promoters and international investors. The quality of the projects however will be assessed only by potential investors. The publication of an investment project on the Project Portal is not a pre-condition or guarantee for receiving any EU or EIB/EFSI financing support and projects already receiving EU and/or EIB/EFSI support can still advertise their project on the Portal if additional financing is necessary.

4. Improving the investment environment by removing obstacles to investment and providing regulatory certainty

In addition to the new approach to funding and the delivery of technical assistance, concrete actions have been initiated to remove financial, administrative and regulatory barriers to investment, and further deepen the Single Market. Improving and diversifying sources of finance is a necessary, but not sufficient factor. Europe needs to create a regulatory environment which is predictable, reduces administrative burdens and encourages investment. These efforts at EU level go hand in hand with Member States' commitment to continuing reforms with the aim of removing administrative, financial and sector-specific barriers at national level, in the context of the European Semester and beyond.

a. Progress at EU level: completing the Single Market and simplifying existing sectorial rules

Many of the Commission's key initiatives support these objectives. Today, the Commission has issued a Communication, reporting on its work on "**Delivering the Single Market Agenda for Jobs, Growth and Investment**"³⁴. The actions mentioned in that Communication are essential for the long-term delivery and success of the objectives of the Investment Plan for Europe. In addition, the Energy Union Strategy³⁵ aims at providing a stable market-based regulatory framework that will support the transition to a low-carbon economy conducive to investment, notably in flexible and low-carbon generation with the EU consumers at its core. The necessary legislative measures to implement a stable regulatory framework to support this transition will be proposed in the course of this year. In parallel, the Commission's Better Regulation agenda seeks to simplify the legal framework and to reduce regulatory burden.

As concrete examples of barriers to investment addressed in the context of the Capital Markets Union, the capital charges for insurers investing in qualifying infrastructure projects and unlisted European Long-Term Investment Funds have been reduced and the new rules are already in force³⁶. Further amendments to Solvency II are considered for insurers' investments in infrastructure corporates. The Commission will evaluate whether it is appropriate to lower bank capital charges for infrastructure exposures in a similar way, taking into account discussions on capital treatment of bank exposures in relevant international fora. To facilitate venture capital investment in Europe, together with the Pan-European Venture Capital Fund-of-Funds initiative, the Commission will also propose some changes to the venture capital regulatory framework. Preparatory work will soon be launched on development of European markets for personal pension products which can become an important reserve of capital for

34 COM(2016) 361

35 COM(2015) 80

36 Commission Delegated Regulation (EU) 2015/467 of 30 September 2015 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings (OJ L 85, 1.4.2016, p. 6).

financing long-term investment. To foster sustainable investments in line with the EU's strong commitments made through the Paris climate agreement, reflections on how to develop the overall financial policy framework in support of green finance should be taken forward on the basis of ongoing international work.

These initiatives make investment more sustainable also in line with the need to shift private investment in support of the transition to a low-emission and climate-resilient economy, as required under the Paris agreement.

The Commission is also taking action in a number of areas with direct impact on investment decisions in Europe:

First, in the area of **State aid**, the Commission has clarified that EFSI financing is not State aid within the meaning of the Treaty, and EIB Group financing under the EFSI does not have to be approved by the Commission under EU State aid rules. Projects supported by the EFSI may however also benefit from co-financing by Member States. Such co-financing is, unless granted on market terms or unless falling within a block exemption, State aid, which must be approved by the Commission. To support the swift delivery of EFSI support, the Commission committed to assess Member State co-financing as a matter of priority, completing its assessment within six weeks of receiving the required information. To offer further legal certainty to investors as regards the financing of infrastructure, the Commission has provided practical guidance on what constitutes State aid, in the form of a Communication on the Notion of State aid. The Notice establishes when public funding of infrastructure is in principle excluded from the application of the State aid rules³⁷.

Second, in the area of **public accounting**, Eurostat is actively consulting Member States to ensure that PPPs both under EFSI and in general, are classified according to the national account principles behind the data used for fiscal surveillance³⁸, so that they can be structured in a way that ensures best use of public resources. In cooperation with the Member States, Eurostat has developed a statistical methodology for the classification of such projects³⁹. Furthermore, on request, Eurostat provides ex-ante advice to the statistical authorities in Member States in order to assess whether PPP projects are to be classified inside or outside

37 Commission Notice on the notion of State aid as referred to in Article 107(1) TFEU available at http://ec.europa.eu/competition/state_aid/modernisation/notice_of_aid_en.pdf

38 The fiscal indicators (deficit and debt) to be used in the context of the Excessive Deficit Procedure and the Stability and Growth Pact are anchored in the Treaty and are provided by Eurostat. The concepts and definitions to be used are based on the European System of Accounts (ESA 2010), which is in line with the international accounting standards and has been adopted by Regulation (EU) 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union, OJ L 174, 26.6.2013, p.1. It is in the interest of policy makers and of the public in general that those indicators are calculated according to the highest quality standards, and that they are comparable between Member States.

39 Manual on Government Deficit and Debt – Implementation of ESA 2010 – 2016 edition, available at <http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-16-001>

government accounts (there are examples of both), if useful in cooperation with the EIB. Such advice is publicly available in order to provide guidance⁴⁰.

Going forward, further efforts will be made to engage proactively with key stakeholders and public project promoters, while safeguarding Eurostat's independence. In particular, advisory capacity will be strengthened in relation to investments which are co-financed with EU funds including the EFSI. Moreover, Eurostat is also cooperating with the European PPP Expertise Centre of the EIB (EPEC) in order to clarify certain aspects of national accounting as regards the recording of PPPs, to explain accounting rules and to share experiences of PPPs with the Member States. Guidance specifically addressed to those stakeholders preparing PPP contracts will be published in the summer. In cooperation with the other services of the Commission, Eurostat will closely monitor the impact of the public accounting rules on the creation of PPPs in different sectors. Where appropriate, it will review its guidance in consultation with the Member States, for instance to take into account the specificities of certain contractual arrangements, such as Energy Performance Contracting with guaranteed savings.

Third, as regards **public procurement**, which represents a sizeable market in the EU and offers a source of potentially significant savings for the public purse, a new EU framework⁴¹ was adopted in 2014, with a deadline for national transposition by 18 April 2016. The amended framework, which includes more room for negotiation, clearer rules as regards contract modifications during the execution of the contract and rules for cross-border projects, will facilitate project promotion, in particular for projects using EU funding. The new rules will reduce both the time needed to get EU financing as well as the risk of refused payments. The Commission also encourages broader uptake of green public procurement to align public spending with sustainable development objectives⁴². Going forward, the Commission intends to put in place by October 2017 a voluntary ex-ante consultation mechanism that will help contracting authorities making the most of the procurement framework.

Fourth, and more generally, the **design and approval of investment projects** often requires the involvement of several Commission services, looking at the project from different angles – e.g. EU funding, public accounting rules, state aid control, environmental permits and public procurement. Going forward, the Commission will address the perceived complexity of EU rules and procedures by pursuing a stronger convergence of the timelines of the different procedures. For this purpose it will create an effective "one-stop-shop" for large infrastructure

40 This advice can be found here: <http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/advice-to-member-states>

41 Directive 2014/24/EU on public procurement; Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors; and Directive 2014/23/EU on the award of concession contracts.

42 More information on green public procurement is available at http://ec.europa.eu/environment/gpp/index_en.htm

projects where the checks run in parallel towards a common approval date, bringing together the responsible Commission services in a single investment policy team. Such an approach, which is already followed to some extent in the field of energy for projects of common interest, should be extended to major Investment Platforms that involve national co-financing as well as to large infrastructure projects of EU added-value in other economic sectors such as transport, including projects supported by the EFSI. The objective of reducing excessive administrative burden and time to obtain the necessary approvals and appraisals will also be pursued through on-ongoing fitness checks of EU regulation and new cooperation mechanisms with Member States. In the same vein, the Commission will explore the possibility to design a single EU authorisation framework that would directly apply to large projects with a cross-border dimension or major Investment Platforms that involve national co-financing replacing a broad range of authorisation procedures at EU and national level.

b. Progress at national level: tackling barriers to investment in the European Semester

Member States can also do more to improve the framework conditions for investment at the national level. The Communication of 18 May 2016⁴³ provides an overview of the key objectives of the 2016 country-specific recommendations. Where available, Member States should use their fiscal space to increase public investment in areas conducive to growth, such as infrastructure, health, education and research. At the same time, further actions are needed to foster private investment and Member States are encouraged to accelerate the adoption of structural reforms and to tackle investment bottlenecks, such as regulatory and administrative barriers as well as cumbersome and lengthy approval procedures. In some Member States, remaining inefficiencies have been identified in the areas of public procurement, taxation systems, judicial systems and insolvency frameworks. Progress also means identifying a stable pipeline of projects and ensuring coordination and planning by all levels of national administration. In the same spirit, the Commission, working with Member States, will map out and continue work to resolve unjustified national barriers to the free movement of capital that are preventing a well-functioning Capital Markets Union. A report will be published by the end of 2016⁴⁴.

On 1 July 2015, the European Commission established the **Structural Reform Support Service (SRSS)** in order to offer technical support to Member States, including capacity-building assistance for growth-enhancing administrative and structural reforms. The SRSS is engaging with a number of Member States on concrete technical assistance projects to identify and remove barriers to investment⁴⁵.

43 COM(2016) 321 final

44 COM(2015) 468 final

45 On 26 November 2015 the Commission adopted a proposal for a Regulation on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013, COM(2015) 701 final.

A stronger link between EU funds and reform implementation. In order to further focus ESI Funds on supporting key economic and social reforms under the 2014-2020 programming period, the Commission intends to enhance the link to key priorities in the country-specific recommendations. The approval of the ESI Funds has been subject to the implementation of a number of reforms (ex-ante conditionalities) in order to facilitate the use and effectiveness of ESI Funds. The legal framework covering the ESI Funds requires that programmes co-financed by ESI Funds address all relevant country-specific recommendations. The Commission will monitor and report on progress towards the agreed objectives by 2017.

5. Looking ahead: a reinforced Investment Plan and EFSI 2.0

Having been fully operational for less than a year, the EFSI is delivering tangible results. Project promoters have used the EIAH to enhance the quality of their projects and investors can now access numerous investment opportunities on the EIPP. In addition, the Commission has tabled a number of initiatives to help improving the investment environment and has engaged with Member States to remove regulatory and administrative obstacles to investment.

The innovative use of EU funds is paying-off due to the flexibility of the EFSI, the absence of red tape and the independent selection of projects based on their technical and financial viability.

According to the Regulation (EU) 2015/1017, the Commission shall review the use of the EU guarantee by January 2017 and submit an independent review on the functioning of the EFSI, the EIAH and the EIPP by July 2018 at the latest. However, as set out in this Communication, some important first lessons can already be drawn.

Against this background, the European Council is invited to endorse the following priorities:

- **Given the concrete results delivered, a reinforced EFSI will continue beyond the initial three-year period** to address remaining market gaps and failures and continue to mobilise private sector financing in investments crucial for Europe's future job creation, growth and competitiveness with strengthened additionality. To this end, the Commission will present the appropriate legislative proposals in the autumn to extend the duration of the EFSI, bearing in mind the scarcity of budgetary resources.
- Given its success, the **EFSI SME-window will be scaled up** quickly, under the current framework, for the benefit of SMEs and mid-cap companies in all Member States. The Commission will work with the EFSI Steering Board to use all the existing possibilities under the EFSI-Regulation to reinforce the SME-window⁴⁶.

⁴⁶ This includes shifting up to EUR 500 million of the EU guarantee from the Infrastructure and Innovation window to the SME window; and using the EFSI guarantee to top-up InnovFin and COSME loan guarantee instruments as well as the EU Programme for Employment and Social Innovation (EaSI). This will lead to an increase in the overall size of budgetary allocations for these instruments and allowing the EIF to finance a significant extra volume of operations.

- The Commission will explore the possibility of using an EFSI-type model for investments in **developing third countries**.
- The **combination of EFSI support and ESI Funds** will be further simplified and legislative and other obstacles to such combinations will be removed. In particular, changes to the applicable regulations will be explored within the context of the upcoming mid-term MFF review⁴⁷. The Commission and the EIB will work on a list of flagship projects that would provide concrete examples of such combinations by end-2016.
- **The Advisory Hub will be enhanced in order to provide more targeted outreach and support development of advisory action at local level**, as well as cooperation with National Promotional Banks. The Commission will consider synergies between existing EU envelopes for technical assistance in order to enhance the flexibility of technical assistance provision and allow a rapid response to market needs.
- The establishment of **Investment Platforms** will be further encouraged, with strong engagement from the Commission, the EIB Group, National Promotional Banks and other relevant actors.
- The EFSI will continue to contribute to the development of the market for **sustainable/green projects**, by encouraging in particular the development of a green bond market in Europe and improved coordination of existing efforts.
- The Commission will continue to deliver on its **Single Market priorities**. Together with Eurostat, the Commission will provide further clarity and review, where appropriate, relevant guidance as regards accounting aspects of public-private partnerships.
- Member States should also establish clear priorities, prepare concrete investment projects with the help of the Advisory Hub – in particular as regards cross-border projects – and structure their projects in an optimal way so as to ensure a greater use of financial instruments. In the context of **the European Semester process**, Member States should implement the country-specific recommendations to address national barriers to investment.

Regular stock-taking by the European Council, the European Parliament, the relevant Council formations, and cooperation with the European Economic and Social Committee, the Committee of the Regions, will ensure the necessary political ownership to make sure that these initiatives continue to produce results. The Commission and the EIB will also continue to approach key stakeholders at national and regional level to organise dedicated follow-up

47 This could include the creation of incentives for Member States to top-up EU-level financial instruments with ESI Funds allocations, moving away from the use of grants where financial instruments provide more value added, and allow for blending of grants and financial instruments to be combined with EFSI support where necessary, linking the level of financial support in specific project to their alignment with EU policy objectives and strengthening ex-ante conditionality.

activities in order to discuss and develop specific solutions, responding to local and regional needs.

The Commission invites the European Council to endorse all the continued efforts in the context of the implementation of the Investment Plan for Europe, as set out in this Communication. It calls on the European Parliament and the Council, as the EU legislator, to follow up swiftly on all legislative aspects of the Plan.