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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Partial summary record of the joint meeting of the Committee on **Economic and Monetary Affairs (ECON)** and the **Committee on Budgets (BUDG)** of the European Parliament, held in Brussels on 26 March 2015
- Item 4

- **The ECON and BUDG committees considered the 1472 amendments received on the EFSI proposal. Co-chair GUALTIERI, the two rapporteurs and some other MEPs took the view that the very high number of amendments received pointed to the huge interest among MEPs in improving the Commission proposal within the given timeframe, rather than to a risk of EP blocking the proposal, as suggested in some media reports.**

- **During the debate, MEPs from across the political spectrum expressed their opposition to the Commission proposal to fund the EU guarantee from Horizon 2020 and the Connecting Europe Facility (CEF). Several MEPs, including Mr GUALTIERI and the rapporteurs, strongly criticised the Commission for its inflexible position on this, considering it unacceptable and unhelpful.**
- **There were differences between the right and left-wing groups on the issue of project selection. EPP and ECR concentrated on project viability from an economic perspective, while left-wing groups called for more precise criteria and for the creation of a mechanism which would encourage private money, in its own interest, to contribute to helping overcome regional and social disparities.**
- **The groups also proposed different solutions for governance issues. EPP, ECR and ALDE stressed the importance of having a simple system and avoiding political interference in project selection. Left-wing groups were more open to considerably increasing EP's role. There was, however, general support for the idea that EP should have a greater role in ensuring that the fund's governance system was in order. Several MEPs wanted to further discuss the pros and cons of relying on delegated acts.**
- **Mr BULLMAN considered that the spirit of compromise was palpable across political groups and committees, and he called for this to continue so as to enable EP to achieve its objectives.**

4. European Fund for Strategic Investments

***I 2015/0009(COD)

Rapporteurs: Mr FERNANDES (EPP, PT) and Mr BULLMAN (S&D, DE)

- Consideration of amendments

The co-rapporteur for BUDG, Mr FERNANDES (EPP, PT), commented on the amendments received, taking the view that despite some differences, they followed a common thread. This was the case in particular as regards **financing of the guarantee**, where there was a clear wish to reduce as much as possible the impact on Horizon 2020 and CEF and to have flexibility, while making sure that the guarantee would be credible, i.e. unconditional and irrevocable. He pointed out that no one questioned the figure for the guarantee – 16 billion – which was a fixed point, not subject to any

conditions. As to solutions, he referred to the proposal that whenever surpluses would arise in the guarantee fund, they would have to return to the lines from which money had been taken. Apart from that, the Council and the Commission could give a strong commitment to replenish, in the course of the 2017 MFF review, the budget lines that had been used for the guarantee fund. Also, since in the first few years of the fund there were not going to be any losses, the EUR 8 billion for the guarantee fund could be put together over a longer period or the issue could simply be addressed during the 2017 MFF review.

Regarding **governance issues**, he stressed the need to avoid political interference. Member states would not have to be represented on the steering board. It was also necessary to reflect on what to do with the proposals to use delegated acts, given the need to avoid excessively heavy solutions. He also wanted to **avoid too many criteria for project selection** – the process had to be simple, with a focus on viable projects from a technical and economic perspective.

The co-rapporteur for ECON, Mr BULLMAN (S&D, DE), pointed to the pressure under which EP had to do its work, both in terms of tight deadlines and the quality of work expected. He stressed that it was only going to achieve its objectives if it continued to work in a spirit of compromise, which could be felt across political group and committee boundaries. As to the amendments:

- They chimed in well with the rapporteurs' line regarding the way in which the **Commission-EIB agreement** should come into being. Some colleagues were very ambitious, proposing that EFSI have its own legal personality. This was an interesting proposal, worth discussing, even if it was going to be difficult to decide on in such a short time.
- There was considerable support for EPP's idea of having an **advisory board** which would include banks, intermediaries and other stakeholders.
- Some MEPs were concerned about member states' unwillingness to contribute to the fund. There had been assurances from a number of member states that national promotional banks and investment platforms would be used to participate in various ways and this nascent cooperation had to be nurtured.
- He supported the view expressed by ALDE (Mr TREMOSA i BALCELLS, ES) that regions could play a pivotal role in areas such as supporting SMEs and filling infrastructure gaps.

- MEPs had different views on the direction to take with regard to the **steering committee**. Some (including EFDD) wanted it to be beefed up, while ECR wanted to remove it from the whole EFSI architecture as the EIB already had what was necessary to perform the function. His view was that the steering board was inevitable and was where the delegated political accountability lay (i.e. with the Commission and the EIB).
- Many colleagues also had reservations about private capital, especially from outside the EU, potentially deforming the fund, which is why he supported the EPP suggestion that it should not have decision-making power.
- MEPs also had different ideas regarding the **investment committee**. A number of MEPs emphasised the need for its independence, but also for public interest to be protected. MEPs from several political groups wanted to see wide-ranging representation as regards experts.
- There was also still controversy regarding the **appointment of the managing director and his or her deputy**. The EP wanted to be involved in this procedure, as well as in the process of drawing up the **investment guidelines**, given the use of money from the EU budget. The exact mechanics of that involvement still had to be worked out.
- MEPs had different ideas regarding the **shelf life of the fund**. As a compromise, the functioning of the fund could be reviewed after three years.

The political group representatives intervened as follows:

EPP:

- Mr KARAS (AT, ECON) supported the rapporteurs' approach. He stressed that the EP wanted to respect the timetable, while also improving the Commission proposal, so as to have a real EU investment fund oriented towards the future, subject to democratic scrutiny, rather than a mere EIB+.
- The EPP group would judge the amendments according to two yardsticks – the guarantee had to be irrevocable and unconditional, and decisions had to be made without political interference. There was no contradiction between independent decision making and EP scrutiny and this had not been proposed by the rapporteurs. The EP only wanted to ensure that the governance system was in order because the money came from the EU budget.

S&D:

- Ms GARDIAZABAL RUBIAL (ES, BUDG) said that the S&D group wanted an effective and credible guarantee. However, it would prefer to decide year by year where the money would come from, based on the information on unused funds.
- Also, it considered the security buffer of 8 billion excessive.

ECR:

- Mr LOONES (BE, ECON) and Mr ASHWORTH (UK, BUDG) stressed, above all, their group's **opposition to any politicisation** of the fund. The steering committee had to be abolished. In addition, the independence of the investment committee had to be reinforced, along the lines of EPP and ALDE amendments. MEPs could not have a hands-on role in the management of the fund, but the EP had the right to scrutinise outcomes and hold the Commission and the EIB to account for the performance of the fund.
- Projects had to be selected on the basis of their **economic viability**, as proposed by the EPP group.
- As regards **financing**, the Commission proposal caused concern, especially with regard to Horizon 2020. It was important for the group not to increase the overall level of funding for the MFF.
- ECR wanted a **temporary fund**.
- More broadly, EFSI could not be seen as an alternative to structural reform and sound public finances in the member states.

ALDE:

- Mr DEPREZ (BE, BUDG), replacing Mr TORVALDS (FI), and Mr TREMOSA i BALCELLS (ES, ECON) concentrated on different aspects of **project selection**. Mr DEPREZ wanted to avoid too precise objectives, e.g. in terms of the creation of jobs, given the focus on high-risk investment. It was enough for the projects to be in line with the EU objectives. Mr TREMOSA i BALCELLS (ES, ECON) did not agree with the EPP approach of not identifying any priorities or defining any conditions for the projects. Projects had to be well selected to avoid problems like those encountered with the Castor project in Spain. European added value and cross-border projects (including TEN-T and TEN-E projects) had to be given priority.

- On **governance**, ALDE was against political interference. There had to be no representation of member states in the steering committee. Mr DEPRez also took the view that the EP was not to evaluate the work of experts, which is why he had doubts about the rapporteurs' proposal in this regard.
- Regarding the **Commission-EIB agreement**, Mr DEPRez pointed to possible uncertainty arising from the use of a delegated act, given that the EP could bring it to an end. Therefore, this proposal had to be further discussed.
- On **financing**, ALDE considered the 8 billion buffer to be adequate. However, the EP could not give in to blackmail regarding Horizon 2020 and CEF.

GUE/NGL:

- Ms NÍ RIADA (IE, BUDG) said that her group was in favour of amendments that supported social progressive recovery and reducing regional disparities. She mentioned, in particular, SMEs, social enterprises and cooperatives, research and innovation, accountability and transparency.

Greens/EFA:

- Mr LAMBERTS (BE, ECON), replacing Mr EICKHOUT (NL), and Mr MARAGALL (ES, BUDG) stressed, above all, that the Greens wanted **the projects to be well selected**. Therefore, the group had proposed a scoring system based on clear criteria for projects. Investments had to take into account the real economic added value (in non-political terms), including in terms of the EU 2020 strategic goals and the areas in which investment was most sorely lacking. SMEs also had to be given priority.
- As to **governance**, the Greens did not want the EP to micromanage the fund, but they did not want it to give a blank cheque either. The objectives had to be framed within the EFSI regulation and the details left to delegated acts. The EP had to have regular reports from EFSI, which would enable it to assess the real impact of the fund. It also had to approve the managing director of the investment committee and his or her deputy. The agreement between the Commission and EIB had to be adopted via a delegated act. The investment committee had to include people from a wide range of backgrounds, not just finance, to be able to assess comprehensively the economic, social and environmental added value of projects.

- Instead of the **funding solution** proposed by the Commission, the group considered that existing flexibilities in the budget could be used, and redeployment of funds considered. Decisions on funding had to be made on an annual basis.
- Decentralised assistance for setting up projects and real involvement of regional and local stakeholders was very important.
- SGP rules should not prevent member states from co-financing the projects under EFSI.
- In general terms, the group did not agree with the Commission argument that for attracting private money, there had to be no conditionality or earmarks or strong EP monitoring. Instead, it was important to create a mechanism which would encourage private money, in its own interest, to help overcome regional and social disparities.

EFDD:

- Mr ZANNI (IT, BUDG) supported stronger involvement of member states and the EP in EFSI governance to make sure the projects were in line with the EU objectives and to ensure democratic accountability.
- It was important for part of the fund to go to infrastructure projects and SMEs, including innovative start-ups.
- He preferred to establish the EU guarantee from the start, rather than finding funds year by year.

Commission:

- The Commission representative strongly argued in favour of the Commission proposal on **financing the guarantee** and against leaving it for the annual budgetary process. He expressed doubts as to whether it would comply with Article 310 TFEU. He also argued that the flexibility instrument could not be used and that there were no good alternatives to taking funds from Heading 1a. If MEPs did not want to touch Horizon 2020 or CEF, other programmes like Erasmus would have to be cut.
- As to the size of the buffer, the Commission and EIB risk calibration had concluded that there was risk of a loss of EUR 6.5 billion. However, this was based on statistical probability only, which is why it was important to have an 8 billion buffer to avoid a budget cycle drama.

- On the other hand, the Commission was willing to examine the suggestion to allocate any surpluses in the guarantee fund to the budget lines that were cut and to have a rendez-vous clause to ensure that the issue of funding would be addressed during the mid-term review of MFF.
- On **governance**, he cautioned against requesting **investment guidelines** to be adopted via a delegated act, which he considered would lead to a risk of too many requests from member states and the EP committees, leading to a Christmas tree approach. However, the Commission was willing to work on an appropriate way to address EP concerns.
- The Commission was open to limiting the **steering board** to the Commission and the EIB, excluding the private sector and member states.
- It was against any politicisation of the recruitment procedure for the members of the **investment committee**, and argued that it would take an expert to select an expert. However, it was happy to work with the EP on ensuring the right mix of competence inside the investment committee, both in geographic and sectorial terms. It also took note of the EP's wish to have a much bigger role in the selection of the managing director and his or her deputy.
- The Commission would look positively at the EP's request to strengthen the reporting and evaluation requirements.
- The Commission would also agree to a review of the workings of the fund after three years.

EIB:

- The EIB representative stressed the importance of **an unconditional and irrevocable guarantee**, as well as avoiding its fragmentation and ensuring timely payments. More generally, it was important to have a simple system and not to fragment accountability, so as to be clear that the EIB and the Commission would be ultimately responsible for delivering the EUR 315 billion.
- As to **compliance with EU policies**, she stressed that the EIB had ample experience with financing projects, while looking at their economic viability, as well as social, economic and environmental return. She suggested using that expertise rather than trying to create something new.

- The EIB also wanted EFSI **governance** to be lean and simple. It considered the EP proposal regarding the steering board to be balanced and took the view that the investment committee experts had to be selected based on their technical expertise, while guaranteeing a broad representation of sectors and nationalities. She stressed that under the Commission proposal, the EIB would be ultimately accountable for the selection of projects.

Following the Commission's presentation, Mr BÖGE (EPP, DE) expressed strong dissatisfaction about the Commission's attitude on the financing issue, considering it arrogant. Mr BULLMAN asked it to cooperate with the EP, given the role of the different institutions under the treaties. He also took the view that the EP could not simply delegate its responsibility regarding the EU guarantee to the EIB. He considered that there were no significant differences between the groups on these important issues. The EP had to make rapid headway to respect the timetable, while not agreeing to a mere EIB+. Mr FERNANDES stressed that the EP was behind the words 'unconditional' and 'irrevocable'. It wanted the guarantee to be credible. He presented reasoning according to which, he suggested, the Commission proposal was lacking in this regard. He also reiterated his earlier suggestions for minimising the impact on Horizon 2020 and CEF.

In conclusion, Mr GUALTIERI considered the meeting to have been constructive, except for the Commission intervention. Mr ARTHUIS called for a solution to be found to the financing issue and pointed out that the shadows would start putting together compromise proposals after the meeting.

Timetable:

- ECON-BUDG vote: 20 April.
