European Economic and Social Committee

ECO/474
InvestEU

OPINION

European Economic and Social Committee

Proposal for a Regulation of the European Parliament and of the Council establishing the InvestEU Programme
[COM(2018) 439 final – 2018/0229 (COD)]

Rapporteur: **Petr ZAHRADNÍK**

Consultation	Council of the European Union, 07/09/2018 European Parliament, 14/06/2018
Legal basis	Articles 175 third subparagraph and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	03/10/2018
Adopted at plenary	17/10/2018
Plenary session No	538
Outcome of vote (for/against/abstentions)	204/1/3

1. Conclusions and recommendations

1.1 The EESC welcomes the fact that the package of regulations on the future multiannual financial framework includes a proposal to strengthen investment activity in the EU (which has yet to reach pre-crisis levels), including long-term investment projects that are of high public interest, while also respecting the sustainable development criteria (in line with the EU's commitment to adhere to these as part of the 2030 Sustainable Development Agenda). The EESC welcomes this solution, moreover, because the priority areas of the InvestEU programme as well as the timeframe for their implementation are broadly consistent with, or based on, the 2030 Sustainable Development Agenda. In order to guarantee that this programme operates successfully, it would be good to make the fullest use of the involvement of civil society organisations and social and economic partners.

1.2 The EESC appreciates the European Commission's efforts to create an umbrella financial instrument and also agrees with the focus of its content. Its unified management, enhanced transparency and potential for synergies provide a greater opportunity to achieve the desired effects compared with the current situation. The EESC stresses the need to carry out a thorough market test of projects with a view to ensuring the adequacy of specific projects that lend themselves to the use of financial instruments. The success of the instrument is highly dependent upon a well-functioning monitoring system.

1.3 The EESC appreciates the fact that, in addition to promoting sustainable infrastructure, small and medium-sized enterprises (SMEs) and research and innovation, the InvestEU programme also focuses on social investment and skills. This demonstrates the importance of social investment for future EU development. In this context, the EESC supports a strong link between InvestEU's social investment and skills programme, on the one hand, and the standard social policy support instruments on the other, in particular the European Social Fund and the Youth Employment Initiative, as well as with employment and social innovation programmes, so as to secure maximum investment in sustainable social infrastructure, social enterprises, and services and centres for the development of human capital.

1.4 The EESC nevertheless points out that under the InvestEU programme there should be no underestimation or neglect of social investment, which must be as important as investment aimed primarily at development and entrepreneurship. This observation is based, among other things, on the findings presented in December 2017 by the High Level Task Force on Investments in Social Infrastructure in Europe, chaired by Romano Prodi. Here public investment can act as a catalyst for private investment.

1.5 Given that InvestEU is a new type of programme, the EESC welcomes the possibility of a specific, user-friendly manual aimed at identifying the appropriate project typology, finding examples of their synergy with the other chapters of the multiannual financial framework and ensuring adequate implementation in Member States.

1.6 The EESC appreciates the expected positive impact of the InvestEU programme on the development of financial markets in the Member States; in this regard, it stresses the considerable need for an appropriate structure for the implementing partners, especially at national level.

2. **General context of the proposal and key facts**

2.1 The recent economic crisis significantly reduced the volume of investment activity in the EU and this has yet to recover. The aim of all the key elements of EU economic policy must be to find pathways to a sustained recovery in investment, including investment in the public interest, which includes a broader involvement of SMEs and ensuring respect for the voice of civil society.

2.2 Since not enough public resources are available at national and EU level to carry out public interest investment, it would be good to bring in private capital, provided rules are observed to ensure the public interest is indeed served. One way of achieving this aim is to strike a balance within the EU budget between investments in repayable financial instruments and those that are based on the subsidy principle.

2.3 Repayable financial instruments exploiting the potential of the EU budget, at central and national level, have made significant advances, particularly for the 2014-2020 financial framework, and yet are not used as much as they ideally could be. Among the improvements needed are the systemic alignment of a large number of uncoordinated instruments at central level into a single management mechanism. InvestEU is an example of this.

2.4 The InvestEU programme can be seen as a crucial contribution of the EU budget in line with recent changes to ensure European added value, greater flexibility, synergies between chapters and simplified procedures. This contribution should result, in the case of InvestEU, in increased investment activity over the long term (with a total of EUR 650 billion being mobilised by 2027), a strengthening of the role of the financial market, including in relation to projects of public interest, and a more effective allocation of EU budget resources, which are subject to a natural market test thanks to the return on investment element.

2.5 It makes sense, then, to look at InvestEU not in isolation, but as an important component of a complex mosaic of instruments in the next EU budget, which clearly constitutes a new trend in the allocation of its expenditure that will be of crucial help in surmounting the customary – and ultimately futile – division into net contributors and net beneficiaries.

2.6 InvestEU builds on the well-regarded practice so far of the European Fund for Strategic Investments (EFSI) and the Investment Plan for Europe and takes this much further forward. The progressive principle on which the EFSI is based should be used in merging the spectrum of all centrally established financial instruments at EU level.

2.7 InvestEU consists of three parts:

- the InvestEU fund, whose main aim is to mobilise public and private sources for investment purposes, using an EU budget guarantee;

- the InvestEU Advisory Hub, which is a complement to the fund providing technical advice for investment projects seeking funding;

- the InvestEU Portal, which is a complement to the fund in the form of an easily accessible and user-friendly database that connects investors and supported projects.

3. General comments

3.1 The EESC welcomes the continuation and extension of a financial instrument based on the guarantee principle and considers it essential not least with a view to the long-term development and management of the EU budget. InvestEU's equity capital of EUR 15.2 billion is considered by the EESC to be sufficient to bring in investments of EUR 650 billion by 2027, as is the total guarantee of EUR 47.5 billion. It also finds the 40% provisioning rate of the EU guarantee appropriate in view of the selected windows within the programme and the supported projects.

3.2 The EESC also thinks the choice of policy windows appropriate, focussing on sustainable infrastructure, small and medium-sized businesses, research and innovation, and social investments and skills, including the distribution of the total amount of the guarantee in their favour. These are the most relevant areas, the EESC believes, for achieving an intensive use of financial instruments.

3.3 The EESC sees two fundamental benefits from the introduction of Invest EU that financing from the EU budget and the use of financial instruments have not so far managed to achieve to the same extent: hitherto unlinked programmes will be merged into one, thus boosting effects of synergy between them; at the same time, there will be greater stress on the efficacy of resources invested from the EU budget thanks to the need to undergo market testing. The EESC sees the strengthening of an instrument based on guarantees in itself as a unique opportunity to secure enough sources to make investments in the public interest that could in no way have been achieved using the EU budget as at present. This principle looks very promising for the long term. The EESC sees the overall approach of InvestEU as an important expression of European added value.

3.4 The EESC also welcomes InvestEU's main anticipated benefits, namely the existence of a sufficiently robust instrument that can further stimulate investment and help sustain it at least at pre-2009 levels over the long term, while also streamlining and making more effective the system of financial instruments managed directly at EU level and, indirectly, inspiring the introduction of financial instruments at Member State level (especially those in which this way of acquiring budget resources is not proving too successful). It also addresses the EU's real development priorities and uses modern financing methods in implementing them. The EESC also considers it important that targeting of InvestEU support will be guided by indicators and instruments used in relation to the European Semester, including the commitments of Member States in the form of National Reform Programmes.

3.5 In the context of the previous paragraph, the EESC stresses the importance of a well-functioning monitoring system that will monitor InvestEU's profitability, thus evaluating the success of the use of both private and public investment; the role of public investment in this regard will result in a driving effect, with a spillover effect on subsequent private investment.

3.6 InvestEU reflects the general approach of the EESC and many of its opinions in this field in that it is geared to achieving cross-cutting – and in many respects also cross-border – goals on a basis of simplification, flexibility, synergies and profitability, with a gradual adoption of the principle that the EU budget does not necessarily mean just grants, but can also be distributed or invested in other ways. This implies a qualitative shift away from the "mere" allocation of budgeted expenditure to real investment in the public interest.

3.7 Adoption of the abovementioned approach will give greater scope for boosting the overall volume of supported investments, something that could not have been done using customary methods. Moreover, this mechanism makes it possible to also bring private sources of finance into projects of public interest, especially where there is a risk of market failure. There is an investment gap into which private capital will never venture without an adequate public guarantee.

3.8 The EESC recommends that the proposal for a regulation set out and treat more fully and clearly the actual ways that individual sources can be combined with what InvestEU has to offer. This combining of sources is precisely the declared aim, but without a clear manual it could run into practical obstacles. From an EU budget perspective, it should be possible to combine different financial resources within a project in both directions: as a contribution to the InvestEU programme of funds under shared management, and as a contribution by the InvestEU programme to national, tailor-made financial instruments implemented under shared management. Appropriate implementation rules guaranteeing such flexibility should be included in the regulation.

3.9 The EESC also recommends that a typology of projects suitable for InvestEU be drawn up, alongside ones where using grants will continue to be more appropriate (i.e., those where direct financial returns are unlikely or outright impossible, even in the long term).

3.10 With regard to the InvestEU programme proposal, as well as in the wider context of the full spectrum of measures of the 2021-2027 multiannual financial framework, the EESC recommends assessing the EFSI's economic impact to date in each of the Member States, including overviews of the use of the funds and the benefits ensuing from them. This assessment will be particularly important because InvestEU, as a new EU financial tool, could be directly geared towards real investment priorities and could avoid certain shortcomings found in existing ways of using the EU budget. Here, too, there is room to include civil society organisations, in order to demonstrate the usefulness of European projects from the point of view of prosperity and well-being and to identify this usefulness in a clear way.

4. **Specific comments**

4.1 The EESC welcomes the possibility of establishing under InvestEU voluntary compartments of resources primarily intended for – for example – cohesion policy. Since this is a new way of sharing resources, the EESC recommends the drafting of a manual to facilitate operations of this kind.

4.2 The EESC draws attention to the need for more precise alignment between the content of the four main policy windows of the InvestEU programme and a more detailed specification of the supported activities under Annex II. In order to improve the practical orientation of project promoters, the EESC recommends that Annex II be elaborated more carefully with a view to achieving greater consistency with the wording of Chapter II of the proposal for a regulation.

4.3 The EESC would welcome an indication of what is to be done in the event that the guarantee from the EU budget is, for some reason, not enough to secure the expected investment volume or in the event that the conditions for a return for the fund deteriorate.

4.4 The EESC sees the InvestEU programme as one way of developing financial market institutions in the Member States and for this reason thinks it would be very good to open up space for implementing partners at national level. In this connection, it stresses the need to select the latter very carefully, yet without discrimination, based on relevant requirements that are founded on their competences, while at the same time ensuring their fair and equitable representation among Member States.

4.5 The EESC considers it crucial that implementing partners be able to help meet InvestEU objectives over the long term, not just regarding ensuring its smooth functioning, but also regarding the capacity to put in their own resources and bring other private and national public investors into the system, regarding providing adequate coverage within the territory and sector concerned and, above all, the ability to accurately and comprehensively address market failures and sub-optimal investment situations.

4.6 The EESC calls for further clarification on how the role of the privileged implementing partner, the European Investment Bank, will work in practice and how it will be ensured that its operations do not end up crowding out other implementing partners, primarily those operating nationally.

4.7 The EESC recommends that part of the EU fund really is focused on addressing cross-border projects, including addressing projects geared to cases of market failures or sub-optimal investment conditions on an EU-wide scale, which will bring a clear European added value.

4.8 The EESC therefore welcomes the fact that the implementing partners are to cover a minimum of three Member States. However, the EESC also believes that there is scope for addressing specific national and regional investment needs, which should primarily be supplied by an entity of the Member State concerned in close synergy with a guaranteed national envelope under cohesion policy. In this context, the EESC stresses the importance of investing in human capital and social infrastructure, which contributes to achieving long-term growth potential (lifelong learning, a social services network and affordable housing) as well as to ensuring the competitiveness of the EU's economic system.

Brussels, 17 October 2018

Luca JAHIER
President of the European Economic and Social Committee