



Press Release
Luxembourg, 11 November 2016

EFSI: little evidence that increase is justified, say EU Auditors

European Commission plans to increase and extend the investment fund at the heart of the “Juncker Plan” were drawn up too soon and with little evidence that the increase is justified, according to a new opinion published by the European Court of Auditors (ECA).

The European Fund for Strategic Investments (EFSI) is a joint initiative of the European Commission and the European Investment Bank (EIB). It underlies the EU’s Investment Plan, also known as the “Juncker Plan”, which aims to generate €315 billion in public and private financing for strategic investments.

The auditors considered three aspects: the limited evidential base for the proposal to extend EFSI, the potential for exaggeration of the impact of EFSI, and governance and transparency arrangements.

Mihails Kozlovs, the Member of the European Court of Auditors responsible for the Opinion, said, “The Commission is planning to extend EFSI just one year after its launch. This is a considerable change compared with the original timeline. It is still too soon for the economic, social and environmental impacts to be measured or for a conclusion to be drawn as to whether EFSI is achieving its objectives.”

The principal conclusions and proposals in the Opinion are:

The Commission proposed an extension to EFSI only one year after its launch, but there is little evidence that the proposed increase is justified, except with respect to investments for SMEs where high budgetary consumption is observed.

Once again no comprehensive impact assessment has been made, and the auditors question the deletion of the provision linking the continuation of EFSI to the results of an independent evaluation.

Reducing the provisioning rate for the guarantee fund from 50% to 35% is an opportunity to use scarce EU budget resources more efficiently, but it will also increase the likelihood of further calls on the EU budget; the potential liability for the EU budget is as high as 26 billion euro.

It should be clear that all EFSI-supported projects must address market failures or sub-optimal investment situations and that they could not have been carried out, or not to the same extent, without EFSI support. There is a risk that equating EFSI operations to Special Activities of the EIB may create an incentive to use unnecessarily

The purpose of this press release is to convey the main messages of the Opinion adopted by the European Court of Auditors. The full Opinion is on www.eca.europa.eu

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complex financing structures or to allocate a risk profile that does not correspond to the real risk of the operation.

There is a risk that the multiplier effect is overstated. The auditors propose improving the “EFSI Multiplier Methodology” and using it to produce the key performance indicator for the EFSI, which shows how much private capital has been mobilised.

Notes to Editors

Currently EFSI is composed of a €16 billion guarantee from the EU budget, complemented by a €5 billion capital allocation from the EIB. The Commission has proposed to extend the duration of EFSI and increase the EU budget guarantee to €26 billion, with the EIB’s contribution rising to €7.5 billion.

The proposal was accompanied by an internal Commission evaluation, with a further independent evaluation due later this month. The Opinion covers both the proposed legal amendments and the Commission’s own evaluation.

The European Court of Auditors contributes to improving EU financial governance by publishing opinions on proposals for new or revised legislation with a financial impact. The opinions are used by the legislative authorities — the European Parliament and the Council — in their work.

This Opinion is not based on the procedures that would apply for a special report. The auditors plan to issue a special report on the performance of EFSI in the first half of 2018.

ECA Opinion No 2/2016 concerning the proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) Nos 1316/2013 and 2015/1017 and the accompanying Commission evaluation in accordance with Article 18(2) of Regulation (EU) 2015/1017 is currently available in English – other languages will be added shortly.