EUROPEAN
COURT
OF AUDITORS

EFSI: an early proposal to extend and expand

Opinion No 2/2016

(pursuant to Article 287(4) of the Treaty on the Functioning of the European Union (TFEU))

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

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THE COURT OF AUDITORS OF THE EUROPEAN UNION,

Having regard to the Treaty on European Union (TEU), and in particular Articles 13(2) and 17(1);

Having regard to the Treaty on the Functioning of the European Union (TFEU) and in particular Articles 172, 173, 175, third sub-paragraph, 182(1), 287(4), 317 to 319, 322(1);

Having regard to the Treaty establishing the European Atomic Energy Community (TEAEC), and in particular its Article 106a;

Having regard to the proposal for a Regulation[1] of the European Parliament and of the Council amending Regulations (EU) No 1316/2013 and (EU) 2015/1017[2] as regards the extension of the duration of the European Fund for Strategic Investments (EFSI) as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub (EIAH), and the accompanying Commission evaluation[3];

Having regard to the Regulation (EU) 2015/1017 and in particular Article 18(2);

Having regard to the Opinion No 4/2015[4];

Having regard to the request of the European Parliament of 19 October 2016,

HAS ADOPTED THE FOLLOWING OPINION:

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[1] COM(2016) 597 final of 14 September 2016.

[2] Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment 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) ('EFSI Regulation').

[3] SWD(2016) 297 final/2 of 22 September 2016 and SWD(2016) 298 final of 14 September 2016.

[4] OJ C 121, 15.4.2015, p. 1.

I. INTRODUCTION

Scope and timing of the Court's Opinion

1. On 14 September 2016 the Commission submitted a legislative proposal ("the Proposal") to amend the existing EFSI Regulation with a view to extend the duration of the EFSI and to increase the EU budget guarantee to the EIB (see paragraph 2). This Proposal is accompanied by an evaluation of the Commission of the use of the EU guarantee and the functioning of the Guarantee Fund ("the Guarantee Evaluation")[5]. The evaluation was issued three months ahead of the deadline[6]. In response to these developments, we decided to issue a combined opinion on both the Proposal and the Guarantee Evaluation.

The Proposal

2. The Commission proposes to:

- increase the EU budget guarantee from 16 billion euro to 26 billion euro (Article 1(7) of the Proposal) and the EIB own resource contribution to EFSI from 5 billion euro to 7,5 billion euro (Article 1(1) of the Proposal);

- extend the investment period from July 2019 to 31 December 2020 and the period in which contracts may be signed from June 2020 to 31 December 2022 (Article 1(5) of the Proposal);

- increase the investment target to 500 billion euro (Recital 13 and Section 1 of the Annex to the Proposal);

- reduce the target rate for the provisioning of the Guarantee Fund from 50 % to 35 % of the total EU guarantee obligations (Article 1(8) of the Proposal) and extend the

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[5] SWD(2016) 297 final/2.

[6] In accordance with Article 18(2) of the EFSI Regulation, the Commission was required to prepare the Guarantee Evaluation and to submit it to the European Parliament and the Council by 5 January 2017, together with an opinion of the Court of Auditors.

coverage of the EU guarantee to include the impact of currency fluctuations (Article 1(7) of the Proposal);

- amend the definition of additionality (Article 1(2) of the Proposal) and adjust the role of the European Investment Advisory Hub (EIAH) (Article 1(9) of the Proposal);

- set a target of 40 % for EFSI financing to projects with climate action components and exclude motorway financing (except for cross-border projects in cohesion countries[7]) (Article 1(5) of the Proposal);

- explicitly include agriculture, fishery and aquaculture as being eligible for EFSI support (Article 1(5) of the Proposal);

- increase transparency and reinforce tax provisions (Article 1(12) of the Proposal);

- transfer 500 million euro from Connecting Europe Facility (CEF) financial instruments for the provisioning of the Guarantee Fund (Article 2 of the Proposal); and

- delete Article 18(7) which provides for the future of EFSI to be determined on the basis of an independent evaluation to be reported to the European Parliament and Council by 5 July 2018 (Article 1(10) of the Proposal).

The Guarantee Evaluation

3. Article 18(2) of the EFSI Regulation requires the Commission to evaluate “the use of the EU guarantee and the functioning of the Guarantee Fund”. The Commission defines the subject of this evaluation as “the way the EU guarantee is deployed under the different activities supported by EFSI”[8] (The Guarantee evaluation does not cover the additionality and eligibility[9] of the EFSI guaranteed operations, as these are covered by the EIB

[7] Commission Implementing Decision 2014/99/EU (OJ L 50, 20.2.2014, p. 22).

[8] Footnote 10 of SWD(2016) 297 final/2, p. 7.

[9] Articles 5 and 6 of the EFSI Regulation.

evaluation[10] in accordance with Article 18(1) of the EFSI Regulation, to which we refer below).

Our opinion

4. This opinion is structured around the following issues:

- the limited evidential base for the Proposal (paragraphs 6 to 36);

- the potential exaggeration of the impact of EFSI (paragraphs 37 to 51); and

- governance and transparency arrangements (paragraphs 52 to 80).

5. Our opinion is not based on the procedures that we would apply for a special report. We plan to issue a special report on the performance of EFSI in the first half of 2018.

II. OUR OBSERVATIONS ON THE MAIN PROPOSED CHANGES

The evidence base for the Proposal is limited

It is too soon to propose an increase in the EU budget guarantee

Criteria

6. We considered the timing of the Proposal in view of the requirements set in the EFSI Regulation, the availability of information on the performance of EFSI and the implementation of EFSI to date.

7. Articles 18(6) and 18(7) of the EFSI Regulation provide for a proposal to amend the EFSI Regulation to be made by 5 July 2018 and require that such a proposal should be supported by an independent evaluation on whether EFSI "is achieving its objectives and maintaining a scheme for supporting investment is warranted". This deadline was set by the co-legislators

[10] EIB, "Evaluation of the functioning of the European Fund of Strategic Investments (EFSI)", September 2016 ('EIB evaluation').

to ensure an assessment could take place after sufficient time had passed to allow the initial outcomes and impact of EFSI to be identified and measured[11].

The EFSI regulation is being amended earlier than planned

8. The Commission proposed to extend the duration[12] and to increase the financing for EFSI[13] on 14 September 2016, almost two years in advance of the deadline in the EFSI Regulation. And while keeping the independent evaluation requirement of Article 18(6), the Commission proposes to remove the provision that the future continuation, modification, or termination of EFSI[14] should be based on the results of such an independent evaluation (see paragraph 27).

A fourfold increase in support for financial instruments from the EU budget is set to take place

9. EFSI is one part of a greatly increased set of financial instruments for the new programming period. The Commission proposes to increase the EU Guarantee by 10 billion euro (from 16 billion to 26 billion euro)[15]. This in itself would be more than the total EU contribution to financial instruments under shared, indirect and direct management during the programming period 2007-2013 (see ***Table 1***).

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[11] http://ec.europa.eu/smart-regulation/guidelines/toc_guide_en.htm.

[12] Article 1(5) of the Proposal amending Article 9(3) of the EFSI Regulation.

[13] Articles 1(1) and 1(7) of the Proposal amending Articles 4(2) and 11(1) respectively of the EFSI Regulation.

[14] Article 1(10) of the Proposal deleting Article 18(7) of the EFSI Regulation.

[15] Article 1(7) of the Proposal amending Article 11(1) of the EFSI Regulation.

Table 1 – Financial instruments benefitting from EU budget support

(billion euro)

	Programming Period 2007-2013*	Programming Period 2014-2020
ERDF, ESF[1], and Rural Development[2] for the 2007-2013 period/ ESI Funds for the 2014-2020 period	12,3	21
SME Initiative	0	8,5
Financial instruments in indirect management[3]	3,8[4]	5,8**
EFSI*** – maximum EU budget guarantee, of which:	0	26
- *Provisioning of the Guarantee Fund*		*8,7*
- *Unfunded liability to the current and future EU budgets*		*17,3*
Total	**16,1**	**61,3**

* Based on the latest available implementation reports.

** Based on the proposal to transfer 500 million euro from CEF financial instruments to the provisioning of the EFSI Guarantee Fund and 1,15 billion euro to grants (SWD(2016) 299 final of 14 September 2016, p. 23).

*** Based on the proposed amendment to the EFSI Regulation.

1 For ERDF and ESF financial instruments, the total corresponding EU contribution paid at 31 December 2015 amounted to 11,6 billion euro, of which only 8,5 billion euro (73 %) reached the final beneficiaries. These amounts correspond to a nine year implementation period (2007-2015) (EGESIF_16-0011-00, Summary of data on the progress made in financing and implementing financial engineering instruments reported by the managing authorities in accordance with Article 67(2)(j) of Council Regulation (EC) No 1083/2006 (OJ L 210, 31.7.2006, p. 25–78), p. 66).

2 Special Report No 5/2015(http://eca.europa.eu).

3 For the 2014-2020 programming period we estimated the indicative budget for the financial instruments in indirect management to be 7,4 billion euro (Annual report concerning the financial year 2015, Figure 2.10 (OJ C 375, 13.10.2016)).

4 At 31 December 2014 the EU's overall contribution to 2007-2013 programming period for financial instruments in indirect management amounted to almost 3,8 billion euro (excluding blending facilities) (COM(2015) 565 final of 13 November 2015, p. 4).

10. In the programming period 2007-2013, we found that financial instruments under shared management were overcapitalised, struggled to control cost/fees, attract private capital and re-use financial support[16]. Despite this, Commission plans assume that

16 Special Report No 19/2016 and Special Report No 5/2015 (http://eca.europa.eu).

approximatively 21 billion euro will be allocated to financial instruments from the five European Structural and Investment Funds[17], over the 2014-2020 programming period.

11. A new innovative financial instrument (the SME Initiative[18]) is available in the 2014-2020 programming period for ERDF and EAFRD. The type of finance[19] provided by the SME Initiative for ESI funds is similar to that provided by EFSI under the SMEW[20]. While the SME Initiative is created in the context of regional development and EFSI addresses the entire EU territory, both instruments address the same pool of SMEs.

Use of EFSI to date shows that a significant investment capacity remains

12. In order to reach the original 315 billon euro target, the EIB will need to finance around 60,8 billion euro worth of additional projects in three years.

13. According to the EIB[21], as at 30 June 2016 (see ***Graph 1***):

- financing for **signed EFSI operations** amounted to **10,5 billion euro** (with aggregated investment mobilised estimated at about 66 billion euro, around 21 % of the target);

- under the Infrastructure and Innovation Window (IIW)[22], 4,72 billion euro were signed, which correspond to just 9 % of the target[23];

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[17] SWD(2016) 299 final of 14 September 2016, p. 24.

[18] The funds allocation to this instrument can go up to 8,5 billion euro from ERDF and EAFRD contribution at EU level (Article 39 of the CPR).

[19] In relation to SMEs only, the instrument can provide uncapped guarantees for debt portfolios or can finance operations through securitisation.

[20] InnovFin SMEG (Horizon 2020 SME Guarantee facility), which benefits from EFSI Enhancement under the SMEW, is one of the risk takers in SME Initiative.

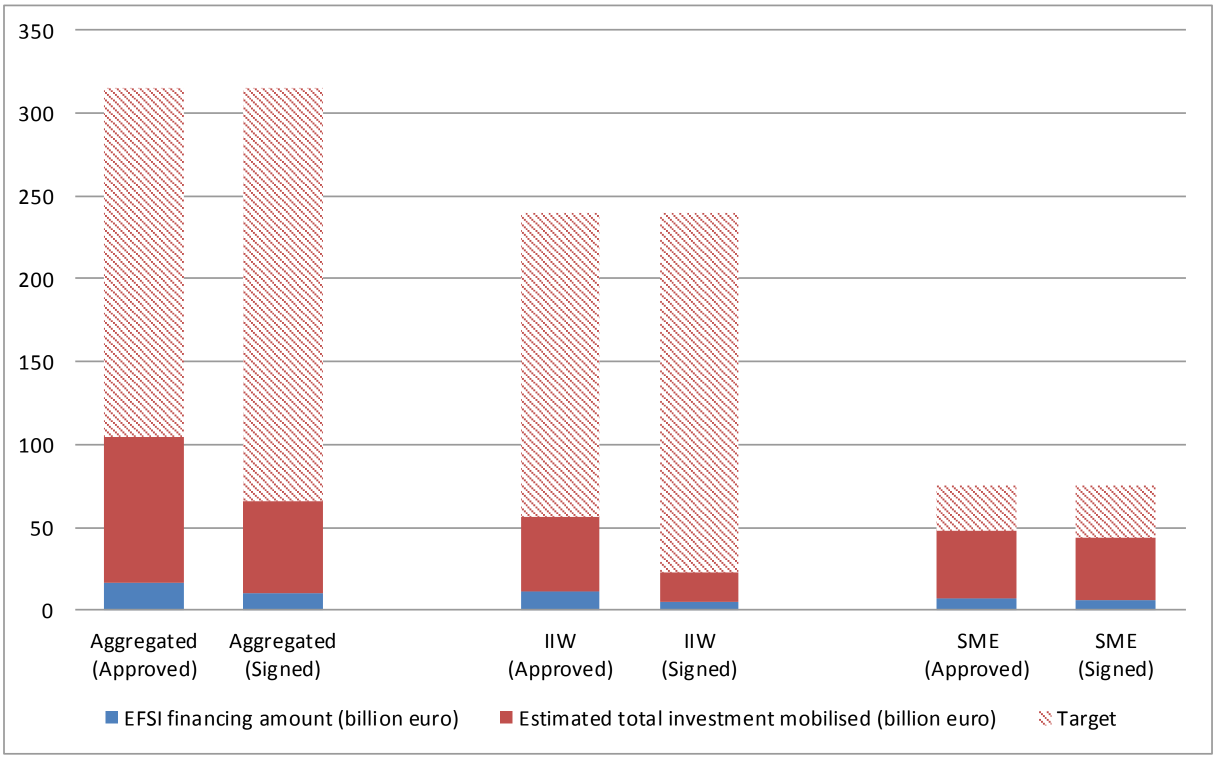
[21] EIB evaluation, Table 2, p. 5.

[22] Under the IIW, the use of the EU Guarantee was limited to 13,5 billion euro (11 billion euro as a first-loss piece for the Debt sub-portfolio and 2,5 billion for equity type operations) and 2,5 billion euro from the EIB's own resources for *pari-passu* investments in equity operations.

- signed SME Window (SMEW)[24] operations amounted to 5,7 billion euro (with the estimated investment mobilised already reaching 58 % of the target);

- the private finance mobilised amounts to 44,7 billion euro[25].

<u>Graph 1</u> – EFSI Portfolio Overview at 30 June 2016



Source: ECA, based on EIB data at 30 June 2016.

14. In general, the current amount of the EFSI guarantee is sufficient to continue to fund activities for the next two years. The exception to this is for SMEW debt operations[26], where

[23] In addition, in the EFSI Mid-Year Operational Report at reporting date 30 June 2016, the EIB estimates that the Investment Committee (IC) will approve the use of the EU guarantee for financing IIW operations for a further **14,5 billion euro by 30 June 2017**.

[24] Under the SMEW, 1,25 billion euro of the EU Guarantee was allocated to the enhancement of guarantee operations under COSME LGF (Programme for the Competitiveness of Small and Medium-Sized Enterprises Loan Guarantee Facility) and InnovFin SMEG and 1,25 billion euro to the equity portfolio. The 1,25 billion euro guarantee for the SMEW equity portfolio will start being used in the second half of 2016 for the newly developed SMEW Equity Product. In addition, EIB allocated 2,5 billion euro from its own resources to the Risk Capital Resources (RCR) mandate to EIF.

[25] EFSI Mid-Year Operational Report at reporting date 30 June 2016.

the Commission and the EIB decided to tap a pipeline of funding requests from existing financial instruments for the COSME Loan Guarantee Facility (LGF) and the InnovFin – Horizon 2020 SME Guarantee (SMEG) facility.

15. The Commission and the EIB Group have already taken a number of measures to address the risk of the SMEW debt portfolio running out of available funding[27]:

- the EFSI Steering Board (SB) increased the SMEW limit from 2,5 to 3 billion euro by reallocating 500 million euro from IIW[28];
- for the SMEW debt portfolio the Commission and the EIB agreed the annual EU contributions will, once available, be used to release the EU guarantee for the COSME LGF and InnovFin SMEG instruments, and convert it to a second-loss exposure or mezzanine tranches; and
- to expand the use of the EU guarantee to the EaSI[29] guarantee instrument and the securitisation instrument.

16. The Commission proposes to extend the investment period by one and a half years (from July 2019 to December 2020)[30] and to increase the target investment volume to 500 billion euro[31]. The contracts may be signed two years after the investment period (i.e. up to December 2022) compared to one year under the current EFSI Regulation. However,

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[26] The Commission estimates that EIF will use the EU guarantee allocated to the SMEW debt-portfolio by the end of 2017 (SWD(2016) 297 final/2, p.17).

[27] 1,25 billion euro of the EU Guarantee was initially allocated to the Enhancement of COSME LGF and InnovFin SMEG.

[28] Article 7(3) of the Amendment and Restatement Agreement of the Management of the European Fund for Strategic Investments and on the granting of the EU guarantee (“the revised EFSI Agreement”).

[29] EU Programme for Employment and Social Innovation (EaSI).

[30] Article 1(5) of the Proposal amending Article 9(3) of the EFSI Regulation.

[31] Section 1 of the Annex to the Proposal amending Section 2 of Annex II of the EFSI Regulation.

the EIB notes in its evaluation that the time to sign EFSI operations after approval is around 90 days[32].

Conclusions

17. The Commission submitted the Proposal for the extension of EFSI just one year after its launch. There is little evidence that the proposed increase of the EU Guarantee is justified other than for the SMEW. The Commission did not explore other options, such as a further re-allocation of the EU guarantee between the two windows, or an increase of the EU guarantee for the SMEW alone. The EIB data and estimates indicate that the current guarantee is sufficient for a further period of operation for the IIW, in which a review of the performance and added-value of EFSI, as established by the co-legislators, could be completed. This could also help reduce the fragmentation and overlaps between EFSI and other financial instruments and allow for a better focus on EU priorities. The proposed extra period for signing operations (two years) is not in line with the current practice.

The Proposal and the Guarantee Evaluation do not respect the better regulation principles

Criteria

18. Better regulation[33] is a priority for the EU. It requires the Commission to "rigorously assess the impact of the legislation in the making, including substantial amendments introduced during the legislative process, so that political decisions are well-informed and evidenced based"[34]. An impact assessment is required for Commission initiatives that are

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[32] EIB evaluation, Figure 9, p. 30.

[33] 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: "Better regulation for better results – An EU agenda" (COM(2015) 215 final of 19 May 2015).

[34] http://europa.eu/rapid/press-release_IP-15-4988_en.htm.

likely to have significant economic, environmental and social impacts, including for revisions of existing legal acts or policy communications[35].

19. Evaluations must assess all significant economic, social and environmental impacts of EU interventions (with particular emphasis on those identified in previous impact assessments)[36]. In addition, Articles 30 and 140 of the Financial Regulation require ex-ante evaluations for spending programmes and financial instruments. The better regulation guidelines also provide that evaluations should follow a clearly defined, robust methodology intended to produce objective findings. As a minimum, evaluations must assess effectiveness, efficiency, relevance, coherence and EU added value or explain why this is not done in the evaluation roadmap.

<u>The Proposal is not accompanied by an impact assessment</u>

20. The Commission's communication of 1 June 2016[37] and the Explanatory Memorandum to the Proposal provide some information about the current use of EFSI, and draw on the results of a stakeholder consultation[38] and of internal evaluations. However, these documents do not constitute a comprehensive, rigorous, evidenced-based impact assessment as envisaged by the better regulation guidelines.

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[35] In the specific case of policy communications, the requirement to carry out an impact assessment (and its depth of analysis) will primarily depend on the level of ambition and the degree of commitment planned and the degree to which it binds the Commission. Communications announcing, for instance, ambitious commitments (say a ten-year strategy to achieve certain environmental targets) will most likely require an impact assessment because the impacts of such a commitment are likely to be significant and broadly identifiable already at such a general stage of policy making. (http://ec.europa.eu/smart-regulation/guidelines/tool_5_en.htm).

[36] http://ec.europa.eu/smart-regulation/guidelines/ug_chap6_en.htm.

[37] 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 the next steps" (COM(2016) 359 final of 1 June 2016).

[38] The EFSI Steering Board organised the first stakeholders' consultation on 7 September 2016, with over 30 participants (civil society, think tanks, private and banking sector associations). Panel discussions were organised covering areas such as the EFSI implementation under the IIW and the SMEW and the EFSI Strategic Orientation.

21. Furthermore, citing the urgency of launching the EFSI in 2015, the Commission neither carried out an impact assessment nor an ex-ante evaluation at that time. As we noted in our Opinion No 4/2015[39], the EFSI was considered an exception to the requirement of the Financial Regulation, even though the EU budget provides most of the financing for the Guarantee Fund and the budgetary guarantee to the EIB will create significant contingent liabilities for the EU budget.

22. As a result, the EFSI remains without an assessment and analysis of the causes of the investment gap and the market needs and how to best address them as well as of the complementarities with other programmes and financial instruments funded by the EU budget and how best to avoid undesirable overlaps.

<u>The Commission's and EIB evaluations do not constitute a review of the performance and added value of EFSI</u>

23. The Commission accompanies the Proposal (see paragraph 7) with its internal evaluation of the use of the EU guarantee and of the functioning of the Guarantee Fund. This stems from a separate reporting requirement of the EFSI Regulation[40]. This isrelevant for the proposed change of the provisioning rate for the Guarantee Fund (see paragraph 34) but not for other elements of the proposal.

24. In September 2016, complementing the Commission's evaluation, the EIB issued its own evaluation of the functioning of EFSI (as required by Article 18(1) of the EFSI Regulation). The EIB evaluation addresses "the extent to which EFSI is designed and operating in a way conducive to achieving its expected effects" and "does not include an assessment of the outcomes and impact of EFSI as such". It covers the EFSI's underlying portfolio of operations (including additionality and eligibility), governance arrangements and organisational

[39] Opinion No 4/2015, paragraph 10.

[40] Article 18(2) of the EFSI Regulation.

structures, and relevant project procedures and guidelines[41]. The EIB states that "it is too early for this evaluation to provide definitive judgment on the performance of EFSI"[42].

25. The Commission has also committed itself, in the Explanatory Memorandum of the Proposal[43], to providing an independent evaluation of the application of the EFSI Regulation in November 2016. The independent evaluation will also cover the functioning of the EFSI, the use of the EU guarantee, and the EIAH and that it will draw upon the results of both the Commission and the EIB internal evaluations.

Conclusions

26. The Proposal was launched without a comprehensive impact assessment (for the second time) and too soon for the economic, social and environmental impact of EFSI to be measured and to enable a conclusion whether EFSI is achieving its objectives. In particular, information should have covered:

- existing financial instruments (and targeted sectors and beneficiaries);
- overlaps between the instruments and EFSI;
- alignment with EU policy objectives;
- the scope for reducing the fragmentation of instruments;
- risk management (and reporting on contingent liabilities for the EU budget).

27. The Guarantee Evaluation did not follow the better regulation principles. None of the three evaluations mentioned above assesses the outcomes and the impact of EFSI, as insufficient time has passed to allow these to be identified and/or measured[44] (see also

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[41] EIB evaluation, Section 1.3, p. 3.

[42] EIB evaluation Executive Summary.

[43] COM(2016) 597 final of 14 September 2016, p. 6.

[44] http://ec.europa.eu/smart-regulation/guidelines/toc_guide_en.htm.

paragraph 8). Because of the timing there are few, if any, macroeconomic indicators available to measure the impact of EFSI. We question deletion of the provision linking the continuation, modification, or termination of EFSI to the results of an independent evaluation (see paragraph 8).

The proposed provisioning of the Guarantee Fund is in line with the updated estimate of expected losses

The Guarantee Fund

28. For the purpose of providing a “liquidity cushion from which the EIB shall be paid in the event of a call on the EU guarantee”[45], the EU legislators have set up a Guarantee Fund[46]. The current EFSI Regulation sets the target amount of the Guarantee Fund at 50 % of the total EU Guarantee obligations (8 billion euro). In the Explanatory Memorandum to the initial proposal[47] the Commission explains that this target rate was established based on the “experience on the nature of investments to be supported by the EFSI”.

Impact on the EU budget

29. Achieving the 50 % target provisioning meant reducing the planned spending over 2014-2022 on grants under CEF by 2,8 billion euro and for Horizon 2020 by 2,2 billion euro and by using 3 billion euro from unallocated margins under the Multiannual Financial Framework (MFF) expenditure ceiling.

30. Payments from the EU budget will finance this fund over the period to 2022. In December 2015 the Commission committed 1,4 billion euro[48] for payments into the fund. At 30 June 2016 the Commission had already paid 380 million euro into the Guarantee Fund (of

[45] Article 12 of the EFSI Regulation.

[46] On 21 January 2016, the Commission adopted Decision C(2016) 165 approving the assets management guidelines of the Guarantee Fund.

[47] COM(2015) 10 final of 13 January 2015, p. 5.

[48] This amount was re-allocated from CEF (790 million euro), H2020 (70 million euro) and ITER (490 million euro) budget lines.

the 500 million euro planned payments in 2016), which were invested in bonds. There were no calls on the fund[49].

31. In addition, if disbursements reach the target level, EFSI will result in an unfunded potential liability for the EU budget of around 8 billion euro (in addition to the 8 billion euro covered by the Guarantee Fund).

Expected loss and provisioning needs

32. The Commission proposes to adjust the target rate of the EU Guarantee fund from 50 % to 35 %[50] of the total EU guarantee obligations, and supports this conclusion in its Guarantee Evaluation.

33. Based on the 39 operations for the IIW EIB signed as at 30 June 2016 and on the historic data for the instruments under the SMEW Enhancement as well as the proposed changes to the SMEW debt sub-window (see paragraph 15), the Commission calculated an average provisioning rate of 33,4 %[51]. The Commission based its evaluation of expected loss calculations for the different portfolios on assumptions it assessed as "conservative".

34. The reduction of the target rate by 15 percentage points is an adjustment that will minimise the risk that the amount placed in the Guarantee Funds exceeds the losses that the Guarantee Fund bears. However, it will therefore also increase the risk that the amount placed in the Guarantee fund will be insufficient and that further calls on the budget will be necessary. The Commission has explained the assumptions underlying the proposal it makes.

Conclusions

35. The creation of the EFSI and of the Guarantee Fund with a 50 % target rate has limited the budgetary flexibility in the 2014-2020 MFF by reducing the unallocated margins under the MFF expenditure ceiling. In addition, the planned budgets for Horizon 2020 and CEF have

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[49] SWD(2016) 297 final/2, p.17.

[50] Article 1(8) of the Proposal amending Article 12(5) of the EFSI Regulation.

[51] SWD(2016) 297 final/2, Table 4, p. 19.

been reduced. It is too soon to assess the opportunity cost of these cuts agreed in 2015, as the Commission is not yet in a position to assess the impact of EFSI, Horizon 2020 or the CEF. [Had the Commission adopted the same assumptions for the initial proposal as it adopts now for the amended proposal, the impact of financing the Guarantee Fund from the EU budget over the last two years would have been lower.]

36. With the proposed changes, the total potential liability for the EU budget will reach 26 billion euro (of which around 9 billion euro to be covered by the Guarantee Fund). Potential liabilities will persist over the lifetime of the investment portfolio.

The impact of EFSI risks being exaggerated

Additionality is broadly defined in the proposal

<u>Criteria</u>

37. Article 5(1) of the EFSI Regulation defines “additionality” (see ***<u>Box 1</u>***).

Box 1 – Additionality - Article 5(1) of the EFSI Regulation with proposed changes (in italics)
For the purposes of this Regulation, ‘additionality’ means the support by the EFSI of operations which address market failures or sub-optimal investment situations and which could not have been carried out in the period during which the EU guarantee can be used, or not to the same extent, by the EIB, the EIF or under existing Union financial instruments without EFSI support. Projects supported by the EFSI shall typically have a higher risk profile than projects supported by EIB normal operations and the EFSI portfolio shall have overall a higher risk profile than the portfolio of investments supported by the EIB under its normal investment policies before the entry into force of this Regulation. The projects supported by the EFSI, while striving to create employment and sustainable growth, shall be considered to provide additionality if they carry a risk corresponding to EIB special activities, as defined in Article 16 of the EIB Statute and by the credit risk policy guidelines of the EIB. *To better address market failures or sub-optimal investment situations, EIB special activities supported by the EFSI shall typically have features such as subordination, participation in risk-sharing instruments, cross-border characteristics, exposure to specific risks or other identifiable aspects as further described in Annex II.* EIB projects carrying a risk lower than the minimum risk under EIB special activities may also be supported by the EFSI if the use of the EU guarantee is required to ensure additionality as defined in the first subparagraph of this paragraph. *The projects supported by the EFSI that consist of physical infrastructure linking two or more Member States or of the extension of physical infrastructure or services linked to physical infrastructure from one Member State to one or more Member States, shall also be considered to provide additionality.*

Impact on the EIB Group

38. During the implementation period of EFSI, the EIB expects[52] to maintain the lending volumes achieved following the 2013 capital increase[53] (see ***Graph 2***). EFSI will have a major impact on EIB's **Special Activities**[54], which are expected to increase from 6,4 billion euro in 2015[55] to 16-20 billion euro p.a. (of which around 2,5 billion euro p.a. operations at EIB's own-risk)[56].

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52 EIB's Corporate Operational Plan 2015-2017.

53 On 31 December 2012 the Member States approved a 10 billion euro increase in paid-in capital to enable the EIB to provide up to 60 billion euro in additional long-term lending for economically viable projects: During the period 2013-2015, as a result of the capital increase, the EIB lending volumes increased from 51 billion euros in 2012 to over 70 billion euro p.a.

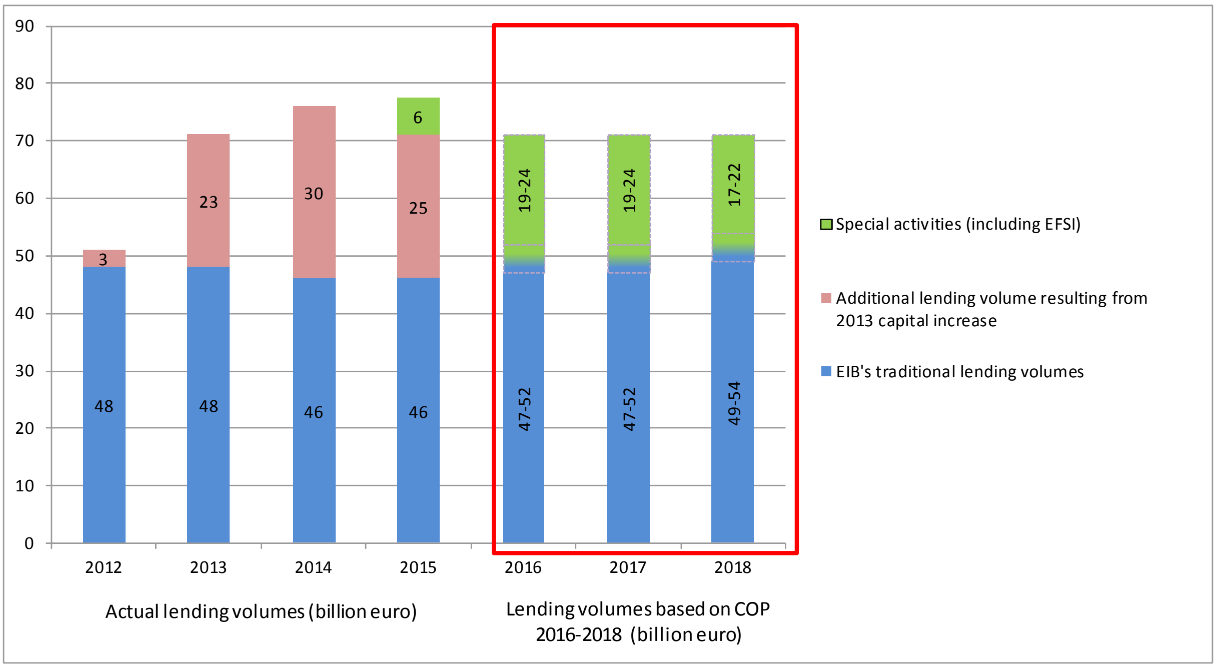
54 Special Activities are defined in Article 16 of the EIB Statute and in the Credit Risk Policy Guidelines (CRPG) of the EIB, and include (i) loan and guarantee operation with a loan grading of D- or below; (ii) equity and equity-type operations.

The Special Activities include operations at EIB's own risk (higher risk) and operations covered by portfolio credit risk mitigation (risk-sharing) for existing instruments (e.g. RSFF, CEF, etc.) and EFSI.

55 EIB 2015 Financial Report, p. 10

56 EIB's Corporate Operational Plan 2016-2018, p. 14.

<u>Graph 2</u> – EIB Group's historic and forecasted lending volumes



Source: ECA, based on EIB Corporate Operational Plans (COP) 2015-2017 and 2016-2018.

39. Article 5(1) states that the projects supported by the EFSI "shall be considered to provide additionality if they carry a risk corresponding to EIB special activities". On this basis, the EIB considers its Special Activities supported by EFSI as being *de facto* additional[57], without any requirement to demonstrate that they (i) address market failure or sub-optimal investment situations and (ii) could not have been carried out without EFSI support in the period (or not to the same extent) by the EIB, the EIF or under existing Union financial instruments. Under Article 5(1), EFSI can also support projects with a lower-risk profile (e.g. traditional/normal EIB lending rather than Special Activities). In this case, the projects have to meet these additionality requirements.

40. The EIB classifies operations as "Special Activities" on the basis of a number of factors such as the credit worthiness of the borrower, the value of guarantees provided, loan duration, complexity of the financing structures, and equity-type operations. All the EFSI operations signed under the IIW until 30 June 2016 have the Special Activities status. The EIB

[57] EIB evaluation, p. 23.

also deems all operations under the SMEW to be consistent with the definition of Special Activities in the CRPG.

41. In its evaluation report, the EIB notes that "there might be situations in which the risk profile of operations does not reflect additionality, i.e. alternative structures (including less risky structures) could have been considered". However, the report goes on to state that "in practice… the EIB addresses the more comprehensive criteria for additionality for its Special Activities, and so goes beyond the requirement of the EFSI Regulation"[58].

Commission proposal regarding the definition of Additionality

42. The Commission proposes to clarify in Article 5 and in Annex II of the EFSI Regulation the features that would lead EIB to qualify an operation as Special Activities and also for the Investment Committee to publish the rationale for the decisions approving the use of the EU Guarantee[59], with focus on the compliance with the additionality criterion.

43. The Commission also proposes that cross-border projects be considered as additional by definition[60].

Conclusions and proposals

44. There is a risk that the EIB's use of Special Activity status as effectively equivalent to additionality, combined with the pressure to reach the investment target, may create an incentive to use unnecessarily complex financing structures or to allocate a risk profile that does not correspond to the real risk of the operation. We will examine this issue in audit work for a future Special Report.

45. The definition of additionality is further complicated by the introduction of the reference to "physical infrastructure linking two or more Member States or of the extension

[58] EIB evaluation, p. 16.

[59] Article 1(4) of the Proposal, amending Article 7(12) of the EFSI Regulation.

[60] Article 1(2) of the Proposal, amending Article 5(1) of the EFSI Regulation.

of physical infrastructure or services linked to physical infrastructure from one Member State to one or more Member States".

46. We propose:

- to make clear that all EFSI supported projects should meet the additionality criteria in the first paragraph of the definition of additionality (see Box 1) and that the basis for this assessment should be documented;

- to keep the definition of additionality simple and general by avoiding references to specific cases such as physical infrastructure.

The calculation of the multiplier effect assumes nil investment without EFSI

Criteria

47. Determining the amounts mobilised by public investments is challenging. The OECD Development Assistance Committee has however proposed a methodology[61] aimed at isolating the contribution of the public investments in mobilising additional funds. The key elements are summarised below:

- For a guarantee provided on a loan which finances a project it is considered that the amount mobilised is the guaranteed loan only; any additional financing beside the loan is not taken as leveraged by the guarantee.

- For syndicated loans, the amount mobilised are attributed to the public investor and the arranger of the syndicated loan on a pro-rata basis; in other words, the contribution of the arranger is recognised instead of considering that the entire amount mobilised is due to the public investor.

[61] OECD, 'Methodologies to measure amounts mobilised from the private sector by official development finance interventions', DCD/DAC/STAT(2015)8, 24 February 2015.

- For equity investments, the amounts mobilised by the public investor exclude any prior investments; and where multiple public investors are involved the amounts mobilised from the private sector are attributable to each of these investors on a pro-rata basis.

Estimated investment mobilised by EFSI

48. The extent to which EFSI mobilises additional funds is calculated on the basis of the 'EFSI Multiplier Methodology'[62] of the Steering Board. The central element of this methodology is the Project Investment Cost (PIC). For the investment loans and the direct equity investments, the PIC is measured "in the first instance as the total project cost defined in the EIB loan agreement according the EIB normal methodology" which, even after some adjustments, takes into consideration the entire financing made available to the project in the same period with EFSI. "However, if the EIB/EFSI financing is associated with only one part of the project, then the investment cost should equal to that part of the project with which the financing is associated".

49. A similar definition of leverage and approach to estimating the multiplier effect has been used for financial instruments funded from the EU budget. For centrally managed instruments, the Financial Regulation has since 2013 defined leverage as '[…] the amount of finance to eligible final recipients divided by the amount of the Union contribution'[63]. In our Special Report No 19/2016 we noted that when calculating the additional investment mobilised by the financial instruments, the indicator may be over-stated as not all sources of finance attracted by a project are the result of the EU contribution[64].

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[62] EFSI Multiplier Methodology Calculation, 26 October 2015 (http://www.eib.org/attachments/strategies/efsi_steering_board_eif_efsi_multiplier_methodology_calculation_en.pdf).

[63] Article 223 of the rules of application of the Financial Regulation.

[64] Special Report No 19/2016, paragraph 70.

Conclusions and proposals

50. The risk is that the multiplier effect of EFSI is overstated, particularly for the investment projects to which investors committed or which are part of national programmes that existed or were announced even before EFSI was launched.

51. We propose:

- aligning the 'EFSI Multiplier Methodology' with the methodology suggested by the OECD, including to account for the cases described in the paragraph 50;
- further developing the methodology to cover financing structures and products which were not in place when the current methodology was established; and
- using the new methodology to produce the key performance indicator for EFSI showing the private capital attracted.

There is room to clarify and improve a number of aspects of EFSI governance and transparency

52. This section sets out our views on a number of Commission proposals for strengthening the legal framework, governance and transparency of EFSI.

Provisions on excluded activities and non-cooperative jurisdictions

53. We support the Commission's proposal to include a provision on tax avoidance[65] as a means of strengthening a key aspect of the legal framework. We consider this provision to be in line with our recommendation in the Special Report No 19/2016.

[65] Article 1(12) of the Proposal, replacing Article 22(1) of the EFSI Regulation.

There is a recognised need to act on geographical imbalances and sectorial concentration

Criteria

54. There are no geographical or sectorial quotas for EFSI and support to projects is demand driven. Nevertheless, the EFSI's investment guidelines require that "excessive sectoral and geographical concentration is avoided"[66] and the EFSI Strategic Orientation set the limits for such concentrations[67]. The geographical and sectorial concentrations, broken down by volume of signed operations supported by the EU guarantee, are two of the key monitoring indicators for EFSI[68].

Use of EFSI to date

55. EIB's evaluation report[69] notes geographical imbalances[70] and sectoral concentrations[71] in the IIW portfolio. Financing under the IIW is concentrated (63 %) in three Member States[72]. There are no concentration limits set for the SMEW, but four Member States[73] account for 44 % of the financing.

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66 Annex II to the EFSI Regulation, Section 8.

67 EFSI Strategic Orientation, 15 December 2015, sets an IIW geographical concentration limit of 45 % in any three Member States and an indicative sectorial concentration limit of 30 % over the investment period. (http://www.eib.org/attachments/strategies/efsi_steering_board_efsi_strategic_orientation_en.pdf).

68 Schedule II of the revised EFSI Agreement.

69 EIB evaluation, Sections 2.2 and 2.3.

70 92 % of the EFSI financing is concentrated in EU-15, and only 8 % in EU-13.

71 46 % of the EFSI financing is allocated to the energy sector and 19 % to the transport sector.

72 UK (29 % or 1 369 million euro), Italy (24 % or 1 152 million euro) and Spain (10 % or 470 million euro).

73 Italy (15 % or 903 million euro), France (11 % or 623 million euro), Germany (10 % or 586 million euro) and the UK (8 % or 488 million euro).

56. EIB's evaluation report[74], as well as other recent studies[75], indicates as potential causes the focus on the quick deployment of EFSI and on reaching the investment target of 315 billion euro, which incentivises EIB to prioritise readily bankable projects in countries with developed financial markets, having the capacity to use financial instruments and to structure high-risk projects.

57. The Commission also proposes[76] to redefine the role of the EIAH with respect to the preparation of projects, focus on climate action projects, and its contribution to the achievement of sectorial and geographical diversification, as well as providing advisory support at local level.

58. The Commission proposal includes agriculture, fishery and aquaculture as being eligible for EFSI support[77]. But projects suitable for financing under EFSI could also be eligible for support under EAFRD. Our Special Report No 5/2015 on Financial Instruments in Rural Development concluded that financial instruments available under EAFRD had so far been overcapitalized and unsuccessful.

Conclusions

59. We welcome the Commission proposal to take action on imbalances in the use of funds. The EIAH has a key role to play in addressing the geographical and sectorial imbalances but it is too early to reach a view on the effectiveness of the EIAH in general and in this respect in particular.

60. Based on previous experience and existence of alternative funding sources, we question the added value of EFSI financing for projects in the agriculture, fishery and aquaculture sectors.

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[74] EIB evaluation, Section 2.2, p. 7.

[75] Rubio, E., *Investment in Europe: making the best of the Juncker plan*, Delors Institute, Paris, Berlin, 2016, p. 49-50.

[76] Article 1(9) of the Proposal amending Article 14 of the EFSI regulation.

[77] Article 1(5) of the Proposal amending Article 9 of the EFSI Regulation.

Clarify the application of State Aid rules for projects combining finance from EFSI and structural funds

61. Resources awarded directly by the EIB while implementing the EFSI regulation do not constitute State Aid under Article 107(1) TFEU, and the Commission does not have to approve EFSI financing under EU State aid rules[78]. Nevertheless, projects supported by EFSI may also benefit from co-financing by EU Member States including through ESI funds[79] which, unless granted on market terms, constitutes State aid to be approved by Commission on the basis of its State aid framework[80].

62. We suggest clarifying the treatment for state aid purposes of EFSI operations which are co-financed from funds under the control of Member States, including ESI Funds.

A recognised need for clearer and more streamlined governance

Criteria

63. For EFSI to function effectively, it is essential that it has streamlined governance arrangements that clearly define the respective roles and responsibilities of the Commission and the EIB, and those appointed by them, in the EFSI decision-making process, with sufficient provision also made for ensuring independence and avoiding conflicts of interest.

EFSI governance arrangements

64. The EFSI governance structure[81] is composed of: a Steering Board, an Investment Committee, a Managing Director and a Deputy Managing Director (see ***Annex I***). The EFSI

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[78] EC Factsheet "The Investment Plan for Europe: Questions and Answers" dated 20 July 2015.

[79] See Special Report No 24/2016 (http://eca.europa.eu).

[80] ABER, FIBER and GBER (see Glossary).

[81] Article 7 of the EFSI Regulation.

governance structure is additional to the EIB's organisation and project cycle management and it should not interfere with EIB Group's decision making process[82].

The Steering Board

65. The EFSI Steering Board was formally created in July 2015. The EIB evaluation highlighted that three out of four of the EFSI Steering Board Members also sit on either the EIB's or the EIF's Board of Directors and that in this capacity, they take part in the approval of EIB or EIF strategies and projects, including the EFSI projects[83].

66. The EIB's evaluation points out that the 'reporting, accountability and general interaction between the Managing Director[84] and the Steering Board' could be improved[85].

The Investment Committee

67. The Steering Board finalised the selection of the Investment Committee members in December 2015 and the Committee has been operational since January 2016. During the transition period between July 2015 and January 2016, the Commission fulfilled the obligations of the Investment Committee and gave the authorisation for EIF instruments and the projects approved by the EIB Board to be included in the EFSI guaranteed portfolio. Independence and absence of conflict of interest are key requirements for the Investment Committee[86] members.

68. In the project cycle, the Investment Committee intervenes between the EIB Management Committee and the EIB Board's approval of the operation to approve "the support of the EU guarantee for EIB operations". For this purpose, the Investment

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[82] Recital 29 of the EFSI Regulation.

[83] EIB evaluation, p. 26-27.

[84] Who chairs the Investment Committee.

[85] EIB evaluation, p. 26.

[86] Article 7(9) of the EFSI Regulation and Article 5(12) of the revised EFSI Agreement.

Committee uses a scoreboard of indicators[87] prepared by EIB services for each project (see paragraphs 78 and 79).

69. The list of all decisions of the Investment Committee rejecting the use of the EU guarantee shall be submitted by the EIB twice a year to the European Parliament, the Council and the Commission, subject to strict confidential requirements[88]. The Commission and the EIB Group confirmed that as at 30 June 2016 there had been no rejections. However, within the IIW, three operations were cancelled (including one after signature) and within the SMEW window one operation was abandoned.

Conclusions

70. We welcome the Commission proposal to strengthen the provisions[89] related to the notification of conflict of interest for the Investment Committee members.

71. We also note that the EIB evaluation highlights that the roles and responsibilities of the EFSI's governing bodies should be further clarified and streamlined as they are complex.

72. As it stands, the Commission and the EIB each play several different roles in relation to EFSI and each has a wide range of other responsibilities. The Commission manages the Guarantee Fund and is represented in the Steering Board of EFSI, which is responsible for setting the strategic orientations of EFSI and for selecting and appointing the Investment Committee. The Commission is also a member of the EIB's Board of Directors and so is consulted before the EIB approves each financing and investment operation[90]. Meanwhile, the EIB is represented in the Steering Board of EFSI and is also responsible for the management and implementation of the EFSI operations.

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[87] Commission Delegated Regulation (EU) 2015/1558 of 22 July 2015 supplementing Regulation (EU) 2015/2017 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).

[88] Article 7(12) of the EFSI Regulation.

[89] Article 1(4) of the Proposal, amending Article 7 of the EFSI Regulation.

[90] Article 19 of EIB's Statute.

73. These complex interrelations between the Commission and the EIB, and their respective appointees within the EFSI decision-making process, make it difficult to establish for accountability purposes who is ultimately responsible to the EU budgetary and legislative authorities for the performance and risk management of EFSI as well as to identify potential conflicts of interest between EFSI and non-EFSI roles and responsibilities.

Selection of EFSI operations should be more transparent

Criteria

74. It is essential that the selection of EFSI operations is carried out – and seen to be carried out - in an independent, open and transparent manner, not least so as to demonstrate the additionality of the investments undertaken.

75. The European Parliament emphasised[91] the need for the EFSI to function in an effective, fully transparent and fair way in line with the criteria of its mandate and regulation, and recommended close cooperation and overview of EFSI operations by Parliament and the European Court of Auditors. It also insisted on the need to achieve the highest levels of transparency and institutional accountability by ensuring the proactive public disclosure of exhaustive and sound budgetary information and access to financial data related to projects funded by the EIB.

Transparency of the operation of the Steering Board and Investment Committee

76. Article 7 of the EFSI Regulation requires the EFSI Steering Board to disclose the minutes of their meetings and the Investment Committee to make public and accessible the decisions approving the use of the EU guarantee. These are published[92].

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[91] European Parliament resolution of 28 April 2016 on the European Investment Bank (EIB) – Annual Report 2014 (2015/2127(INI)).

[92] http://www.eib.org/efsi/governance/efsi-steering-board/minutes.htm; http://www.eib.org/efsi/governance/efsi-investment-committee/decisions.htm.

77. The published decisions of the Investment Committee only include a basic description of the EFSI operations approved. They do not explain the reason for granting the EU guarantee, or the additionality or EU added value of a particular operation.

78. The EFSI Regulation specifies that "the scoreboard […] shall be used by the Investment Committee with a view to ensuring an independent and transparent assessment of the possible use of the EU guarantee"[93].

79. The scoreboards for the approved operations are not published and the EIB published only basic (sometimes outdated) information with respect to EFSI operations. This creates both accountability and transparency issues.

Conclusions

80. We welcome the proposals that:

- the EFSI Investment Committee's decisions should provide the reasons for granting support under the EU guarantee with particular focus on compliance with the additionality criterion[94];
- the scoreboards for the EFSI operations under the EU guarantee[95] should be published as soon as they are signed.

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[93] Annex II of the EFSI Regulation, Section 5.

[94] Article 1(4) of the Proposal amending Article 7(12) of the EFSI Regulation.

[95] Article 1(14) of the Proposal amending Annex II of the EFSI Regulation.

This Opinion was adopted by the Court of Auditors in Luxembourg on 11 November 2016.

For the Court of Auditors

Klaus-Heiner LEHNE

President

ANNEX I

EFSI Governance Structure

THE STEERING BOARD

Article 7(3) of the EFSI Regulation and Article 4 of the EFSI Agreement

- It has **four members**, three appointed by the Commission and one by EIB. The Chair of the Steering Board is elected from among the representatives of the Commission.
- The Steering Board **takes decisions by consensus** with a required quorum of two Commission members and the EIB Member.
- The EFSI Steering Board **strategic direction on the use of the EU guarantee**, including on the allocation of the EU guarantee, operating policies and procedures, and the risk profile of EFSI.
- In accordance with Article 4 of the EFSI Agreement, the EFSI Steering Board also establishes indicative sectorial and geographical concentration limits, gives **guidance on the allocation of operations**, adjusts the project mix as regards sectors and countries, reviews on a regular basis the progress on the implementation of EFSI as well as the annual operational and financial reporting on EFSI Operations, **appoints the Investment Committee members, selects the candidates for the posts of Managing and Deputy Managing Directors**, take decisions on the size of the Portfolio First Lost Piece, specifies policies and determines the rules applicable to the operations with Investment Platforms, National Promotional Banks and funds, decides on the participation of third parties in EFSI, approves jointly with the Managing Director, after consultation with the Investment Committee, the SMEW Products and carries out other tasks specified in the EFSI Agreement.

THE INVESTMENT COMMITTEE

Article 7(7) to 7(12) and 9(5) of the EFSI Regulation and Article 5 of the EFSI Agreement

- The Investment Committee shall be composed of **eight independent experts and the Managing Director.** The independent experts shall have a high level of relevant market experience in project structuring and project financing, as well as micro- and macro-economic expertise.
- The experts shall have **experience in investment** in one or more of the following fields: research, development and innovation; transport infrastructures and innovative technologies for transport; energy infrastructures, energy efficiency and renewable energy; information and communication technologies infrastructures; environmental protection and management (climate action has been added in the new proposal); education and training; health and medicine; SMEs; cultural and creative industries; urban mobility; social infrastructures and the social and solidarity economy; (agriculture, fishing and aquaculture were added in the new EFSI proposal).
- Moreover, the Investment Committee shall be **gender-balanced**.

- The experts have been appointed by the EFSI Steering Board for a fixed term of one year, renewable up to a maximum term of six years
- The Investment Committee is **chaired by the Managing Director**.
- The Committee **takes decisions about the use of the EU guarantee by simple majority** with each of its members having one vote, including the Managing Director.
- The Investment Committee is also consulted on new products for SMEW.
- **Investment Committee approval needed for the EIB to use the EU guarantee for supporting investment** platforms or funds and National Promotional Banks or institutions (eligible vehicles) that invest in operations meeting the requirements of the EFSI Regulation. The Investment Committee shall evaluate the conformity of such vehicles and their specific instruments with the policies specified by the Steering Board and it may decide to retain the right to approve new projects put forward.

THE MANAGING DIRECTOR

Article 7(5) of the EFSI Regulation and Article 6 of the EFSI Agreement

- The Managing Director, supported by a Deputy Managing Director **and accountable to the EFSI Steering Board**, is **responsible for EFSI's day-to-day management** and for the preparation and chairing of meetings of the Investment Committee.
- The Managing Director is also responsible for the **approval of new products** entrusted to the EIF, together with the EFSI Steering Board in consultation with the Investment Committee.
- In addition, he is responsible for **external communication** and is a spokesperson of the EFSI towards political bodies and the public.

ANNEX II

ABBREVIATIONS AND REFERENCES

Abbreviation	Full text	Reference document/website
ABER	Agricultural Block Exemption Regulation	Commission Regulation (EU) No 702/2014
CEF	Connecting Europe Facility	www.ec.europa.eu/inea/en/connecting-europe-facility
COP	EIB Corporate Operational Plans	http://www.eib.org/infocentre/publications/all/operational-plan-2016-2018.htm
COSME LGF	Programme for the Competitiveness of Small and Medium-Sized Enterprises Loan Guarantee Facility	http://www.eif.europa.eu/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm
CPR	Common Provisions Regulation	Regulation (EU) No 1303/2013
CRPG	(EIB) Credit Risk Policy Guidelines	http://www.eib.org/about/governance-and-structure/control_and_evaluation/control_credit-risk.htm
EAFRD	European Agricultural Fund for Rural Development	http://ec.europa.eu/agriculture/cap-funding/financial-reports/eafrd/index_en.htm
EFSI	European Funds for Strategic Investments	Regulation (EU) 2015/1017
EFSI Regulation	Regulation (EU) 2015/1017	
EIB	European Investment Bank	www.eib.org
EIF	European Investment Fund	www.eif.org
EIAH	European Investment Advisory Hub	Regulation (EU) 2015/1017, Article 14
ERDF	European Regional Development Fund	http://ec.europa.eu/regional_policy/EN/funding/erdf/
ESF	European Social Fund	http://ec.europa.eu/esf/home.jsp
ESIF	European Structural and Investment Funds	http://ec.europa.eu/contracts_grants/funds_en.htm
EU	European Union	
EU-13	The EU-13 comprised the following 13 countries: Bulgaria, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Croatia, Hungary, Malta, Poland, Romania, Slovenia and Slovakia.	
EU-15	The EU-15 comprised the following 15 countries: Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Sweden, United Kingdom.	

FIBER	Fishery and Aquaculture Block Exemption Regulation	Commission Regulation (EU) No 1388/2014
GBER	General block exemption Regulation	Commission Regulation (EU) No 651/2014
Guarantee Evaluation	Evaluation of the Commission of the use of the EU guarantee and the functioning of the Guarantee Fund	SWD(2016) 298 final of 14 September 2016
H2020	Horizon 2020	www.ec.europa.eu/programmes/horizon2020/en/what-horizon-2020
IC	Investment Committee (EIB)	
IIW	(EFSI) Infrastructure and Innovation Window	
ITER	International Thermonuclear Experimental Reactor	www.iter.org
MFF	Multi-annual financial framework	Council Regulation (EU, Euratom) No 1311/2013
OECD	Organization for Economic Co-operation and Development	www.oecd.org
PIC	(EIB) Project Investment Cost	
Proposal, the	The proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1316/2013 and (EU) 2015/10172 regarding the extension of the duration of the EFSI and the introduction of technical enhancements for that Fund and the EIAH	COM(2016) 597 final of 14 September 2016
RCR	EIB Risk Capital Resources	http://www.eif.org/what_we_do/resources/rcr/index.htm
RSFF	Risk-Sharing Finance Facility	
SME	Small and medium-sized enterprises	
SMEG	Small and medium-sized enterprises EU Guarantees	http://www.eif.org/what_we_do/guarantees/cip_portfolio_guarantees/
SMEW	(EFSI) Small and medium-sized enterprises Window (SMEW)	
TEAEC	Treaty establishing the European Atomic Energy Community	
Treaty or TFEU	Treaty on the Functioning of the European Union	