Innovative financial instruments in the context of the next multiannual financial framework

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In this communication, the Commission proposes a series of measures in favour of integrated European infrastructures to stimulate growth.

1) Common challenges: in the past decade, infrastructure spending in Europe has been, on average, on a declining path. The economic and financial crisis has, however, brought renewed interest in the need for infrastructure investment. To be fully operational, **the single market needs modern and high-performance infrastructure interconnecting Europe, particularly in the areas of transport, energy and telecommunications**. Yet, while regulatory integration advances within the EU and markets become more integrated, **physical, cross-border interconnection is lagging**. Missing links exist, notably in the newer Member States, creating dividing lines between the centre and peripheries of the European Union and hampering the further development of intra-community exchanges and growth.

Overall investment needs for networks of European importance amount to about EUR 1 trillion for the period up to 2020 in the three sectors mentioned above: about EUR 500 billion in transport, EUR 200 billion in energy and EUR 270 billion for fast broadband infrastructures.

In the coming ten years, the EU must find a way to rise to this investment challenge. While the market, through appropriate investment and pricing mechanisms, is expected to play a major role in delivering the required infrastructures, **without public intervention**, some of the necessary investments would not take place or will be delayed far beyond 2020.

This is why the Commission is proposing the establishment of an integrated multisectoral Connecting Europe Facility (CEF), complemented by specific guidelines for the transport, energy and telecommunication sectors, aims at setting up the right conditions to boost infrastructure development, leverage funding from private sources at a time in which public budgets are severely constrained, and help revitalise the interest of long term specialised investors for investing in Europe, thus contributing to growth and job creation.

2) Connecting Europe Facility (CEF) – a common infrastructure funding instrument: the aim of the CEF is to **streamline and facilitate EU support to infrastructures** by optimising the portfolio of instruments available, standardising the operational rules for using them, and capitalise on possible synergies across the three sectors. This coordinated approach will not only ensure the largest possible **EU added value**, but will also simplify procedures and reduce collective costs.

To this end, the CEF proposal develops a **common financing framework for all sectors**, including co-ordinated annual work programmes, a common Committee, flexibility between sectoral budgets, increased performance indicators and conditionalities and the shared use of infrastructure specific financial instruments.

CEF funds will be centrally managed, either directly by Commission staff with the support, as needed, of an executive agency or through a partnership between the Commission and one or more financial institutions. Solutions for the operational management of the various instruments under the CEF will be proposed within the appropriate legal framework, building on the experience gained with the TEN-T Executive Agency and the existing cooperation with the European Investment Bank.

The Facility will be coordinated with the other interventions coming from the EU budget such as "Horizon 2020" and the Cohesion and Structural Funds.

The Connecting Europe Facility will have a budget of **EUR 50 billion for the period 2014-2020**, allocated as follows:

- ***Energy:*** EUR 9.1 billion.
- ***Transport:*** EUR 21.7 billion.
- ***Telecommunications/Digital:*** EUR 9.2 billion.
- ***Amounts earmarked in Cohesion Fund for transport infrastructures***: EUR 10 billion.

3) Financial instrument within the CEF: the toolbox of instruments should set the base for a long-term stable investment framework and act as a catalyst with a view to **attracting private capital.** The Connecting Europe Facility seeks to fill this by two types of main instruments:

- **Equity participations** in equity funds which provide risk capital to actions contributing to projects of common interest;
- **Loans and/or guarantees** to projects of common interest facilitated by risk-sharing instruments, including enhancement mechanisms for long-term bank lending and for project bonds issued by project companies.

The long-term planning, construction and operational time horizon of infrastructure projects also needs a long-term preparation to implement financial instruments. This is why, simultaneously to the Connecting Europe Facility proposal, the Commission is proposing to launch a pilot phase of the Europe 2020 Project Bond Initiative already under the current financial framework.