

European Scrutiny Committee

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From: Sir William Cash MP

23 July 2020

Rt Hon. Steve Barclay MP
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HM Treasury
1 Horse Guards Road
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The EU Coronavirus Recovery Instrument: options for UK participation in the “InvestEU” programme

Thank you for your Explanatory Memorandum on the European Commission’s proposals of 27 May 2020 for a €750 billion EU Coronavirus Recovery Instrument.¹ We have taken note of your confirmation that the UK will not be required to contribute to this new EU fund and, as a consequence, will also not receive any financial support from it. The Committee nevertheless considers that the Recovery Instrument, following the agreement reached by the European Council on 21 July, may have political and economic implications for the UK, as we will set out in our forthcoming Report.

The Committee has also asked me to raise a specific issue with you in relation to one particular element of the Coronavirus Recovery Instrument: the latest proposal for an “InvestEU” programme, which builds on an earlier draft Regulation released in 2018 as part of the EU’s next long-term budget for the 2021-2027 period.²

As you will be aware, the InvestEU aims to leverage hundreds of billions of euros in capital for key sectors of the European economy, by providing investment and loan guarantees from the EU budget for the European Investment Bank (EIB) and other financial intermediaries. This would incentivise them to make investments that would otherwise be considered too

¹ EU documents: (a) COM(2020) 441, (41315); (b) COM(2020) 445, (41303).

² EU document 8411/20, COM(2020) 403, (41324).

risky, especially in the current economic climate. The guarantee, to be provisioned for in a multi-billion euro Guarantee Fund financed by the Recovery Instrument, would be used to increase investment in five “windows”: public infrastructure; research and innovation; small businesses; social investment and skills; and – in response to the COVID crisis – a “strategic investment” window for projects in areas such as healthcare, critical infrastructure and security.

Notably, Article 5 of the draft InvestEU Regulation allows non-EU countries to participate in the programme, with the exception of the strategic investment window. This means that, in return for a financial contribution to the Guarantee Fund – of a size to be agreed jointly by both sides – other countries would be eligible for investment from the European Investment Bank under the four aforementioned “windows” of the scheme (whereas the EIB normally invests primarily in EU Member States). The precise link between the size of the contribution and the share of investment a non-EU country could expect to receive under the scheme would be a matter for negotiation.

Despite this theoretical option for UK participation in the “InvestEU” programme, your recent Explanatory Memorandum did not refer to this possibility.³ While we take no position on whether participation should be sought, we have inferred that the Government is not actively pursuing involvement in the programme. The reasoning underpinning the Government’s decision to that effect – if our inference is correct – is unclear.

In particular, as you yourself told us in your recent letter of 9 June 2020, the Government remains “open to exploring options for a future relationship with the EIB as a non-EU country”. Participation in the “InvestEU” programme could provide a basis for this, since the investment it aims to leverage will come primarily from the EIB (subject, of course, to the negotiations between the European Parliament and the Member States on the final design of the scheme). Moreover, one of the focus areas of the scheme is investment in scientific research. Given that the Government is already seeking to secure continued UK participation in the EU’s general Framework Programme for Research for the 2021-2027 period (“Horizon Europe”), involvement in InvestEU could potentially build on these existing efforts to strengthen the UK’s research links with our European neighbours.⁴

³ In October 2018, the Government told our predecessors that it was “encouraging the Commission and Member States to design future EU programmes in a way that keeps options open for future UK and EU cooperation opportunities” ([Letter](#) from the Rt Hon. Elizabeth Truss MP to Sir William Cash MP, 4 October 2018).

⁴ We note in this respect that InvestEU will replace the EU’s existing “InnovFin Equity” scheme under its current Framework Programme for Research (“Horizon 2020”) to leverage investment into research projects, which can be used for investments in non-EU countries that participate in Horizon 2020. The UK is

Therefore, we ask you to write to us by 10 August to clarify if the Government has indeed ruled out seeking UK involvement in the “InvestEU” programme, and if so, why on balance such participation has already been determined not to be of potential value (in particular given that negotiations on the final design of the scheme are not yet completed). We will consider the importance of the InvestEU proposal for the UK further in light of your response.

We are copying this letter to Darren Jones MP, Chair of the Business, Energy and Industrial Strategy Committee and Rebecca Davies, Clerk of that Committee; Hilary Benn MP, Chair of the Committee on the Future Relationship with the EU and Gordon Clarke, Clerk of that Committee; Rt. Hon Mel Stride MP, Chair of the Treasury Committee and Gosia McBride, Clerk of that Committee; the Earl of Kinnoull, Chair of the EU Select Committee in the House of Lords and Christopher Johnson, Clerk of the Committee; to Maitreya Thakur in your Department; and Les Saunders and Donald Harris in the Cabinet Office.

CHAIR