



The implementation of the European Fund for Strategic Investment (EFSI) - How does it work?

FI-Compass ESF - Roma

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Investment Plan for Europe



Mobilise finance for investment
European Fund for Strategic Investments
Cooperation with National Promotional Banks

Give investment advice
European Investment Advisory Hub
European Investment Project Portal

Create an investment friendly environment
Improving the regulatory environment
Structural reforms



Aim: to mobilise at least €315 billion in investment across the EU



EFSl implementation update

Functioning of EFSI – where do we stand?



Of which
EUR 15.1bn
signed

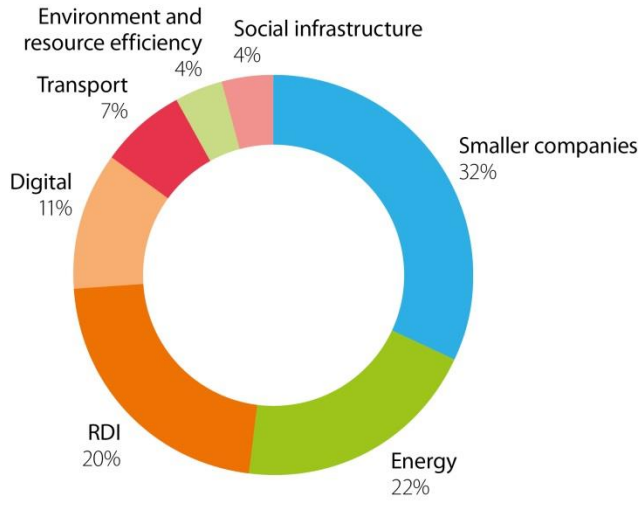
EIB Group figures

As of 15/11/2016



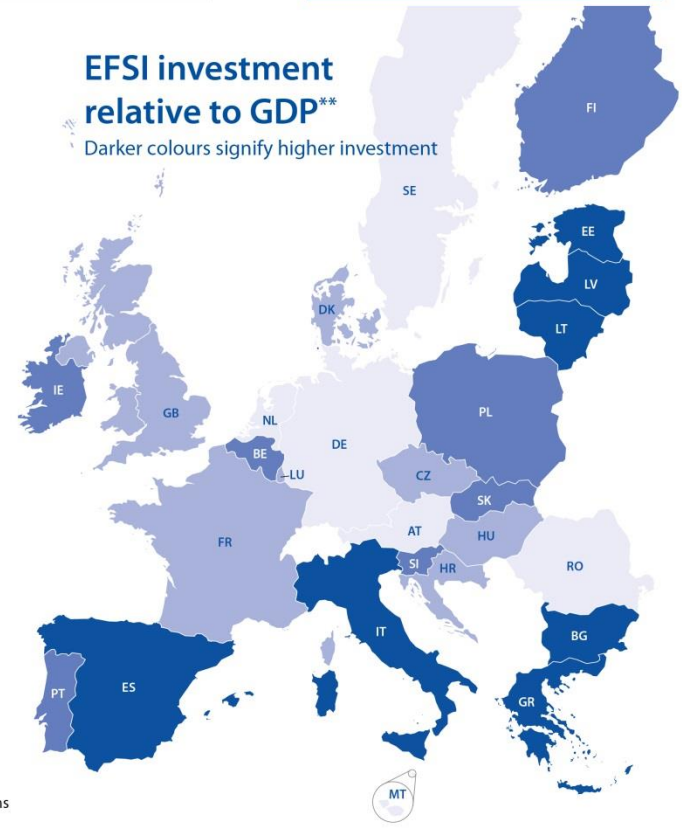
* EIB-approved: EUR 19.8 bn
EIF-approved: EUR 7.7 bn

EFSI investment by sector**



EFSI investment relative to GDP**

Darkers colours signify higher investment



**based on approved operations



EFSI basic financial set up

What is EFSI? Market-driven instrument



- ❖ EFSI **responds to the market's demand** for financing across eligible sectors and geographies
- ❖ Supports **bankable projects** to overcome market failures in the access to finance and sub-optimal investment situations
- ❖ No geographical or sectoral allocation
- ❖ The EFSI guarantee allows the EIB to engage with bigger volume of **high risk operations** (“**Special Activities**”)

What is EFSI?

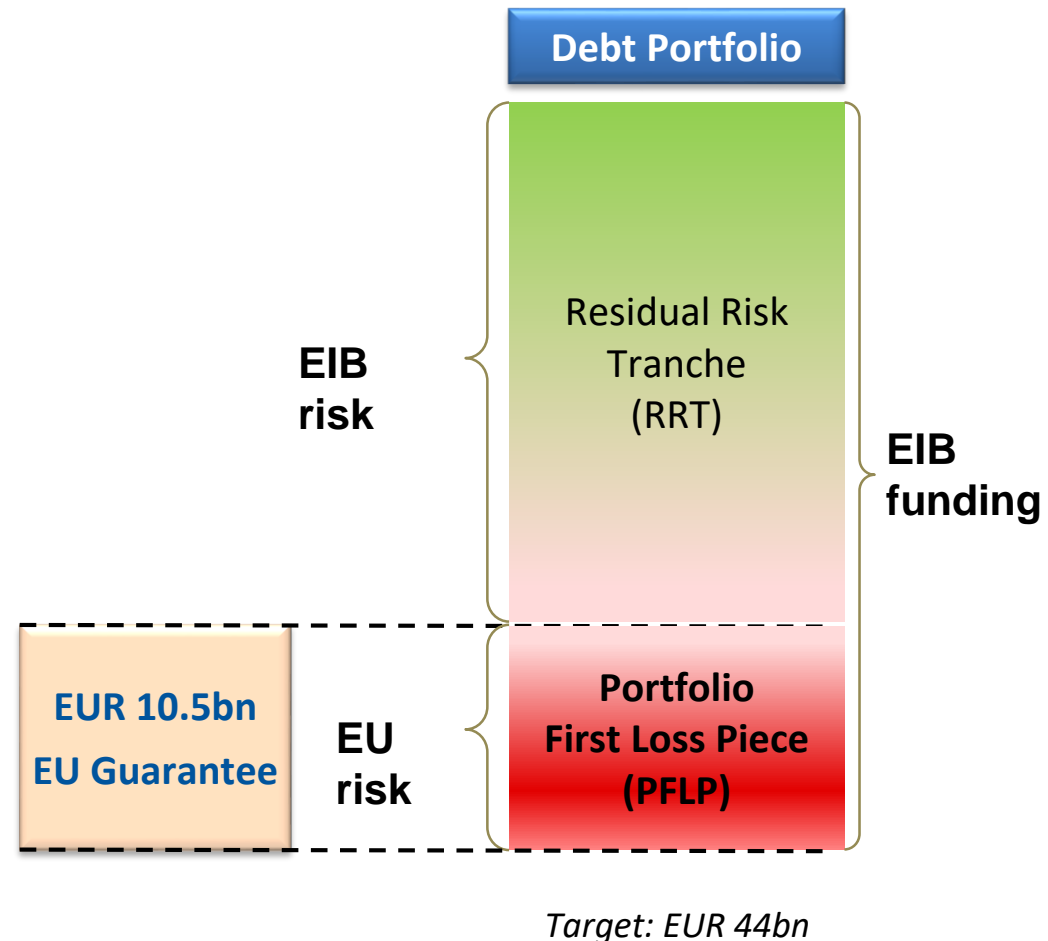


- ❖ EFSI is **NOT a fund** or a separate legal entity from the EIB
- ❖ It is a **contractual arrangement** between EC & EIB Group
 - ❖ EFSI Agreement signed in July 2015, revised in July 2016
- ❖ **EU guarantee (16bn)** is a portfolio guarantee – not a guarantee of individual transactions
- ❖ EIB is also contributing to EFSI Risk-bearing capacity (**€5bn** for equity and SMEW operations)
- ❖ All EFSI operations are EIB or EIF (**EIB Group**) operations – residual risk taken by EIB

How does the guarantee work?



- ❖ **Portfolio guarantee** for the Debt portfolio under the Infrastructure and Innovation Window
- ❖ EU guarantee covering **FLP**
- ❖ EIB providing **funding + residual risk**
- ❖ Guarantee allows to take **higher volume of risks**



How does it work? The multiplier



European Fund for Strategic Investments

EUR 21bn



Strategic financing for Europe



Other financiers



EUR 61bn

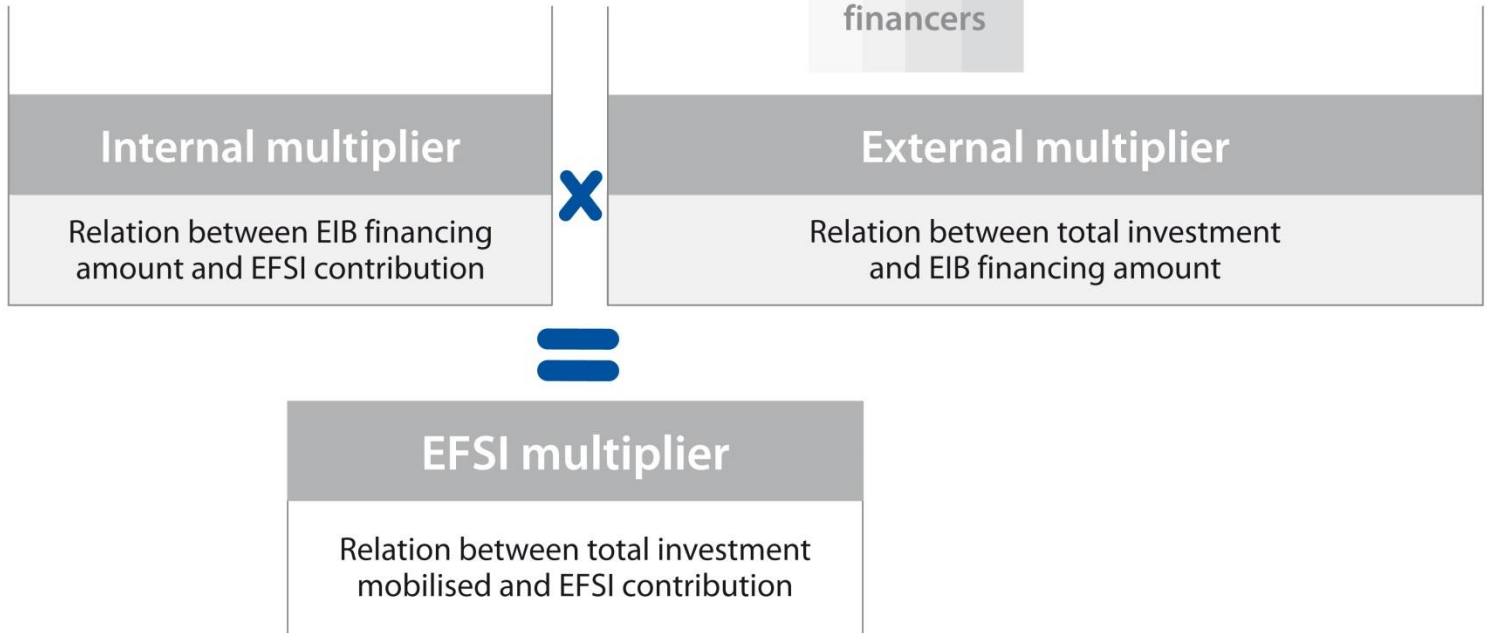


Other financiers



EUR 315bn

Total Investment mobilised EU

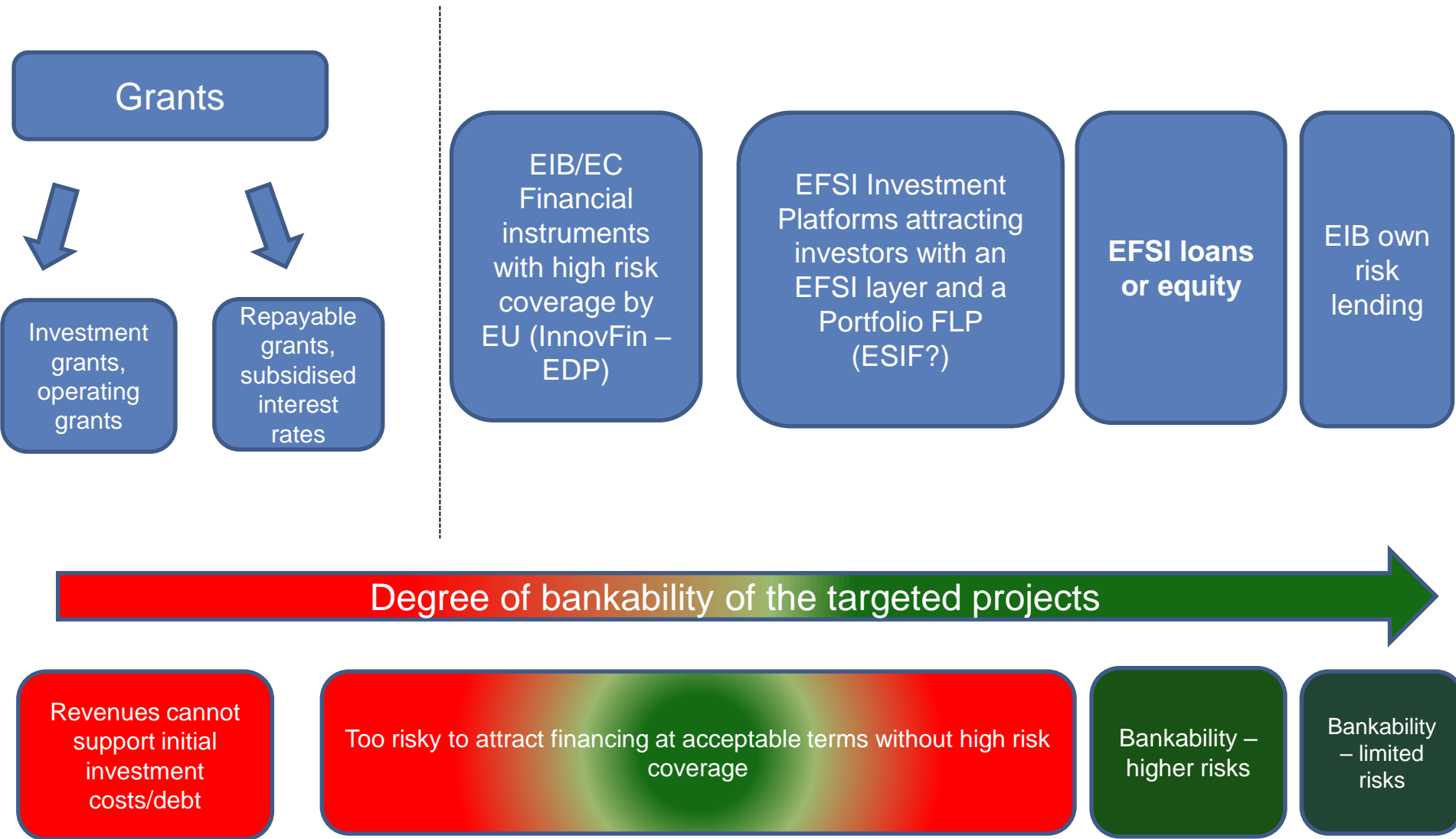


What is EFSI? Special Activities



- “EIB Special Activities” refers to EIB operations which are **riskier than those normally accepted by the EIB**
- Special Activities require significantly **higher resources**
- Prior to EFSI, the annual value of SA ~ EUR 4bn/year, often with the support of EU Financial Instruments
- With EFSI, target is EUR 20bn/year
- **EFSI mobilises investment by increasing the availability of high risk** financing to worthwhile projects, addressing their financing needs and crowding-in other financiers.
- The EIB’s willingness to accept higher levels of risk is linked to the individual needs / merits of the operation, including the availability of other resources

Typology of possible financial support according to project risks/bankability



Definition of EFSI additionality (article 5 EFSI Reg.)

- Support by EFSI of **operations which address Market failures or sub-optimal investment situations**
- Operations which **could not have been carried out** or not to the same extent without EIB support
- **Higher risk profile** than EIB normal operations and EFSI portfolio should overall have a higher risk profile than EIB normal portfolio
- **Projects with a risk corresponding to EIB Special activities are considered to provide additionality**
- Projects that are not Special Activities may also be supported by EFSI if address points above.

EFSI governance structure and project cycle



- ❖ EFSI projects are all subject to **normal EIB rules and procedures**, as they are EIB operations

- ❖ Subject to **standard due diligence** (assessment if the project can be supported by the EIB)

- ❖ **EIB (and EIF) governing bodies to approve each operation**
 - ❖ EIB Management Committee (MC – EIB President and Vice-Presidents)
 - ❖ EIB Board of Directors (BoD – MS representatives)

- ❖ **Additional EFSI governance**
 - ❖ **Steering Board** to provide guidance (3 EC + 1 EIB representative)
 - ❖ **EFSI Investment Committee** (8 independent experts) to approve the use of the EFSI guarantee for operations presented by EIB Services (after MC, before BoD)



Steering Board



Gerassimos Thomas
(Chairman, EC)



Ambroise Fayolle
(EIB)



Irmfried Schwimann
(EC)



Benjamin Angel
(EC)

MD / DMD



Wilhelm Molterer



Iliyana Tsanova

Investment Committee



Gillian Day



Thierry Déau



Nieves Rodriguez



Noel Gregor Patterson-Jones



Dominik Radziwill



Dalia Dubovske

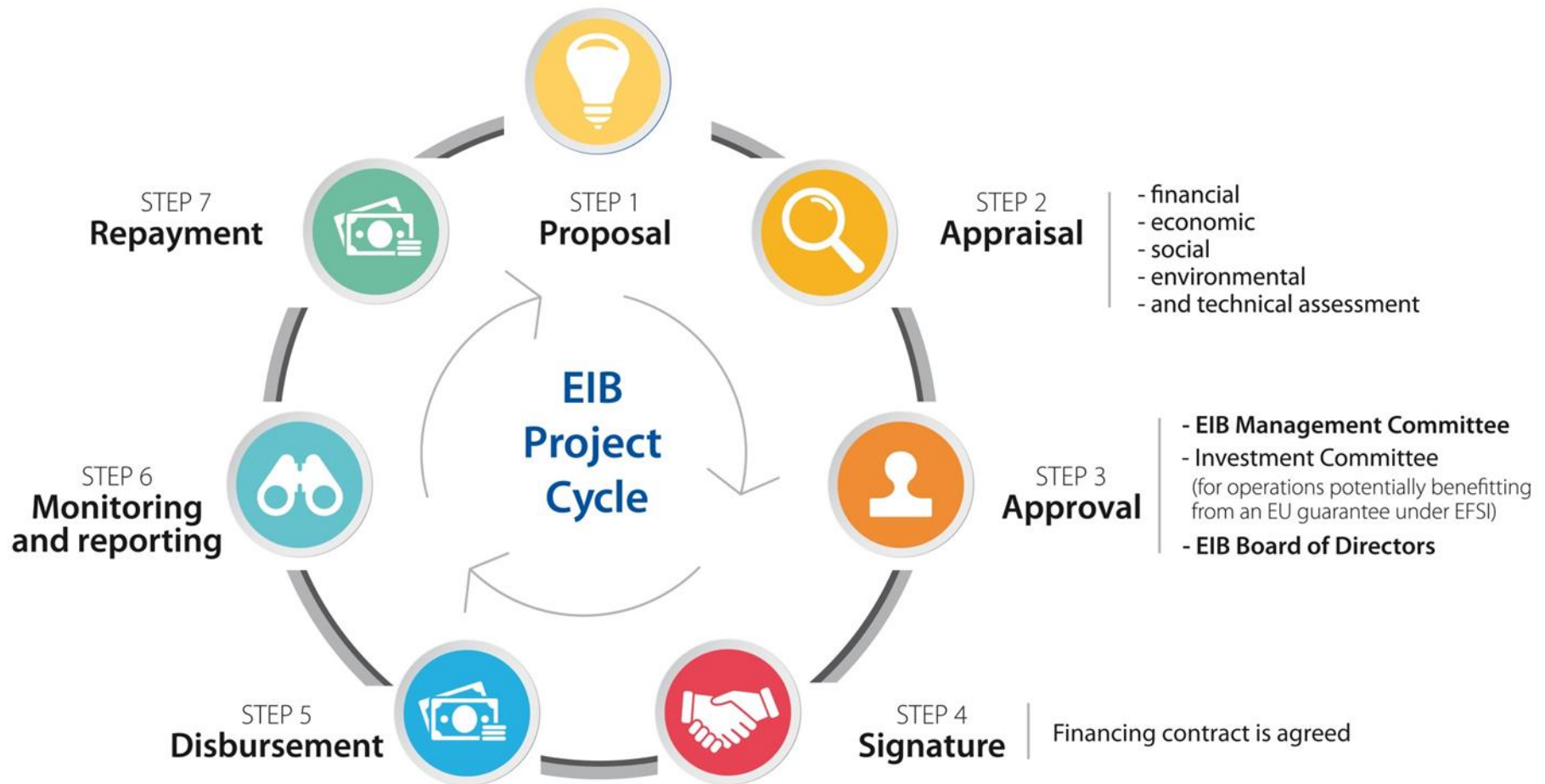


Vicky Kefalas

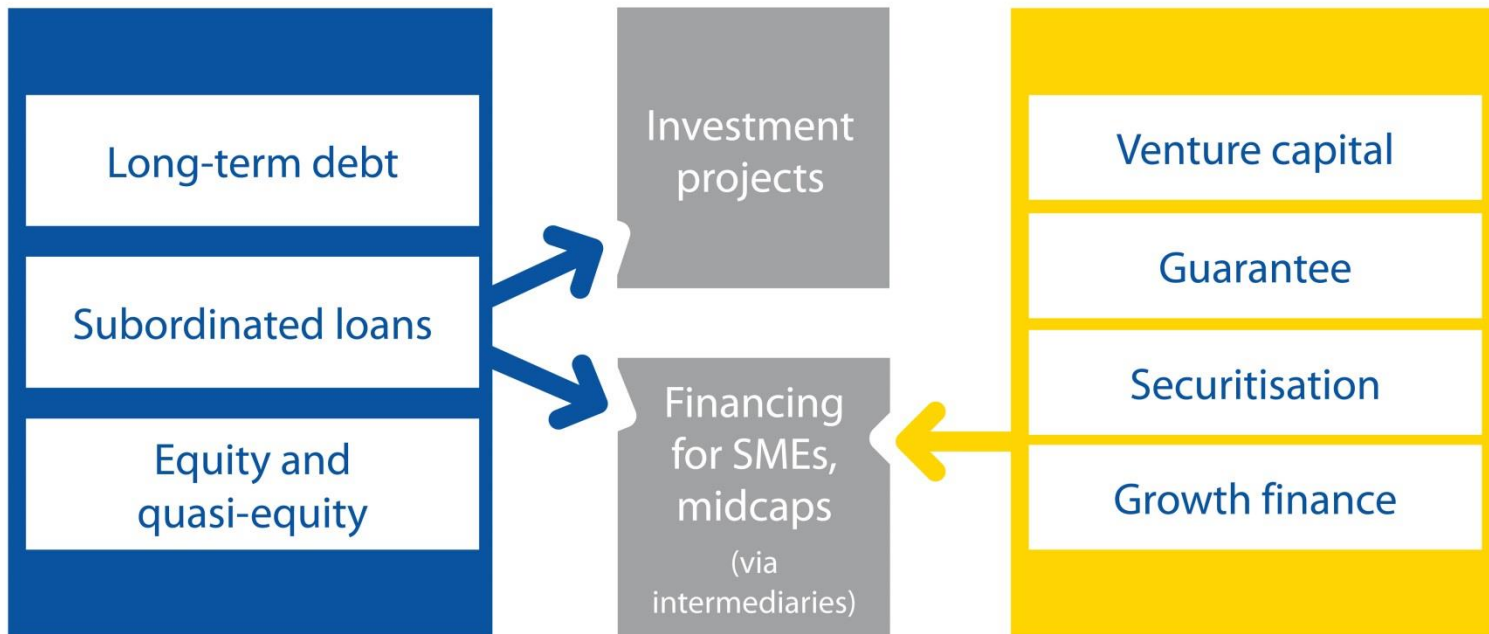


Fabio Pammoli

EFSI step-by-step



EFSI types of products



Continuously adapting to market needs – development of new products to support intermediaries (e.g. NPBs, risk-sharing instruments) and new equity strategy



What are the loan amounts under EFSI?



- According to EFSI regulation no specific minimum but lending practice at EIB Group requires best use of resources
- Indicative values for different financing operations

Long term
unsecured
loans:
from **EUR 25m**

Junior
subordinated
loans:
from **EUR 12m**

Mezzanine and
equity products:
from **EUR 7.5m**

Intermediated
EIB operations:
various

EIF lending via financial
intermediaries: up to **EUR
7.5m***

*COSME programme: up to EUR 150,000
InnovFin initiative: up to EUR 7.5m

EFSI: examples of projects in the social sector

- Affordable housing**
- energy refurbishment of social housing**
- Campus**
- Hospital**

Financing of 13.000 affordable housing units in France - SLI

WHY? To overcome a major shortage of affordable rental housings in France

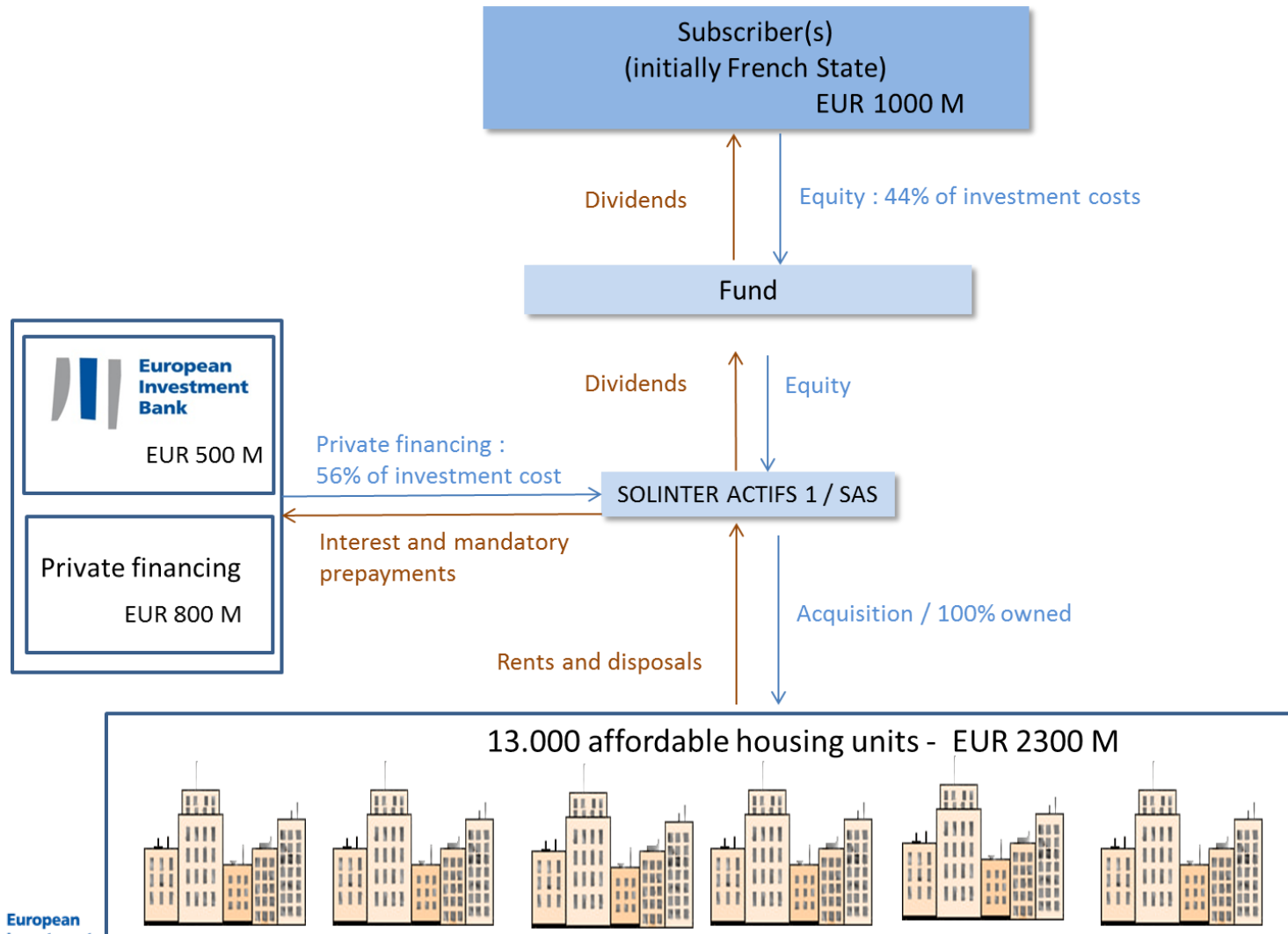
- Annual production of new housings falls short of a very high demand
- Exclusion of part of the middle income households from the rental housing market in large agglomeration and dynamic border areas

HOW? Creation of a new status of housing to crowd-in private financing

- Creation in 2014 of a new status of housing, the “affordable rental housing”, with regulated rents and resources caps
- Dedicating tax regime aiming at encouraging institutional investors to invest in this new asset
- Set up of a dedicated entity which will built 13.000 affordable housing units financed mostly by external financing ; Affordable housing to be inserted in mixed programmes with 25% of social housing
- Housings financed by the Bank will support Climate Change objective, in particular for energy efficiency (NZEB standard), going beyond current

French regulations

Financing of 13.000 affordable housing units in France - SLI



Financing of 13.000 affordable housing units in France - SLI

- EIB loan structure: innovative and catalytic
 - Up to EUR 500 M, with Long maturity
 - Reimbursement coming exclusively from rental income and housing disposals
 - Major part of the EIB loan is reimbursed after ten years if and when housing are sold
 - No guarantee from the Shareholder
 - Private investors attracted by EIB loan

SEM Energies POSIT-IF Ile de France

Energy efficiency refurbishment in residential buildings, France

EFSI Financing amount:

100m

EFSI related investment:

200m

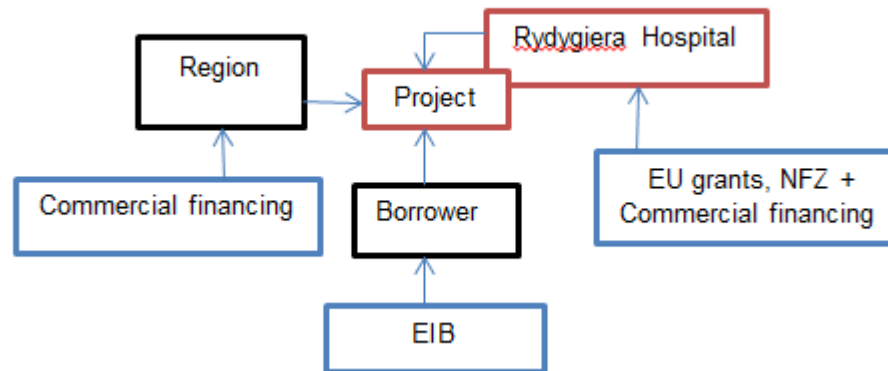
- **Financing backs:**
 - Energy efficient refurbishment in residential buildings (ca 75% of the buildings are condominiums or social housing apartments)
 - 50 to 75 % reduction of overall energy consumption of the buildings
- **Market failure between what commercial banks offer and what individual owners required.**
- **EFSI allowed the semi-public company Energies POSIT'IF to offer financing directly to the owners.**

New Campus in Portugal

- Construction of amphitheatres, classrooms, offices and meeting rooms, library, sports and restaurant facilities, student housing, IT systems.
- Long term subordinated EIB loan to a non-profit foundation set up for building the campus
- Commercial Banks not able to lend long term and no public funds available
- Revenues coming directly from the project: rent to be paid by University, rents and fees from students, commercial spaces (Gym)
- Commercial lenders attracted by strong EIB support to the project through EFSI

Health care investment in Poland

- Upgrade of an hospital in a PL region
- Long term EIB loan to a SPV created in 2009 by the region to carry out healthcare investments
- Combination with ERDF grants
- Main revenues: availability fees charged by the SPV to the region if fulfilling its obligations.





- **EFSI projects are EIB projects, but EIB can take more risks**
- Your project should not be made riskier!
- **EIB normal services to be contacted (in particular local offices)**
- EFSI can only support bankable projects
- **Combination with Structural Funds is possible**
- Investment platforms can aggregate financing to support a group of projects, but projects still need to be bankable. Structural funds can cover non-bankable elements or take even higher risks
- **Platforms are not set up by the EIB but by their sponsors (Managing authorities, NPBs?)**
- Advisory support (Hub) can be made available to support project promoters

Thank you!

