

European Fund for Strategic Investments (EFSI)

2015/0009(COD) - 29/06/2018 - Follow-up document

In accordance with Regulation (EU) 2015/1017 of the European Parliament and of the Council on the European Strategic Investment Fund (EFSI), the Commission presented a comprehensive report on the use of the European Fund for Strategic Investments (EFSI) EU guarantee and the functioning of the European Fund for Strategic Investments (EFSI) guarantee fund.

The main findings of the report are as follows:

Use of the EU guarantee: the Union provides an irrevocable and unconditional guarantee to the European Investment Bank (EIB) for EFSI financing and investment operations. By increasing the EIB's risk-taking capacity, it allows an increase in the volume of higher risk projects supported by EIB financing and helps to address market failures and sub-optimal investment situations.

The initial endowment of the EU Guarantee was of EUR 16 billion from the Union budget, complemented by an allocation of EUR 5 billion of EIB's own resources. These amounts were increased to **EUR 26 billion and EUR 7.5 billion**, respectively, by the EFSI 2.0 Regulation (EU) 2017/2396.

The EU Guarantee covers financing and investment operations signed by the EIB under the Infrastructure and Innovation Window (IIW) and by the EIF under the SME Window (SMEW). The initial repartition between the two windows was of up to a maximum of **EUR 13.5 billion for the IIW and up to a maximum of EUR 2.5 billion for the SMEW**.

- As of end-2017, the EIB group (EIB and EIF) had signed 606 operations under EFSI for a total financing of EUR 37.4 billion. These operations are expected to mobilise **investments of EUR 207.3 billion** in all 28 EU Member States and across all objectives set out in the EFSI Regulation (see Figure 1).
- At the end of 2017, the exposure of the EU budget to possible future payments under the EU Guarantee in terms of signed operations (disbursed and undisbursed) amounted to **EUR 13.5 billion**, whereas the overall outstanding disbursed exposure covered by the EU Guarantee amounted to nearly EUR 10.1 billion.

- **Infrastructure and Innovation Window (IIW):** under this window, the allocation of EIB operations to the debt or equity portfolio is based on the EIB's system of loan grading and the EIB's standard risk assessment. Under the IIW, the EU Guarantee amounting to EUR 13 billion is broken down as follows: (i) up to EUR 10.5 billion for debt-type operations; (ii) up to EUR 2.5 billion for equity-type operations.

As of 31 December 2017, under the IIW, the EIB had signed 278 operations for a total financing of EUR 27.4 billion, which are expected to mobilise **investments of EUR 131.4 billion** in 27 EU Member States.

- **SME Window:** the SME window of EFSI facilitates access to loan and equity financing for small and medium sized enterprises (SMEs) and, to a limited extent, also small mid-cap companies. It is implemented by the EIF. The EU Guarantee allocated to the SME window under the EFSI Regulation amounts to EUR 3 billion. With the EFSI 2.0 Regulation, the EU Guarantee extended to the SME window was expanded by another EUR 3.5 billion available for deployment over the period 2018-2020.

As of the end of 2017, the EIF had signed SME window operations with 305 financial intermediaries for a total EIF financing of almost EUR 10 billion. These operations are expected to mobilise **investment of**

EUR 76 billion in all 28 Member States of the EU. By the end of 2017, a total of 135,785 companies had already received EFSI-supported financing under the SME window and 1.5 million jobs were created or supported.

Evaluation: the independent evaluation of the application of the EFSI Regulation that underpins the Proposal for a Regulation of the European Parliament and of the Council establishing the InvestEU Programme concluded to the overall relevance and effectiveness of the EU Guarantee.

Between 2014 and 2017, EIB Special Activities experienced an almost five-fold increase, with EFSI operations under the EU Guarantee accounting for 95% of EIB Special Activities in 2016 and 2017, thereby demonstrating the value-added of the EU Guarantee. Providing additional risk bearing capacity to the EIB and the EIF did lead to **additional and higher risk financing by the EIB Group**.

The evaluation further confirmed that the levels of the EU Guarantee and of the EIB contribution were appropriately sized for the period 2015-2018 as it allowed the EIB Group to mobilise a level of investment in line with expectations.

Adjustment of the target rate: the Council and European Parliament approved the Commission proposal and the Target Rate has been set at the level of **35%** of the total EU Guarantee obligations as of the entry into force of the EFSI 2.0 Regulation. The adjustment of the Target Rate for the Guarantee Fund under EFSI 2.0 resulted in a more efficient use of the EU budget.

Moreover, as a large part of the additional funds required to provision the extension of the Guarantee Fund will originate from EFSI revenues and reflows from other financial instruments, the impact on other parts of the EU budget was limited, thereby leading to an increased efficiency of EU budget support.

Lastly, the evaluation considered that overall, the approach to modelling the EFSI Target Rate appears to be adequate and in line with industry practice.