

EUROPEAN INVESTMENT BANK

SB/28/18
18 October 2018

PV/18/27

EUROPEAN FUND FOR STRATEGIC INVESTMENTS
STEERING BOARD

Minutes of the Meeting held on 19 July 2018

Questions concerning this note should be referred to EFSI Secretariat: EFISecretariat@eib.org

EFSI STEERING BOARD – MEETING 27/2018

Minutes of the meeting held at the EIB Offices in Luxembourg on Thursday, 19 July 2018

Those attending:

Steering Board members:

Mr G. Thomas (EC)
Ms I. Schwimann (EC) – via video conference
Ms K. Jorna (EC) – via video conference
Mr A. Fayolle (EIB) – via telephone conference

Observers:

Mr W. Molterer (EFSI Managing Director) – via video conference, except
for item 10
Ms I. Tsanova (EFSI Deputy Managing Director), except for item 10

Experts:

Ms S. Valtonen (EC)
Mr C. Kuhn & Ms V. Revenco (EIB) – for item 11
Ms S. Bernabé (EIB) & Mr. I Marounov – for item 7

EFSI Secretariat:

Ms E. Bois-Willaert (EIB)
Mr R. Wouters (EIB)

The Chairperson declared the meeting open at 11h15 on 19 July 2018.

1. Quorum

The Chairperson recorded that there was a quorum.

2. Approval of the agenda

The agenda was adopted with the following changes:

- Items 5 "Risk profile" and Item 6 "EFSI projections" would not be discussed as information received do not demonstrate deviations since last Steering Board meeting, held in May 2018 ; the Steering Board decided to discuss these matters during their forthcoming meeting, scheduled in October 2018.
- The Steering Board decided to add an item for Decision, item 10, on the renewal of the terms of the EFSI Managing Director, Deputy Managing Director and Investment Committee members. It also decided to hold this discussion in a restricted format, in the absence of the Observers, the Managing Director and Deputy Managing Director.

3. FOR DECISION

Approval of the minutes of the meeting held on 18 May 2018 (PV/18/26)

The draft minutes of the 26th Steering Board meeting, held on 18 May 2018 at the EIB Offices in Luxembourg were approved with minor comments.

The minutes shall be published on the EIB website and will subsequently be communicated to the European Parliament.

4. FOR DISCUSSION

Quarterly reporting from EFSI Managing Director on Q2-2018

The EFSI Managing Director presented the EFSI quarterly results for the Infrastructure and Innovation Window (IIW) and for the SME Window (SMEW) to the Steering Board.

Mr W. Molterer described the total financing by approvals and signatures and the breakdown by country, including investment relative to GDP, and by sector, where the share of SMEs & RDI increased. He provided data on climate financing under the IIW, on investment platforms (41 approved to date) and on the combination with European Structural and Investment Funds (ESIF).

It was highlighted that collaboration with NPBIs is strong, with 169 operations signed involving NPBIs, totalling EUR 9.3 bn. The share of new clients remains high: more than 80% of clients benefiting from EFSI under the IIW and with whom operations have been signed at the end of June 2018 are new counterparts to the EIB.

The Steering Board expressed its satisfaction with the information presented. It however required that the Steering Board will also hold a strategic discussion on cross-border operations, to better understand limitations leading to a very low level for such operations, as well as on the geographical split of multi-countries operations.

5. FOR DISCUSSION **EFSI Projections**

Discussion postponed to forthcoming Steering Board meeting.

6. FOR DISCUSSION **EFSI Risk Profile as at end of Q1-2018**

Discussion postponed to forthcoming Steering Board meeting.

7. FOR DISCUSSION **EFSI Evaluation – Report prepared by the Operations Evaluation Division of the EIB**

Ms Bernabé started her presentation by stating that the report did not assess the impact of EFSI, which can only be evaluated in the long run, and therefore focussed on:

- The relevance of EFSI as a response to investment gaps in the EU and a means to boost growth and employment.
- The effectiveness of EFSI in reaching its objectives, including additionality and complementarity of EFSI with other EU instruments.
- The efficiency of EFSI and the extent to which the EIB Group mobilised adequate resources for its implementation.

In terms of methods and sources, Ms Bernabé explained that the Evaluation team performed a portfolio and macroeconomic analysis, did two surveys of final beneficiaries, looked at 15 in-depth case studies, in addition to literature review and more than 80 interviews with stakeholders.

The report demonstrates that EFSI is adequate to respond to structural gaps and increase access to finance for SMEs/Mid-caps, but that it is less adequate to tackle cyclical gaps. It also recognizes that almost 80% of the financing crowded in by EFSI at the end of 2017 is private, and that EFSI signed amounts are well balanced between EU-15 and EU-13 when accounting for the size of the economies. Member

States that suffered most from the financial and sovereign debt crises and Cohesion countries made up over 80% of volumes signed under EFSI, normalized by the share of EU GDP.

On additionality, the Evaluation reports that, in the absence of the EU guarantee, the EIB could not have financed the portfolio of EFSI operations without a negative impact on its overall lending capacity, risk profile and the sustainability of its business model, and that the vast majority of EFSI operations addressed market failures.

On complementarity of EFSI with other EU instruments, the Evaluation shows that EFSI catalysed the use of other EU instruments (COSME LGF, InnovFin SMEG, EaSI) and was complementary to other EU programmes through common equity instruments (EaSI, Horizon 2020), but also says that InnovFin, CEF debt instruments and COSME EGF had to re-adjust their scope and focus in order to eliminate the overlap with EFSI.

While the combination of EFSI with ESIF or CEF grants was limited because of differences in legal bases, Ms Bernabé mentioned that EFSI is complementary with NPBs/NPIs and that the coordination with NPBs is broadly adequate, even if there is scope for improving efficiency, for instance on due diligence.

Finally, no evidence could be found that the other two Pillars of the Investment Plan for Europe had any (positive or negative) impact on the implementation of EFSI.

Ms Bernabé also addressed the efforts made by the EIB Group to deliver EFSI, being on staff recruitment, but also on processes and procedures that have been adapted, recognizing that further strengthening of tools used to assess additionality is advised. She also mentioned that certain changes that could have a medium to long term impact on the EIB Group, and that therefore, a strategic reflection on the post EFSI era is recommended.

The Steering Board welcomed the detailed presentation and the comprehensive report evaluating EFSI 1 and taking into account changes that occurred under EFSI 2, as findings shall remain relevant for the continuation of EFSI. The Steering Board stated that EFSI was to address structural and not cyclical gaps, and is a positive example on the efficient use of Financial Instruments.

The Steering Board also referred to lessons learnt from this report, and shall continue monitoring the following three matters under its responsibility: i) geographical concentration, ii) level of disbursements, as economic impacts only occur when investments are made, and iii) multiplier assumption, as the report refers to the need to have the methodology updated and communicated in a standalone document.

8. FOR DECISION

EFSI SME Window – CDP-EIF Equity Platform – Social Impact Italia EFSI Thematic Investment Platform

In accordance with the EFSI Regulation (EU 2017/2396) and the “Rules applicable to operations with Investment Platforms and National promotional Banks or Institutions” approved by the Steering Board in February 2016, the Steering Board, jointly with the EFSI Managing Director, approved:

- the CDP-EIF Equity Co-operation Platform, as an umbrella platform hosting the current and future equity-focused EFSI Thematic Investment Platforms approved by the EFSI Steering Board and jointly promoted by CDP and EIF, including ITAtech (approved by the EFSI Steering Board and the EFSI Managing Director under written procedure in December 2016) and the Thematic Investment Platform for Social Impact Finance in Italy (SIP);
- the SIP as an equity investment partnership between CDP and EIF involving, amongst others, EFSI SMEW Equity Product resources.

9. FOR DISCUSSION

Stakeholder Consultation

The Steering Board discussed the formats of its forthcoming bilateral stakeholders’ consultation meetings. Referring to the amended EFSI Regulation, the Steering Board decided to invite during its October meeting representatives of new eligible sectors introduced in this Regulation, including in the field of Blue Economy.

It also asked the EFSI Secretariat to organise, before the end of the year, the annual stakeholder consultation event, as done in 2016 and 2017. The EFSI Secretariat shall consult the Steering Board for a date and draft programme.

10. FOR DECISION

Term of EFSI Managing Director, Deputy Managing Director and Investment Committee members

At the request of the Steering Board, this item for decision has been added on the agenda and was discussed in a restricted format, in the absence of the Managing Director and Deputy Managing Director.

The Steering Board, considering that the mandate of the Managing Director and Deputy Managing Director would conclude before the end of 2018, and referring to the excellent execution of their roles, decided, in line with the Article 7(3) of the EFSI Regulation 2017/2396, to send a letter to the European Parliament suggesting to extend their mandate.

The Steering Board also decided, following previous discussion, to re-appoint all the members of the Investment Committee for a further period of 2 years (from 1 January 2019 to 31 December 2020). This period would also be in line with the remaining investment period during which the EU guarantee may be granted for

supporting financing and investment operations covered by Regulation 2017/2396.

The Steering Board indicated that in case some members will not accept the reappointment proposed, their contract will come to an end as foreseen, and new members would be nominated for the 2 year period, starting 1st of January 2019.

11. Any other business

The Steering Board discussed the updated EIB EFSI Multiplier Calculation Methodology draft document, prepared by EIB and EU Commission services. The updated document mainly caters for the new products developed since the beginning of EFSI applying the concepts from the original Methodology approved in 2015 for initial products.

The Steering Board welcomed that the EIB and EIF EFSI Multiplier Calculation Methodologies are well aligned, and that information on assumptions is consolidated in the revised document, addressing also the recommendation in the EFSI Evaluation made by the EIB Operations Evaluation Division, discussed by the Steering Board during the same meeting.

The Steering Board is also satisfied that the proposed revision would only impact marginally the investment mobilized amount regularly communicated to the public. When taking into account the estimates of the EFSI Eligible Investment Mobilised for the operations related to the products not covered in the original methodology, such as quasi-equity for SMEs and MidCaps and Co-Investment with Funds, an upwards adjustments of about EUR 5bn is expected should the Methodology be applied to operations already approved related to new products.

The Steering Board took note that the EIB EFSI Multiplier Calculation Methodology shall be submitted for approval to the EIB Board of Directors in the coming weeks, before its submission to the EFSI Steering Board for formal approval.

The Chairperson declared the meeting closed at 13:00.

Schedule A

Decisions taken by the Steering Board (Meeting 27/2018)

Agenda Item	Description	Decision taken
3	Minutes of the meeting held on 18 May 2018.	The Steering Board approved the document with minor comments.
8	CDP-EIF Equity Platform	The Steering Board approved the document without comment.
10	Renewal of the terms of the EFSI Managing Director, Deputy Managing Director and Investment Committee members	The Steering Board decided to suggest an extension of the mandate of the Managing Director and Deputy Managing Director to the European Parliament, and to re-appoint all Investment Committee members until 31 December 2020.

Decisions taken by the Steering Board under Written Procedure in July 2018

As allowed by Article 8 of the Steering Board Rules of Procedure, two decisions were unanimously taken by the Steering Board under written procedure with an expiry date which was scheduled the **13th of July 2018**:

- Derogation granted by the EFSI Steering Board for EIB operations to be submitted to the EFSI Investment Committee and to the EIB Board of Directors, having higher amounts than EFSI exposure limits per risk category, in accordance with point 7(b) of the EFSI Investment Guidelines (Annex 2 to the EFSI regulation).