This report summarises the discussions from the EFSI Stakeholders’ consultation event on the orientation and implementation of EFSI investment policy, held on 14 December 2018 at the EIB premises in Luxembourg. For any questions please contact: EFSI Secretariat at EFSISecretariat@eib.org.
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BACKGROUND INFORMATION

The Steering Board, with the support of the EFSI Secretariat, organised the third EFSI stakeholders’ consultation event on 14 December 2018 at the EIB premises in Luxembourg in order to discuss the EFSI Strategic orientations and the implementation of the EFSI investment policy.

The EFSI Stakeholders’ consultation was organised in line with the EFSI Regulation, Article 7.3: “The Steering Board shall regularly organise a consultation of relevant stakeholders - in particular co-investors, public authorities, experts, education, training and research institutions, the relevant social partners and representatives of civil society - on the orientation and implementation of the investment policy carried out by the EIB under this Regulation” and the EFSI Steering Board decisions (Stakeholders’ consultation paper, adopted in March 2016).

Over 30 participants, including representatives from civil society, think tanks, NPBIs, private sector and banking sector associations took part in the event:

✓ Bankwatch
✓ Bank Gospodarstwa Krajowego
✓ Caisse des Dépôts
✓ Cassa depositi e prestiti Spa
✓ Confederation of European paper industries
✓ Counter Balance
✓ Confrontations Europe
✓ COPA-COGECA
✓ European Association of Craft, Small and Medium-sized Enterprises
✓ John Deere
✓ European Association of Craft, Small and Medium-sized Enterprises
✓ European Association of Guarantee Institutions
✓ European Association of Public Banks
✓ European Financial Services Round Table
✓ the European Rail Industry Association (UNIFE)
✓ European Savings Banks Group
✓ Hezelburcht
✓ European Long Term Investors Association
✓ European Court of Auditors
✓ KfW
✓ Limburgs Energie Fonds – Finquiddity

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1 According to Article 7(3) of Regulation (EU) 2017/2396 on the European Fund for Strategic Investments (EFSI Regulation), the Steering Board shall regularly organise a consultation of relevant stakeholders - in particular co-investors, public authorities, experts, education, training and research institutions, the relevant social partners and representatives of civil society - on the orientation and implementation of the investment policy carried out by the EIB under the EFSI Regulation.
✓ Nokia
✓ Notre Europe - Jacques Delors Institute
✓ Polish ministry of investment and economic development
✓ S&P Global Ratings
✓ Slovak Investment Holding
✓ Wirtschafts- und Infrastrukturbank Hessen - WIBank
✓ Independent participants

A list of the individual participants can be found in the annex.
OPENING REMARKS AND MAIN CONCLUSIONS

Opening remarks

The Chairman opened the stakeholder event, reiterated the importance of a regular and open dialogue between the Steering Board and external stakeholders, and encouraged the participants to channel their feedback.

He also welcomed the new member of the EFSI Steering Board, Mr László Andor, who had been recently appointed as a non-voting member of the Steering Board by the European Parliament. The Chairman indicated that substantial progress in the implementation of EFSI could be observed and opened the floor for the panel discussions.

Main conclusions

The Steering Board observed generally positive feedback of the stakeholders on the implementation of EFSI and stressed the importance of the feedback that has been given in the stakeholder consultation event to continuously improve the implementation of EFSI.

The Steering Board indicated that the feedback of the stakeholders and the recommendations of the different evaluations of EFSI are being used by the Steering Board when updating different documents, such as the EFSI Strategic Orientations. It also referred to the enhanced transparency practices, the inclusion of soft targets on climate action or to its engagement with actors of new EFSI eligible sectors as some of the realisations since the last stakeholder consultation event.

While referring to cross-border projects or to the already well diversified geographical distribution of EFSI, the Steering Board indicated that in the remaining two years of the initial investment period, during which the EU guarantee may be granted, more improvements will continue to be sought.
Mr Philip Tan explained that the Limburgs Energie Fonds is a fund established by the Dutch Province of Limburg and managed by Finquiddity. It provides finance to SMEs, regional businesses, start-ups and project entities with the aim of encouraging activities in the areas of reduction of CO₂ emissions, removal of asbestos in buildings and circular economy initiatives.

He indicated that the Limburgs Energie Fonds is a “Facilitator of change” and is very additional to the existing financial ecosystem, as it finances projects:
- that banks don’t finance (innovation / construction phase)
- that banks don’t finance yet (early stage / start-up / scale-up)
- that banks finance insufficiently (in money or attention)

Mr Philip Tan elaborated on the impact of the EIB loan to the Limburgs Energie Fund, guaranteed under EFSI, and provided detailed information on some of the projects that are being financed by the Limburgs Energie Fund:
- BLACK BEAR / DUTCH GREEN CARBON: A promising solution for a world wide tire waste problem.
- QCP / QUALITY CIRCULAR POLYMERS: Production of virgin quality plastics from customer and industrial waste.
- CLG GEOTHERMAL: A geothermal project that reduces significant natural gas consumption & costs for Limburg Greenhouse companies.

He emphasized the innovative nature and the ecological benefits that are being created by the different projects. He further indicated that the Limburgs Energie Fonds contributed to the required risk capital and closed the financing gap between bank & lease financing and the equity of the entrepreneurs, strategic partners and an investment fund in these projects.
Panel discussion 1: What has been achieved since the last consultation event and the entry into force of the amended EFSI Regulation?

Moderator: Kerstin Jorna, Steering Board member; presenter: Wilhelm Molterer, EFSI Managing Director

Introduction

The EFSI Managing Director gave an overview of some of the main achievements of EFSI under the Innovation and infrastructure window (IIW) since the last consultation event and the entry into force of the amended EFSI Regulation and addressed some specific points:

Geographical and sectorial distribution

As at 11 December 2018, EFSI operations have been approved in all 28 Member States (MS), leading to an expected investment mobilized of EUR 243.8 bn under the IIW. Analysis of EFSI support and investment mobilised with respect to GDP showed that a geographical balance between different parts of Europe existed. For instance, in terms of EFSI investments mobilised with respect to GDP under the IIW, Greece, Finland, Poland, Lithuania and Spain were among the top five beneficiaries. On the level of the regions, more than 40% of the total investment related to EFSI approvals, supported projects located in Cohesion regions. Energy and Smaller companies formed the two largest sectors of EFSI investments.

Investment Platforms (IPs)

The EFSI Managing Director indicated that IPs were a flexible instrument allowing to adapt to different market needs, intermediaries and geographies and were a good way to have fostered new ways of cooperation between the EIB and NPBs. As at December 2018, 44 IPs had been approved in the IIW and 3 in the SMEW.

Extension of EFSI: Qualitative Changes

He further gave an overview of some qualitative changes in the implementation of EFSI since the entry into force of the amended EFSI Regulation, and mentioned in particular the enhanced definition of additionality, the introduction of new EFSI eligible sectors and the enhanced transparency that has been achieved.

The role of the European Advisory Hub

The EFSI Managing Director explained that the Hub was an instrument to assess and address unmet needs for advisory support and that its functioning was entirely market and demand-driven. As at November 2018, 873 requests were received from all MS and the local presence of the Hub had been strongly developed. Most requests came from the following countries – Bulgaria, Italy and France – and more than half of project-specific requests came from the private sector.
Panel discussion 2: What has been the impact of EFSI after 3 years of implementation?

Moderator: Ambroise Fayolle, Steering Board member; Presenter: Christoph Kuhn, Director, EIB

Impact on EIB

Mr Christoph Kuhn addressed the impact of EFSI over the last three years on the EIB, its clients and the economy. He demonstrated EFSI’s role as a game changer for the Bank by:

- increasing the higher risk special activities by 400% from previous EUR 4bn/year to around EUR 20bn/year currently,
- helping to develop new products (e.g. venture debt, layered funds, risk sharing, corporate hybrid debt),
- a more effective form of NPBI collaboration (1 out of 4 EFSI transactions are with NPBI involvement),
- reaching out to new clients (3 out of 4 EFSI clients have not worked yet with EIB) and
- having smaller and more complex transactions.

Impact on clients

He further indicated that EFSI had enabled the EIB to:

- support underserved markets and clients thanks to a higher risk taking capacity,
- increase cooperation with partner institutions throughout the EU,
- catalyse private and public financing,
- take much more subordinated positions,
- offer favourable terms and conditions.

In order to showcase the kind of projects that the EIB was able to finance under EFSI, Mr Christoph Kuhn presented 2 case studies:

- MagForce (Germany), cancer treatment, https://www.youtube.com/watch?v=aYY8YU1WLRk
- NORTH POLE ONSHORE WIND FARM (Sweden), largest on-shore wind park in Europe, https://www.youtube.com/watch?v=NVz6npFhbc

Impact of EFSI on the economy

He further addressed the impact of EFSI on the economy, and referred to a study carried out by the EIB’s Economics Department in coordination with the Joint Research Center (JRC). This study estimates that EFSI operations have already supported more than 750,000 jobs with the figure set to rise to 1.4 million jobs by 2020 compared to the baseline scenario and estimates that EFSI has already supported EU GDP by 0.6% and it is set to increase EU GDP by 1.3% by 2020. Measured against the size of the economy, the biggest impact of EFSI is in countries that were hard hit by the crisis, while cohesion regions are likely to benefit more from a long-term structural effect.

EFSI: adjusting over time

Mr Christoph Kuhn indicated that EFSI is also regularly being evaluated and audited by internal and external experts. The implementation of the recommendations of these exercises help the EIB to ensure that EFSI reaches its objectives of catalysing investments and/or increasing access to finance.
Introduction - Evolution in NPBI cooperation

Ms Monique Koning provided an overview of the evolution in the cooperation between the EIB group and NPBIIs. She indicated that the EIB group already worked in close partnership with national promotional banks and other institutions before EFSI to provide financing and technical support. Given the higher risk-taking capacity thanks to EFSI, the EIB has increased its cooperation with NPBIIs through new and riskier product mixes, such as risk-sharing structures.

She stressed that the EIB Group cooperates with 94 NPBIIs and that NPBIIs are involved in almost one out of four of all EFSI operations. A well-balanced range of products have been developed and investments with NPBIIs cover all main sectors targeted by EFSI. In addition, investments with NPBIIs are geographically well-balanced across Europe.

Investment Platforms:

Ms Monique Koning explained that IPs are co-investment arrangements for a portfolio of projects with a special theme or geographic focus. The platforms pool the resources of the EIB, EC, NPBIIs, national and regional governments and private investors and reduce transaction costs and provide a better risk allocation among investors. She indicated that, as of 18 September 2018, 24 platforms were approved with NPBIIs, which represent more than 50% of all EFSI platforms.

Case studies:

She illustrated the cooperation between the EIB and NPBIIs in an investment platform by using two case studies:

**Connecting Europe Broadband Fund**: First investment platform to support broadband infrastructure under EFSI. It aims to pool around EUR 500m for guaranteeing broadband investments in order to mobilise at least EUR 1bn of investment over five years. KfW, CDP, CDC, EIB and the European Commission jointly pooled the first EUR 420bn for the fund to further catalyze private investments.

**BGK-EIB Social and Affordable Housing**: An Investment platform of EUR 500m established by EIB and BGK to finance social and affordable housing projects in Poland.

European Investment Advisory Hub

Ms Monique Koning explained that the EIAH works with NPBIIs in several ways to develop strong project pipelines for potential investments. She indicated that a memorandum of understanding (MoU) usually governs the relationship between the EIAH and NPBIIs. To date, 23 MoU have been signed with partners in 18 EU countries. She mentioned that partner NPBIIs help promoters through a local access point, knowledge sharing and by encouraging good practices. Examples of joint projects include development of strategic planning for hospitals, support for social housing programmes or the development of investment platforms in several EU countries.
Panel discussion 4: How has EFSI enhanced access to finance to SMEs?

Moderator: Iliyana Tsanova, EFSI Deputy Managing Director; presenter: Roger Hovenith, Deputy CE, EIF

Visibility

The Deputy CE of the EIF started his presentation by underlining the importance of transparency and to display the impact that is being achieved. He illustrated this objective by showing the participants a video of a project that had been financed under the EU Programme for Employment and Social Innovation (EaSI) with the support of EFSI: “Drôle de Pain”, social bakery enterprise in Montpellier, France: https://www.youtube.com/watch?v=PjthsUhrU.E. He further indicated that more materials could be found under the EIF’s audio-visual library on http://www.eif.org/news_centre/audiovisual_library/case_studies/index.htm and that the EIF has developed a new “SME Financing Map” - www.eif4smes.com - which shows the individual beneficiaries and where they are located.

EFSI implementation – SMEW / IIW

The Deputy CE of the EIF gave an overview of some of the main achievements of EFSI under the SMEW, emphasising that at 10 December 2018, EUR 6.07 bn had already been approved and that the approved EFSI commitments were expected to mobilise EUR 127.4 bn.

In addition, the deployment of EIB EFSI operations by the EIF under the IIW are expected to mobilise EUR 26bn of investments.

Geographical and sectorial diversification

As at 10 December 2018, EFSI approvals (a total of 500 transactions) under the SMEW reached all 28 Member States and were expected to benefit over 855,500 SMEs and midcaps, out of which over 244,000 have already received support.

The largest share of approved EFSI SMEW operations were targeted to the RDI sector (68%), followed by investments in the digital (19%), smaller businesses (8%) and social infrastructure, health and human capital (5%) sectors. This was in line with the EIF’s mission to finance riskier and innovative companies, as well as smaller businesses (including start-ups) which have difficulties accessing alternative sources of financing.

New developments under SMEW

The Deputy CE of the EIF also provided information on new developments under the EFSI SMEW (EFSI II):

- Additional capacity for equity investments as well as additional guarantees for InnovFin, COSME, EaSI and CCS.
- New products will be introduced, including “private credit tailored for SMEs” and an “EFSI combination product” combining national or regional resources with EFSI, including for agriculture.

He further emphasised that large market failures still exist in Europe, in particular in financing small enterprises in their early and growth stage, which need to be addressed. He also indicated that for the future, a continuation of the well performing financial instruments (e.g. COSME and InnovFin) is requested as well as the opportunity to test new pilots of financial instruments, e.g. for agriculture, digitalisation, skills.
FEEDBACK FROM STAKEHOLDERS AND REPLIES FROM EFSI GOVERNING BODIES AND EIB GROUP

1. Cross-border projects

Feedback from the stakeholders

- Referred to the importance of implementing projects with cross-border characteristics and enquired about the difficulties in implementing such projects;
- Indicated that the inclusion of Connecting Europe Facility grants should also count for cross-border characteristics and raised the issue of the difficult implementation of cross-border PPP projects.

Replies from the Steering Board, Managing Director and EIB Group

- Agreed on the importance of social infrastructure and public goods;
- Social goals should be seen larger as the EFSI objective of social infrastructure and public goods; many projects with strong social and societal goals are de facto classified under other EFSI objectives such as energy, RDI, SMEs;
- The specific example of the ILUNION SOCIAL COMPANY INVESTMENTS (Spain) operation was given.

2. Social infrastructure sector

Feedback from the stakeholders

- While acknowledging the importance of the market driven nature of EFSI, the relevance of investing in the social infrastructure and public goods was stressed.

Replies from the Steering Board, Managing Director and EIB Group

- Emphasized the development of new technologies in the sustainable agriculture and the wider bio-economy sector and raised concerns that Europe is becoming conservative on the policy side in comparison with other regions;
- Elaborated on the growth potential of companies in the paper and pulp industries and enquired on possibilities of blending different financial instruments.

3. Wider bio-economy sector

Feedback from the stakeholders

- Stressed the need to finance new technologies and that several instruments have been developed within EFSI to address the growth stage of innovative companies;
- Specific references were given to the European Growth Finance Facility in financing projects of growth companies in the bio-economy sector;
- Emphasized that EFSI has financed many broadband projects in rural areas;
- Indicated that the blending of grants and financial instruments can further be a useful tool;
- Assistance can be provided by the EIAH;
- Policy framework is in place in Europe and is envisaged to be supportive to the development of the bio-economy sector.

4. Climate change / energy supply

Feedback from the stakeholders
- Was satisfied with the inclusion of the soft target of 40% of EFSI financing under the IIW contributing to climate action and the Union commitments to the COP21 targets, excluding EFSI financing under IIW for SMEs and small mid-cap companies;
- Asked for the general breakdown of the different energy projects.

Replies from the Steering Board, Managing Director and EIB Group
- According to latest figures, around 38% of EFSI financing under the IIW has supported project components that contribute to climate action and the Union commitments to the COP21 targets, excluding EFSI financing under IIW for SMEs and small mid-cap companies;
- A general breakdown on the different compartments of projects financed under the development of the energy sector in accordance with the Energy Union priorities was given, highlighting the balance of activities being financed.

5. Collaboration with National Promotional Banks and Institutions (NPBIs)

Feedback from the stakeholders
- EFSI is a successful instrument to trigger investments in Europe and was implemented in a record time. NPBIs supported EFSI from its start and nearly ¼ of all EFSI projects have been signed with NPBIs.

Replies from the Steering Board, Managing Director and EIB Group
- Highlighted the good cooperation between the EIB group and the NPBIs;
- The objective is to crowd-in all financial intermediaries.
- Financial instruments is a strong instrument in seeking convergence;
- Active support of the EIAH is being provided in the establishment of Investment Platforms. Many MoU have been established with NPBIs.

6. EFSI Implementation in SMEW

Feedback from the stakeholders
- Appreciated the SME support by the EIF and EFSI and its impact;
- Stressed the importance of the continuity of the financing provided through the different instruments by the EIF;
- Indicated that it was difficult to combine EAFRD grants with COSME in Germany and Croatia;
- Asked for confirmations on the availability of sufficient financing volumes for SMEs and Mid-Caps after EFSI;

Replies from the Steering Board, Managing Director and EIB Group
- Impact of financing under SMEW was highlighted, indicating the strong results on the ground;

Although cooperation between EIB and NPBIs was already well established, EFSI brought it to a new level. Both the SME window and Investment Platforms triggered innovative financial solutions at all levels.

While underlining that EFSI is generally complementary with NPBIs activities, a reference was made that some potential for crowding out NPBIs might be perceived.

Noted that the involvement of NPBIs are important for the geographical and sectoral distribution.
- Financing availabilities under the revised EFSI Regulation will remain on track for the next years;
- Proposals on the inclusion of financial instruments under the next EU Multiannual Financial Framework have been published. Over the different windows, financing for SMEs will be assured;

7. Governance / Transparency / Reporting

Feedback from the stakeholders

- Indicated that governance structures were working and that transparency has strongly improved since the beginning of EFSI.

Replies from the Steering Board, Managing Director and EIB Group

- Agreed that improvements have been realized to enhance transparency.

8. Other issues

Feedback from the stakeholders

- EFSI is a success and enquiries were made on co-investing opportunities;
- Asked for more information on the use of venture capital under EFSI;
- Enquired if a change in the kind of projects being approved can be observed since the adoption of the enhanced definition of additionality in the revised EFSI Regulation.

Replies from the Steering Board, Managing Director and EIB Group

- Venture debt to Mid-Caps under EFSI is being provided by the EIB, complementing the financing provided by the EIF to SMEs;
- A stronger focus on explaining market failures and on suboptimal investment situations can be observed. The vast majority of the projects remain within the Special Activities category.
ANNEX: LIST OF PARTICIPANTS:

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