





EFSI Stakeholders' consultation

Summary report

8 December 2017

Prepared by EFSI Secretariat

This report summarises the discussions from the EFSI Stakeholders' consultation event on the orientation and implementation of EFSI investment policy, held on 8 December 2017 at the EIB premises in Luxembourg. For any questions please contact: EFSI Secretariat at EFSISecretariat@eib.org.

TABLE OF CONTENTS

BACKGROUND INFORMATION	3
OPENING REMARKS AND MAIN CONCLUSIONS	4
SUMMARY OF THE PANEL DISCUSSIONS	5
Panel discussion 1: EFSI Implementation under the Infrastructure and Innovation Window (IIW) Situation to date and the way forward	5
Panel discussion 2: EFSI Implementation under the Small and Medium Enterprises Window (SMEW): situation to date and the way forward	6
Panel discussion 3: What have we achieved since the 1st Stakeholders' consultation event?	
Collaboration with NPBIs - Investment Platforms - The role of the Advisory HUB	7
FEEDBACK FROM STAKEHOLDERS AND REPLIES FROM FESL GOVERNING BODIES AND FIR GROUP	8

BACKGROUND INFORMATION

The Steering Board, with the support of the EFSI Secretariat, organised the second EFSI stakeholders' consultation event on 8 December 2017 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 25 participants, including representatives from civil society, think tanks, private sector and banking sector associations took part in the event¹:

- ✓ Counter Balance
- ✓ Climate Action Network Europe
- ✓ Bankwatch
- ✓ European Association of Craft, Small and Medium-sized Enterprises
- ✓ L'Union Sociale Pour L'Habitat
- ✓ Housing Europe
- ✓ UNIFE the European Rail Industry Association
- ✓ European Association of Guarantee Institutions
- ✓ European Banking Federation
- ✓ European Association of Public Banks
- ✓ European Savings Banks Group
- ✓ Caisse des Dépôts
- ✓ Netherlands Investment Agency: Invest-NL
- ✓ European Long Term Investors Association
- ✓ European Court of Auditors
- ✓ European Parliament
- ✓ Nokia
- ✓ Dornier Consulting
- ✓ pH Value in Finance
- ✓ Veco Trade SA
- ✓ Independent participants

¹ According to Article 7(3) of Regulation (EU) 2015/1017 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.

OPENING REMARKS AND MAIN CONCLUSIONS

Opening remarks

The Chairman opened the stakeholder event and 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 observed that many comments from the first meeting had been taken into account and that substantial progress in the implementation of EFSI could be observed. In particular, the Chairman mentioned a better geographical diversification of the EFSI portfolio; the high number of new clients, an increased complementarity with other instruments and enhanced transparency.

Main conclusions

The Steering Board observed generally positive feedback of the stakeholders on the implementation of EFSI and, following up on the five key recommendations of last year's Stakeholder event, noticed that:

- EFSI governance has been well established, including a fully integrated and operational Investment Committee;
- A large array of new products has been developed, which has helped to increase the geographical and sectorial diversification of EFSI;
- Cooperation with National Promotional Banks and Institutions (NPBIs) and the establishment of Investment platforms (IPs) has been strongly enhanced;
- The Steering Board continues to regularly and proactively check the consistency of EFSI
 policies with and advice on EU policies and regulations and referred, among others, to the
 Omnibus regulation.
- Transparency and visibility of EFSI operations has been improved.

Nonetheless, while recognising the progress in these domains, the Steering Board noted that the aspects where clarification was necessary and/or which could be further improved, evolved mostly around climate change, social housing and transparency and indicated that it would follow up on these topics.

The Steering Board also announced that evaluations on EFSI will be carried out in 2018 and that their assessments could be important elements in the discussions on the next EU Multiannual Financial Framework.

SUMMARY OF THE PANEL DISCUSSIONS

Panel discussion 1: EFSI Implementation under the Infrastructure and Innovation Window (IIW): situation to date and the way forward

Moderator: Ambroise Fayolle, Steering Board member; presenter: Jean-Christophe Laloux, Director General of Operations, EIB

Introduction

The EIB Director General of Operations gave an overview of some of the main achievements of EFSI under the IIW and addressed some specific points:

Geographical and sectorial distribution

As at end of November 2017, EFSI operations have been approved in 27 Member States (MS). Analysis of EFSI support and investment mobilised with respect to GDP showed that smaller MS benefited to the same extent as the larger MS and 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, Finland, Spain, Greece, Poland, Portugal were among the top five beneficiaries. Energy and Smaller companies formed the two largest sectors of EFSI investments.

EFSI IIW implementation highlights - clearly not "business as usual"

It was indicated that around 2/3 of the investment related to operations signed under EFSI referred to private finance and that more than 80% of clients benefitting from EFSI IIW were new counterparts to the EIB. The average operation size in the IIW window with EFSI support in 2017 was also well below EIB non-EFSI operations averages and the large majority of IIW operations fell under the EIB Special Activity risk category. It was also emphasised that the EIB has developed a large array of new products to meet the specific goals of EFSI.

Some examples of EFSI supported projects

- North Pole Onshore Wind Farm (Sweden): Support for largest European onshore wind farm.
- University of Latvia Research and Study Centre (Latvia): Construction of a state-of-the-art research and study centre.

Future outlook: EFSI 2.0

The EIB Director General of Operations also provided information on changes that would incur with the entry into force of EFSI 2.0:

- EFSI endowment would increase from EUR 21bn to EUR 33.5 (26bn EU guarantee & 7.5bn EIB contribution, subject to EIB Board approval)
- Revised investment target of EUR 500bn by end of 2020
- Greater transparency on individual EFSI Investment Committee decisions and publication of scoreboard of operations, subject to commercially sensitive elements.
- Additional eligibility objectives:
 - Sustainable agriculture, aquaculture and fisheries
 - EU cohesion policy and cross-border projects
- A 40% target for EFSI financing under the IIW to support COP21 commitments would be introduced.

Panel discussion 2: EFSI Implementation under the Small and Medium Enterprises Window (SMEW): situation to date and the way forward

Moderator: Irmfried Schwimann, Steering Board member; Presenter: Pier Luigi Gilibert, CE EIF

Introduction

The CE of the EIF made a general introduction about the mission, mandates and shareholders of the EIF and gave an overview of some of the main achievements of EFSI under the SMEW, emphasising that at the end of November 2017, 81% of EFSI investment targets (of EUR 5.5bn) had already been committed (EUR 4.45bn) and that the approved EFSI commitments were expected to mobilise EUR 88.5bn, which represented 107% of the EUR 82.5bn target.

Geographical and sectorial diversification

As at end of November 2017, EFSI approvals (a total of 332 transactions) under the SMEW reached all 28 Member States and were expected to benefit over 527 000 SMEs and midcaps in the coming years, of which over 111 500 SMEs had already benefitted.

The largest share of approved EFSI SMEW operations were targeted to the RDI sector (68%), followed by investments in the digital (20%), smaller businesses (7%) 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 CE of the EIF also provided information on new developments under the EFSI SMEW:

- Full delivery of EFSI 1.0 in collaboration with EIB
- Additional capacity of InnovFin, COSME, EaSI and CCS guarantees, that would almost double their fire-power, was signed in November 2017
- EFSI 2.0 would ensure continued support to successful financial instruments such as InnovFin, COSME, etc. while also supporting additional policy priorities such as skills, apprenticeship, energy efficiency, digitalization, etc.

Visibility

The CE of the EIF informed the participants that the EIF is actively working on developing new videos and case study stories from financed entrepreneurs. These materials could be found under the EIF's audio-visual library. He also indicated that the EIF is working on a new "SME Financing Map" and showed extracts of these forms of multimedia content.

Panel discussion 3: What have we achieved since the 1st Stakeholders' consultation event?

- Collaboration with NPBIs
- Investment Platforms
- The role of the Advisory HUB

Moderator: Benjamin Angel, Steering Board member; Presenter: Wilhelm Molterer, EFSI Managing Director

Introduction

The EFSI Managing Director reiterated the absolute independency of the IC in its decision making process and that EFSI is a demand driven instrument. He referred to the EFSI implementation on EIB group level and noticed an interesting increase in investment mobilised in RDI. He gave an overview of some key achievements since the 1st Stakeholders' consultation event and addressed some specific points:

Cooperation with National Promotional Banks

It was indicated that NPBIs were an important partner for EFSI delivery and that their local presence and knowledge facilitated transaction origination and enabled smaller deal sizes. As at end November 2017, 111 operations signed under EFSI involved NPB/NPIs, totalling EUR 54bn investment mobilised.

Investment Platforms

While acknowledging that IPs were not tools that would transform non-bankable projects into bankable projects, 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 (2 IPs out of 3 involve NPBs or their subsidiaries). As at end November 2017, 35 IPs had been approved.

Some examples of EFSI supported projects

- French Overseas Territories Economic Development (France and other): Small scale infrastructure and private sector operations with a focus on social housing, renewable energy production, and ICT in French Overseas Territories.
- Limburgs Energie Fonds (The Netherlands): investments in small to medium sized projects in the areas: reduction of CO2 emissions, removal of asbestos in buildings, circular economy initiatives.

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 October 2017, 592 requests were received from all MS and the local presence of the Hub had been strongly developed. Most requests came from the following countries - Italy, France and Bulgaria – and more than half of project-specific requests came from the private sector.

In the second pillar, it was mentioned that the European Commission provides the transparent and user-friendly European Investment Project Portal (EIPP), where investment opportunities in Europe can be advertised. EIPP was launched on 1 June 2016 and its web platform was reshuffled in summer 2017 to better meet users' needs. Currently some 210 projects are advertised.

Future outlook: EFSI 2.0

It was indicated that in EFSI 2.0, further cooperation and partnership between the EIB and NPBIs and other entities would be encouraged and the role of European Advisory Hub would be strengthened.

FEEDBACK FROM STAKEHOLDERS AND REPLIES FROM EFSI GOVERNING BODIES AND EIB GROUP

1. Combination of EFSI with European Structural and Investment Funds (ESIF)

Feedback from the stakeholders

 Referred to the combination of EFSI with ESIF and asked what the main difficulties were in combining both instruments.

Replies from the Steering Board, Managing Director and EIB Group

 Different reporting standards and other practical difficulties still restrict the potential of EFSI-ESIF combinations. It was however indicated that the upcoming Omnibus regulation should help solving these difficulties.

2. Social housing / Social infrastructure sector

Feedback from the stakeholders

- Noted that 4 percent of EFSI investment mobilised was on social infrastructure and queried how this share could be increased;
- Asked on the definition of social housing and highlighted the importance of long term affordability and maintenance.

Replies from the Steering Board, Managing Director and EIB Group

- Projects in the Social housing / Social infrastructure sector are relatively more difficult to implement for the EIB under EFSI. Appropriate legislation in order to operate between the financial sector and housing associations is not available in all MS. As a result, more operations in this sector have also been implemented in some MS, such as France, as in others. Additionally, the credit risk of projects in the social infrastructure sector is often considered relatively low and therefore no support of EFSI is needed.

3. Climate change / energy supply

Feedback from the stakeholders

- Stated to have analysed the EFSI portfolio financed under IIW with respect to their climate friendliness and contribution to clean energy production and declared to have concerns that most projects in the renewable energy and energy efficiency sectors were located in Western European countries, and recommended for more EFSI engagement in this area and in other regions of Europe.
- Observed that various energy projects, supported by EFSI financing, are using fossil fuels, in particular natural gas, and reflected on potential disadvantages of investing into natural gas supply projects. It was recommended not to support natural gas projects with EFSI financing anymore.
- Requested a consistent climate strategy of the EIB Group within the SMEW and asked that the climate impact of SME and midcap support would also be assessed.

Replies from the Steering Board, Managing Director and EIB Group

- eFSI is a market driven instrument, explicitly without sectoral or geographic quotas. It cannot by itself make politically desired projects bankable nor change the fact that more projects addressing climate change are being developed in Western Europe. Nonetheless, it was indicated that figures of 2017 didn't yet include all operations and that the share of operations addressing climate change might still change.
- By definition of the regulation, EFSI can support projects that are in line with EU Policies. Support of sustainable projects is therefore fully aligned with the EU energy policy; the use of gas in energy supply is, for instance, in the medium term, expected to help the EU achieve its climate policy

- objectives and hence is considered an element for the transition of the EU energy system towards a low-carbon economy.
- It was indicated that no explicit targets exist in the SMEW for climate action and that climate action goals were supported in various ways by the EIF.
 - 4. Collaboration with National Promotional Banks and Institutions (NPBIs)

Feedback from the stakeholders

Noted that due to the relative small markets in which the NPBIs of smaller MS operate, it seems to be more challenging to present a wide range of operations under EFSI and that smaller NPBIs might run the risk of being crowded out. In this regard, it was expressed that some smaller member states and their NPBIs might require a bit different, somewhat more targeted assistance from the EIB.

Replies from the Steering Board, Managing Director and EIB Group

References were made to the EFSI Steering Board bilateral meeting with representatives of NPBIs of smaller MS, held in February 2017, which affirmed their satisfaction on their cooperation with the EIF and EIB and which gave a positive feedback on EFSI collaboration under the SMEW. There were also no indications of EFSI crowding-out smaller NPBIs and it was affirmed that there should be room for all types of financial intermediaries. The Steering Board indicated that it would welcome to receive any concrete examples if this were not to be the case.

5. EFSI Implementation in SMEW

Feedback from the stakeholders

 Appreciated the SME support by the EIF and EFSI, which was in particular helpful for the recovery of the European economy and welcomed the increase of budget under EFSI 2.0 for the SME Window.

- Hoped for more risk taking in the future: in particular through direct equity instruments to start-up companies and through a stronger focus on countries with underdeveloped financial markets.
- Asked for the reasons of the weak take-up of the SMEW in the Netherlands.
- Asked if more support for the medtech and biotech sectors could be provided.

Replies from the Steering Board, Managing Director and EIB Group

- It was emphasised that that the EIF doesn't invest into SMEs directly, but in selected funds acting as EIF's financial intermediaries that provide venture capital and mezzanine finance to expansion and growth stage SMEs.
- EFSI was designed for countries and situations where market gaps were more eminent and low-take-up in countries like the Netherlands could therefore be observed. In addition, SMEW country statistics may not always show the entire picture on geographical distribution, since some EFSI SME operations, in particular on securitisation could be counted under the IIW/EIB mandate or via a Fund of Fund model. In the latter case, investments can't always be assigned to an individual country.
- On stronger life science research support, it was mentioned that it is a sector that has difficulties in attracting finance due to long term development cycles. The EIF is however providing financing with EFSI support via Fund of Funds structures and has developed an interesting portfolio and pipeline in this sector.

6. Governance / Transparency / Reporting

Feedback from the stakeholders

Stressed the importance of transparency on the project level and requested that the level of disclosed information on approved EFSI projects would be increased.

- Observed that it was not always clear for SMEs [and intermediaries] on how to apply for financing and wished that more relevant information on the final beneficiaries would be provided on a dedicated EFSI webpage.
- Suggested that EFSI should be analysed together with total EIB figures to assess potential crowding out of regular EIB operations and to include other parameters, like Key Performance Indicators, in the EFSI reporting in order to analyse the total impact of EFSI.

Replies from the Steering Board, Managing Director and EIB Group

- References were made to changes which will be introduced under EFSI 2.0: A scoreboard for EFSI operations will need to be made public as soon as an operation under the EU guarantee is signed, with the exclusion of commercially sensitive information. The Investment Committee will also explain its positive decisions, giving the reasons why it believes a transaction fulfils the criteria for EFSI backing, excluding commercially sensitive information.
- References were also made to www.access2finance.eu where adequate levels of information on access to finance for final beneficiaries is provided, related to the country where they are operating. It was also indicated that financial intermediaries supported under the EFSI SMEW are obliged to give contact points and to inform about their financing bases. To increase visibility further, it was argued that tangible success stories are important elements and that the EIF is increasing its efforts in the diffusion of such content.

7. Other issues

Feedback from the stakeholders

- Wondered how energy efficiency projects for SMEs and retrofitting of private houses could be bundled within EFSI and emphasised the role of the market in deciding for these kinds of projects and not their political desirability.
- Asked more details on approved EFSI projects that didn't fall within the EIB Special activity category.
- Asked for more information on EFSI 3.0.

Replies from the Steering Board, Managing Director and EIB Group

- Substantial efforts have been carried out to bundle small projects within EFSI and significant progress has been achieved in establishing IPs and in the cooperation with NPBIs. Although good results have been achieved in different regions in France, bundling energy efficiency projects for SMEs and retrofitting of private houses remain areas where the implementation can prove to be difficult. Hopes were therefore expressed that these successful projects could become example cases for other project developers and the banking sector.
- The special activity category refers to the loan grading of an EIB operation. In a very limited amount of cases, EFSI operations, which couldn't have been carried out or to the same extent without EFSI support, could be on the border line on the threshold to be labelled as a special activity operation. Such approved operations contained nonetheless several aspects of additionality and addressed market gaps in line with the EFSI regulation. Their additionality has also been acknowledged by the IC.
- On EFSI 3.0: It was confirmed that the European Commission was working on the inclusion of financial instruments in the next EU Multiannual Financial Framework and that no details could yet be shared at this stage.