EFSI: EUR 500 billion to build a Europe that’s fit for the future

If someone were to offer you EUR 500 billion to tackle the biggest challenges our continent currently faces, how would you spend the money? Would you invest in the hospital down the road, in fast and clean buses or in state-of-the-art power plants to keep your home bright and warm?

All of this and more is what we at the European Investment Bank Group are doing to help get Europe back on track after years of financial and economic hardship. Supported by a European Commission guarantee, we are working to make an extra EUR 500 billion available to the real economy by 2020.

What is EFSI?

In 2014, Europe was just about to emerge from what was considered to have been the worst financial crisis since the Great Depression. To speed up the recovery, the European Commission, supported by the European Investment Bank (EIB), launched a policy initiative that aimed to break the vicious circle of declining investment spending and sluggish growth – the Investment Plan for Europe (the so-called ‘Juncker Plan’). The EIB Group is in charge of the financial component of this plan, the European Fund for Strategic Investments (EFSI).

EFSI allows the EIB Group to take higher risks in a project, thereby enabling it to progress faster or more smoothly for the project promoter. Potential EFSI beneficiaries follow the same procedures and approval process as for a traditional EIB loan or intermediated lending via an EIB Group partner. If the project meets the EFSI eligibility criteria, it is presented to a group of independent experts, the Investment Committee, who evaluate it and decide if the project can be backed by the EU guarantee.

Where does the money come from?

With the original goal of triggering EUR 315 billion in additional investments over three years, EFSI was extended in late 2017. It now aims to mobilise EUR 500 billion by the end of 2020. This will be possible with the help of a EUR 26 billion guarantee provided from the EU budget, which will be complemented by a EUR 7.5 billion allocation of the EIB’s own resources, subject to approval by the EIB’s Board of Directors. The total amount of EUR 33.5 billion is leveraged in two ways:

- the initial endowment (EUR 33.5 billion) will enable the EIB Group to support financing of more than EUR 90 billion on top of its base activity – this creates what is called the internal multiplier;
- since the EIB Group is never the only investor, each euro of financing will generate investment worth several times this amount – this process of attracting third-party co-investment results in an external multiplier.

Overall, the EIB Group is aiming to catalyse about 15 times the investment of the initial endowment. Spread out over five and a half years, this amount will not entirely bridge the investment gap that economists calculated for the European Union alone. Still, the money will substantially contribute to EU competitiveness and to generating quality jobs and economic growth in European cities and regions.
What sectors are eligible?

The sectors for EFSI investments vary widely, and there is no quota for any particular field. However, under the extension of the initiative (EFSI 2.0) the legislators agreed to strengthen its climate action component. Other eligible sectors include research and development, digital, transport and social infrastructure, energy and resource efficiency, and the environment.

Under the reworked EFSI rules which come into force at the beginning of 2018, the guarantee can also be used to back projects in sustainable agriculture, forestry and fisheries. In addition, the new legislation established EU cohesion as an EFSI eligibility criterion, which should increase potential support for disadvantaged regions.

Another important focus of EFSI lies in its support for smaller businesses and companies with fewer than 3 000 employees. Currently, about one third of the expected investment under EFSI will benefit these SMEs and midcaps.

Is EFSI funding just for private sector projects?

No, EFSI funding can also be provided to public sector borrowers and their projects, as well as to private promoters participating in public projects. Local authorities, public sector companies, as well as large businesses and medium-sized companies can benefit from EFSI support, through different direct financial products. Smaller projects may also be financed via the EIB’s intermediated lending provided by partner institutions.

For more information

- Learn about the latest EFSI news and impact figures on the EIB website
- EFSI map: explore a selection of supported projects across Europe

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How can cities and regions apply for EFSI funding?

Public and private project promoters interested in receiving EIB funding, whether backed by EFSI or through standard EIB lending, should contact the EIB through the normal channels (via forms on the EIB website and via EIB offices located in the Member States).

Alsace Très Haut Débit – Helping to bring fast internet to rural France

An EFSI-backed loan of EUR 62.5 million is financing the deployment of optical fibres in remote areas in about 700 municipalities in Alsace, France, helping to bridge the digital divide within the region. In total, 370 000 households and companies are expected to enjoy super-fast internet in the coming years.

“The if you want to attract companies to your village, the first thing they will ask is ‘how fast is your internet?’ If you measure your speed in kilobits, they will not come.”

André Weber, Mayor of Meistratzheim

Infiberry – Developing a reusable alternative to plastic bags

A Unicredit loan backed by the European Investment Fund (EIF) with the help of EFSI is enabling Czech start-up Infiberry to expand its production and marketing of compostable and reusable shopping bags for fruits and vegetables, Frusack. Made from corn, the fabric Infiberry uses is unique worldwide. Frusack is entirely produced in the Czech Republic, where it helps to create jobs.

“For a start-up it’s very hard to get financing. We tried to go for a bank loan but we thought that it was impossible. We have no financial history but thanks to the EU guarantee we were able to get that loan.”

Hana Němcová, CEO

European Investment Bank

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