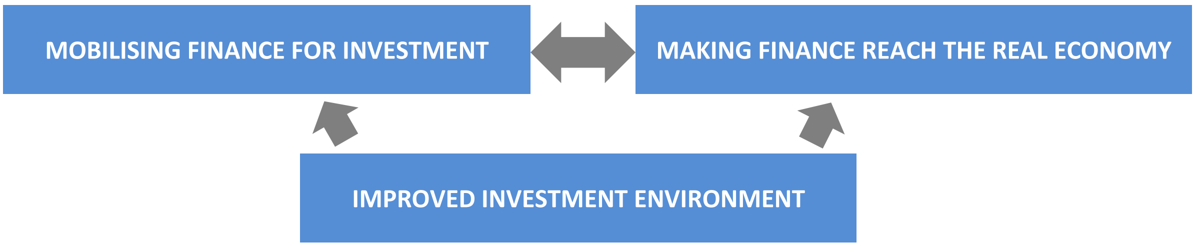
Factsheet 2

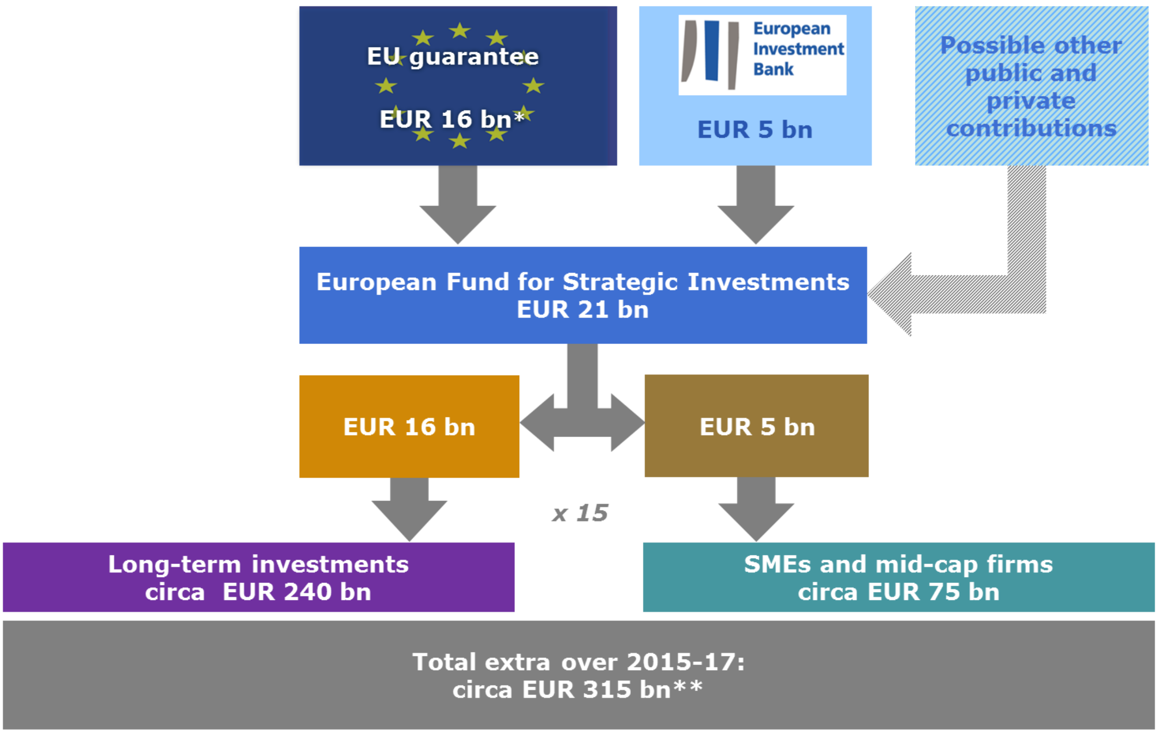
WHERE DOES THE MONEY COME FROM?

The Investment Plan for Europe will be a package of measures to unlock public and private investments in the real economy of at least € 315 billion over the next three years (2015-2017). The Investment Plan consists of three strands: (1) mobilising investment finance without creating new public debt; (2) supporting projects and investments in key areas such as infrastructure, education, research and innovation and (3) removing sector-specific and other financial and non-financial barriers to investment.



Mobilising the € 315 billion additional finance for investment at EU level is a joint effort between the European Commission and the European Investment Bank (EIB). Member States, National Promotional Banks, regional authorities and private investors will all be encouraged to contribute. Here is how:

A new European Fund for Strategic Investments (EFSI)



* 50% guarantee = EUR 8 bn from Connecting Europe Facility (3.3), Horizon 2020 (2.7) and budget margins (2)
** Net of the initial EU contributions used as guarantee: EUR 307 bn

A new European Fund for Strategic Investments (EFSI) will be set up within the EIB.[1] Compared to existing structures, the Fund will have a different risk profile, provide additional sources of financing and will target projects delivering greater societal and economic value beyond the projects currently financed through the EIB or existing EU programmes.

To establish the EFSI, **a guarantee of € 16 billion will be created under the EU budget** which will go into the Fund. **The EIB will commit € 5 billion**. The Fund will thus start with a significant firepower and will be able to expand its activities further over time. Member States, directly or through their National Promotional Banks, will have the opportunity to contribute to the Fund by paying in capital. Importantly, **in the context of the assessment of public finances under the Stability and Growth Pact, the Commission will take a favourable position towards such capital contributions to the Fund.**

The EU guarantee will be backed up by existing EU funds from the existing margins of the EU budget (€ 2 billion), the Connecting Europe Facility (€ 3.3 billion) and the Horizon 2020 programme (€ 2.7 billion), to a total amount of € 8 billion. Thanks to the new Fund, the impact of these EU funds on the real economy is multiplied, compared to what they would have achieved otherwise. This means more investments in infrastructure, research and innovation.

The Fund will have its own management structure. It will be managed in line with agreed investment guidelines. Activities and projects will be validated by an independent Investment Committee based on their viability and making sure that public support does not exclude or crowd out private investment. The EIB-Group will also contribute with dedicated staff in areas such as product development, pipeline origination and structuring, technical assistance, funding capacity, treasury management, asset-liability management, guarantees, portfolio management, accounting and reporting.

Overall, if set up rapidly with an initial contribution of € 21 billion at EU level, the Fund has the potential to yield at least € 315 billion of additional finance over the period 2015-2017. Of this, approximately € 240 billion will go to strategic investments and € 75 billion to SMEs and mid-cap companies. The impact will obviously be higher as Member States and National Promotional Banks join in.

HOW DOES IT WORK IN PRACTICE?

The role of the Fund is to **mobilise extra private finance in specific sectors and areas**. The Fund is estimated to reach a multiplier effect of 1:15 in real investment in the economy. This is the result of the Fund's initial risk bearing capacity and is an estimated average calculated as follows: For every initial one euro of protection by the Fund, three euro of financing could be provided to a certain project in the form of sub-ordinated debt. Given that this creates a safety buffer in that particular project, private investors can be expected to invest in the senior tranches of that same project. EIB and European Commission experience indicates that 1 euro of subordinated debt catalyses 5 euro in total investment: € 1 in subordinated

[1] The Commission and the EIB agree that the Fund should be set up within the EIB as a dedicated trust-fund. This will ensure a swift set-up and the Fund will benefit from the funding and the expertise in lending and risk management from the EIB's existing structures.

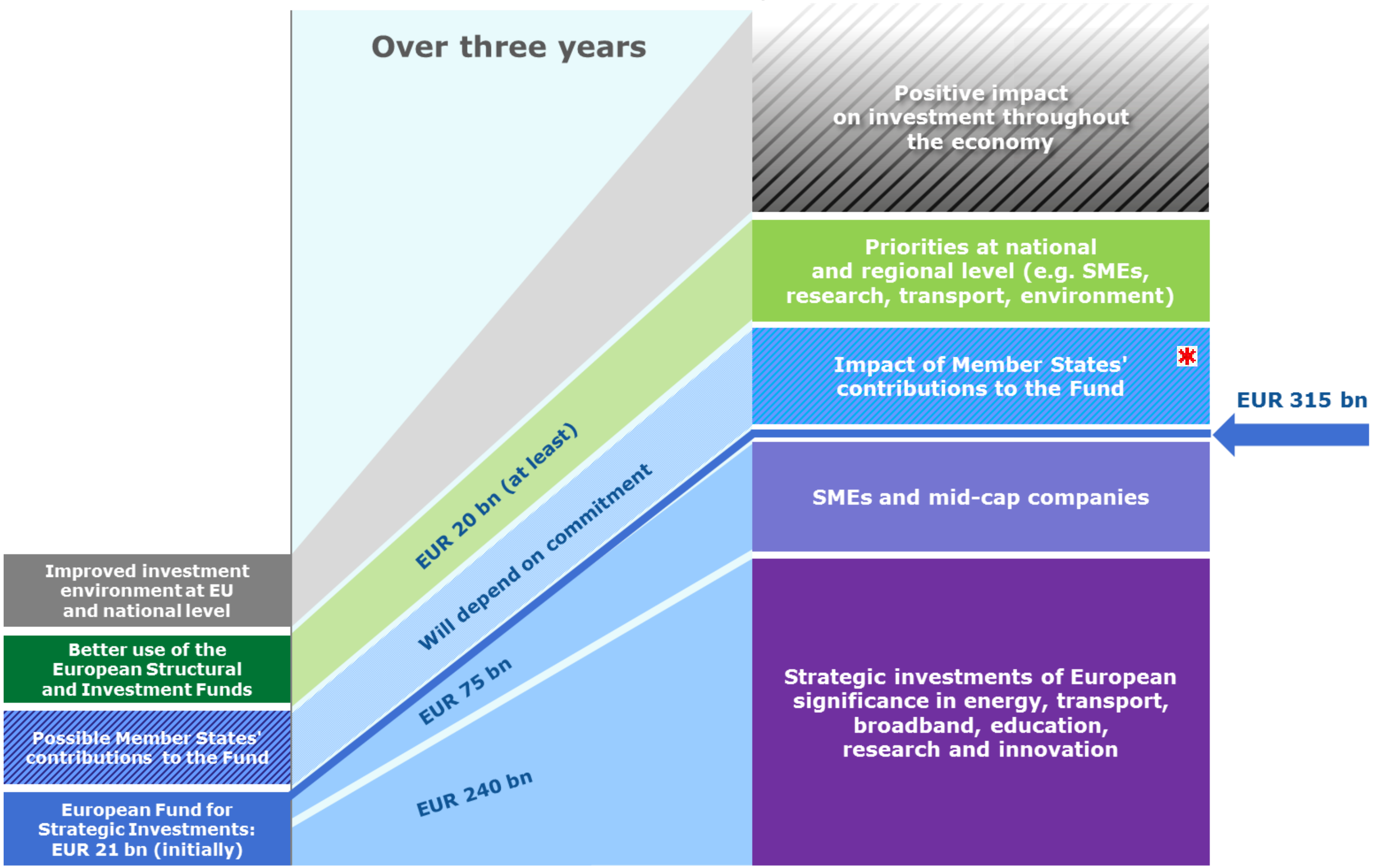
debt and on top of that 4 euro in senior debt. This means that € 1 of protection by the fund generates € 15 of private investment in the real economy, that would not have happened otherwise. This 1:15 multiplier effect is a prudent average, based on historical experience from EU programmes and the EIB.

Fully exploiting the European Structural and Investment Funds

The realisation of the Investment Plan is a joint effort and all sources and actors need to be mobilised. The European Structural and Investment Funds can be used in a more efficient manner by focusing on key areas and capitalising on every euro invested via a multiplier effect. This implies an increased use of financial instruments in the form of loans, equity and guarantees, instead of traditional grants. Three major steps could be taken:

1. An overall doubling in **the use of innovative financial instruments** for the period from 2014 - 2020. The increased use of innovative financial instruments, rather than grants, should create additional financial leverage on every euro mobilised. By doubling the amount of innovative instruments and using the leverage effect thus created, at least € 20 billion in terms of additional investments in the real economy could be mobilised between 2015 and 2017.
2. Member States and regions can also raise the multiplier effect of EU funds by increasing the amount of **national co-financing** above the minimum legal requirements.
3. Finally, Member States are invited to **use EU funds still available** under the 2007 to 2013 programming period to their best effect and ensure that they are fully used in support of this Investment Plan.

Mobilising Finance for Investment - leverage



** In the context of the assessment of public finances under the Stability and Growth Pact, the Commission will take a favourable position towards such capital contributions to the Fund.*