



EUROPEAN INVESTMENT BANK

**European Fund for Strategic Investments**

**RATIONALES FOR THE DECISIONS TAKEN BY  
THE EFSI INVESTMENT COMMITTEE IN 2018-2019**

**For projects, previously subject to a confidentiality agreement,  
As of 16 December 2019**

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This document should be read in conjunction with the document: "*DECISIONS TAKEN BY THE EFSI INVESTMENT COMMITTEE IN 2018-2019 - for projects previously subject to a confidentiality agreement, as of 16 December 2019*"

In accordance with article 7.12 of Regulation (EU) 2017/2396, the rationales for the decisions taken by the Investment Committee to approve the use of the EU guarantee for EIB operations are made publicly available, in general after the subsequent Investment Committee meeting, except for projects subject to a confidentiality agreement between the EIB and the promoters. The publication shall not contain commercially sensitive information.

In line with article 30 of the EFSI Agreement and the Transparency Policy of the Bank, the rationales of the Investment Committee for decisions approving the use of the EU guarantee in 2018-2019, which have not yet been disclosed as of 16 December 2019, are published below. This is after the projects have been signed or if these projects are not subject to a confidentiality agreement between the EIB and the promoters anymore.

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Alongside previously disclosed rationales of Investment Committee decisions in 2018-2019, the rationales of the Investment Committee to approve the availability of the EU guarantee for the following EIB operations, which were previously subject to a confidentiality agreement between the EIB and the promoters, are as follow:

### **July 2018**

#### **PKO LEASING ABS LOAN FOR MICRO-SMES (Poland)**

The IC approved the use of the EFSI guarantee for the proposed participation in the mezzanine tranche of a true sale securitisation of an existing granular portfolio of leases for SMEs and MidCaps. The EIB intervention with EFSI support facilitates lending capacity towards increased access to finance for eligible entities with less than 3,000 employees. Together with a non-EFSI senior participation it will entail a contractual minimum requirement to support new eligible financing (loans and leases) of at least EUR 1.3bn, of which at least 50% towards micro SMEs with less than 9 employees. Given the focus on micro-SMEs and resulting small ticket size of the new financing, the proposal is expected to benefit more than 42,000 employees with more than 523,000 jobs, of which 80% in Cohesion regions.

The IC welcomed the joint EIB Group intervention with EIB subscribing both the mezzanine and part of the senior tranche and EIF guaranteeing part of the senior tranche, crowding-in both NPB partners and private investors. This is expected to facilitate successful closure of the operation that will provide both funding and credit capacity to PKO Group, which will be directed to new financing towards entities up to 3,000 employees.

The IC took note of the separate new portfolio requirements for the EIB EIF participations (without EFSI support), which together amounts to up to EUR 680m and is not included in the EFSI investment mobilised / multiplier figures.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

#### **April 2019**

##### **ALFASIGMA INNOVATIVE DRUGS RDI (Italy)**

The IC approved the use of the EFSI guarantee for a proposal concerning research and development activities focused on innovative medicines that improve the lives of patients suffering from gastroenterological, vascular and rheumatology conditions. The financing of this project supports RDI activities, which generate significant positive knowledge and technology externalities, through the creation of innovative processes, products or services and through skills development in health solutions. The research-based pharmaceutical industry plays a critical role in restoring Europe to growth and ensuring future competitiveness in an advancing global economy.

The operation addresses a sub-optimal investment situation for a privately owned pharmaceutical company, without direct access to financial markets. The pharmaceutical sector is subject to a complex and strict regulatory compliance framework, at European level and globally, with a significant impact on increasing the risks related to R&D results and their economic viability. The multiple phases of the lengthy path to a new marketed drug is therefore one of the costliest and riskiest activities of knowledge creation, with rapid changes as a result of technological advances and scientific discoveries. The increasing consolidation of players into global consumer health groups with high product, segment and geographical diversification, contributes to creating a sub-optimal investment situation for mid-size, niche players such as the project promoter, in their access to long-term financing. When considering the risk and the long-term nature of these investments, there is a lack of adapted financing solutions. The EIB will be providing, to a first time promoter, long-term financing with an unsecured structure that could not have been provided to the same extent without EFSI. This support is expected to result in a validation of the project and of the promoter's strategic plan, and contribute to crowding-in private sector funding for the project itself and for the promoter's future investment needs. The promoter has been awarded grant financing under EU Horizon 2020 for its R&D proposals.

#### **May 2019**

##### **BANKIA ENHANCED SUPPORT FOR SMES & MIDCAPS (Spain)**

The Investment Committee approved the use of the EFSI guarantee for the proposed risk-sharing of existing corporate loans of Bankia.

The funding and credit capacity provided by the intervention facilitates lending capacity towards increased access to finance for eligible entities with less than 3,000 employees, with a contractual minimum requirement to support new eligible financing of at least 2x the amount of the EFSI intervention.

At full deployment, the new eligible lending portfolio of EUR 300m is expected to benefit 3,000 SMEs and MidCaps and support more than 262,000 jobs, of which at least 30% in Cohesion areas.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

### **July 2019**

#### **MARCEGAGLIA INNOVATION AND ENERGY EFFICIENCY**

The IC approved the use of the EFSI guarantee for a proposal supporting the implementation of multiple advanced manufacturing technologies, including digitalisation and energy efficiency measures. Through integrated production and supply chain and in-house electrical power and heat generation, the aim is to increase the energy efficiency of the promoter's activities and reduce its green house gas emissions. The proposal addresses the EFSI objective of research, development and innovation and the sustainable development of the energy sector, in accordance with the Energy Union priorities, specifically energy efficiency and energy savings, as well as renewable energy production. The operation will significantly contribute to the Climate Action objectives of the EIB.

The financing of this project addresses market failures by supporting RDI activities, through investments in advanced manufacturing technology as well as digitalization measures. Those measures shall generate significant positive knowledge and technology spillover, by developing and implementing innovative products and processes and through skills development and upgrading. When referred to the steel industry, investment support is comparatively less attractive for long-term commercial financing providers, due to its cyclical nature and high investment requirements, resulting in a lower predictability of cash flows and an uncertainty of the payback period. Furthermore, profitability is exposed to raw material cost and energy prices volatility and pricing pressure is stemming from import threats because of the structural global overcapacity. Therefore, the operational and financial context of the project is under a suboptimal investment situation. The EFSI supported financing is key to creating an investment-enabling environment and promote the project to be launched and accelerated. The EIB financing under EFSI shall provide comfort and a positive signalling and catalytic effect to the market on the soundness of the borrower's strategy, strengthening the commercial lenders' confidence in the borrower's capacity to pursue its strategic objective and investment plan.

### **September 2019**

#### **VENICE CLEAN URBAN TRANSPORT FLEET RENEWAL (Italy) (Italy)**

The IC approved the use of the EFSI guarantee for a proposal supporting the investments for the renewal of the public transport fleet, road and navigation, and associated infrastructure in Venice's metropolitan area, in Italy. In order to satisfy increasing demand and make it greener, maintaining the share of public transport and investing in cleaner mobility schemes is a priority in order to preserve the fragile ecosystem of the Venetian lagoon, severely exposed to the effects of climate change and increasing traffic and tourism. After the project, the bus fleet will increase the share of alternative fuels from 9% currently to 30% by 2023, in line with the Directive on the deployment of alternative fuels infrastructure (2014/94/EU). The vessels fleet will introduce new hybrid electric-diesel propulsion systems. The operation addresses the EFSI objective of smart and sustainable urban mobility, by its contribution to improving the service reliability, comfort and safety of passengers. Circa 55% of the operation is expected to contribute to the EIB climate action objective. The renewal of the bus fleet is estimated to entail a net reduction

of approximately 3,500 tCO<sub>2</sub> per year.

The operation addresses the market failure faced by the promoter due to the restrictions imposed on local authorities by the central government, in an attempt to control public deficit, preventing the city of Venice from granting a guarantee for the benefit of the promoter's financiers, as would have been possible in the past. The consequent limited capacity of the borrower to incur additional indebtedness to cover in a timely manner a fleet investment programme has resulted in a sub-optimal investment situation. When considering the lack of direct support from the municipality of Venice, the length of the tenor and the unsecured format of the loan, the EIB would not be able to provide financial support, or not to the same extent, without EFSI. The EIB support is expected to contribute attracting additional financing, highlighting the strategic importance of implementing this project, fully aligned with the transport policies of the EU. The operation is expected to benefit from EU grant funding under the European Regional Development Fund and to be proposed under the Connecting Europe Facility – Transport Blending Facility, where potential funding would reduce other source of public sector funding.

## **October 2019**

### **DIGITAL INNOVATION ACCELERATION (Spain)**

The Investment Committee approved the use of the EFSI guarantee for a project that supports a European retail company in its efforts to develop innovative solutions by investing in its digitalisation. It thereby contributes to the targets of the Europe 2020 strategy. The main aims of the project are (i) using technology to enhance the customer experience through all channels (in store, online etc), providing time savings, more convenience and reliability, wider range of products, better and personalised services, more secured payments, and (ii) optimising operations to increase consumer's conversion rate, cost per transaction savings and thus improve productivity.

The proposal supports the promoter's digital transformation process in line with the rapid transformation of the retail industry. In line with the EFSI objectives of development of information and communication technologies, this operation supports the promoter in the deployment of digitalization projects expected to provide innovative features and processes. This will allow a further digital transformation of the business model of the promoter and as such support the EU policy of evolving towards an information society.

The financing of this project addresses the market failure of imperfect competition as it contributes to expanding the competitive space for new processes, products and services. Also the financing of this project supports RDI activities, which generate significant positive knowledge, technology externalities, through the creation of innovative processes, products or services and through skills development and upgrading.

The project is expected to be classified under the EIB Special Activities, which is a strong indicator of Additionality as per the EFSI regulation. This reflects the cyclical and very competitive nature of the sector, the long tenor of the operation, as well as the unsecured format of the financing. The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. The EIB loan with the support of EFSI will provide a signalling effect of the quality of the project. Therefore, the operation is expected to crowd-in other private and public financiers to the company and to increase their confidence in the promoter's long-term sustainability and its future investment plans.

### **WIELKOPOLSKIE ONHSORE WIND (Poland)**

The Investment Committee approved the use of the EFSI guarantee for a proposal that comprises the construction and operation of a four onshore windfarms in the

Wielkopolskie Voivodship, a Cohesion region, near the city of Poznan.

The project will benefit from a 15-year feed-in premium, secured during the auction for renewable energy sources (RES) carried out in November 2018 by the Polish Energy Regulatory Office, for part of the generation capacity, but remain exposed to merchant price risk for a significant part. In line with the EFSI objective of the development of the energy sector in accordance with the EU priorities and namely the expansion of the use or supply of renewable energy, this operation will contribute to reducing carbon and air pollution externalities. As a renewable energy project, the operation will make a strong contribution to the Climate Action target of EFSI. Equally, the operation will address the objective of supporting less-developed regions and transition regions as 100% of the operation will be deployed in Cohesion regions. The operation will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting investment.

Thanks to EFSI, the operation shall address market failures and sub-optimal investment situations related to the complexity and high risks in the electricity sector, combined with a new regulatory regime and insufficient investments within the required timeframe. The operation is addressing a gap in the affordable long-term finance for renewable energy generation in Poland. In this sense, EIB will act as a cornerstone financier in this project. The project is expected to be classified under the EIB Special Activities category, which is a strong indicator of Additionality as per the EFSI Regulation. This reflects in particular the non-recourse nature of the project financing and the significant exposure to price risk over the lifetime of the project. As such, the EIB would not be able to provide such type of long-term non-recourse project financing support to the same extent without EFSI.

### **November 2019**

#### **JUNGHEINRICH INTRALOGISTICS SOLUTIONS RDI (Germany)**

The IC approved the use of the EFSI guarantee for a proposal supporting research and development in the field of intralogistics solutions and services, with a particular focus on electric mobility, digitalisation and automation. Industry 4.0 is having significant impact on the intralogistics business, which is confronted with technological changes and a growing environmental awareness. The project will help the promoter to retain its innovative edge and long-term competitiveness in its market, and thereby contribute to Europe's R&D, competitiveness and economic growth helping maintain highly skilled staff in Europe. Some 14% of the operation is expected to contribute to the EIB climate action objective.

The financing of this project addresses a market failure by supporting RDI activities, which generate significant positive knowledge and technology externalities, through the creation of innovative processes, products and services and through skills development. The capital and investment intensive material handling equipment industry is in a phase of transformation that requires significantly higher efforts in RDI from market participants than before. Therefore, the project addresses a sub-optimal investment situation of a privately owned company stemming from the inherent and perceived investment risks associated with RDI activities in this market. The project is expected to be classified under the EIB Special Activities category. As such, it is considered that the EIB would not, or not to the same extent, be able to provide such type of unsecured long-term financing support, to a first time borrower, of the EIB without EFSI.

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