EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

RATIONALES FOR THE DECISIONS TAKEN BY THE EFSI INVESTMENT COMMITTEE IN October 2019
EFSI Investment Committee  
11th October 2019

Those attending

Chairman:  
Mr. Wilhelm MOLTERER, Managing Director  
Ms. Iliyana TSANOVA, Deputy Managing Director

Members:  
Mr. Gordon BAJNAI  
Mr. Thierry Deau  
Ms. Dalia DUBOVSKA  
Ms. Vicky D. KEFALAS  
Ms. Andreja KODRIN  
Mr. Fabio PAMMOLLI  
Ms. Nieves RODRIGUEZ VARELA  
Mr. Manfred SCHEPERS

Experts:  
Mr. Marcus SCHLUECHTER, Advisor to the Managing Director  
Mr. Juan Jose FEBLES, Advisor to the Deputy Managing Director

EFSI Secretariat:  
Ms. Emilie BOIS-WILLAERT, Head of EFSI Secretariat  
Mr. Renko WOUTERS, Corporate Secretariat Officer
Rationales for the decisions taken by the Investment Committee in October 2019

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in October 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, 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 decisions for such projects will be disclosed at a later stage by including them in a list of the rationales of Investment Committee decisions taken throughout the year, which is published, in general, twice a year. 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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The rationales of the Investment Committee to approve the availability of the EU guarantee for the following EIB operations in October 2019 are as follow:

**TELECOM MALTA BROADBAND EVOLUTION (Malta)**

The Investment Committee approved the use of the EFSI guarantee for a proposal aiming at increasing the coverage of households in Malta with very high capacity network access, based on Fibre-To-The-Home (FTTH) network. At completion, it is expected to cover over 157,000 households - representing close to 60% of the Maltese population. In Malta, due to its islands condition, the importance of connectivity is very high. A wide coverage of internet infrastructure contributes to retain the population and the employment in the island. The operation will contribute to achieving the EU Gigabit society objectives, concretely the target to enable all European households, rural or urban, to have access to Internet connectivity offering at least 100 Mbps, upgradeable to Gigabit speed by 2025. The operation will address the objective of supporting less-developed regions and transition, to be fully deployed in a Cohesion region. The Investment Committee welcomed the proposal to support an EFSI project fully dedicated to Europe’s smallest island nation.

The operation is expected to enable more users to benefit from access to information, digital services and better communications. This includes positive externalities to other sectors of the economy supporting innovation and competitiveness including increased productivity of SMEs and better access to e-services by households. The EIB intervention with EFSI support is expected to accelerate the project implementation and roll-out of the infrastructure. The operation falls under the EIB Special Activities, in particular due to the important size of the investments relative to the promoter, the small size of the market as well as the intense competition. 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.
OTTOBOCK RESEARCH PROGRAMME (Germany, Austria)

The Investment Committee approved the use of the EFSI guarantee for a proposal supporting research and development in the area of prosthetics, orthotics and human mobility, developing solutions that help to restore mobility for people with disabilities. The RDI activities include the development of mechatronic solutions for the prosthetic components, the application of new advanced materials and the osseo integration via implants.

The Investment Committee acknowledged the impact and potential of technology for medical devices and prosthesis. Innovations open up new opportunities for patients, providing people with disabilities the capacity to live their life independently and with higher quality. Hence, the impact of this project with regards to social and psychological aspects is considered remarkable. The project will enable the borrower to retain its leading knowledge and long-term competitiveness in the Medtech sector and thereby contribute to Europe’s R&D, competitiveness and economic growth helping maintain highly skilled staff engaged in R&D activities in Europe.

The financing of this project addresses a market failure by supporting RDI activities, which generate significant positive knowledge and technology externalities. The Medtech market currently experiences a rapid change prompted by mounting demand for technological advances that in turn require a high level of investments in high risk R&D. Since there is limited information available to the investors about the positive societal and economic externalities that the Medtech sector and its RDI efforts generate, the industry’s access to risk capital in support of innovation is constrained.

The operation will be the first for the EIB with the borrower, and is expected to be classified under the EIB Special Activities category, which is a strong indicator of Additionality as per the EFSI Regulation. EIB would not be able to provide the requisite financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. The financing provided is expected to result in a quality stamp on the operation and the promoter’s research and development capabilities, crowding-in private sector financing.

UCAM HIGHER EDUCATION NEW CAMPUS FACILITIES (Spain)

The Investment Committee approved the use of the EFSI guarantee for a proposal supporting the investment plan of UCAM, a health & sports-oriented university, headquartered in the Cohesion region of Murcia, Spain. The project investments include the expansion of the campus to incorporate new classrooms and student accommodation, a new library, a Sports Centre, an incubator for start-ups and the renovation works. Additionally, the creation of new campuses in Madrid and Málaga, also dedicated to health and sport science. All new buildings will be designed as NZEBs (Near Zero Energy Buildings), integrating the latest energy efficiency technologies. Up to 72% of the operation is expected to be deployed in Cohesion regions, and 50% of the operation will be contributing to Climate Action targets.

The promoter, organised as a private non-profit foundation, is among the largest employers in the region of Murcia. The operation is expected to have significant employment effects, with around 622 new employments to be created. The higher education sector is a financially underserved market in Europe, while the operation is addressing a specific sub-optimal investment situation by providing financing to a private university with a strategic and sizeable investment need.

The proposed EIB operation falls under Special Activity Risk category, which is a strong indicator of Additionality as per the EFSI Regulation. 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 support of the EIB will result in a quality stamp on the project that is expected to crowd-in the Spanish National Promotional Bank, ICO, as well as private sector financing for the promoter’s investment programme, increasing the chances to successfully implementing it.

MADEIRA NEW CENTRAL HOSPITAL (Portugal)

The Investment Committee approved the use of the EFSI guarantee for the project supporting the construction of a New Central Hospital on the Island of Madeira, an autonomous outermost regions approximately 1,000 km offshore mainland Europe.

The project will replace two outdated general hospitals, which are no longer fit for purpose and unsuit to meet the changing medical needs of the islands population. As such, it will improve the quality and efficiency of the available health care for approximately 250,000 permanent residents on the islands, as well as emergency care available for tourists, which support one of the most important sectors of the island’s economy. In addition, the investment will reduce the ‘cost of isolation’ that accrues to the public health system from the need to transport patients requiring advanced diagnostics or treatments to the mainland. It thereby supports the affordability of universal healthcare to the public.

The Investment Committee highlighted the High score of the project for its contribution to EU policy and the benefits to one of Europe’s most outermost and isolated regions as reflected in the 100% cross-cutting Cohesion objective. It noted the severity of the existing and long-standing sub-optimal investment situation into the public healthcare infrastructure on the island and the excellent economic return of the proposal.

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.

IN LI LOGEMENT INTERMEDIAIRE (France)

The Investment Committee approved the use of the EFSI guarantee for the project supporting 2,580 affordable housing units under the ‘Logement Intermediaire’ framework in greater Paris region, which already incorporates future NZEB energy efficiency standards, for the benefit of lower to medium income families.

The French housing market is characterized by a significant shortage of affordable housing in many urban areas. The Logement Intermediaire framework was established in 2014 to benefit households, which exceed income limits for social housing, but are struggling to afford adequate housing at market rates. It is subject to maximum income limits and designation by the Ministry of Territorial Cohesion of geographical areas suffering from market imbalances. In the region of greater Paris alone, there is a shortage of 200,000 affordable housing units.

The operation will provide strong benefits from an EU and French national policy perspective. The construction of new energy efficient buildings is a priority within the EU’s Climate and Energy policy, given that NZEBs can consume less than 10% of the energy of old buildings. The proposed project therefore presents an opportunity to support the accelerated adoption of the NZEB standard, thereby contributing to climate action objectives at EU and French national level.

The project will address a persisting and growing market gap in the availability of affordable housing in, with increased energy efficiency standards exceeding the current requirements and expected to yield energy savings of close to 1,244MWh/a or 208 tons of CO2 per year. Beyond its policy impact for sustainable urban development, it therefore
supports Climate Action.

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.

**RENEF SUBURBAN SUSTAINABLE TRANSPORT MADRID (Spain)**

The Investment Committee approved the use of the EFSI guarantee for a proposal supporting the acquisition of over 200 electric trainsets of high capacity to replace ageing rolling stock in Madrid suburban rail services. The project aims to improve the availability and reliability of the fleet, supporting the shift of traffic to more sustainable transport modes, reducing service incidences and overcrowding and increasing customer satisfaction, and therefore decreasing related negative transport externalities.

The project will contribute 100% to EIB Climate Action objectives, resulting in reduced greenhouse gas emissions through more efficient operation within the rail mode and a modal shift from road to rail. The energy savings are expected to be in the range of 20% and the savings in CO₂ emissions over 42,000 tons per annum. The project delivers an excellent impact on temporary employment during construction (around 21,300 person-year) and contributes ensuring social inclusion through better accessibility to jobs and education.

Following decades of underinvestment in suburban rolling stock renewal and extension, the current operating conditions in the region are at maximum capacity, leading to overcrowding at peak times and a steady reduction in reliability and comfort. The acquisition of modern rolling stock of high capacity (fewer seats and more standing capacity) to replace obsolete trains will expand capacity by 40% to accommodate growing demand and avoid modal shift back to road. The project investment is one of the key pillars of the action plan for improvement of the rail services in the Madrid region.

The operation addresses a market failure in the sector related to negative transport externalities in terms of energy consumption and pollution. The borrower is a public company, which has not historically been active in the capital markets. The liberalisation of the railway market is a significant challenge, especially in view of the size of the investments and the increasing competitiveness in the market. The envisaged EIB financing with EFSI support will provide better matching to the economic life of the assets. In this context, the EIB’s participation is expected to signal the economic and financial viability of the project. The operation foresees the participation of the Spanish National Promotional Bank, whose participation was actively encouraged by the EIB, in order to maximise its value added.

**SMALL-MEDIUM Sized UTILITIES PROGRAMME LOAN (Italy)**

The Investment Committee approved the availability of the EFSI guarantee for the proposed programme loan to provide direct financing for investments by small to medium sized Italian utilities.

The proposal aims to alleviate decaying infrastructure, which as a result of often chronic underfunding no longer meets current and future needs of the population and national and European environmental law.

The Italian utilities sector is highly fragmented and access to long-term financing is severely restricted for the target population, which has led to a persisting sub-optimal investment situation. The annual investment gap in the integrated water sector alone, which is expected to be the sectoral focus of the project, amount to EUR 4.8bn/annum according to the Blue Book Report of 2017.
The Programme Loan with EFSI support allows EIB to provide direct lending to small and medium size entities, without recourse to the respective municipalities, that could not previously supported. The contribution to the cross-cutting Climate Action and Cohesion targets of EFSI will be quantified at the level of the underlying investments.

The risk profile of the underlying operations is expected to fall under Special Activities as per the Bank’s statute, which is a strong indicator of Additionality in line with the EFSI Regulation.

Wilhelm MOLTERER
Managing Director