EUROPEAN FUND FOR STRATEGIC INVESTMENTS

STEERING BOARD

Minutes of the Meeting held on 18 July 2019
Questions concerning this note should be referred to EFSI Secretariat: EFSISecretariat@eib.org
Minutes of the meeting held at the EIB Offices in Luxembourg on Thursday, 18 July 2019

Those attending:

Steering Board members:

Ms K. Jorna (EC)
Mr A. Fayolle (EIB)

Steering Board Alternate members:

Ms S. Valtonen (EC)
Mr J.-D. Malo (EC)

Excused Steering Board members:

Mr L. Andor (independent expert appointed by the European Parliament)

Observers:

Mr W. Molterer (EFSI Managing Director)
Ms I. Tsanova (EFSI Deputy Director)

Experts:

Mr C. Popa – for item 4
Mr K. Cardiff – for item 4
Mr G. Chiarion-Casoni (EC) – for item 4
Ms D. Revoltella (EIB) – for item 4
Mr F. Betz (EIB) – for item 4
Ms C. Gaye (EIB) – for item 4
Mr C. Kuhn (EIB) – for items 4, 5 and 6
Mr J.-C. Laloux (EIB) – for item 5
Mr O. Mates (EIB) – for item 7
Mr J. Neuss (EIF) – for item 7
Mr T. Kozlowski (EIF) – for item 7

EFSI Secretariat:

Ms E. Bois-Willaert (EIB)
Mr R. Wouters (EIB)
Following the resignation of Mr G. Thomas, and awaiting that nomination procedures within the European Commission (EC) to appoint new Steering Board members are completed, the Steering Board decided by unanimity to appoint Mr J.-D. Malo as the acting Chairperson of the Steering Board for today`s meeting.

The Chairperson declared the meeting open at 09:00 on 18 July 2019.

1. **Quorum**

The Chairperson recorded that there was a quorum.

2. **Approval of the agenda**

The agenda was adopted without comment.

3. **FOR DECISION**

*Approval of the minutes of the meeting held on 8 April 2019 (PV/19/31)*

The draft minutes of the 31st Steering Board meeting, held on 8 April 2019 at the EIB Offices in Luxembourg were approved with minor comments.

The minutes shall be published on the EIB website and will subsequently be communicated to the European Parliament.

4. **FOR DISCUSSION**

*Study on the root causes of the geographical spread of EFSI supported investment in response to recommendation 5 of the European Court of Auditors’ performance audit on EFSI*

Mr C. Popa and Mr K. Cardiff, High Level Experts appointed by the Steering Board to help assessing the root causes of the geographic distribution of EFSI, presented, in cooperation with Mr G. Chiarion-Casoni, Head of Unit Financing of climate change and infrastructure policies in DG ECFIN, and Ms D. Revoltella, Director of the economics department of the EIB, the findings of the study on the root causes of the geographic spread of EFSI support.

Following a recommendation made by the European Court of Auditors’ (ECA) performance audit on EFSI, published on 29 January 2019, the presenters explained that the study had been prepared by the EIB and EC services and steered by themselves as the two appointed external High Level Experts.

The High Level Experts outlined the findings of the report. It was indicated that, compared to the EU15, the EU13 receive less EFSI financing on a per capita basis, yet that the EU13 share of total EFSI lending exceeds their economic weight in the EU. It was also mentioned that the macro-economic impact assessments of
EFSI reveal that the benefits of EFSI in the EU13 region are in line with the EU average, while further differences in EFSI investment between individual Member States are observed that seem not to be related to the development of their economies, and which go beyond the divide between EU13 versus EU15.

The presenters stated that a gap between long-term investment needs and current investment demand exists in the EU13, and possibly other Member States, and referred to different factors, which are limiting the absorption capacity to levels below long-term investment needs (e.g. low R&D expenditure or skill shortages - brain drain-). It was indicated that several causes may have also impeded a stronger take-up of EFSI financing in the CESEE region (e.g. institutional aspects such as development of NPBIs’ activity or availability of other funding).

The Steering Board thanked Mr C. Popa and Mr K. Cardiff and the EC and EIB services for the presentation and for delivering the high quality study on the root causes of the geographic distribution of EFSI in a short timeframe.

The Steering Board took note of the conclusions of the report and emphasised the importance of achieving wide geographical distribution of EFSI investment to contribute to sustainable long-term economic convergence across the Union.

It stressed that improved communication efforts are needed to raise further awareness on EFSI, with a particular focus on EU13 and called upon the EIB and EC to further focus on this issue.

The Steering Board referred to the barriers to investment identified in the report, specifically for EU13 Member States, and emphasised the importance of removing such barriers, also as part of the third pillar of the Investment Plan for Europe. It also highlighted the continued need for capacity building and advisory support initiatives that seek to reduce the gap between long-term investment needs and current demand.

Steering Board members recalled that the primary goal of EFSI was to support investment after the economic and financial crisis, and observed that the Member States most severely affected by the crisis, such as Greece, are also among the main beneficiaries of EFSI investment. The Steering Board further referred to the impact of Brexit on geographical concentration limits and indicated that, beside achieving wide geographical distribution of EFSI investment, other important EFSI objectives, such as the support for climate action goals, are also a priority in the implementation of EFSI.

The Steering Board indicated that it would continue to monitor the geographical distribution of EFSI investments and approved a reply to the ECA Audit Recommendation 5, drawing on the presented study, including specific recommendations to the EC and EIB to further work to improve the geographical distribution of EFSI investment until the end of 2020 minor comments.

While understanding that any commercially sensitive information may be removed from the report, it stated that the study on the root causes of the geographical
distribution of EFSI and the Steering Board’s reply to the ECA Audit Recommendation 5 would be published on the EIB website.

5. **FOR DISCUSSION**

**EFSI Projections**

Mr J.-C. Laloux, Director General of the Operations Directorate, presented projections for EFSI operations on signatures and approvals and the volume of disbursements in the Infrastructure and Innovation Window (IIW) as at 1 July 2019.

In particular, he mentioned that the EIB group is working towards reaching investment-mobilized targets for EFSI and he highlighted the progress made on disbursements.

Mr J.-C. Laloux further provided the Steering Board with general information on EFSI delivery trends, indicating a continued focus on operations in the EU-13 member states, in particular on innovation and SMEs. He also referred to the pipeline selection of operations with a higher impact on investment mobilised.

The Steering Board thanked Mr J.-C. Laloux for his presentation and acknowledged the positive evolution of the amount of investments related to climate action objectives and encouraged the EIB to keep focusing on these goals until the end of the investment period of EFSI.

In general, the Steering Board expanded on the remaining investment period of EFSI and referred to continued efforts in EFSI implementation related to investment mobilization targets, EFSI multiplier, climate action goals or geographical concentration.

The Steering Board reflected on the geographic distribution of EFSI. While referring to its recommendations for the EIB and EC for further actions until the end of 2020 as part of its response to ECA Audit Recommendation 5, the Steering Board members discussed different options that could also be envisaged, including additional communication efforts.

Following a request of the Steering Board in its April meeting, Mr C. Kuhn, Director of the Mandate Management Department, provided a presentation on the subordination in EFSI operations with National Promotional Banks / Institutions (NPBIs) in the IIW. He emphasised, in particular, that 55% of transactions with NPBs are equity type or have an element of EIB subordination, while a further 20% of transactions allow NPBIs to increase their risk taking capacity with delegation.

The Steering Board strongly welcomed the information provided in the presentation and encouraged the EIB to communicate more strongly on this positive realisation. Steering Board members also elaborated on the cost of subordinated operations in comparison with senior loans and indicated that more reflection on this topic would be useful in the context of InvestEU.
6. **FOR DISCUSSION**  
**Quarterly reporting from EFSI Managing Director on Q2-2019**

The EFSI Managing Director presented the EFSI quarterly results for the IIW and for the SME Window (SMEW) to the Steering Board.

Mr W. Molterer described the total financing by approvals and signatures, by country and by sector. He gave data on investment platforms, projects involving NPBIs and on the combination with European Structural and Investment Funds (ESIF).

The EFSI Managing Director elaborated on the breakdown of signatures under the IIW and for the entire EFSI portfolio (IIW + SMEW) by country over time and observed that the top three countries, measured by signed amounts, had decreased substantially since the start of EFSI and had more stabilized afterwards. He brought to the attention of the Steering Board that the top three countries, measured by signed amounts, currently account for 44% of the total EFSI portfolio and for 47% of the IIW portfolio.

Mr W. Molterer further made positive remarks on the amount of investments related to climate action goals.

The Steering Board welcomed the information provided and thanked the EFSI Managing Director for the presentation.

7. **FOR DISCUSSION**  
**EFSI Risk Profile – Q1-2019**

Mr O. Mates, Head of the Capital Management Division within the Risk Management Directorate, Mr J. Neuss, Deputy Chief Executive of the EIF and Mr T. Kozlowski, Head of Innovation & Alternative Financing Programmes of the EIF presented the risk profile data for the IIW and SMEW of EFSI as at 31 March 2019.

Mr O. Mates gave an overview of the loan grading and the expected losses distribution at approval and signature stages, and at the level of the outstanding EFSI debt and equity portfolios. He also provided information on the security classification of EFSI debt portfolios and gave the Steering Board an update on the Watch List.

Mr J. Neuss and Mr T. Kozlowski presented the risk profile data for the SMEW for both the debt and equity portfolios, including the evolution of EFSI exposure over time.

The Steering Board elaborated on the migration of operations’ loan grading after signature within the outstanding EFSI portfolio and discussed the size of the guarantee fund and the utilisation of the EC guarantees. It also planned to have a thorough exchange on the equity portfolio during a forthcoming meeting.
The Steering Board expressed its satisfaction with the detailed information provided in the presentation and took note of the risk profile data for the IIW and SMEW of EFSI.

8. **Any other business**

The Steering Board was informed that the EC would proceed internally with the nomination of two new Steering Board members, which are expected to be appointed before the next Steering Board meeting, scheduled on Thursday 17 October 2019.

The Chairperson declared the meeting closed at 11:30.
**Schedule A**

**Decisions taken by the Steering Board (Meeting 32/2019)**

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<td>4</td>
<td>Response to ECA Audit Recommendation 5: Improving the geographical spread of EFSI supported investment.</td>
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**Decisions taken by the Steering Board under Written Procedure in May 2019**

As allowed by Article 8 of the Steering Board Rules of Procedure, one decision was unanimously taken by the Steering Board under written procedure with an expiry date, which was scheduled the **29th May 2019**:

- Terms of Reference: Study in response to ECA Recommendation 5 - Improving the geographical spread of EFSI supported investment.