

EUROPEAN INVESTMENT BANK

SB/36/20
26 October 2020

PV/20/36

EUROPEAN FUND FOR STRATEGIC INVESTMENTS

STEERING BOARD

Minutes of the Meeting held on 2 and 22 July 2020

Questions concerning this note should be referred to EFSI Secretariat: EFISecretariat@eib.org

EFSI STEERING BOARD – MEETING 35/2020

Minutes of the meeting held by videoconference on Thursday, 2 July and Wednesday, 22 July 2020

Those attending:

Steering Board members:

Ms K. Jorna (EC)
Ms M. Geleng (EC)
Mr J.-D. Malo (EC)
Mr A. Fayolle (EIB)
Mr L. Andor (independent expert appointed by the European Parliament)

Steering Board alternate members:

Ms S. Valtonen (EC)
Mr A. Runge-Metzger (EC)

Observers:

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

Experts:

Ms P. Solana (EIB) – for items 4 and 5
Mr G. Sardelli (EIB) – for item 6
Mr S. Scandizzo (EIB) – for item 6
Ms. L. Vives (EIB) – for item 6
Mr G. Bichisao (EIB) – for item 6
Mr J. Neuss (EIF) – for item 6
Ms C. Gaye (EIB) – for item 7
Mr J. Von Kameke (EIB) – for item 8
Mr I. A. Costandache (EIB) – for item 8
Ms S. Stoicescu (EIB) – for item 8

EFSI Secretariat:

Ms E. Bois-Willaert (EIB)
Mr R. Wouters (EIB)

The Chairperson declared the meeting open on 2 July 2020 at 08:30, closed the first session of the meeting on 2 July at 10:15 and reconvened the meeting at 09:30 on 22 July 2020.

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 30 January 2020 (PV/19/34)

The draft minutes of the 34th Steering Board meeting, held on 30 January 2020 at the EIB Offices in Luxembourg were approved without comments.

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

4. FOR DISCUSSION

Quarterly reporting from EFSI Managing Director on Q2-2020

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

Mr W. Molterer and Ms I. Tsanova described the total financing and expected mobilized by approvals and signatures. They informed the Steering Board that, as at end June 2020, EFSI approved operations are expected to mobilize €514 billion in additional investments across all EU Member states, reaching the €500 billion target half a year before the end of the initiative. They indicated that the second quarter of 2020 was the strongest ever quarterly increase in Investment Mobilized, based on approvals, and emphasised that this was in particular driven by the accelerated EFSI support to mitigate the economic impact of the Covid-19 pandemic.

The EFSI Managing Director and EFSI Deputy Managing Director further elaborated on the amount of investments related to climate action goals and stressed the continued positive evolution that can be observed related to the percentage of EFSI approvals and signatures supporting climate action goals. They indicated

that, as at June 2020, more than 40% of EFSI financing approved and signed under the IIW, excluding SMEs and small mid-cap companies, continued to support project components that contribute to climate action.

They further observed that the top three countries, measured by signed amounts, currently account for almost 45% of the total EFSI portfolio and for 48% of the IIW portfolio and noted, in particular in the SMEW, the contribution of multicountry operations. They also specified that, as at the end of the second quarter of 2020, Bulgaria had become the country that is expected to obtain the largest amount of EFSI-triggered investment relative to GDP, before Greece, Portugal, Estonia, and Spain.

The Steering Board thanked the EFSI Managing Director and EFSI Deputy Managing Director for the presentation and the EIB Group and EC services for having delivered on their pledge to mobilise €500 billion in additional investments on the basis of approvals across all EU Member states before the end of 2020. The Steering Board emphasised the importance of cooperation between EU institutions to making Europe more innovative, fair and green. In this context, Steering Board members also touched upon some of the pillars of NextGenerationEU.

In this context, the Steering Board expressed its strong satisfaction with the continued increasing amount of EFSI financing approved and signed under the IIW, excluding SMEs and small mid-cap companies, that support project components that contribute to climate action. Steering Board members also welcomed the number of projects being financed under the RDI objective under both windows and referred, in particular, to the importance of venture debt financing that is being provided under EFSI to support innovative companies. A specific notion was made how venture debt under EFSI was also financing EU companies to support the development and manufacturing of Covid-19 vaccines.

The Steering Board reiterated the importance of continuing undertaking all efforts in regards to further enhance the geographical spread of EFSI investment in the remaining investment period of EFSI as well as the need to support member states that are heavily impacted by the Covid-19 pandemic.

After a query of Steering Board members to receive more details on how EFSI is supporting human capital, culture, health and social infrastructure in both the IIW and SMEW, the Deputy Managing Director indicated that this information would be provided to the Steering Board shortly after the meeting.

5. FOR DISCUSSION **EFSI Projections**

Ms P. Solano, Head of the Operational Strategy and Business Development Division within the Operations Directorate, presented projections for EFSI operations on

signatures and approvals and the volume of disbursements in the IIW as of June 2020.

She provided the Steering Board with general information on EFSI delivery trends, indicating that, despite getting closer to end of the program, pipeline generation efforts for the remaining investment period are not expected to slow down, including with a continued focus on operations in the EU-13 member states.

Ms P. Solano elaborated on the implementation within the different sub-windows under the IIW and on the efforts that are being undertaken by the EIB under EFSI to mitigate the economic impact of the Covid-19 pandemic.

The Steering Board thanked Ms P. Solano for her presentation and welcomed the information provided. The Steering Board acknowledged the importance of the efforts undertaken under EFSI to mitigate the economic impact of the Covid-19 pandemic and took note of the implementation of the different sub-windows under the IIW.

6. FOR DISCUSSION

EFSI Risk Profile – Q1 2020

Mr G. Sardelli, Head of the Public Sector Entities and Financial Institutions Division, Mr S. Scandizzo, Head of the Regulation & Reporting Division and Ms L. Vives, Head of the Capital Requirements Unit within the Risk Management Directorate presented the risk profile data for the IIW as at March/June 2020. Mr G. Bichisao, Head of the Counterparty Management Department within the Transaction Management and Restructuring Directorate provided updates on forbearance measures taken by the Bank in the first half of 2020. Mr J. Neuss, Head of Risk Management of the EIF presented the risk profile data for SMEW of EFSI as at June 2020.

Mr G. Sardelli and Mr S. Scandizzo gave an overview of the evolution of loan grading and expected losses distribution at approval and signature stages, and at the level of the outstanding EFSI debt and equity portfolios. They also provided information on the security classification of EFSI debt and equity portfolios and gave the Steering Board an update on the evolution of the Intensive Monitoring and Watch Lists, which noted an increase in the first quarter of 2020.

While emphasising that a large majority of the contracts on the watch list remain performing, Mr G. Sardelli and Mr S. Scandizzo reiterated that there is no direct relationship between Watch-Listing and calls on the EFSI guarantee. They also indicated that it is still too early to observe any material impact of the Covid-19 crisis on the risk profile for the IIW.

Mr G. Bichisao gave information on the type of forbearance measures that the EIB has extended to a number of clients to alleviate the impact of the Covid-19

pandemic in the first half of 2020 and provided figures on the percentage of forbearance measures requested by clients under operations that were supported by EFSI.

Mr J. Neuss presented the risk profile data for the SMEW for both the debt and equity portfolios, including the evolution of EFSI exposure over time, and indicated that more data on the impact of the Covid-19 crisis on the risk profile for the SMEW would be available as of September 2020.

The Steering Board thanked the presenters for the information provided and observed limited changes in different risk parameters in the first quarter of 2020.

Steering Board members took note of the higher risk profile of the EFSI portfolio resulting in a relatively larger amount of requests for forbearance measures by clients under EIB operations that are included in the EFSI portfolio than for standard EIB operations.

The Steering Board members also took note that it is still too early to observe any impact of the Covid-19 pandemic on the risk profile of the EFSI portfolio and asked that an updated report on the EFSI Risk Profile would be presented for its meeting in October 2020.

7. FOR DISCUSSION

Follow-up on ECA Recommendation 5

Ms C. Gaye gave an overview on the different actions undertaken by the EIB Group services to implement the EFSI Steering Board recommendations, given in July 2019, in response to recommendation no. 5 of the European Court of Auditors' performance audit on EFSI, published on 29 January 2019¹, based on a study that the EC and the EIB services elaborated². She provided details how each of the five Steering Board recommendations had been addressed, notably since July 2019.

The Steering Board elaborated on the actions undertaken by the EIB Group services and emphasised the importance of achieving wide geographical distribution of EFSI investment to contribute to sustainable long-term economic convergence across the Union. It observed that the share of EFSI signatures in the EU13 in the IIW stood at 10.82% in June 2020 in comparison with a EU13 GDP share of 8.6% and asked the EFSI Managing Director to provide more implementation details per country and on the evolution of EFSI signatures in the EU13 in his next quarterly report.

¹ "European Fund for Strategic Investments: Action needed to make EFSI a full success" (Special Report, January 2019) https://www.eca.europa.eu/Lists/ECADocuments/SR19_03/SR_EFSI_EN.pdf: Recommendation 5 – Improving the geographical spread of EFSI supported investment.

² <https://www.eib.org/attachments/study-in-response-eca-recommendation-en.pdf>

The Steering Board also acknowledged the considerable amount of communication and promotion activities carried out, while noting the negative impact of Covid-19 on these activities in the last 4 months.

The Steering Board concluded the discussions under the agenda item by stating that it considered its recommendations to be implemented, subject to some additional information to be provided through the next quarterly report by the EFSI Managing Director.

8. FOR DISCUSSION **EFSI evaluation**

Mr J. Von Kameke, evaluation expert at the EIB evaluation division, indicated that, in line with the EFSI Regulation (article 18.3), the EIB shall publish by 30 June 2018, and every three years thereafter, a comprehensive report on the functioning of EFSI. He indicated that the goal of the current evaluation would be to add value to complement and not repeat previous evaluations. He provided more details on the expected evaluation questions, the evaluation timeline and on the methodology that was envisaged. Mr J. Von Kameke further explained that, as was done in 2018, the analysis of the impact on growth and employment is expected to be covered in a report to be produced by the Economics Department of the Bank, in parallel to the evaluation.

The Steering Board endorsed the envisaged evaluation questions and the proposed methodology and reiterated the importance of the evaluation in providing guidance for designing and implementing different policy instruments. The Steering Board expressed the view that more emphasis could be placed on the impact of EFSI, and in particular in regards employment creation or in supporting climate action objectives.

Steering Board members also indicated the need to involve a broad array of stakeholders, including the European Parliament, in the evaluation and asked to have a discussion on preliminary lessons learnt on the implementation of EFSI during its next meeting in October.

7. Any other business

No issues were raised under any other business.

The Chairperson declared the meeting closed at 11:00.

Schedule A

Decisions taken by the Steering Board (Meeting 35/2020)

Agenda Item	Description	Decision taken
3	Minutes of the meeting held on 30 January 2020.	The Steering Board approved the document without comments.

Decisions taken by the Steering Board under Written Procedure in April and May 2020

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 **6th of April 2020**:

- Transfer of part of EFSI EU guarantee from IIW to SMEW
- EIF - SME WINDOW PRODUCTS
- Covid-19 Envelopes of financing for multiple underlying operations under IIW

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 **14th of May 2020**:

- Derogation granted by the EFSI Steering Board for EIB operations to be submitted to the EFSI Investment Committee and to the EIB Board of Directors, having higher amounts than EFSI exposure limits per risk category, in accordance with point 7(b) and (c) of the EFSI Investment Guidelines (Annex 2 to the EFSI regulation).