

Second EFSI-AGRI workshop

DG AGRI and the ENRD Contact Point jointly held a workshop on '[EFSI: Achieving complementarity with the EAFRD and setting up investment platforms](#)' on 19 April 2016 in Brussels. The event built on the first [EFSI-Workshop](#), which provided a general overview of the core elements and tools of the 'Investment Plan for Europe' and was the subject of the first edition of the EFSI AGRI NEWS.

The workshop aimed to enable relevant stakeholders to make full use of the European Fund for Strategic Investments (EFSI). It focused on how to effectively apply for support under the EFSI, explored concepts of creative project opportunities and provided practical answers to stakeholders' questions and concerns.

The event gathered potential project promoters, investors, EAFRD Managing Authorities, promotional banks and other financial institutes, as well as corporations and sectoral organisations and their members. The event provided opportunities for establishing links between project partners and key experts in EFSI implementation.

The workshop benefitted, among others, from contributions and support from members of the European Investment Bank (EIB), the European Investment Fund (EIF) and various Directorate Generals of the European Commission.

Specifically, the event explored in detail:

- practical steps to set up investment platforms supported under the EFSI; and
- concrete opportunities for linking the European Agricultural Fund for Rural Development (EAFRD) to the EFSI.

The event showed that:

- EFSI implementation is gathering pace and support under its SME Window is frequently requested;
- National Promotional Banks (NPBs) and other Financial Institutions have a key role to play in the EFSI implementation process;
- There are various opportunities to employ the EFSI portfolio for the agri-business and the forestry sectors and rural areas, but technical assistance appears to a key to realising the potential that EFSI offers;
- Investment platforms are not only of interest for large-scale investments, but can also catalyse resources for smaller enterprises, such as farms;
- EAFRD-EFSI-Complementarities are not only achieved at project level, but also at the level of the Rural Development Programmes (RDPs) and Investment Platforms;
- There are many open questions around EFSI implementation and there is a clear need for the drawing up of FAQs (see p. 6),
- For more information about the workshop, please see the [event webpage](#).

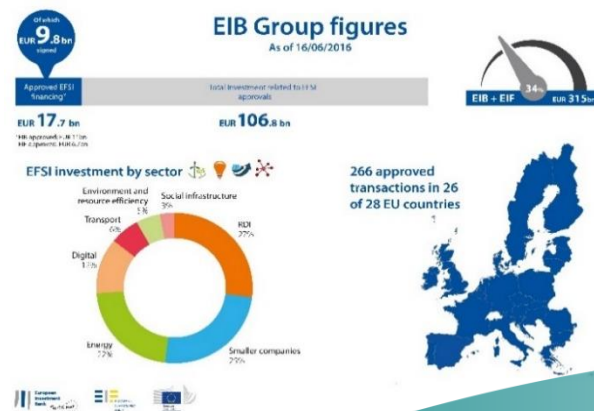
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The [European Fund for Strategic Investments \(EFSI\)](#) offers opportunities for a broad range of actors and fields of action through its 'Infrastructure & Innovation Window' (**I&I Window**) for large-scale and long-term investments, and its '**SME Window**'. The EFSI is part of the '[Investment Plan for Europe](#)', which was launched at the end 2014 and aims to mobilise and support investment in the real economy, as well as create an investment friendly environment. The Investment Plan comprises two further elements: the **European Investment Advisory Hub (EIAH)** and the **European Investment Project Portal (EIPP)**. The toolkit of the Investment Plan, the EFSI in particular, has great potential to boost competitiveness, growth and jobs in the agri-business sector and rural areas.

EFSI – State of play

EFSI implementation is progressing, and it is worth looking at the EFSI [dashboard](#) (see figure below), which has already changed since Luciana Tomozei's (EIB) [presentation](#) at the workshop. Large shares of the EFSI guarantee have been employed in the fields of research, development and innovation (RDI) and energy as well as in support of SMEs and mid-cap companies. Indeed, the fact that the resources devoted to the EU initiatives COSME and InnoFin under the EFSI SME Window appear to have already been fully used up was remarked upon by the workshop participants, which also highlighted the relevance of support for SMEs. Also the [Commission's stocktaking](#) on EFSI implementation in June 2016 points to the success of the SME Window and reports that new instruments targeted at SMEs and mid-cap companies are currently elaborated. A list of projects supported under the EFSI I&I Window can be found [here](#).



Source: www.eib.org

EFSI – EAFRD Complementarities

A chance for increasing effectiveness and efficiency

Many roads lead to Rome, and there are many ways of achieving complementarity and synergies between the EFSI and the EAFRD. In his [presentation](#) Gregorio Davila Diaz, DG AGRI, explained the different options for how EFSI and EAFRD can be combined at project level and at the level of financial instruments and through investment platforms. A whole [brochure](#) has been devoted to this topic.

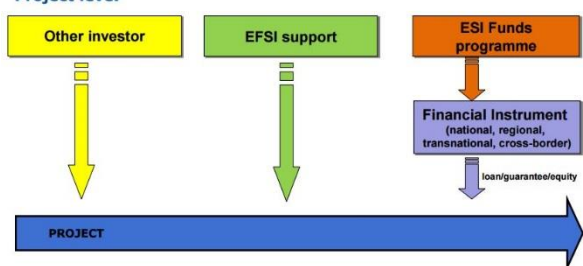
For instance, not only can financial intermediaries, such as guarantee banks, employ an EU level, EFSI-supported Financial Instrument, such as COSME, but so can Managing Authorities by allocating EAFRD resources accordingly. Managing Authorities can also set up investment platforms or allocate EAFRD resources to platforms. Under Rural Development Programmes (RDPs), EAFRD measures could also be tailored to complement

EFSI undertakings in the programme area -- e.g. by the provision of advisory services.

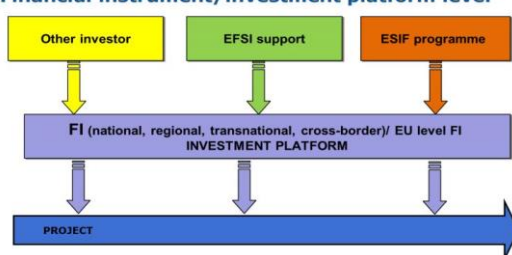
EFSI and EAFRD support can also be combined at project level: parts of one projects can be financed by a grant under the EAFRD and another part can be financed by a loan provided under COSME that has been frontloaded under the EFSI. But it is important to note that the minimum private contribution in the form of co-financing of a grant that has been provided under the EAFRD, which has to be provided by beneficiaries, cannot be covered by a loan under the COSME programme. This subject is further clarified in the FAQs.

Click on the diagrams for more examples on how to combine the EFSI and the EAFRD.

ESIF and EFSI combination – Project level



ESIF and EFSI combination – Financial instrument/investment platform level



The role of national promotional banks

National Promotional Banks and Institutions (in the following NPBs) have a key role to play in the implementation of both EFSI Windows whereby specific [rules](#) have to be considered. At the workshop Luciana Tomozei, EIB, presented the options for NPBs wanting to step into EFSI activities:

Within the implementation of the EFSI SME Window, NPBs can function as financial intermediaries, which are mostly needed to enable enterprises on the ground (in the Member States and regions) to benefit from the EFSI.

NPBs can also manage and invest in Investment Platforms supported under the EFSI I&I Window.

NPBs can, for instance, invest in layered funds which are set up under the EFSI.

In general, the EFSI offers a range of options for increasing NPB risk-bearing capacities by providing risk-sharing instruments (such as guarantees) and co-investments.

Her full presentation can be accessed [here](#).



Luciana Tomozei

Precision farming – R&D and the machinery sector

What could be the interests of a worldwide operating machinery company in the EFSI? This question was addressed by Prof Dr Ing Peter Pickel of John Deere at the workshop. The company pays much attention to Research and Development (R&D) in order to drive innovation, for instance in the field of precision farming.

For doing so it collaborates with other (smaller) companies, research institutes, universities, and farmers. Two financing-related challenges are often associated with R&D cooperation projects, First, for research institutes and universities, but also for smaller enterprises, it is sometimes difficult to mobilise resources for investing in riskier projects.

Second, farmers frequently lack the financial capacities to invest in the new technologies that are needed to make the products marketable.

His full presentation can be accessed [here](#)



Prof Dr Ing Peter Pickel

Investment platforms - a flexible instrumental vehicle for pooling resources

The concept of Investment Platforms has multiple facets. The EFSI regulatory framework provides a broad definition allowing for flexibility when setting up an Investment Platform under the EFSI: *Special purpose vehicles, managed accounts, contract-based co-financing or risk-sharing arrangements established by any other means by which entities channel a financial contribution in order to finance a number of investment projects.*

The meaning of this quite abstract definition and its practical implication were rolled out at the workshop.

Investment Platforms can have a regional, national, multinational and sectoral scope, and they can be supported under both EFSI Windows.

Various types of organisational structures, involving sponsors (i.e. the founders), investors and fund manager are possible. An EFSI contribution can be provided in the form of guarantees, loans or equity. The figure above demonstrates the process of setting up an Investment Platform step by step. Actors interested in establishing an Investment Platform can seek support from the [European Investment Advisory Hub](#) (EIAH).

See [presentation](#) by Alessandro Carano, DG ECFIN.



The process of setting up an Investment Platform

Designing and setting up investment platforms in practice

Investment Platforms in the field of Broadband

Many actors know the challenge of attracting investors for establishing broadband in rural areas. Laure Blanchard Brunac introduced a model for an Investment Platform, which bundles broadband investment projects in 'grey and white areas' where investments into broadband infrastructure are riskier. The Investment Platform would be formed by a so-called Layered Fund with public and private investors.

NPBs and private investors, the EIB through the EFSI, and the European Commission through the Connecting Europe Facility (CEF), would contribute to the platform through different types of equity, and thus share the risk of investing into the aggregated broadband projects.

The platform at EU level would provide equity or quasi equity to the individual broadband projects. The financing of the individual projects might then vary – they could be supported through a loan from a local bank or through complementarity with support under the EAFRD or the European Regional Development Fund (ERDF).

Apart from the risk-sharing through EFSI and CEF contributions, compliance with market practices as far as possible will be decisive for attracting private investors.



Her full presentation can be accessed [here](#).

Laure Blanchard-Brunac, DG Connect.

Investment Platforms - Set-up, actors, resources

The aim of the group work at the EFSI Workshop in April 2016 was to explore the concept of Investment Platforms, developing investment ideas and bringing different stakeholders together. Participants were invited to design Investment Platforms outlining their scope, the actors involved, the composition of resources and the way EFSI contributes, as well as opportunities to link the Developed Investment Platforms to the EAFRD.

This exercise did not only reveal the fields that investment participants might be interested in, such as R&D and irrigation infrastructure, but it also highlighted the numerous open questions the participants had concerning how to perform the first steps of setting up an Investment Platform.

Participants made use of the opportunity to consult the experts from the EIB, the EIF and the EU Commission in extensive Q&A Sessions.

A valuable output of the workshop was therefore a comprehensive set of Frequently Asked Questions (FAQs), of which a selection of follows below.



Quite sophisticated models for possible Investment Platforms were detailed and presented within the group work at the workshop.

The Q&A Sessions at the workshop showed that there is a high level of interest in the EFSI, but there is also need for guidance on how its different components can be used. Below is a selection of questions raised during the workshop with special focus on support opportunities under the EFSI, EFSI-EAFRD complementarities, and on Investment Platforms and their set-up can be found. The complete set of FAQs can be accessed [here](#).

Support opportunities under the EFSI

1. Considering the current financial situation of many farmers across the EU, particularly in the dairy sector, the question arises whether there is the option of allowing EFSI to make a direct or indirect contribution to increase the **working capital of farm businesses**?

The European Commission/DG AGRI is aware that in certain branches of the agricultural sector the main problem is the lack of liquidity and working capital in the very short term. However, it is difficult to conciliate this problem directly with the EFSI.

EFSI support can be provided for investments in the real economy which may bring new cash flows only in the medium or long terms. Moreover, EFSI support has to be repaid.

Nevertheless, financial instruments in the agriculture and forestry sectors (e.g. guarantee schemes) backed by EAFRD can support working capital to the extent it is ancillary to the eligible investments and within the limit of 30% of the total amount of eligible expenditure for the investment.

Working capital can also be financed under the uncapped guarantee of Art. 39 of Reg. 1303/2013 (so called SME Initiative) and under COSME schemes which benefit from EFSI front-loading (see a recent [example from Estonia](#)).

2. The support for **producer groups** under CAP Pillar 1 is often not sufficient to cover all the needs of a producer group. Are there options for producer groups to benefit from the EFSI support portfolio?

Yes, there are at least three feasible options for a producer group to receive support under the EFSI:

- 1) *Provided that the critical mass of the investment is sufficient and makes up around €25 m, the producers group could apply for support for one project, e.g. for large-scale collective infrastructure, under the EFSI I&I Window.*
- 2) *If the producer group intends to bundle the investment interests of its members in a certain field that falls into the scope of EFSI's general objectives (see 1. set of [FAQs](#)), an Investment Platform could be set up, which is supported under the EFSI. For instance, if all members want to invest in new technologies, EFSI support might take the form of a guarantee or a co-investment. The platform would be managed by a fund manager (see [Question 8](#)) and would serve the needs of the producer group's members who can submit an application as individual project promoters.*
- 3) *In the case, that:*
 - a) *the producer group is small and can be regarded as small-, medium- and mid-cap enterprise, and*
 - b) *a suitable COSME- or InnoFin-scheme or another scheme supported under the EFSI SME Window is offered by a financial intermediary, such as national or regional guarantee banks, the producer group might apply there for support. Cross-references are adapted/ adapted to the newsletter format.*

3. How can a project aiming to extend fast **broadband** to rural areas be set up to receive support under the EFSI?

There is certainly no 'one-fits-all' solution and different project designs are feasible for EFSI-supported broadband projects. Examples of rural ultrafast broadband projects supported under the EFSI I&I Window can already be found in the French regions of [Alsace](#) and [Nord Pas de Calais](#). While both of these projects will be implemented by a concessionaire under a concession contract with the region, at the EFSI workshop in April 2016 a [presentation](#) provided by DG Connect introduced different options of combining EFSI and EAFRD resources for establishing rural broadband, among others through Public-Private Partnerships (PPPs).

Beside PPPs, a rural broadband project can be envisaged through a public entity owned by a region or a province or through pure private companies willing to invest in rural areas. Features of such rural broadband projects vary across Europe. The presentation also pointed out that the EC and the EIB are currently exploring ways of driving the rolling out of rural broadband under the EFSI through the upcoming creation of a 'layered fund' initiated at the European level and involving public and private actors, under which smaller broadband projects of these various types are bundled and managed by a single financial intermediary.

4. In spring 2016 it looked like the **EFSI SME Window**, serving the front-loading of the instruments **COSME** and **InnoFin**, among others, would run out of resources by the end of the year. Are the European institutions thinking about solutions to overcome this problem?

Indeed, the uptake of the EFSI SME Window has been quite successful so far, which has also been acknowledged in the EU Commission's stocktaking on the implementation of the Investment Plan for Europe* in early June 2016. Building on this success, new financial instruments are under development, including equity financing and microfinance, a Pan-European Venture Capital Fund-of-Funds for the support of the most promising new enterprises, and instruments targeting social enterprises. Also being developed are products to enhance innovative SMEs' and small mid-cap companies' access to finance through guarantees for uncollateralised loans.

The EU Commission will work with the EFSI Steering Board to use all the existing possibilities under the EFSI-Regulation to reinforce the SME Window; possibilities to stock up its budget, for COSME, InnoFin and the EU Programme for Employment and Social Innovation (EaSI) will be investigated. Resources could come from the released funds which were foreclosed and EFSI funds can be freed and reconstituted. There is also a possibility for a shift of up to €500 m of the EU guarantee from the EFSI I&I Window to the SME Window.

*Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions Europe investing again Taking stock of the Investment Plan for Europe and next steps. Brussels, 1.6.2016 COM(2016) 359 final, available at: http://ec.europa.eu/priorities/sites/beta-political/files/1_en_act_part1_v11.pdf

Complementarity between EFSI and other support instruments

5. Many farmers have applied or would like to apply for **EAFRD agri-investment support** but face challenges in receiving loans for making the necessary **private co-financing** contribution. Is there any option to receive EFSI support allowing farmers to make a private contribution to an investment project?

Both Art. 37 of Reg. EU 1303/2013 and Art. 59 of Reg. EU 1305/2013 have to be applied to the combination of EAFRD and EFSI support at the level of one operation. Therefore, support received under the EFSI SME Window or EFSI I&I Window cannot be used for covering the private minimum co-financing obligation to an EAFRD investment project. But there are other options for combining EFSI and EAFRD support at project, project portfolio or programme level (see Question 6).

Questions related to the combination of Financial Instruments with other forms of support are extensively discussed in a [guidance document](#) on the implementation of Art. 37 7, 8, 9 of Reg. 1303/2013.

6. What options are there to achieve **complementarity** and synergies between the EAFRD and the EFSI at **project or project portfolio level**?

As explained under Question 5), it is not possible to cover private co-financing for an EAFRD investment operation through EFSI support. However, there are several options to effectively combine EFSI and EAFRD resources.

1 project idea – 2 operations

A farmer aiming to extend his farm to bioenergy production facilities can divide/structure his project idea into two components and apply for two operations. He can apply for a grant under the EAFRD for investment support for establishing a biogas plant and simultaneously apply under COSME to the regional guarantee bank for a loan for establishing a silo. This approach of realising one project idea by splitting it into two operations can also be followed if it is about the same object, which can be divided into two parts. For instance, a waterline for an irrigation system, of which the establishment of the first 500 metres is supported under the EAFRD, and the establishment of the remaining 500 metres is financed with a loan under the COSME scheme.

1 operation – 2 kinds of support

In accordance with Art. 37, 7 of Reg. EU 1303/2013 one operation which is supported through a Financial Instrument (e.g. the EFSI SME Window and the COSME scheme) can be combined with certain kinds of support under the ESI Funds (e.g. the EAFRD in one operation, for instance with technical support, as long as records for both kinds of support are kept separately).

Project portfolio

There are several options for combining EFSI and EAFRD resources at the level of a project portfolio (see a comprehensive [overview](#) and a [brochure](#) on ESI Funds-EFSI complementarities).

Examples are provided below:

- a) A Managing Authority can decide to devote EAFRD resources to an EU-level Financial Instrument which benefits from EFSI frontloading, e.g. COSME or InnoFin.
- b) A Managing Authority can initiate the set-up of a Financial Instrument, e.g. an Investment Fund, to which private resources and EFSI resources are also contributed (see [example](#) of this approach).
- c) A Managing Authority can devote EAFRD resources to an Investment Platform which has been set up under the EFSI I&I Window.
- d) The members of a producer group, which has received support under the EAFRD (or under CAP Pillar 1), can initiate the setting up of an Investment Platform supported under the EFSI I&I Window.
- e) An EIP Operational Group, after having developed a project within a pilot project supported under EAFRD Measure 16, can submit a project application under the EFSI I&I Window for bringing the developed innovative product to the market.

Investment Platforms

7. What is (a) the process of **application for a project supported by EFSI** and (b) of **setting up an Investment Platform**?

In general, there is no differentiated application process for EFSI projects. Project proposals are submitted to the EIB in the same way as proposals for regular EIB projects. When examining the project proposal, the EIB will assess whether a project would fall under and should benefit from EFSI -- e.g. because of high financial risk or whether the project would fall under the scope of regular EIB financing.

The steps in the [project cycle](#) are the same for both EFSI and regular EIB projects, with the exception of the approval by the EFSI Investment Committee. Project promoters have the opportunity to consult the EIAH for receiving advice on setting up an Investment Platform. (An Investment Platform, if supported under the EFSI, can be regarded as EFSI project).

Particularities in the application for Investment Platforms in comparison to other types of projects potentially concern a) the identification of a fund manager or financial intermediary (see Question 8), and b) the demand for an ex-ante assessment, which is needed for any ESI Fund-supported Financial Instrument, in the case that ESI Funds are involved in the Investment Platform.

8. Who are the key players and stakeholders in setting up an Investment Platform?

The setting up of a platform for investments into the real economy is likely to be a bottom-up process: regional investment interests, needs and ideas, as well as technical knowledge in the field of action concerned, are complemented by financial management advice through the EIAH or the EIB local offices, for example.

If there is a rough concept for an Investment Platform, which might have been initiated by producer groups, a sponsor, who specifies the details on the objectives and the functioning of the Investment Platform, and a fund manager, who runs the platform, are identified. The recruiting of further investors might also be required. For details, see the [guidance on Investment Platforms](#).

Managing Authorities and Promotional Banks might support such processes by proposing the setting up of an Investment Platform, given that many rural actors might not be aware of such an opportunity. Managing Authorities and Promotional Banks may also take responsibility for the establishment and running of an Investment Platform and/or allocate resources to one.

In some cases, such as investments in rural broadband, an active search for an investor might be necessary. In those instances, show-casting the investment offer at the European Investment Project Portal (EIPP) might be helpful.

9. How do project promoters relate to an Investment Platform?

Using the EU programming terminology, project promoters can be regarded as the final recipients of an Investment Platform. Project promoters submit an application to an Investment Platform. Their projects are supported under an Investment Platform, for instance through a loan, guarantee or equity. The precondition is that their project ideas fall under the scope of the platform and match the objectives of the EFSI.

How the decision on whether a project is supported under an Investment Platform is taken depends on the governance structures of the platform. In some cases, the EFSI Investment Committee might also need to approve a project supported under an Investment Platform (see Question 7).

10. If a Managing Authority decides to allocate EAFRD resources to an Investment Platform, what are the options to contribute to it?

A Managing Authority can either allocate EAFRD resources to an existing platform or initiate the setting up of an Investment Platform as a sponsor (see Question 8). An example for the allocation of ESIF resources to an EFSI supported Investment Platform is illustrated [here](#). The first loss of the guarantee backing an Investment Platform could be covered by EAFRD/RDP resources, which might attract private investors to invest in the platform.

Furthermore, Managing Authorities could decide to support the activities carried out under a certain Investment Platform indirectly by, for instance, supplementing it by offering special advisory services under their RDPs or by opening investment measures to fields which fruitfully complement the activities of an Investment Platform.

For instance, an Investment Platform invests in large-scale irrigation infrastructure, while the RDP could offer additional support to farmers who want to invest in pipes to connect their fields to the main irrigation system.

Upcoming activities

Please find below ongoing and upcoming activities related to the implementation of the EFSI

- ✓ [New EFSI Project](#): Finance for innovative Mediterranean diet technology, Crete, Greece
- ✓ The [European Investment Project Portal](#) (EIPP) is up and running.
- ✓ Introduction of new products under the EFSI SME Window (in the course of 2016 and 2017)

Furthermore, the ENRD will disseminate information on sector-related EFSI projects.

If you wish to make a proposal for improving EFSI's accessibility to the agri-business and rural sectors, please write to efsi@enrd.eu.

Useful information

- EFSI - [state of play](#)
- [Sector factsheets](#) - Investment Plan state of play
- [List](#) of approved EFSI projects
- The [European Investment Advisory Hub](#)
- The [European Investment Project Portal](#)
- [Communication](#) from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions Europe investing again Taking stock of the Investment Plan for Europe and next steps. Brussels, 1.6.2016 COM(2016) 359 final.
- [Article](#) "The European Fund for Strategic Investments: potential for rural areas" in the EU Rural Review.
- [‘It’s the \(real\) economy, stupid!’](#) article on the EFSI by DG AGRI.
- The [“EFSI Regulation”](#), Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments.
- [Brochure](#) on complementarities between the EFSI and the European Structural and Investment Funds.
- [Rules](#) applicable to operations with Investment Platforms and National Promotional Banks or Institutions.