



EFSI Investment Platforms

19 April 2016

Framework

- *EFSI Regulation ref. to Investment Platforms*
- *Rules applicable to operations with Investment Platforms and National Promotional Banks (NPBs)*

Definition

Special purpose vehicles, managed accounts, contract-based co-financing or risk-sharing arrangements or arrangements established by any other means by which entities channel a financial contribution in order to finance a number of investment projects

Key principles

- Additionality: focus on market failures
- Maximise crowding-in of NPBs, private and other investors
- Subordination by EIB as preferred way
- EIB operations (loans, guarantees, equity, etc), using EIB rules, policies and procedures.
- Use of EU Guarantee after approval of Investment Committee
- Complementarity with other funds (eg ESI Funds, CEF)

Scope

- Platforms possible under Infrastructure and Innovation Window and under SME Window

- Geographic focus

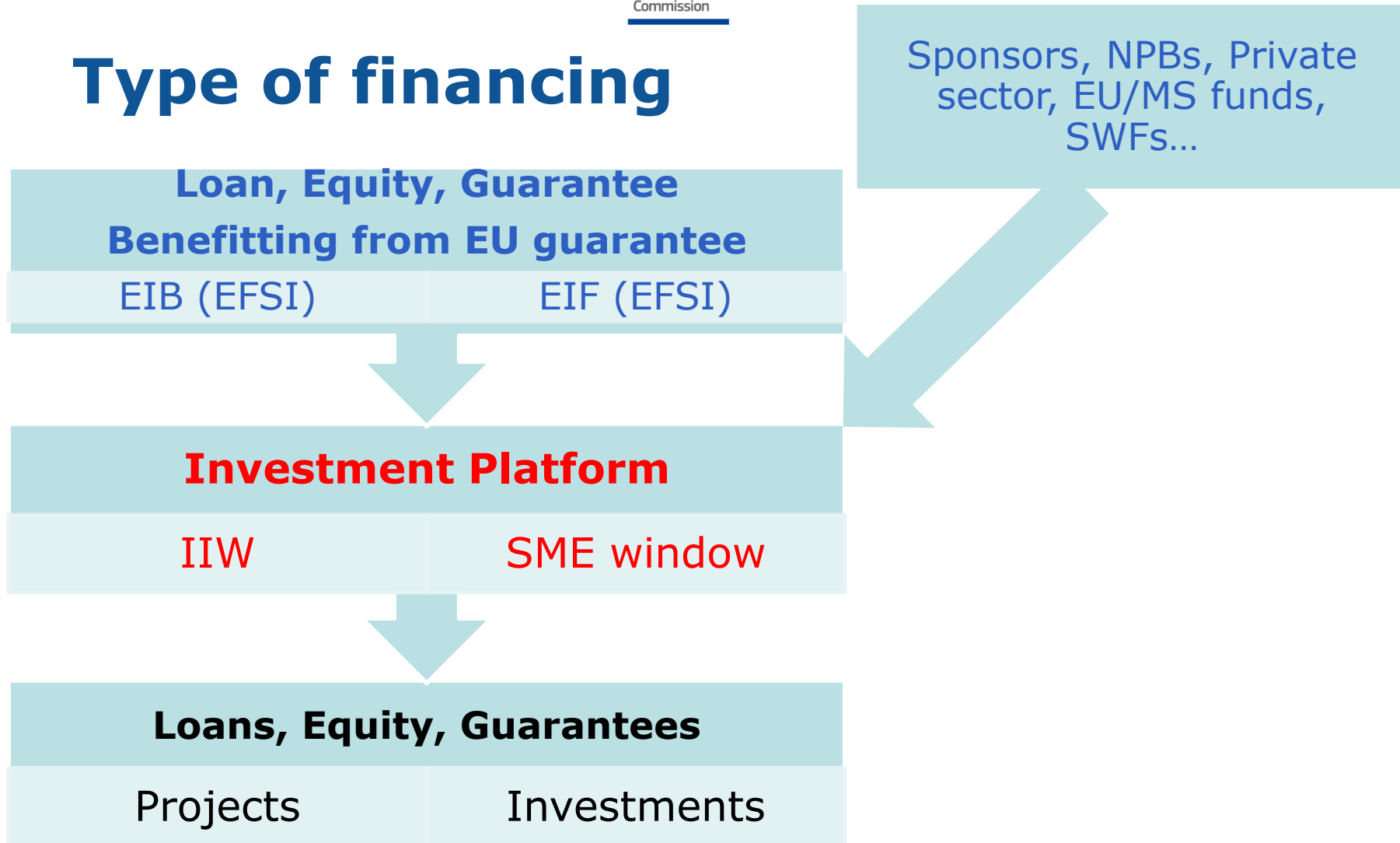
National or sub-national Platforms that group together several investment projects on the territory of a given Member State;

Multi-country or regional Platforms that group together partners from several Member States or third countries interested in projects in a given geographic area;

- Sector focus

Thematic Platforms that group together investment projects in a given sector

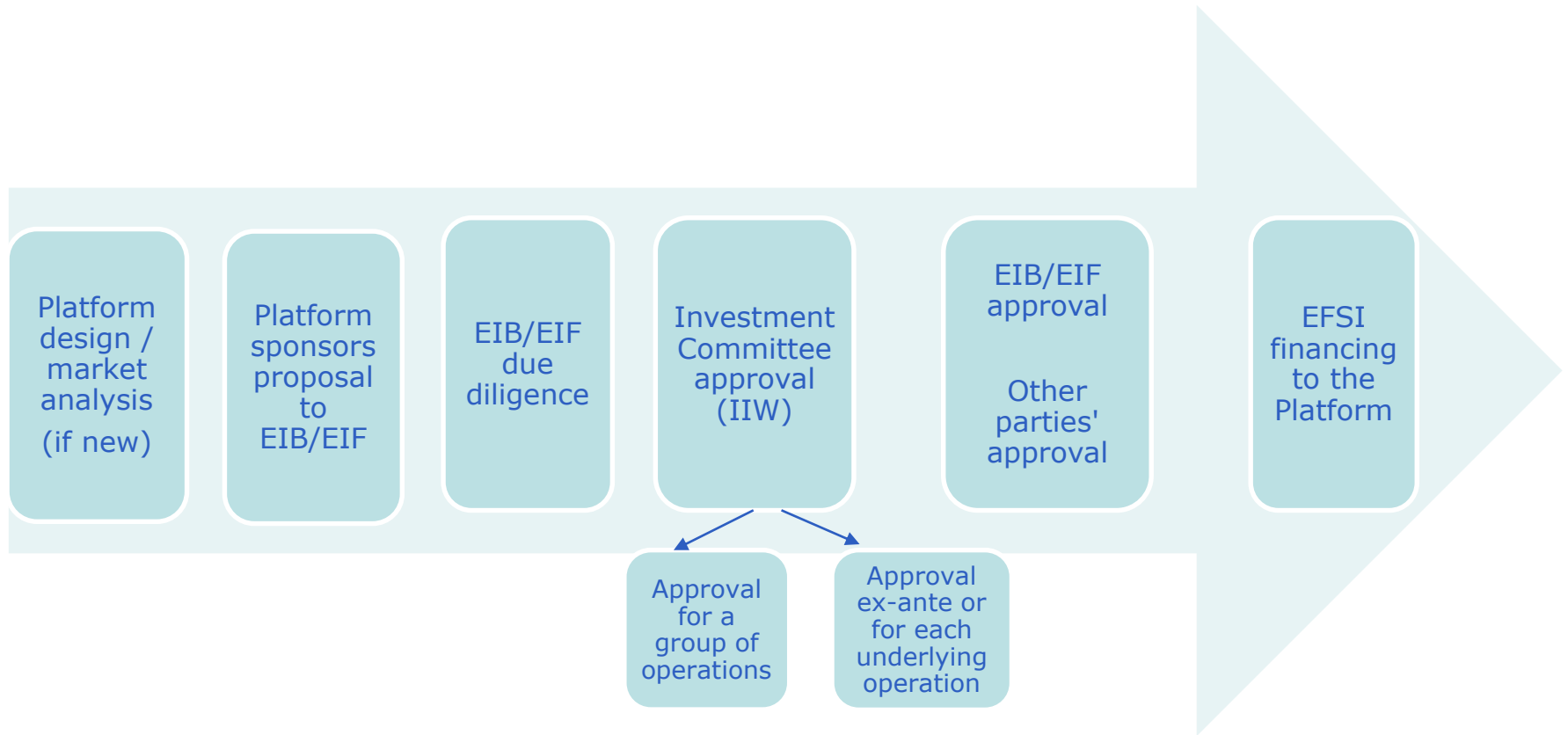
Type of financing



Sponsors

- Founding entities
- Can be any public or private entity, such as NPBs, EIB, EU or MS public entities, Managing authorities, Financial institutions, Corporates, third countries.
- They decide on the Platform setup and design.
- Typically provide part of initial funding.
- May need legal or financial advice.

Process

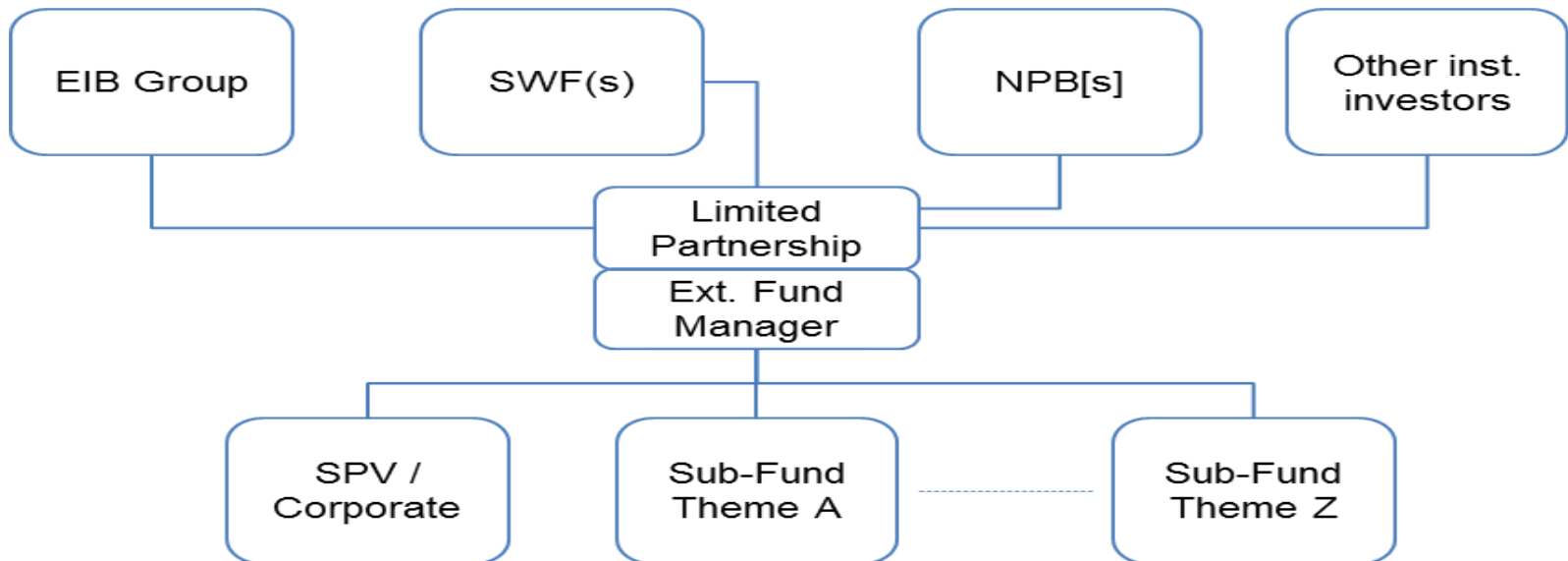


Some stylised structures I

EIB Group as cornerstone investor in a Platform

Concept: support EFSI operations that on account of size, specialization, etc. cannot be serviced directly by EIB Group. The EIB Group could support the activities of Platforms sponsored by 3rd parties by participating in its fundraising as cornerstone investors.

Characteristics



Some stylised structures II

An Investment Platform combining EFSI, ESI Funds, NPBs and possibly private investors to provide equity and mezzanine financing to projects and corporates

- The EIB Group to provide mezzanine financing (using EFSI), depending on the risk-return profile of the portfolio, in combination with ESIF funds or other public budget funds, and leveraging NPBs and private sector.
- A similar structure, building on the experiences of the Marguerite fund, could also be implemented in the infrastructure sector. Further examples of existing Platforms that could inform future projects include the European Energy Efficiency Fund (EEEF) and the European Fund for Southeast Europe (EFSE, providing financing to MSMEs).
- EIB would normally be expected to invest in the Platform pari passu with comparable co-investors, in particular NPBs or, as the case may be, the EBRD and other IFIs.

Some stylised structures III

A small municipal infrastructure fund aimed at institutional investors and SWFs

- This Investment Platform, to be set up by a public/regional authority and managed on commercial grounds by a professional fund manager,
- To bundle small municipal or rural infrastructure projects to make them accessible to institutional investors and SWFs.
- Depending on the risk-return of the underlying portfolio, the EIB could invest into a limited portion of the portfolio alongside other investors, preferably at subordinated level.
- As an alternative to a funded solution, the EIB financing under EFSI can take the form of an unfunded guarantee to the Platform.

Some stylised structures IV

A regional cross-border Platform

- A regional cross-border Platform to pool resources from EFSI, EIB, NPBs and possibly private investors in markets affected by market failures (e.g. climate action and resource efficiency investments or SMEs).
- Professionally managed on commercial terms.
- Credit enhancement from a subordinated ESI Funds' tranche (possibly complemented with an EIB Mezzanine loan under EFSI) could be used to improve the risk profile of the senior tranches while the multi-NPB, multi-country participation would enhance portfolio diversification relative to a single Member State market.
- Can include a technical assistance component, especially when implemented in regions with relatively new NPBs, such as South-eastern Europe.
- Participation of other IFIs, such as the EBRD and World Bank, in their relevant countries of operation should be encouraged.



Some stylised structures V

A Platform providing partial loan guarantees to SME portfolios from several public and private institutions

Platform designed to alleviate the risk on long term corporate loans and thus increase partner institutions' risk-taking capacity by freeing up resources to support lending to SMEs and other priority projects.

A similar structure, involving a single NPB (Hrvatska Banka za Obnovu i Razvitak (HBOR) of Croatia), was approved by the EIB Board in September 2015

The structure provides a guarantee to cover up to 50% of credit risk associated with a pre-selected portfolio of corporate loans outstanding on the intermediary's balance sheet, conditional upon new loans to be provided by the Intermediary to midcaps and eligible promoters of other priority projects.

An example of enhanced cooperation with an NPB and could in the future be expanded into an Investment Platform including multiple NPBs and also commercial banks.

Next steps

- Follow-up on ongoing Platforms design
- Follow-up on MS and thematic needs
- EC and EIB Group can assist in the setup.