



EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

**RATIONALES FOR THE DECISIONS TAKEN BY
THE EFSI INVESTMENT COMMITTEE IN APRIL 2019**

EFSI Investment Committee
5th of April 2019

Those attending

<u>Chairman:</u>	Mr.	Wilhelm MOLTERER, Managing Director
<u>Members:</u>	Mr.	Gordon BAJNAI
	Mr.	Thierry DEAU
	Ms.	Dalia DUBOVSKÉ
	Ms.	Vicky D. KEFALAS
	Ms.	Andreja KODRIN
	Mr.	Fabio PAMMOLLI
	Ms.	Nieves RODRIGUEZ VARELA
	Mr.	Manfred SCHEPERS
<u>Experts:</u>	Mr.	Marcus SCHLUECHTER, Advisor to the Managing Director
	Mr.	Juan Jose FEBLES, Advisor to the Deputy Managing Director
<u>EFSI Secretariat:</u>	Ms.	Emilie BOIS-WILLAERT, Head of EFSI Secretariat
	Mr.	Renko WOUTERS, Corporate Secretariat Officer
<u>Excused:</u>	Mr.	Iliyana TSANOVA, Deputy Managing Director

Rationales for the decisions taken by the Investment Committee in April 2019

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in April 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.

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 April 2019 are as follow:

CESKA SME AND MID-CAP MEZZANINE ABS (Czech Republic)

The Investment Committee approved the use of the EFSI guarantee for the proposed synthetic securitisation of a granular portfolio of Czech corporate loans. The EIB intervention with EFSI support facilitates lending capacity towards increased access to finance for eligible entities with less than 3,000 employees, with a contractual minimum requirement to support new eligible financing of at least 4x the amount of the EFSI intervention.

The proposal combines the financing capacity of EFSI with the deep market access of Cezka Sportelna group, an important provider of financing for SMEs and Midcaps in the Czech Republic. At full deployment, the new eligible portfolio is expected to benefit SMEs and Midcaps with more than 62,000 employees in total.

The Investment Committee welcomed the proposal and highlighted its importance as the first synthetic securitisation in the country and in the local currency, channeling credit capacity towards new eligible lending for SMEs and MidCaps. It recognised the knowledge transfer and capacity building effect towards the Czech financial system.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

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.

PECS WATER AND WASTEWATER REHABILITATION (Hungary)

The IC approved the use of the EFSI guarantee for a proposal that supports investments in the rehabilitation of water and wastewater utilities. The Bank's involvement in this project, with the support of EFSI, will contribute to reducing several market failures related to externalities not fully reflected in the market price of water and wastewater services in Hungary and in Pécs in particular. The project will thereby also help in addressing large investment needs in the municipal water utility sector in Hungary.

The project will generate positive externalities in the form of public health and environmental benefits, through improved water services and reduced pollution. It will improve the life of the 170,000 inhabitants in the service area as well as the quality of the environment and the level of economic activity. In addition, the project will be located in the South Transdanubia region of Hungary, a less-developed region according to the EU Cohesion Policy classification.

The project aims to address a suboptimal investment situation faced by the promoter, whose investment capacity is constrained and who has limited access to long-term external financing. The EIB, with EFSI support, will offer long-term unsecured financing, in line with the economic life of the assets and unavailable on the commercial market, thereby enabling the promoter's investment plan to be implemented within the envisaged scope and timeframe. The EIB financing is further expected to result in a quality stamp on the project and to help crowding-in private sector financing and potentially the Hungarian National Promotional Bank.

The operation falls under the Special Activity category of the EIB. The EFSI guarantee will allow the Bank to support this operation, which could not have been done by the EIB under the same conditions without the guarantee.

Wilhelm MOLTERER
Managing Director