



EUROPEAN INVESTMENT BANK

**European Fund for Strategic Investments**

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

**EFSI Investment Committee**  
**9<sup>th</sup> December 2019**

Those attending

<u>Chairman:</u>	Mr.	Wilhelm MOLTERER, Managing Director
	Ms.	Iliyana TSANOVA, Deputy Managing Director
<u>Members:</u>	Mr.	Gordon BAJNAI
	Mr.	Thierry Deau
	Ms.	Dalia DUBOVSKA
	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

## **Rationales for the decisions taken by the Investment Committee in December 2019**

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in December 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. The publication shall not contain commercially sensitive information.

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 December 2019 are as follow:

### **RURAL FIBRE NETWORK POLAND (Poland)**

The IC approved the use of the EFSI guarantee for a proposal supporting the rollout of a greenfield Ultra High Speed fibre to the home (FTTH) access network in rural areas of central and North-Eastern Poland. The promoter will operate under an open access model, providing wholesale services to commercial operators, which will provide fixed broadband services in the retail market. The project will contribute to achieving EU and national objectives of accessibility to high speed broadband. Up to 87 % of the operation will be deployed in Cohesion regions and thus help to reduce regional inequalities within the Union.

The operation addresses a market failure stemming from the limited incentive for investment in less densely populated areas, where unit costs of investment and the commercial risks are higher. Private investors have so far preferred to focus on implementing high-speed broadband network in more profitable and less commercially risky urban areas. This project generates therefore positive externalities, by enabling more users to benefit from the access to information, digital services and better communications, improving the access to e-services to households, as also supporting innovation and competitiveness, increasing the productivity of SMEs. The operation addresses failures in the financial markets, caused by the fact that the economic lifetime of digital infrastructure exceeds the tenor of loans that are typically available on domestic capital markets, causing therefore a sub-optimal investment situation to cover the full investment needs. The EIB intervention under EFSI shall contribute to ensuring the acceleration of the project implementation and to have a strong catalytic effect on private financiers. The operation is expected to benefit from EU subsidy funding under the European Regional Development Fund (ERDF). This will be the first EIB non-recourse financing for a high speed broadband network in Poland and the first EIB operation with the promoter.

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.

### **EU MALARIA FUND SENIOR PARTICIPATION (Regional – EU countries)**

The Investment Committee approved the use of the EFSI guarantee for the proposed investment into the senior class of the EU Malaria Fund, which aims to provide essential risk capital to entities active in the development of new diagnostics, treatments and vaccines against malaria.

Malaria remains one of the most lethal infectious diseases in the world wide, affecting an estimated more than 219m people per annum. Give its prevalence in developing countries and especially in sub-Saharan Africa, the economic attractiveness of risky and capital intensive research and development targeted at treatment and ultimately prevention of malaria is low. Initiatives towards better diagnosis and treatment are shaped by the need for affordability and ease of use for the target populations, and willingness of donors and investors to contribute with only limited prospect of remuneration and repayment, if at all. According to estimates by the WHO from 2017, the annual worldwide RDI spending on malaria amounts to only USD 600m, around 85% of the estimated need to achieve targets set to control the disease by 2030.

The proposed EU Malaria Fund Initiative, will be managed by the German NPB Investitionsbank Berlin and supported by the kENUP foundation and a high class Scientific Advisory Council. It is a welcome showcase how crucial risk capital for the investments in a high impact policy field with limited economic incentive can be made available through blending of donations, public contributions and private financing.

The Investment Committee recognized the important contribution of the EIB Group in the overall EU Malaria Fund initiative beyond the EFSI supported intervention in the Senior Class. It acknowledged the direct economic benefit of increased RDI activities, whose European content is reflected in the expected Investment Mobilised an multiplier figures. The Investment Committee also explicitly welcomed the wider societal benefits of new diagnostics, treatment and vaccines against malaria, which will benefit people worldwide, and especially in developing nations.

As an indirect equity investment, the proposal falls under the Special Activities classification of the Bank's Statute, which is a strong indicator of Additionality as per the EFSI Regulation.

### **SOLAS SUSTAINABLE ENERGY FUND (Regional – EU countries)**

The Investment Committee approved the use of the EFSI guarantee for the proposed investment into the fund aiming to provide upfront financing to Energy Service Companies (ESCOs), which will enable them to undertake energy efficiency investments for both private and public promoters.

Energy Efficiency is a key policy priority in the EU to achieve the Climate targets for 2030 and beyond. However, the scope of investments today is far below the levels required, and hampered by e.g. the small scale and high transaction costs of individual investments, split incentives between owners and users of infrastructure, but also lack of experience by asset owners for whom energy efficiency investments are not a core activity. ESCOs can potentially play a very significant role in accelerating the necessary investment, and provide new business models such as Lighting as a Service or Heating as a Service, remunerated from the achievement of pre-agreed energy efficiencies over long-term. However, the roll-out of such innovative models towards energy efficiency

investments is hampered by frequent lack of ESCOs' access to long-term upfront financing from traditional lenders.

The Investment Committee recognised the importance of the financing need for ESCOs and the novelty of the proposals investment strategy, also reflected in the High score for the Contribution to EU Policy and Good score for the Quality and Soundness of the project. It welcomed the introduction of the PF4EE guarantee instrument for the fund proposal as well as ELENA advisory support at the level of the underlying investments.

As an indirect equity investment, the proposal falls under the Special Activities classification of the Bank's Statute, which is a strong indicator of Additionality as per the EFSI Regulation.

### **ISP CLIMATE ACTION LINKED RISK SHARING (Italy)**

The IC approved the use of the EFSI guarantee in light of the focused support for increased availability of finance for projects in the Renewable Energy, Energy Efficiency and Circular Economy sectors, which suffer from underinvestment and persistent lack of financing in the Italian market. Especially small entities and providers of innovative energy solutions, such as ESCOs, are limited in their investment capacity by the availability of long-term financing for small to medium-size projects with direct Climate Action benefits.

The proposed risk sharing operation leverages the market access of the intermediary and the expertise of Intesa Group's designated Energy Desk with the financing capacity of EIB/EFSI, towards increased lending to eligible projects supporting Climate Action targets.

The Investment Committee highlighted the High scoring for the projects contribution to EU Policy and the excellent scoring for the Quality and soundness of the project and welcomed the expected 30% of the underlying investments directly benefitting Cohesion regions.

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 objective of 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.

### **EAV CIRCUMVESUVIANA RAILWAY NEW ROLLING STOCK (Italy)**

The Investment Committee approved the use of the EFSI guarantee for the proposed financing of new rolling stock for the Circumvesuviana railway line in the vicinity of Naples, replacing outdated vehicles that have reached the end of their economic line.

Following years of underinvestment the existing public transport infrastructure is no longer fit for its purpose, resulting in reducing passenger numbers and shift of traffic to individual cars, with concomitant negative effects on congestion and the environment. The project support the policy objective of developing sustainable public transport and urban mobility, with benefits in terms of accessibility, energy consumption and greenhouse gas emission.

The Investment Committee welcomed the direct support to Climate Action priorities, as reflected in the High score for its contribution to EU Policy and the benefit to a Cohesion region.

The long tenor of the unsecured financing, beyond the duration of the promoter's public service contract, is required to ensure the affordability of the public transport for both users and the public authority; it would not be possible to the extend required without the availability of the EFSI guarantee. The proposal falls under the Special Activities classification of the Bank's Statute, which is a strong indicator of Additionality as per the EFSI Regulation.

Wilhelm MOLTERER  
Managing Director