

EUROPEAN INVESTMENT BANK

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EUROPEAN FUND FOR STRATEGIC INVESTMENTS
STEERING BOARD

Minutes of the Meeting held on 8 April 2019

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

EFSI STEERING BOARD – MEETING 31/2019

Minutes of the meeting held at the EIB Offices in Luxembourg on Monday, 8 April 2019

Those attending:

Steering Board members:

Mr G. Thomas (EC)
Mr L. Andor (independent expert appointed by the European Parliament)

Steering Board Alternate members:

Ms S. Valtonen (EC)
Mr J.-D. Malo (EC)
Ms M. Santoni (EIB)

Excused Steering Board members:

Ms K. Jorna (EC)
Mr. A. Fayolle (EIB)

Observers:

Mr W. Molterer (EFSI Managing Director)

Experts:

Mr P. Lombardi (EIB) – for item 5
Mr. C. Kuhn (EIB) – for items 6 and 7
Ms B. Balke (EIB) – for item 8

EFSI Secretariat:

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

The Chairperson declared the meeting open at 09:00 on 8 April 2019.

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 29 January 2019 (PV/19/30)

The draft minutes of the 30th Steering Board meeting, held on 29 January 2019 at the EIB Office in Brussels were approved with minor 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 Q1-2019

The EFSI 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 described the total financing by approvals and signatures, by country and by sector. He highlighted that, as at 14 March 2019, 23% of all EFSI investment mobilized related to approved operations under both the IIW and SMEW were targeting the general EFSI objective of research, development and innovation, while 33% was dedicated towards the support to smaller companies.

The EFSI Managing Director gave data on climate action financing under the IIW, on investment platforms, projects involving National Promotional Banks / Institutions (NPBIs) and on the combination with European Structural and Investment Funds (ESIF).

Mr W. Molterer described the breakdown of IIW signatures by country over time and observed that the top three countries, measured by signed amounts, had decreased substantially since the start of EFSI and had more stabilized afterwards. He brought to the attention of the Steering Board that they currently account for 46% of the IIW signatures, which is just above the indicative concentration limits.

He also observed that four out of ten EIB operations under the IIW benefit projects including investments in Cohesion areas.

The Steering Board expressed its satisfaction with the comprehensive information provided and congratulated the EIB Group and the EFSI Managing Director with the results achieved. It strongly welcomed that almost 1.000.000 SMEs and small mid-caps are already expected to benefit from enhanced access to EIF finance across all member states since the inception of EFSI.

While indicating that the EFSI portfolio is generally geographically and sectoral diversified, the Steering Board welcomed the efforts that are being undertaken to originate projects in smaller member states. It elaborated on the two-fold effect of a potential slowing down of the economy in certain member states on future EFSI investment volumes. It was indicated that a potential slow-down of the economy could hinder investments in the respective countries, yet that it could also lead to an increase in demand for EIB involvement with the support of EFSI as other sources of financing would become more restrictive.

Steering Board members further observed that 36 approved EFSI operations were benefitting from ESIF contributions in the EFSI portfolio and indicated that no particular positive effect of the Omnibus Regulation could be observed on facilitating the creation of EFSI-ESIF combinations.

The Steering also made positive remarks on the evolution of the amount of investments related to climate action goals.

5. FOR DISCUSSION EFSI Risk Profile – Q4-2018

Mr P. Lombardo, Deputy Director General within the Risk Management Directorate presented the risk profile data for the Infrastructure and Innovation Window of EFSI as at 31 December 2018.

Mr P. Lombardo elaborated in particular on the higher average risk level of EFSI operations in comparison with the average risk level of non-EFSI EIB operations within the EU.

He further highlighted a significant growth in the share of riskier hybrid and equity operations in the EFSI IIW portfolio and stated that the outreach for new and riskier projects has also contributed in gradually bringing lower the average ticket size of the operations within the EFSI IIW Portfolio. Mr P. Lombardo also indicated that the average time lag between signature and first disbursement date for EFSI operations is shorter than for both standard and other special activity type non-EFSI EIB operations.

While emphasising that a large majority of the contracts on the watch list remain performing, Mr P. Lombardo provided information on the operations included in this list, which after the steady increase in risk taking at the time of approval by the EIB over the past two years, had also grown.

The Steering Board expressed its satisfaction with the detailed information provided in the presentation. It took note of the risk profile data for the IIW of EFSI and stated that it would also like to receive an overview of the risk profile of the SMEW during the next Steering Board meeting.

The Steering Board observed that there is no direct relationship between watch-listing and calls on the EFSI guarantee and recalled that the purpose of EFSI is to support projects that could not have been carried out to the same extent by the EIB group without EFSI Support.

6. FOR DISCUSSION EFSI Projections

Mr C. Kuhn, Director of the Mandate Management Department, presented projections for EFSI operations on signatures and approvals and the volume of IIW disbursements as at March 2019.

Mr C. Kuhn provided the Steering Board with figures on the pipeline in approvals and signatures in the IIW for the upcoming 6 months. He mentioned that a significant increase in RDI approvals (+14%) in the approval pipeline is foreseen as well as a proactive section of operations with a high impact on investment mobilised. Regarding signatures, he highlighted an increased focus on signing operations in EU-13 countries. In addition, he indicated that further efforts are currently being made on signatures and disbursements in general.

He also provided the Steering Board with general information on EFSI delivery trends, indicating that investment in newer EU members had recently increased considerably and that the latest breakdown favours many smaller EU countries. Mr C. Kuhn stressed the importance of the qualitative assessment of additionality that is being undertaken by the EIB and referred, among others, to the documentation that is being prepared for the IC. He indicated that it now includes a more comprehensive description of the different factors supporting the additionality of projects, including an elaborated description of market failures and suboptimal investment situations, since the entry into force of the amended EFSI Regulation.

Mr C. Kuhn finally referred to the importance of NPBIs in the EFSI delivery and how the EIB has stepped up the cooperation with NPBIs.

The Steering Board welcomed the information provided in the presentation and that the EIB group is working towards reaching investment-mobilized targets for EFSI. It also stressed the importance on materializing signature and disbursement volumes from the existing portfolio in all EU member states and sectors.

7. FOR DISCUSSION

Overview of recommendations of the European Court of Auditors' performance audit on EFSI & EFSI evaluations of 2016 – 2018

The Steering Board discussed the recommendations of the European Court of Auditors' performance audit on EFSI, published on 29 January 2019 and of the different EFSI evaluations that have been carried out from the inception of EFSI to date.

Steering Board members observed that EFSI has been closely audited and that EFSI has improved from this strict scrutiny. The Steering Board also congratulated the EC and EIB services for the achieved results, before and after the entry into force of the amended EFSI Regulation, to implement the different recommendations. It noted that recommendations have been progressively addressed since 2016, with many formally being reflected in the amended EFSI Regulation and in the revised EFSI Strategic Orientation, and that only two recommendations, from the recent European Court of Auditors' performance audit on EFSI, are still outstanding.

The Steering Board elaborated on both pending recommendations. On the first outstanding recommendation of the European Court of Auditors, which was directed towards the EIB¹, the Steering Board acknowledged that the EIB is already providing subordinated positions (in different aspects or forms) in many operations with NPBI's presented under EFSI. While acknowledging the difficulties to report on an individual basis, the Steering Board asked if it could receive any reporting on the subordination in EFSI operations with NPBI's in the next Steering Board meeting.

Regarding the second outstanding recommendation of the European Court of Auditors², the Steering Board decided to rely on "high level experts" that should provide an assessment on the root causes of the geographic distribution of EFSI, in cooperation with the EC and EIB services. On the basis of this report, the Steering Board indicated that it would evaluate if further recommendations for actions, to be taken in the remaining EFSI implementation period, would be needed. The Steering Board emphasised the importance it draws to this exercise and asked the EC and EIB services to present the Terms of References for the report on the root causes of the geographic distribution of EFSI already in the coming weeks. The Steering Board hoped that it could subsequently obtain the findings of the report in July 2019 in order for the EC and EIB Group to be able to implement ensuing recommendations of the Steering Board, if any, in the shortest timeframe possible.

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 1 – [For EFSI operations with NPBI's] - Promoting the justified use of higher-risk EIB products under EFSI.

² "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.

8. Any other business

The Steering Board discussed the potential legal liability that IC members could incur in the execution of their mandate and suggested that the EC and EIB legal services could distribute a note with further explanations to the IC on this subject.

While emphasising the importance of a regular and open dialogue between the Steering Board and external stakeholders in overseeing EFSI's implementation, the Steering Board further discussed the format of its forthcoming bilateral stakeholders' consultation meeting. The Steering Board decided to invite targeted representatives to discuss the contribution of EFSI towards climate action goals in July.

It also asked the EFSI Secretariat to organise the annual EFSI stakeholder consultation event at the end of the year as was done in previous years. The EFSI Secretariat will consult the Steering Board on the date and the draft programme of the event.

The Chairperson declared the meeting closed at 11:00.

Schedule A

Decisions taken by the Steering Board (Meeting 31/2019)

Agenda Item	Description	Decision taken
4	Minutes of the meeting held on 29 January 2019.	The Steering Board approved the document with minor comments.