

EUROPEAN INVESTMENT BANK

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30 January 2020

PV/19/33

EUROPEAN FUND FOR STRATEGIC INVESTMENTS

STEERING BOARD

Minutes of the Meeting held on 17 October 2019

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

EFSI STEERING BOARD – MEETING 33/2019

Minutes of the meeting held at the EIB Offices in Luxembourg on Thursday, 17 October 2019

Those attending:

Steering Board members:

Ms K. Jorna (EC)
Ms M. Geleng (EC)
Mr J.-D. Malo (EC)

Steering Board alternate members:

Ms M. Falkstedt (EIB)
Ms S. Valtonen (EC)
Mr A. Runge-Metzger (EC)

Excused Steering Board members:

Mr A. Fayolle (EIB)
Mr L. Andor (independent expert appointed by the European Parliament)

Observers:

Mr W. Molterer (EFSI Managing Director)
Ms I. Tsanova (EFSI Deputy Director)

Experts:

Mr J.-C. Laloux (EIB) – for items 7, 8 and 9
Mr S. Scandizzo (EIB) – for item 9
Mr J. Neuss (EIF) – for items 9 and 10
Mr L. Braun (EIF) – for items 9 and 10

EFSI Secretariat:

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

The EFSI Secretariat declared the meeting open at 09:00 on 17 October 2019.

1. Quorum

The EFSI Secretariat recorded that there was a quorum.

2. Approval of the agenda

The agenda was adopted without comment.

3. Chairperson to be elected

Following the resignation of Mr G. Thomas as chairperson, the Steering Board decided by unanimity to appoint Ms K. Jorna as the new chairperson of the Steering Board.

4. FOR DECISION

Approval of the minutes of the meeting held on 18 July 2019 (PV/19/32)

The draft minutes of the 32nd Steering Board meeting, held on 18 July 2019 at the EIB Offices in Luxembourg were approved with minor comments.

The minutes shall be published on the EIB website and will subsequently be communicated to the European Parliament.

5. FOR DECISION

Approval of the Summary report of the 18 July 2019 Bilateral Stakeholders Consultation Meeting

The draft summary report of the bilateral EFSI Stakeholder meeting on 18 July 2019 at the EIB headquarters in Luxembourg was approved without comments.

The summary report shall be published on the EIB website and will subsequently be communicated to the European Parliament.

6. FOR DISCUSSION

Quarterly reporting from EFSI Managing Director on Q3-2019

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 gave data on investment platforms, projects involving NPBIs and on the combination with European Structural and Investment Funds (ESIF). In this respect, he indicated that no particular positive effect of the Omnibus Regulation could be observed on facilitating the creation of EFSI-ESIF combinations.

The EFSI Managing Director elaborated on the amount of investments related to climate action goals and mentioned that a positive trend can be observed related to the percentage of EFSI approvals and signatures supporting climate action goals. He indicated that, as at September 2019, more than 40% of EFSI financing approved under the IIW, excluding SMEs and small mid-cap companies, support project components that contribute to climate action.

The Steering Board thanked the EFSI Managing Director for the presentation and expressed its satisfaction with the number of projects being financed in the RDI objective under both windows. Steering Board members also asked if more information on sectoral diversification and on climate action goals per Member State/region would be available.

Steering Board members observed that that the top three countries, measured by signed amounts, currently account for 44% of the total EFSI portfolio and for 47% of the IIW portfolio and noted, in particular in the SMEW, the contribution of multicountry operations. The Steering Board reiterated the importance of achieving wide geographical distribution of EFSI investment.

The Steering Board further elaborated on the limited effect of the Omnibus Regulation on the number of EFSI-ESIF operations and acknowledged the difficulty of combining different legal frameworks in structuring projects under EFSI and ESIF. It called upon the EC and EIB Group services to keep carrying out promotional activities on blending EU instruments in the remainder of the investment period of EFSI.

7. FOR DISCUSSION

EFSI Projections

Mr J.-C. Laloux, Director General of the Operations Directorate, presented projections for EFSI operations on signatures and approvals and the volume of disbursements in the IIW as of September 2019.

In particular, he mentioned that the global EFSI multiplier had increased since the previous meeting, mainly driven by increased portfolio deals with banks and that the geographic distribution of EFSI investments had largely remained unchanged. He stressed that communication efforts at EU-13 level are ongoing and an increased focus on signatures in EU-13 countries is projected in the upcoming six months.

Mr J.-C. Laloux explained that the EIB Group is working towards reaching investment-mobilized targets for EFSI and highlighted the progress made on disbursements. He also provided explanations on the extensive cooperation with National Promotional Banks and Institutions (NPB/Is) under EFSI, indicating that NPB/Is are involved in one of five EFSI operations covering a well-balanced range of products.

The Steering Board reflected on the geographic distribution of EFSI. While taking into account the recommendations that it had already had put forward to the EC and EIB Group for further improving the geographical distribution of EFSI investment in its meeting in July, the Steering Board expanded on the indicative geographical concentration target, which states that the share of investment in any three Member States together should not exceed 45% of the total EFSI portfolio (measured by signed loans/investment amounts) in the IIW at the end of the investment period. While understanding that EFSI is a demand-driven instrument and acknowledging the impact of withdrawal of the United Kingdom from the EU on geographical concentration limits, the Steering Board highlighted the importance to continue undertaking all efforts with a view to not exceed this indicative target by the end of the EFSI investment period.

The Steering Board further indicated that, beside achieving wide geographical distribution of EFSI investment, other important EFSI objectives and indicative targets, such as the support for climate action goals, investment mobilization targets or on the EFSI multiplier also remain a priority in the remaining investment period of EFSI.

While recognizing the extensive cooperation between the EIB Group and NPB/Is under EFSI, Steering Board members took note that signatures under the NPB equity window in the IIW were more moderate. It elaborated on the more complex nature of such operations and asked the EIB to present more details on the NPB equity window in the next Steering Board meeting.

8. FOR DISCUSSION **EFSI Contribution to Green Deal**

The EFSI Managing Director presented information on EFSI`s contribution to the Green Deal, concentrating in particular on achievements realised under EFSI to date.

He emphasised that sustainability has always been at the heart of EFSI's approach to long-term durability of the intended economic impact and contribution to environmental protection. He indicated that in implementing EFSI, the EIB applies its approach towards environmental and social sustainability, which supports the respect of the key objectives and principles set out in the relevant EU environmental, climate, social, legal and policy frameworks in all sectors of operation.

Mr W. Molterer further provided information on the impact of EFSI and mentioned that projects financed by the EIB under EFSI are set to trigger €90.7 billion in investment for climate action, with data as of October 2019. Among others, he also indicated that operations signed under EFSI between 2015-2018 will serve 33.3 million people with new or modernized waste treatment facilities, will remediate 685 000 m² contaminated land and will contribute to 276 000 km of water mains or distribution pipes being built or upgraded.

Steering Board members provided more information on the Green Deal plan, which is included in the political guidelines for the next EC (2019-2024), and on the timeline of its implementation.

The Steering Board thanked the EFSI Managing Director for the information provided in his presentation and for the significant results that have already been obtained. The Steering Board indicated that EFSI is having an important role in the sustainable development of the European economy and society and that it could continue to play a role to further contribute to the objectives of the EU Green Deal in 2020.

The Steering Board encouraged the communication services of the EC and EIB Group to communicate more on results achieved under EFSI regarding environmental and sustainability objectives.

9. FOR DISCUSSION

EFSI Risk Profile – Q2-2019

Mr S. Scandizzo, Head of the Regulation & Reporting Division within the Risk Management Directorate, Mr J. Neuss, Head of Risk Management of the EIF and Mr L. Braun, Head of Strategy & Business Development within Mandate Management of the EIF presented the risk profile data for the IIW and SMEW of EFSI as at 30 June 2019.

Mr S. Scandizzo gave an overview of the loan grading and the expected losses distribution at approval and signature stages, and at the level of the outstanding EFSI debt and equity portfolios. He further elaborated on the migration of operations' loan grading after signature within the outstanding EFSI portfolio, observing that the loan grading of a typical transaction improves over time, with a constant internal rating of the underlying borrower, due to reducing remaining

tenor. He also provided information on the security classification of EFSI debt and equity portfolios and gave the Steering Board an update on the Watch List.

Mr J. Neuss presented the risk profile data for the SMEW for both the debt and equity portfolios, including the evolution of EFSI exposure over time.

The Steering Board asked for additional information on some of the operations included in the Watch List.

The Steering Board expressed its satisfaction with the detailed information provided in the presentation and took note of the risk profile data for the IIW and SMEW of EFSI.

10. FOR DECISION EIF SMEW Products

The EFSI Deputy Managing Director provided the Steering Board with a summary of the consultation of the EFSI Investment Committee on the EIF SMEW Products.

Steering Board members expressed their satisfaction with the development of the new products under the EFSI SMEW.

In accordance with the EFSI Regulation (EU 2017/2396), the Steering Board, jointly with the EFSI Managing Director, approved the EIF SME Window Products presented by Mr Braun, including (i) a new contribution to European Scale up Action for Risk capital ("ESCALAR") and Skills & Education Product ("Skills & Education"), as well as ii) an increase to existing facilities (InnovFin SME Guarantee Facility; COSME Loan Guarantee Facility; Private Credit Tailored for SMEs; EFSI SMEW Equity Product Sub Window 1 and Sub Window 2).

11. Any other business

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 discussed the potential organisation of a last EFSI Stakeholder event in 2020 in the framework of the remaining EFSI investment period. It invited the EFSI Secretariat to report to the Steering Board on the potential interest in the event by external stakeholders by the next Steering Board meeting.

The Steering Board further touched upon the need to list all open elements in the implementation of EFSI that need to be prepared by the end of the investment period of EFSI and asked the EC and EIB Group services to prepare a road map on all remaining open operational, governance and organisational matters in advance of the next Steering Board meeting.

The Chairperson declared the meeting closed at 12:00.

Schedule A

Decisions taken by the Steering Board (Meeting 33/2019)

Agenda Item	Description	Decision taken
3	Minutes of the meeting held on 18 July 2019.	The Steering Board approved the document with minor comments.
4	Approval of the Summary report of the 18 July Bilateral Stakeholders Consultation Meeting	The Steering Board approved the document without comments.
10	EIF SMEW Products	The Steering Board approved the document without comments.