

**FOR
DECISION**

EUROPEAN FUND FOR STRATEGIC INVESTMENTS
STEERING BOARD

Transfer of part of EFSI EU guarantee from IIW to SMEW

Adopted by Written Procedure with expiry date 06/04/2020

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

Transfer of part of EFSI EU guarantee from IIW to SMEW

The purpose of this note is to request approval from the EFSI Steering Board with respect to:

- 1) Transferring EUR 250m from the EFSI Infrastructure and Innovation Window (“IIW”) towards the EFSI SME Window (“SMEW”), which will result in an equivalent increase to the overall EFSI allocation to the EFSI SMEW, leading to a total EFSI SMEW allocation of EUR 6.75bn, and
- 2) Take note of the reduction in EIB financial contribution to EFSI by EUR 13.16m, following which EIB financial contribution to EFSI would still be above EUR 7.5bn.

Such proposal is subject to approval by the EFSI Steering Board in accordance with Article 11(3) of the EFSI Regulation.

A separate request has been submitted to the EFSI Steering Board and the EFSI Managing Director, after consultation of the EFSI Investment Committee in relation to EIF – on the enhancement of SMEW Products in accordance with Article 7.3 of the EFSI Regulation.

1. The role of EFSI in the COVID-19 response

The current market crisis triggered by the spread of Covid-19 has led to the biggest market decline since the financial crisis in 2008. Whilst the full impact on the global economic landscape can only be assessed once the virus spread has been contained and timeframes for lockdowns in countries across the world can be quantified, the anticipated damage to the ecosystem calls for an immediate response at scale.

In this respect, the Commission, EIB and EIF have identified the possibility to redirect available EFSI resources towards existing guarantee instruments managed by EIF that can mobilise a significant financing volume to the benefit of hard-hit companies. For this purpose, approximately EUR 1bn will be allocated in aggregate to the Innovfin SME Guarantee (“InnovFin SMEG”) and the COSME Loan Guarantee Facility (“COSME LGF”), with a view to mobilise around EUR 8bn of additional financing.

The reallocation of EFSI resources for an amount of approximately EUR **1bn** is ensured as follows:

- a. **EUR 600m** under the EIF EFSI SMEW has become effective via the 5th Amendment to the EFSI Agreement¹, which provides for an increase of the EFSI contribution to InnovFin SMEG and COSME LGF by EUR 100m and EUR 500m respectively. These top-ups were already approved by the EIF Board but the additional capacity made available will be focused on the COVID-19 response;
- b. **EUR 414m** will be made available within the 6th Amendment to the EFSI Agreement by (i) redirecting EUR 250m from the EFSI IIW towards EFSI SMEW, and (ii) reallocating unused amounts from existing SMEW products (approval requested via a separate note).

2. Transfer of EFSI EU guarantee from IIW to SMEW

The Steering Board approval is requested to transfer EUR 250m of the EFSI EU Guarantee currently available for the EFSI IIW Equity NPBs Portfolio to correspondingly

¹ “EFSI SB (23-2019) - EIF SME Window Products, approved by EFSI Steering Board and EFSI Managing Director on 17 October 2019.

increase the EU Guarantee allocated to the SMEW. This transfer means a reduction in the EFSI EU guarantee available to the IIW managed by EIB from EUR 19.5bn to EUR 19.25bn and an increase in the EFSI EU Guarantee available to the SMEW managed by EIF from EUR 6.5bn to EUR 6.75bn. The redirection of the EFSI EU Guarantee would help EFSI resources to respond to the COVID-19 crisis and contribute to optimising the use of the EFSI EU Guarantee across the EFSI windows.

This means that the total first-loss-piece (“FLP”) for the EFSI IIW Equity NPBs Portfolio decreases from EUR 800m to EUR 536.84m, as such:

<i>In EUR m</i>	Current EFSI IIW Equity NPBs Portfolio	EFSI COVID-19 Response
EU FLP	760	(-250=>) 510
EIB FLP	40	(-13.16=>) 26.84
Total FLP	800	536.84

Also, this correspondingly means that the EIB nominal contribution to EFSI shall reduce by EUR 13.16m², from EUR 7.54bn to EUR 7.53bn. This reduction does not impact the legal requirement of the EIB contribution to EFSI, as the latter remains above the “at least EUR 7.5bn” foreseen in the EFSI Agreement or “no less than EUR 7.5bn” foreseen in the EFSI Regulation. The EIB nominal contribution of EUR 7.54bn has already been approved by EIB Board of Directors in 2018, with the creation of the EFSI IIW Equity NPBs Portfolio.

² With the Third Amendment to the EFSI Agreement, the FLP of the EFSI IIW Equity NPBs Portfolio is held 95/5% between the EC and EIB (i.e. EUR 760 from the EC and EUR 40m from the EIB prior to the Sixth Amendment, and EUR 510m from the EC and EUR 26.84m from the EIB after the Sixth Amendment. This means a reduction of EUR 13.16m in the EIB nominal contribution to the FLP of the EFSI IIW Equity NPBs Portfolio).