



EUROPEAN INVESTMENT BANK

**European Fund for Strategic Investments**

**RATIONALES FOR THE DECISIONS TAKEN BY  
THE EFSI INVESTMENT COMMITTEE IN NOVEMBER 2018**

**EFSI Investment Committee**  
**5<sup>th</sup> October 2018**

Those attending

Chairman:

Mr. Wilhelm MOLTERER, Managing Director  
Ms. Iliyana TSANOVA, Deputy Managing Director

Members:

Mr. Gordon BAJNAI  
Mr. Thierry DEAU  
Ms. Dalia DUBOVSKA  
Ms. Vicky D. KEFALAS  
Ms. Andreja KODRIN  
Mr. Fabio PAMMOLI  
Ms. Nieves RODRIGUEZ VARELA  
Mr. Manfred SCHEPERS

Experts:

Mr. Marcus SCHLUECHTER, Advisor to the Managing Director  
Mr. Juan Jose FEBLES, Advisor to the Deputy Managing Director

EFSI Secretariat:

Ms. Emilie BOIS-WILLAERT, Head of EFSI Secretariat  
Mr. Renko WOUTERS, Corporate Secretariat Officer

## **Rationales for the decisions taken by the Investment Committee in November 2018**

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in November 2018.

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 September 2018 are as follow:

### **ALBA LEASING V LOAN FOR SME AND MID-CAPS (Italy)**

The Investment Committee approved the use of the EFSI guarantee for the proposed participation in the lower mezzanine tranche of true sale market securitisation of SME and MidCap leases.

The proposed EFSI intervention, combined with parallel senior engagement on EIB's own risk is expected to directly support more than 2,200 eligible SMEs and Midcaps with an aggregated 15,200 jobs, and result in increased access to finance to eligible beneficiaries via a contractual minimum requirement of at least 7.33x the EFSI amount.

The IC also acknowledged the close cooperation within EIB Group in the preparation of the project and the additional EUR 150m of EIF intervention in the upper mezzanine tranche, which is not included in the EFSI figures, and will result in a further new eligible financing to SMEs of EUR 225m.

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.

### **GARANTI BANK ROMANIA LOAN FOR SMES AND MID-CAPS (Romania)**

The Investment Committee approved the availability of the EFSI guarantee for the proposal which increases the access to finance for entities up to 3,000 employees by providing purpose related long-term funding to a local partner bank with the contractual obligation to match the EFSI funding and create a new eligible portfolio of at least 2x the EFSI intervention. The intermediated structure leverages the market knowledge and access of the local partner with the financing capacity for the support of small eligible

projects that could not be efficiently financed by EIB directly. At least 95% of the EFSI financing is expected to directly support beneficiaries in 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 purpose of the EFSI in line with Article 3 (b) of the Regulation as extended in December 2017.

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.

### **SB POLSKA ABS-ENHANCED SUPPORT FOR SMES AND MID-CAPS (Poland)**

The Investment Committee approved the use of the EFSI guarantee for the proposed participation in the mezzanine tranche of a synthetic securitisation of consumer loans of SB Polska.

The EIB intervention with EFSI support facilitates enhanced lending capacity towards new financing for SMEs and MidCaps or eligible Climate Action projects by private and public sponsors with a contractual minimum requirement to support new eligible financing of at least 2x the amount of the EFSI intervention, supporting an estimated 50,000 jobs.

The IC welcomed the joint EIB Group intervention with EIB guaranteeing the mezzanine tranche and EIF the senior tranche (without EFSI support), in order to achieve the release of lending capacity that enables SB Polska to further its new lending to eligible beneficiaries, and expected 80% benefit to Cohesion regions. The IC took note of the separate new portfolio requirement matching the EIF participation (without EFSI support), which is not included in the EFSI investment mobilised / multiplier figures.

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 project is Special Activity in line with the EIB's Statute which is a strong indicator of Additionality in the EFSI Regulation.

### **DIAKONESSENHUIS HOSPITAL (The Netherlands)**

The IC approved the use of the EFSI guarantee for a proposal supporting the construction and renovation works of existing hospital facilities, including the acquisition of medical and non-medical equipment and the implementation of a new electronic medical systems. The promoter is a regional general hospital, constituted as a private not-for-profit foundation. The contribution of this operation aims at improving the quality of the medical services provided, in alignment with the EFSI objective of health and support of innovative health solutions, and increases EFSI support towards social infrastructure.

The operation addresses a market failure and sub-optimal investment situation, triggered by the reforms introduced by the Dutch authorities aiming at enhancing the spending efficiency of the healthcare sector. The switch from a budget to a performance based revenue system, involving the reduction of the availability of a state guarantee fund and the re-designing of the basic insurance packages, have increased the difficulties of the healthcare institutions obtaining adequate financing from the market. The operation risks are primarily due to the loan long tenor and the general pressure on the revenues due to the reduced public budget in the healthcare sector, which makes the loan repayment

dependent on the performance related revenues of the hospital. Therefore, such a loan could not have been provided at the same terms and conditions by the EIB without the support of the EFSI guarantee. The EIB participation as an anchor investor will confer a strong signal to the market through its seal of approval. This signaling will give confidence to private sector investors as well as a promotional bank co-financing this operation.

### **RESEAU CANOPEE LOGEMENT SOCIAL (France)**

The IC approved the use of the EFSI guarantee for a project supporting the construction and rehabilitation of social and affordable housing units. The proposal addresses the EFSI objective in the field of social infrastructures, social services, social and solidarity economy, with circa 75% of the investments to take place in regions eligible under the EU Cohesion Policy. The operation has a strong focus on energy efficiency. Significant energy savings as well as CO2 emission reductions are expected. The demand for social housing in France is well in excess to the available supply due to limited construction and retrofit capacity. Also, the energy efficiency market, in particular for residential buildings, is subject to asymmetric information.

The promoters are facing a sub-optimal investment situation as their economic model as French Social Housing Provider is currently under stress. The production and retrofitting costs are increasing, while financial resources are reduced, after the recently implemented cuts in the budgetary support to social housing. The proposal is structured through an Investment Platform, allowing to pool the investment projects of four small borrowers, which could not have been addressed by the EIB individually. The aim of the EIB/EFSI long-term affordable financing is to counter the sub-optimal investment situation, by building upon the production and retrofitting capacity of the promoters. It will allow the promoters to maintain the original scope of their investment plans and deliver the improved social housing supply targeted. The proposal delivers an important social impact, by offering long-term affordable financing, allowing to maintain the rents at low levels. High employment impact is also expected, as housing construction is typically labour-intensive. The operation will be the first direct lending to French Social Housing Providers for the EIB, and is expected to mobilise financing from Caisse des Depots et Consignations, the French National Promotional Bank, and other public sources. Finally, the projects may benefit from technical assistance support to the preparation and implementation of the relevant projects, through the European Local Energy Assistance programme (ELENA) for energy efficiency projects.

### **DASOS TIMBERLAND III FUND (Regional – EU countries)**

The IC approved the use of the EFSI guarantee for an investment in a timberland fund, which focuses on sustainable forestry. For a primary implementation in Europe, the fund will invest in mature harvestable timberland assets combined with younger forestry assets, possibly in greenfield plantations and on forest assets under suboptimal management that have potential for appreciations and increased yields. The Fund will invest only in certified or certifiable forestry assets and will seek diversification in terms of geography, age class, species and end-uses.

The operation addresses a sub-optimal investment situation for the European forestry sector, being consistent with a number of EFSI objectives for sustainable forestry, environment and resource efficiency, renewable energy, climate action, as well as a strong support to rural areas, in particular in Cohesion regions. The Europe timberland market has still to be fully accepted by institutional investors as a mainstream asset class and lags behind other global markets. A factor which impedes the asset class in gaining acceptance arises from the inherent characteristics of the underlying forestry assets. The long growth and maturation cycle means that, unlike more traditional infrastructure investments, value creation takes longer for the manager to achieve, and assets are therefore slower to exit. The ownership structure of forestry in Europe, which is very

fragmented, is leading to efficiency losses in silviculture and harvesting operations, decreasing competitiveness in the European forestry industry. Reducing the passive and fragmented forest ownership has become a major forest policy priority. The proposed operation will support the investment manager to scale-up to an internationally competitive, pan-European dedicated forestry investment player, improving the operational efficiency of existing highly fragmented forestry assets in Europe, while investing only in certified or certifiable forestry assets. EIB's participation as an anchor investor shall provide a strong signal, for crowding-in private sector institutional investors into the sustainable development of forestry assets. The early involvement of EIB and its strong expertise was used to provide guidance and assistance on best practise in sustainable forest management and to align the investment proposal with market standards, to attract investors.

### **ACQUE VERONESI WATER INFRA UPGRADE (Italy)**

The IC approved the use of the EFSI guarantee for a proposal that supports investments in water and wastewater infrastructure, which generate positive externalities in the form of public health and environmental benefits, through improved water services, reduced pollution and a more rational use of water resources. The project will also partly contribute to climate adaptation and mitigation objectives.

The proposal is a sub-project under the ITALIAN SMALL WATER UTILITIES PROGRAMME LOAN approved by the IC on 17/07/2017 and will have a noticeable social and economic impact. Against a backdrop of pressing investment needs and chronic underfunding and constrained access to long-term funds in the water sector in Italy, the proposed investment programme is key to spurring investments in Integrated Water Sector infrastructure, ensuring service reliability while enhancing the protection of limited natural resources.

The economic life of water and wastewater infrastructure is significantly longer than the tenor of loans typically available on the Italian financial markets. The EIB, with EFSI support, will offer long-term financing, better in line with the economic life of the assets, thereby enabling the investment plan to be implemented within the envisaged scope and timeframe. The EIB participation further represents a strong signaling effect and will allow to crowd-in commercial lenders.

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