Multiannual Financial Framework (MFF) post-2020 and the EIB Group

Conference on European Economic Integration 2018
Vienna, 26 November 2018

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Main building blocks of the MFF relevant for EIB Group and NPBIs

**InvestEU**
- Future of EFSI
- Investment in Europe supported by the EU guarantee

**NDICI**
- Future tool for support outside EU, encompassing various current mandates
- Relevant for NPBIs with this scope of activities within their remit

**Cohesion**
- ESIF as source of funds for financial instruments
- Co-financing of projects benefiting from EU funds – possibly even more relevant due to proposed lower co-financing rates
Programmes replaced by the InvestEU Fund
**InvestEU – indicative proposed budget allocation**

<table>
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<tr>
<th>Window</th>
<th>Budgetary guarantee</th>
<th>Mobilised investment (estimate)</th>
</tr>
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<tbody>
<tr>
<td>Sustainable infrastructure</td>
<td>11 500</td>
<td>185 000</td>
</tr>
<tr>
<td>Research, Innovation and Digitisation</td>
<td>11 250</td>
<td>200 000</td>
</tr>
<tr>
<td>SMEs</td>
<td>11 250</td>
<td>215 000</td>
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<tr>
<td>Social investment and skills</td>
<td>4 000</td>
<td>50 000</td>
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<tr>
<td><strong>TOTAL</strong> <em>(EUR Million, in current prices)</em></td>
<td><strong>38 000</strong></td>
<td><strong>650 000</strong></td>
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- Budget for InvestEU Advisory Hub, InvestEU Portal and accompanying measures is proposed to be EUR 525m
- InvestEU is expected to mobilise more than EUR 650bn of additional investment across Europe
Invest EU Proposal - Positives

One single framework/rule book for all EU financial instruments

Better incentives to mobilise ESIF funding for InvestEU

Less overlap with other EU instruments

Reduction of steering committees across EU Fin Instruments
Invest EU Proposal – Concerns: Overall Scheme

**A** EC Bank
EC responsible for risk management, rating mapping and portfolio modeling.

**B** Unworkable governance
Superfluous additional levels and layers of approval for EIB Group operations.

**C** Geographical balance
Risk of geographic balance as small/young NPBs and MS without NPBs are disadvantaged.

**D** Cost
Overall costs across EU institutions increase as EC duplicates resources – to be borne by Member States.
Single Framework for the budget …but fragmented implementation

Financial instruments under the current MFF

- European Commission
- EIB Group
- NPBIs
- Final beneficiaries

Around 25% for EFSI

Commission proposal for the next MFF

- European Commission
- InvestEU
- EIB Group
- NPBIs
- Final beneficiaries

EC banking activity

MS Compartments
Enhancing the EC proposal should build on EFSI successes

**Joint Management EC/EIB.** Joint Design, Ownership and Governance (mutual veto rights). EIB Skin in the Game. 

**Equilibrium** between Policy and Financial Expertise.

**Market oriented and client centric approach.** Attraction of private sector capital (70%). Efficient approval process and project documentation fully in line with market standards. Equilibrium transparency/confidentiality.

**Flexible Implementation Structure** focusing on product innovation (risk sharing, quasi-equity, investment platforms, etc) and scale-up of functioning products. Intermediated operations to reach smaller projects & SMEs. **80% of clients are new** to EIB.

**Close collaboration with NPBIs.** **25% of EFSI** operations are **with NPBIs.** This includes smaller & younger NPBIs. Geographic balance. New dedicated NPBI Equity Window introduced under EFSI 2.0.
EIB Group figures  As of 13/11/2018

EFSI investment by sector*

- Smaller companies 33%
- RDI 21%
- Energy 19%
- Digital 11%
- Transport 8%
- Social Infrastructure 4%
- Environment and resource efficiency 4%

Of which EUR 47.7bn signed

EUR 359.9bn Total investment related to EFSI approvals

EUR 68.8bn Approved EFSI financing**
** EIB-approved: EUR 52.4bn
EIB-funded: EUR 16.4bn

EFSI investment relative to GDP*

Darker colours signify higher investment

High speed internet access for 15 million households
Better health care for 30.6 million people
Renewable energy for 7.4 million households

Target by 2020 EUR 500bn

* based on approved operations
Expected investment volume supported by EFSI financing relative to GDP per country, in EUR m. GDP figures are extracted from the AMECO database (November 2018 figures).
What we propose: **EC-EIB partnership**

**Based on strong EC policy steer and EIB Group banking competences**
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EIB outside the EU

External Lending Mandate (ELM) and the private sector focussed Investment Facility (IF) enabled the EIB to respond forcefully to EU policy priorities – for example:

- **Migration** (the Economic Resilience Initiative and the ACP migration package);
- **Ukraine** (doubling of EIB lending to EUR 3 billion in 2014-2016);
- **Economic Diplomacy**
- **Climate action** (target of 35% outside EU by 2020)
EIB dedicated mandates allow the EU Bank to respond to EU policy priorities…

**ELM**
- Cost efficient instrument: EUR 1 from the EU budget supports EUR 40 in investments
- MS closely involved in setting the priorities in the regulation and its mid-term review
- Long-term perspective with flexibility to respond to new needs

**ACP Investment Facility**
- Provides innovative financing instruments: local currency, equity, risk-sharing, impact finance
- MS closely involved in every project through the IF Committee
- Envelope for indispensable technical assistance and other grants

EIB own risk activities are complementary to ELM and other mandates
How could EIB’s proposal be reflected in the NDICI regulation?

EIB proposes a future External Investment Framework, which encompasses three components under the External Action Guarantee (EAG):

1. EFSD+ Guarantee (which under this proposal would focus on pre-bankable operations in fragile States and Least Developed Countries) managed by the EC, implemented by eligible counterparts
2. ELM+, managed and implemented by EIB
3. DFI component, managed by EIB, implemented by DFIs

and two grants envelopes:

1. Support Actions component, managed and implemented by EIB
2. EFSD+ Blending, managed by EC, implemented by eligible counterparts (as in EC’s proposal)
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EIB and cohesion policy: current situation

A EU Cohesion policy at the heart of EIB Group’s operations as one of the two transversal goals for our financing: more than 30% of financing.

B EIB Group dedicated product offer for cohesion areas

- Pre-financing of the national co-financing share via **Structural Programme Loans**
- Managing Holding Funds of **DFIs** (JESSICA or JEREMIE type)
- Accompanying advisory services in the area of financial instruments e.g. fi-compass
- Other important cohesion-related advisory services, including cohesion-related (JASPERS, ELENA)
- **SME initiative**
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<th>Continuation of providing the national co-financing with Structural Programme Loans (SPL)</th>
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<td><strong>EIBG should remain the preferred co-financier</strong></td>
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<tr>
<td><strong>EIBG could step up this activity</strong> in order to match possible funding gaps due to proposed lower EU co-financing rates</td>
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<td><strong>Making financial instruments suitable for the market</strong> in order to attract private investment and professional fund management</td>
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<td><strong>Making the Member State compartment of InvestEU a success</strong></td>
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<th>Acknowledging EIBG expertise to build capacity in project development, preparation and implementation and to FI under shared management</th>
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<td><strong>Both through centrally managed programmes and by working directly with MS</strong></td>
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<td><strong>Maintaining key role in supporting preparation of EU-funded projects through the existing joint initiatives with the EC like JASPERS</strong></td>
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