



# EVALUATION OF THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS

June 2021



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## **Evaluation of the European Fund for Strategic Investments 2021 – Thematic Report**

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# ABBREVIATIONS, ACRONYMS AND KEY TERMS

<b>3PA</b>	The 3 Pillar Assessment Framework for assessing projects to be financed by the European Investment Bank (EIB). The three pillars comprise (i) contribution to EU policy, (ii) quality and soundness of the project, and (iii) the EIB's technical and financial contribution. Each pillar is composed of indicators and sub-indicators. In 2020, 3PA was replaced by the Additionality and Impact Measurement (AIM) framework.
<b>Amended EFSI Regulation</b>	Regulation (EU) 2017/2396 amending Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal.
<b>Basel III standards</b>	A set of standards developed by the Basel Committee on Banking Supervision, seeking to strengthen the regulation, supervision and risk management of banks.
<b>Brexit</b>	Withdrawal of the United Kingdom from the European Union and the European Atomic Energy Community (EAEC, Euratom) at the end of 31 January 2020 CET.
<b>Climate action</b>	The EIB uses its internationally agreed methodology to identify project components, which contribute to climate action (or their proportion of the overall project cost).
<b>COSME</b>	Competitiveness of Enterprises and Small and Medium-sized Enterprises—a guarantee programme operated by the European Investment Fund under EFSI.
<b>COVID-19</b>	Contagious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).
<b>DG ECFIN</b>	Directorate-General for Economic and Financial Affairs of the European Commission.
<b>ECB</b>	European Central Bank.
<b>ECB SAFE</b>	Survey on the access to finance of enterprises, conducted biannually for firms in the euro area by the European Central Bank.
<b>EFSI</b>	European Fund for Strategic Investments.
<b>EFSI Agreement</b>	Agreement on the management of EFSI and the granting of the EU guarantee dated 22 July 2015, last amended in April 2020 (sixth amendment).
<b>EFSI Investment Committee</b>	Investment Committee of EFSI. The EFSI Investment Committee was responsible for approving the use of the EU guarantee for EIB operations supporting strategic investments throughout the European Union under the Infrastructure and Innovation Window (IIW), in line with EFSI investment policies and the requirements of EU Regulation 2017/2396. The EFSI Investment Committee comprised the managing director and eight independent experts appointed by the EFSI Steering Board following an open and transparent selection procedure; experts were appointed for a fixed term of up to three years, renewable up to a maximum term of six years.

<b>EFSI Managing Director</b>	Managing director of EFSI. The EFSI Managing Director was responsible for day-to-day management and for preparing and chairing meetings of the EFSI Investment Committee, as a voting member. In addition, the EFSI Managing Director was responsible for approving new products entrusted to the European Investment Fund, together with the EFSI Steering Board and in consultation with the EFSI Investment Committee. Following an open and transparent selection process and with the European Parliament endorsing the proposal of the EFSI Steering Board, the EIB president appointed the EFSI managing director.
<b>EFSI Steering Board</b>	Steering Board of EFSI. The EFSI Steering Board governed the implementation of EFSI to ensure appropriate use of the EU guarantee. Under EU Regulation 2017/2396, it determined EFSI's strategic orientation, including its risk profile, the operating policies and procedures necessary for its functioning, and operations with investment platforms, national promotional banks or institutions (NPBIs). The EFSI Steering Board comprised five members: three appointed by the European Commission, one by the EIB and one (non-voting expert) by the European Parliament.
<b>EFSI operational reports</b>	Reports on the key performance and key monitoring indicators of EFSI, as agreed between the European Commission and the EIB, produced biannually by the EIB and submitted to the Commission and the European Parliament.
<b>EFSI portfolio</b>	Portfolio of EIB Group operations eligible for the EU guarantee under EFSI.
<b>EFSI Regulation</b>	Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1). The EFSI Regulation established EFSI and envisaged its management by the EIB Group. The EFSI Regulation also provided for granting from the EU budget a guarantee to the EIB for financing investments in the European Union, including cross-border projects. It was amended by Regulation (EU) 2017/2396.
<b>European Investment Advisory Hub</b>	Also referred to as Advisory Hub or “the Hub”.
<b>EIB</b>	European Investment Bank.
<b>EIB Group</b>	European Investment Bank Group, comprising the EIB and the EIF, sometimes referred to as “the Group”.
<b>EIF</b>	European Investment Fund.
<b>EIF-NPI Equity Platform</b>	Collaborative initiative launched by the EIF in 2016 to promote sharing of knowledge and best practices between the EIF and national promotional institutions (NPIs) or banks (NPBs) across EU Member States. The platform's goal is to enhance access to funding for small and medium-sized enterprises (SMEs) and mid-caps, support the defragmentation of equity markets, and match national, EU and private sources of funding.
<b>EIF-NPI Securitisation Initiative</b>	Cooperation and risk-sharing platform aiming to provide more funding to small and medium-sized enterprises (SMEs) via the capital markets. The objective of this joint cooperation in SME securitisation transactions is to stimulate the availability of finance to SMEs in Europe by revitalising the SME securitisation market while catalysing resources from the private sector.

<b>ERR</b>	Economic rate of return.
<b>EU</b>	European Union.
<b>EU-15</b>	The 15 countries that joined the European Union before 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.
<b>EU-13</b>	The 13 countries that have joined the European Union since 2004: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.
<b>FIRR</b>	Financial internal rate of return.
<b>First-loss piece</b>	For the IIW Debt Portfolio, the first-loss tranche provided by the EU guarantee; for the IIW Equity Portfolio – NPBs, the sum of the first-loss tranche provided by the EU guarantee and of the first-loss tranche provided by the EIB, on a pari passu basis.
<b>Full delegation</b>	In risk-sharing operations that are intermediated, the EIB Group (partially) assumes the risk on underlying transactions to support the origination of an EFSI-eligible new portfolio of loans. Such risk-sharing operations can be structured as “linked,” whereby the EIB Group guarantees up to 50% of new EFSI-eligible operations originated by a partner financial intermediary during a predetermined allocation period. These structures can either be “linked partial delegation,” whereby the EIB Group retains the right to approve/reject any addition to the portfolio, or “linked full delegation,” whereby the EIB delegates to the financial intermediary the selection of loans based on predefined criteria. Risk-sharing operations may also be structured as “de-linked,” whereby the EIB guarantees up to 50% of a selected number of existing loans identified as performing at the date of signature of the EIB guarantee, termed the “reference portfolio.” To benefit from the guarantee, the financial intermediary commits to building up a portfolio of new EFSI-eligible loans (not guaranteed by the EIB), termed the “new eligible portfolio.” In this structure, the financial intermediary’s regulatory capital is normally released on the guaranteed portfolio to support the origination of the new portfolio. The coverage of the EU guarantee becomes effective from the point at which the portfolio of new financings reaches a predefined minimum volume, ranging from one to two times the guaranteed portion of the “reference portfolio.”
<b>GDP</b>	Gross domestic product.
<b>GFCF</b>	Gross fixed capital formation.
<b>IG/EV</b>	Evaluation function of the EIB Group.
<b>IIW</b>	Infrastructure and Innovation Window of EFSI, implemented by the EIB.
<b>InnovFin</b>	EU Finance for Innovators; a guarantee scheme provided by the EIF under EFSI.
<b>Investment period</b>	The period from mid-2015 to mid-2018 set by EFSI Regulation 2015/1017 for reaching the objective of mobilising €315 billion of investment. It was extended up to year-end 2020 (for approvals) and year-end 2022 (for signatures) by EFSI Regulation 2017/2396 in connection with the updated objective of mobilising €500 billion of investment.

<b>Investment mobilised</b>	The total volume of financing from the EIB Group and other public and private sources for projects supported by EFSI.
<b>Investment platforms</b>	Encompass special purpose vehicles, managed accounts, contract-based co-financing or risk-sharing arrangements, or any other types of arrangements through which entities channel a financial contribution to finance a number of investment projects. Under the Amended EFSI Regulation, IPs may include: (a) national or sub national platforms that group together several investment projects in the territory of a given Member State; (b) cross-border, multi-country, regional or macro-regional platforms that group together partners from several Member States, regions or third countries interested in projects in a given geographic area; and (c) thematic platforms that group together investment projects in a given sector.
<b>Market failure</b>	Situation in which markets fail to reach the socially optimal outcome because they cannot internalise social costs or benefits through the price system. Most common market failures concern: public goods, market power, externalities, information asymmetries and coordination failures.
<b>Mid-caps</b>	Under the EFSI Regulation, mid-caps are companies with up to 3 000 employees, while small mid-caps are companies with up to 500 employees.
<b>NPBIs</b>	National promotional banks and institutions.
<b>RDI</b>	Research development and innovation.
<b>SAFE</b>	Joint European Commission / ECB survey on the access to finance of enterprises. See also "ECB SAFE".
<b>Scoreboard</b>	EIB-published document summarising key information and indicators of an EFSI project—as referred to in Article 7(14) of the EFSI Regulation and the Commission Delegated Regulation (EU) 2015/1558 under Article 23(1) to (3).
<b>SME</b>	Under the EFSI Regulation, a company with up to 250 employees is classified as a small and medium-sized enterprise.
<b>SMEW</b>	Small and medium-sized enterprises window under EFSI, implemented by the EIF.
<b>Special Activities</b>	The collective denomination for those activities that entail risk greater than that generally accepted by the EIB, including: lending/guarantee operations with a lifetime expected loss equal to or greater than 2%; infrastructure funds and other funds participations, venture capital activities, equity operations and other operations with an equivalent risk profile.

# 1. EXECUTIVE SUMMARY

**This is the third evaluation of the European Fund for Strategic Investments (EFSI) undertaken by the evaluation function (IG/EV) of the European Investment Bank Group (EIB Group).<sup>1,2</sup> It assesses the relevance and functioning of EFSI over the 2018–2020 period.**

**L**ow investment levels following the 2007/2008 financial crisis prompted the European Commission to launch the Investment Plan for Europe, also known as the Juncker Plan, in 2014. One pillar of the Investment Plan for Europe is EFSI, a guarantee mechanism that enhances the EIB Group’s risk-bearing capacity. Its aims are to help finance operations which address market failures and suboptimal investment situations and to mobilise private investment. EFSI comprises the EIB-managed Infrastructure and Innovation Window (IIW), which aims to mobilise investment in infrastructure and innovation, and the EIF-managed SME Window (SMEW), which seeks to enhance access to finance for small and medium-sized enterprises (SMEs) and small mid-caps.<sup>3,4</sup>

Established in July 2015 as a joint initiative of the European Commission and the EIB, EFSI had the initial objective of mobilising €315 billion in investment across the European Union from operations approved by year-end 2018. In December 2017, EFSI’s firepower was increased by enlarging the guarantee amount and introducing technical enhancements under an amendment of the EFSI Regulation (the Amended EFSI Regulation, or EFSI 2.0), aiming to achieve a mobilisation target of €500 billion from operations approved by year-end 2020 (and from operations signed by year-end 2022).<sup>5</sup>

As of 31 December 2020, the EFSI portfolio comprised 732 operations approved under the IIW (including 433 approved in 2018–2020), totalling €69.6 billion, and 816 operations approved under the SMEW (including 462 approved in 2018–2020), totalling €33.0 billion. Together, these operations are expected to mobilise €545.3 billion of investment across the European Union. **EFSI has thus exceeded its target volume of investment mobilised from operations approved up to year-end 2020.** It is also on track to reach the €500 billion target of investment mobilised from operations signed up to year-end 2022.<sup>6</sup> Operations signed as of 31 December 2020 are expected to mobilise total investment of €479.5 billion. According to IG/EV estimates, the target of €500 billion of investment mobilised based on signed operations will be met in May 2021.

1. The EIB Group is formed of the European Investment Bank (EIB) and the European Investment Fund (EIF).

2. The two previous IG/EV evaluations are published on the EIB publication site, ([here](#)) and ([here](#)). Article 18(3) of the EFSI Regulation prescribes that by 30 June 2018 and every three years thereafter, the EIB must publish a “comprehensive report on the functioning of EFSI.” This evaluation is a contribution to the latest required report. The EIB Economics Department will also contribute by analysing the impact of EFSI on growth and employment.

3. SMEs are companies with less than 250 employees; small mid-caps are companies with less than 500 employees which are not SMEs; mid-caps are companies with up to 3 000 employees which are neither SMEs nor small mid-caps.

4. Article 9(2) of the EFSI Regulation sets the general objectives, which correspond to the eligible sectors/areas for EFSI-guaranteed operations (i.e. EIB or EIF financing or investment under EFSI). These sectors/areas are: a) research, development and innovation; b) development of the energy sector in line with the Energy Union priorities; c) development of transport infrastructures, and equipment and innovative technologies for transport; d) financial support through the EIF and the EIB to entities with up to 3 000 employees; e) development and deployment of information and communication technologies; f) environment and resource efficiency; g) human capital, culture and health; h) sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider bioeconomy; i) for less-developed regions and transition regions, other industry and services eligible for EIB support.

5. For more details on the regulation establishing EFSI, please see [Regulation on EFSI 2.0 \(European Fund for Strategic Investments\) | European Commission \(europa.eu\)](#), [Evaluation of the functioning of the European Fund for Strategic Investments \(eib.org\)](#) and [Evaluation of the European Fund for Strategic Investments \(eib.org\)](#).

6. The Amended EFSI Regulation stipulates that EFSI should “mobilise €500 billion of additional investment in the real economy until end 2020.” Under the EFSI Agreement, the relevant key performance indicator was set to measure the volume of additional investment in the real economy [...] towards the target of €500 billion [based on] approved [operations] by end 2020 and [based on] signed [operations] by end 2022. This evaluation considers it more meaningful to report on investment mobilised based on signed operations, rather than approvals. To have an impact on the investment gap, growth and employment, EFSI must stimulate investment in the real economy. To this end, the approval of operations is insufficient; operations must be signed, funds disbursed and projects implemented—especially when considering the attrition of operations between these stages.

## OBJECTIVE

This evaluation analyses the impact of the most important technical enhancements on the functioning of EFSI. Specifically, through the dimensions of relevance, effectiveness and efficiency, it considers the effects of (1) strengthened additionality; (2) enhanced cooperation with national promotional banks and institutions (NPBIs); (3) the “soft” climate action target;<sup>7</sup> and (4) enhanced transparency measures. An additional aim of the evaluation is to derive insights from EFSI’s implementation, particularly with a view to learning lessons for future mandates, such as InvestEU<sup>8</sup> and the European Guarantee Fund.<sup>9</sup>

## METHODS

To build its evidence base, the evaluation uses a combination of methods, both quantitative (portfolio and data analysis, surveys of EFSI promoters and financial intermediaries) and qualitative (interviews, document and literature reviews, and case studies). Eleven case studies were undertaken to gain better understanding of the survey responses from relevant promoters and financial intermediaries. The portfolio analysis includes all operations approved for EFSI support between January 2018 and December 2020, and the operations approved between 2015 and 2017 with comparative relevance.

## KEY FINDINGS AND LESSONS LEARNED

**Overall, the evaluation finds that EFSI has been a game changer**, for example by demonstrating how public money can be combined with the EIB Group’s expertise and risk-bearing capacity to unlock large-scale investment in the European Union. It also helped bring the exchanges between the Group and national promotional banks and institutions to a higher level. The high standards of transparency applied by EFSI created trust and acceptance in the EIB Group and in the initiative among stakeholders. **Over time, EFSI has matured into a mechanism that is generally acknowledged as effective and valuable.**

**By increasing the EIB Group’s risk-bearing capacity, EFSI has remained relevant and allowed the Group to help address market failures and support investment where most needed.** The analysis shows that more EFSI financing, measured in relation to gross domestic product (GDP), went to EU countries with the most significant investment gaps, and EFSI financing addressed sectors with large investment gaps. **EFSI has also remained relevant in the context of the COVID-19 crisis**, when risk aversion increased and credit constraints tightened. **It proved to have sufficient flexibility to react quickly** to support the economy, particularly access to finance for SMEs and mid-caps.

7. “Soft” conveys that the target is a desirable, ambitious outcome but not a hard indicator against which EFSI’s performance is assessed.

8. The InvestEU Programme (2021–2027) is the successor of the Investment Plan for Europe and brings together 13 EU financial instruments, such as InnovFin (the EU Finance for Innovators initiative) and the Connecting Europe Facility.

9. The European Guarantee Fund has been set up by several EU Member States and the EIB Group in the context of the COVID-19 crisis, aiming to support businesses affected by the economic downturn.

## LESSON 1



Risk-sharing mandates can be an effective tool for addressing both structural and cyclical investment gaps, including in crises such as that triggered by the COVID-19 pandemic. An important condition is that these mandates' design and implementation have sufficient built-in flexibility. These mandates can support investment amid increased risk aversion among economic actors, but can only work when there is some demand/appetite for investment.

The Amended EFSI Regulation modified the requirements for demonstrating additionality, so as to enhance the focus on market failures and suboptimal investment situations. **The evaluation finds that EFSI operations were additional, in line with the Amended EFSI Regulation. They provided financial benefits (in terms of financing size, tenor and other financial conditions) and non-financial benefits (signalling and reputational), which the market could not have provided, or not to the same extent or within the same time frame.** Moreover, interviews with relevant EIB services confirm that the EIB Group could not have financed the same portfolio of EFSI operations within the same time frame without the EU guarantee, without jeopardising the Group's business model. The Amended EFSI Regulation, which stipulated that the location of an EFSI operation in less developed or transition regions would constitute a "strong indication of additionality," did not lead to a change in the distribution of operations between the EU-15 and the EU-13.<sup>10</sup>

The amendment also did not trigger a change in the quality of additionality justifications, which already pointed at market failures and suboptimal investment situations (and not only at risks commensurate with the "Special Activities"<sup>11</sup> category) before the Amended EFSI Regulation came into force, reflecting a constructive learning process between the EIB Group and the EFSI Investment Committee.

**EFSI mobilised significant private financing, thus enhancing investment levels in the European Union.** As of year-end 2020, a total of €82.8 billion in signed EFSI operations had mobilised four times that amount from private financiers (€328.8 billion). Private financing thus represented 68.6% of the total of €479.5 billion of investment expected to be mobilised from signed EFSI operations. Surveys, interviews and case studies confirm that EFSI has generally helped to attract private investors ("crowding in").


10. EU-15 refers to the 15 countries that joined the European Union before 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. EU-13 refers to the 13 countries which have joined since 2004: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

11. Special Activities is the collective denomination for those activities that entail greater risk than that generally accepted by the EIB, including: lending/guarantee operations with a lifetime expected loss equal to or greater than 2%; infrastructure funds and other fund participations, venture capital activities, equity operations and other operations with an equivalent risk profile. Article 16 of the EIB Statute requires the EIB to have a "Special Activities Reserve" to protect against unexpected losses.

While recognising the demand-driven nature of EFSI, the Amended EFSI Regulation required the EIB to pursue a soft climate action target of 40% in IIW project components (excluding financing for SMEs and mid-caps), in line with EU commitments under the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). **The introduction of this target aligned EFSI with the increasing importance of climate change in the European political agenda.** The evaluation finds that the successful fulfilment of the 40% target did not entail compromises in the geographical distribution or perceived additionality of operations. **While the increase in climate action EFSI operations coincided with the introduction of the target, there was no clear evidence to establish a causal link between the two.**

**EFSI helped to invigorate cooperation between the EIB Group and NPBIs. However, the evaluation finds that this cooperation has not delivered some of the potential benefits under the IIW.** The heterogeneity of the NPBIs made it challenging to systematically ensure a high level of bilateral cooperation. Success depended on the country context, the specific strengths of each NPBI and the EIB’s flexibility to adapt to these. An analysis of projects shows that investment platforms under the IIW have helped to reach smaller operations but were limited by inefficiencies in their setup and implementation.


**LESSON 2**



On the relationship between the EIB and NPBIs, experiences from EFSI show that it is important to take into account the specificities of each NPBI (e.g. national context, specific strengths). The heterogeneity of NPBIs requires specific attention and flexibility to achieve a higher degree of mutually beneficial cooperation.

**The transparency requirements introduced by the Amended EFSI Regulation, which required publishing the EFSI Scoreboard and justifications from the EFSI Investment Committee for approving the use of the guarantee, contributed to a more positive perception of EFSI operations, with no significant drawbacks.** The changes made to increase transparency have improved perceptions of EFSI held by the European Parliament and civil society organisations. The evaluation found no significant detriment to client relationships, nor any loss of efficiency in the implementation due to additional requests for information from external stakeholders.

**LESSON 3**



For EFSI-type mandates, increased transparency can provide important benefits, such as more positive perceptions of and higher trust in the initiative, as well as improved relations with a set of stakeholders. If well managed, this can be achieved with limited loss of efficiency in implementation and impairments to client relationships.



## 2. MANAGEMENT RESPONSE

**The EIB and the EIF Management welcome the evaluation report on the functioning of EFSI, including its accompanying report on EFSI's impact on investment in the European Union, employment creation and access to financing for SMEs and mid-cap companies.**

**A**s of 31 December 2020, EFSI had mobilised €545.3 billion (based on approved financing) and had achieved the soft target of 40% climate action components (excluding support for SMEs and small mid-caps), with 43.09% of components in signed EFSI operations. According to the RHOMOLO-EIB model, the EFSI-supported investments will help generate a 2.4% increase in GDP and 2.1 million jobs by 2025.

**The EIB and the EIF Management (“the Management”) will use the information and analysis provided in this evaluation for the implementation of risk-sharing mandates** in the new Multiannual Financial Framework period and related strategic discussions. **The implementation of EFSI should also be assessed within the framework of the overall Investment Plan for Europe**, comprising three complementary pillars of equal importance. This evaluation addresses EFSI, as the first pillar of the Investment Plan for Europe, and relevant actions of the European Investment Advisory Hub. The Management would like to emphasise the significance of the second pillar, composed of the Advisory Hub and the European Investment Project Portal (EIPP), and the third pillar, which was intended to address investment and regulatory barriers. The EIB Group contributes to the third pillar, led by the European Commission, through annual reporting on investment barriers encountered by the Group when carrying out EFSI operations.

This evaluation report benefited from regular exchanges between the evaluation team, EIB and EIF staff, members of the EFSI Steering Board and Investment Committee, European Commission and European Parliament staff, and stakeholders such as NPBIs. The report was presented to the EIF Chief Executive and Deputy Chief Executive on 23 April 2021, endorsed by the EIB Management Committee on 30 April, and presented to the EIB Board of Directors at its 17 June meeting and to the EIF Board of Directors at its 21 June meeting. It was then submitted by the EIB Group to the European Parliament, Council and European Commission, in compliance with the EFSI Regulation.

## AN OVERALL POSITIVE ASSESSMENT

The Management welcomes the EFSI evaluation analysis and overall positive findings, among other:

- **EFSI is acknowledged as an effective and valuable mechanism, meeting its key targets** (e.g. over €500 billion of investment mobilised based on approvals, 40% climate action components, and overall wide sectoral and geographic distribution).
- **EFSI operations were (highly) additional** in line with the Amended EFSI Regulation, addressing market failures and **bringing financial and non-financial contributions** to projects (signalling effect, reputational gains, quality stamp, restructuring, and other advice), **as well as societal benefits not accounted for by the market**.
- EFSI was a **catalyst for attracting public and private investors: private investment amounted to four times the volume of signed EFSI operations** (€328.8 billion on €82.8 billion by year-end 2020), representing 68.6% of the total investment mobilised on signed operations.
- **Positive impacts of EFSI—on investment, employment creation and access to financing for SMEs and mid-cap companies—are confirmed** by the accompanying macroeconomic impact report.
- The **Amended EFSI Regulation brought “strengthened additionality”**—the documentation provided to the EFSI Investment Committee **progressively incorporated justification beyond risk elements** (i.e. Special Activities status) since the start of EFSI, and systematically on market failures, suboptimal investment situations and private investment.
- The **adjustments introduced by the Amended EFSI Regulation were successfully implemented**, including reinforced cooperation with NPBIs and enhanced transparency measures.

## ACKNOWLEDGEMENT OF CONCLUSIONS

The Management notes the findings and conclusions on EFSI's climate action contribution and geographical distribution.

The Management welcomes the evaluation's confirmation that **fulfilling the soft climate target** (40% of climate action components, excluding support for SMEs and small mid-caps) **did not lead to compromises in the additionality of operations or overall geographical distribution**. The introduction of the target coincided with the **trend already set by the EU goals** and political agenda on this subject, **as well as, specifically, the EIB Group's own climate action and environmental sustainability (CAES) objective and ambitious targets**; all combined leading to an increase in EFSI operations in climate action. While risk factors and addressing market failures remained the decisive elements for granting the EU guarantee, EFSI Investment Committee discussions increasingly included elements regarding the contribution to climate action and, **under EFSI 2.0, climate action often complemented the additionality justification**.

The Management acknowledges that **the indicative geographical limit ("45% for the top three recipient Member States in the IIW at the end of the investment period") is slightly exceeded as of 31 December 2020** (i.e. 48.4% signed IIW financing). **The limit will be recalculated at the end of the investment period (i.e. year-end 2022 for signatures) and may vary** when current approved operations are signed. If we consider signed financing for the entire EFSI—the IIW and the SMEW—the share of the top three recipients is only 43.6%. It is also important to emphasise that, as recognised by the EFSI Steering Board which took stock of a dedicated EIB study on the matter, **the geographical distribution is balanced if considered on GDP levels**—the EU-13 share of EFSI financing (11% by year-end 2020) is above its share of EU-28 GDP (9.3%, 2019). Yet an EU-15 vs. EU-13 comparison was not foreseen by the EFSI Regulation, which only cautioned against excessive concentration

The EFSI Steering Board also recognised the **considerable efforts made by the EIB Group, including capacity building by the European Investment Advisory Hub**, to ensure the wide geographical spread of EFSI, which the **evaluation confirms as bringing more support, in relation to GDP, to countries which had the most significant investment gaps**. The accompanying macroeconomic impact report also concludes that cohesion regions and countries most hit by the 2008 crisis are benefiting most from EFSI. This was achieved regardless of a **difficult context (Brexit, COVID-19), when EFSI also had to meet other key benchmarks, including the soft climate target**, without major distortion on the geographical split.

## ACKNOWLEDGEMENT OF LESSON LEARNED 1

The Management acknowledges “Lesson learned 1: Relevance of risk-sharing mandates.”

The Management welcomes the **recognition of risk-sharing mandates’ relevance and effectiveness in addressing both structural and cyclical investment gaps**, made possible by increasing the EIB Group’s risk-bearing capacity via the guarantee, as well as **EFSI’s flexibility and quick adaptability during the COVID-19 crisis**. In coordination with the European Commission, the EIB Group’s broad COVID-19 response via EFSI targeted SMEs (shift of EU guarantee from the IIW to the SMEW, dedicated €2 billion programme loan, and improved terms and conditions and additional budgetary capacity for SMEW products). However, the response was also directed to other sectors of the economy by speeding up the approval process for new (EFSI and non-EFSI) operations and the approval of top-ups for existing EFSI operations. **The COVID-19 response was extraordinary, yet it has shown once again that flexibility is paramount** for successful management and deployment of risk-sharing mandates, **as well as adapting to market demand**, which is also a key factor.

- ✓ The Management acknowledges the lesson learned and intends to continue working, together with the European Commission, for future mandates’ in-built flexibility, especially where such needs are most anticipated, while preserving their legal fit and additionality and bearing in mind cost coverage and capital considerations.

## ACKNOWLEDGEMENT OF LESSON LEARNED 2

The Management acknowledges “Lesson learned 2: Cooperation with NPBI.”

The Management has made a conscious effort since the beginning of EFSI to reinforce **dialogue and the structures for cooperation with NPBI, leading to better mutual understanding and a significant increase in the number of joint operations**, both under the IIW and the SMEW (respectively, 16.70% and 27.48% of signed financing was with NPBI by year-end 2020), as recognised by the evaluation. It remains important to underline the **operational and regulatory constraints under which EIB-NPBI EFSI cooperation took place including the complexity of new products and partnerships**, as well as markets in certain geographies (few eligible projects, other financing available). The European Investment Advisory Hub contributed to address this through capacity building and other advisory support measures for NPBI. **Stakeholders’ expectations often went beyond the EFSI Regulation mandate** and mutual business possibilities (e.g. mutual recognition, delegated or shared diligence). Some misalignment of respective missions or operational goals also occurred, exemplified by little demand for operations under the new dedicated IIW NPBI Equity Window under the Amended EFSI Regulation, added to the political context of the preparation of InvestEU. **On the side of SMEW, EFSI enabled stronger and efficient partnerships** resulting in a number of joint operations in the fields of guarantees and equity investments.

- ✓ The Management acknowledges the lesson learned and will continue striving to take into account the specificities and national contexts of NPBI (e.g. tailor operations where possible) and apply the necessary flexibility, as expected from NPBI, for further mutually beneficial and tangible cooperation.

## ACKNOWLEDGEMENT OF LESSON LEARNED 3

The Management acknowledges "Lesson learned 3: Value of transparency measures."

The Management agrees with the evaluation that **the transparency measures introduced by the Amended EFSI Regulation contributed to a better understanding and perception of EFSI by third parties. Thanks to active management** and additional coordination by EIB Group services, **the costs for efficiency and client relationships were reasonable.** The Management underlines the importance of a regular and open dialogue between the EIB Group and external stakeholders and reiterates the **EIB Group's strong commitment to accountability and transparency principles.** In this respect, it notes the large efforts undertaken by the EIB Group to enhance the level of transparency on the implementation of EFSI since its inception and welcomes the positive evolution in third parties' perception of EFSI. The enhanced transparency, while being fully supported by the EIB Group, also **needs to be balanced with clients' legitimate interests in the confidentiality of sensitive information.** In this regard, the Management notes that the specific procedures for consulting clients on EFSI transparency requirements were generally perceived to be adequate.

- ✓ The Management acknowledges the lesson learned and will continue its general commitment towards the principles of accountability and transparency, in accordance with the EIB Group's transparency policy and future revisions.



# 3. INTRODUCTION

**This report examines the functioning of EFSI from 2018 to 2020. It considers the relevance, effectiveness and efficiency of EFSI operations, particularly in light of the amendments made to the EFSI Regulation on 13 December 2017.**

The report pursues two objectives:

1. to contribute to the triennial “Comprehensive Report on the Functioning of EFSI,” as required by Article 18.3 of the EFSI Regulation;
2. to present lessons learned for the design and implementation of future mandates, such as InvestEU and the European Guarantee Fund.

## 3.1 AUDIENCE

The intended users of this evaluation are the EIB and EIF Boards of Directors, management and services. The evaluation will also interest external stakeholders, such as the European Commission, the European Parliament, NPBIs, EU Member States, the project promoters and financial intermediaries supported under EFSI, and the public at large.

## 3.2 STRUCTURE

The report is structured as follows: the rest of this section sets out the evaluation scope, questions and methods; Section 4 provides background information on EFSI and the state of play; Section 5 presents the main findings of the evaluation; and Section 6 puts forth conclusions and lessons learned.

## 3.3 SCOPE

The scope of this evaluation has been calibrated to avoid overlap with previous EFSI evaluations and audits by the European Court of Auditors. In addition to updating some aspects of the EFSI evaluation carried out by IG/EV in 2018, it assesses the functioning of EFSI 2.0 along the following dimensions:

### *Relevance*

The evaluation assesses the extent to which EFSI remained a relevant mandate during 2018–2020, including how the mandate was adapted to the changing context during the COVID-19 crisis.

### *Effectiveness*

The evaluation focuses on the effects of the main changes introduced by the Amended EFSI Regulation (concerning transparency, additionality, cooperation with NPBIs and the climate action target) on the overall capacity of EFSI to deliver on its objectives.

### *Efficiency*

The evaluation assesses the impact of enhanced cooperation with NPBIs and enhanced transparency measures on EFSI’s efficiency.

## 3.4 EVALUATION QUESTIONS

### 1. To what extent has EFSI remained an adequate response to Europe's investment gap(s) in the evolving economic and policy context?

One of EFSI's core objectives is to address investment gaps in Europe. This evaluation analyses whether investment gaps persisted in the European Union between 2018 and 2020, and if EFSI operations helped to address them. With the deep global recession triggered by the COVID-19 crisis, the evaluation analyses the extent to which EFSI demonstrated flexibility to adapt to rapidly evolving investment gaps.

### 2. To what extent have the operations funded under EFSI 2.0 demonstrated additionality, in line with the Amended EFSI Regulation?

Achieving additionality<sup>12</sup> has always been a key objective of EFSI. By eliminating the automatic link between Special Activities and additionality, the Amended EFSI Regulation increased the importance of addressing market gaps and suboptimal investment situations as criteria for judging additionality. The evaluation analyses if EFSI operations approved during 2018–2020 demonstrated additionality (at both operation and portfolio level), whether the amendments led to greater differences in additionality justifications, and whether they affected the geographical distribution of EFSI operations between the EU-15 and EU-13.

### 3. To what extent has the increased focus on climate action, including the introduction of a specific target, affected the implementation of EFSI and the achievement of its objectives?

The Amended EFSI Regulation introduced a climate action target, requiring 40% of project components financed by the portfolio of EFSI operations under the IIW (excluding support for SMEs and small mid-caps), counting all operations from the date of EFSI's inception, to contribute to climate action. The target was introduced without questioning the demand-driven nature of EFSI, meaning it was a "soft" target. This evaluation analyses the extent to which this target has been achieved, and its effects—positive and negative—on the achievement of EFSI objectives.

### 4. To what extent has enhanced cooperation with NPBIs improved the effectiveness and efficiency of EFSI?

The Amended EFSI Regulation restates the need for enhanced cooperation with NPBIs, including through investment platforms. Such cooperation had the potential to generate a number of benefits, such as enhanced synergies and reaching out to smaller projects. The evaluation assesses the extent to which such benefits materialised.

### 5. To what extent have the transparency requirements introduced through EFSI 2.0 impacted on stakeholders' perception of EFSI operations?

One important change introduced by EFSI 2.0 was the requirement to publish systematically the rationale for EFSI Investment Committee decisions and the Scoreboard, while protecting commercially sensitive information. The evaluation examines the extent to which the transparency measures impacted on stakeholders' perception of EFSI and their relationship with the EIB Group.

12. According to Article 5 of the Amended EFSI Regulation, additionality refers to "support [...] for operations which address market failures or sub-optimal investment situations and which could not have been carried out during the period in which the EU guarantee can be used, or not to the same extent, by the EIB, the EIF or other existing Union financial instrument, without EFSI support".



## This report is based on...



### Desk research:

- Portfolio review of EFSI operations approved between January 2018 and May 2020.<sup>13</sup>
- Transaction-related documentation: project documentation for the EFSI Investment Committee, requests for approval, EFSI Investment Committee decisions and their rationale.



### Policy and literature review, including:

- EFSI Regulation and subsequent amendments.
- Available studies on investment gaps.
- Data from Eurostat and the Directorate-General for Economic and Financial Affairs of the European Commission (DG ECFIN).
- Reports issued by the EIB Economics Department and the EIF market research team.



### Case studies of 11 EFSI transactions:

- The case studies were selected using a purposeful sample to capture a variety of geographies, sectors, types of products and clients across the IIW and the SMEW.
- They are based on a range of sources, including transaction documentation, in-depth interviews with intermediaries/promoters, survey responses from intermediaries/promoters, interviews with the NPBIs that co-financed operations, interviews with EIB and EIF relationship managers, etc.



### Inputs collected via two online surveys from:

- 122 EFSI-backed intermediaries<sup>14</sup> (from a sample of 184 intermediaries, i.e. 66% response rate).
- 68 EFSI-backed project promoters<sup>15</sup> (from a sample of 108 promoters, i.e. 63% response rate).



### Interviews with a wide range of stakeholders:

- **EFSI governing bodies (9)**  
Members of the EFSI Steering Board, EFSI Investment Committee, the managing director's office, and EFSI Secretariat.
- **EIB and EIF staff (36)**  
Officers at the EIB and EIF who have originated and monitored EFSI operations, heads of divisions, directors and directors-general.
- **European institutions (3)**  
European Commission staff, Members of the European Parliament and advisors.
- **NPBIs (9)**  
NPBIs that participated in EFSI and non-participating NPBIs with good knowledge of the initiative.
- **Civil society organisations (3)**  
Bankwatch and Counter Balance, but also the European Banking Federation and its members.
- **EIB and EIF clients (10).**

13. May 2020 was the main cut-off date for the evaluation. However, where possible, figures were updated to include operations approved up to year-end 2020.

14. This survey was sent to the full population of intermediaries under the IIW and to the intermediaries of debt operations under the SMEW included within the temporal scope of this evaluation (2018 to mid-2020). NB: This survey was not sent to the intermediaries of equity operations under the SMEW in order to avoid overlap with other similar exercises.

15. This survey was sent to the full population of project promoters included within the temporal scope of this evaluation (2018 – mid-2020).



# 4. BACKGROUND

## 4.1 AN EVOLVING MANDATE

In the aftermath of the global economic and financial crisis of 2007/2008, the European Union suffered from low levels of investment. Collective and coordinated efforts at European level were needed to reverse this downward trend and put Europe on the path to economic recovery. In 2014 the European Commission launched the Investment Plan for Europe, or Juncker Plan, with three objectives: to remove obstacles to investment; to provide visibility and technical assistance to investment projects; and to make smarter use of financial resources.

The plan was based on three pillars:

1. EFSI, a guarantee mechanism for the EIB Group, to enhance the group's risk-bearing capacity and help finance operations which address market failures and suboptimal investment situations, and thereby mobilise private investment for relevant projects.
2. the Advisory Hub and the European Investment Project Portal, which provide technical assistance to and greater visibility for investment opportunities, thereby helping proposed investment projects become a reality.
3. improving the business environment by removing regulatory barriers to investment nationally and at the EU level.

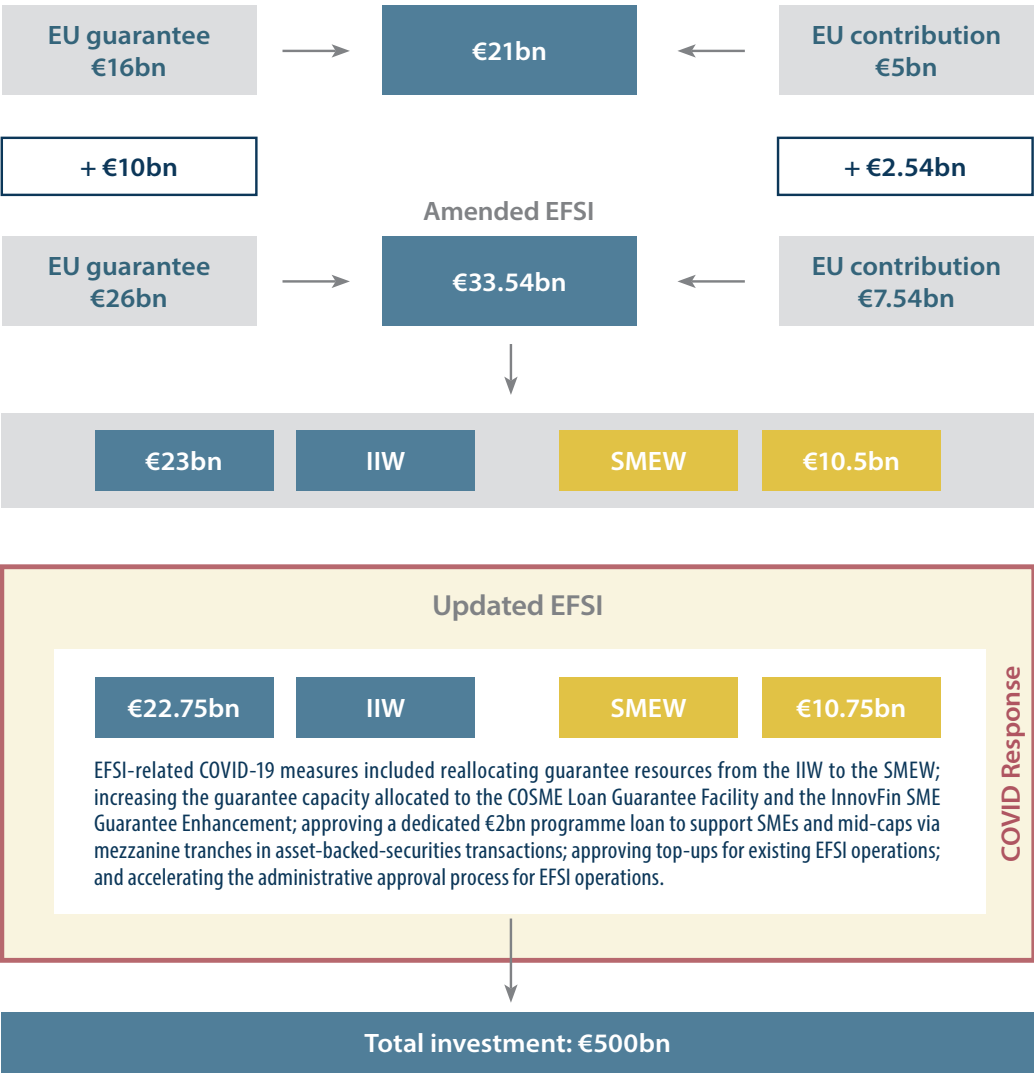
The objectives of EFSI were to support investments in infrastructure and innovation (through the IIW, implemented by the EIB) and to increase access to finance for SMEs and small mid-cap companies (through both windows but mainly the SMEW, implemented by the EIF). EFSI was implemented by the EIB and the EIF between 2015 and 2020.

In December 2017, EFSI Regulation was amended to increase the EU guarantee from €16 billion to €26 billion, increase the EIB Group's contribution from €5 billion to €7.54 billion, and raise the investment target from €315 billion to €500 billion, to be achieved by 31 December 2020 for approvals and 31 December 2022 for signatures. The amendments also introduced a number of technical enhancements, such as abolishing the automatic link between Special Activities (i.e. operations that entail risk greater than the risk generally accepted by the EIB) and additionality; introducing a (soft) target of 40% for project components contributing to climate action for the EFSI operations portfolio under the IIW (excluding operations in favour of SMEs and small mid-cap companies); inviting greater emphasis on cooperating with NPBIs, including through the setup of investment platforms, and on supporting small project financing; and increasing transparency.

EFSI is essentially an agreement between the European Commission and the EIB under which losses incurred by the EIB from any operations included in the EFSI portfolio are covered up to a total amount of €33.54 billion, comprising €26 billion contributed by the European Commission and €7.54 billion contributed from EIB own funds.

Through this guarantee mechanism, it was expected that the EFSI Investment Committee would approve the EIB Group’s involvement in operations mobilising a total investment by SMEs, mid-caps and other private and public promoters of at least €500 billion. Approvals would be made over the period 2015–2020.

**FIGURE 1: EFSI EXPLAINED**

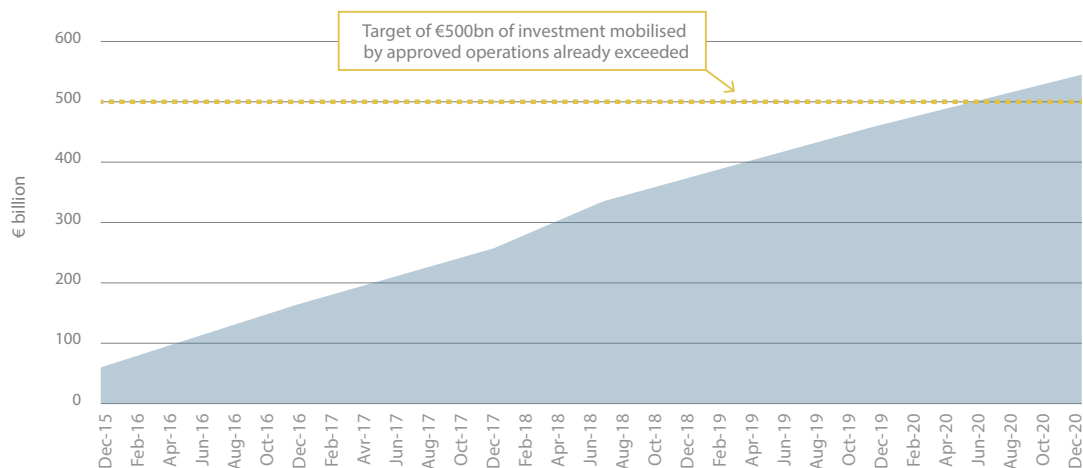


Source: EV

## 4.2 EFSI ACHIEVED ITS TARGET OF MOBILISING €500 BILLION OF INVESTMENT AS OF END 2020

As mentioned above, EFSI has already exceeded the €500 billion target of investment mobilised for approved operations, in advance of the 31 December 2020 deadline set by the EFSI Regulation (Figure 2).

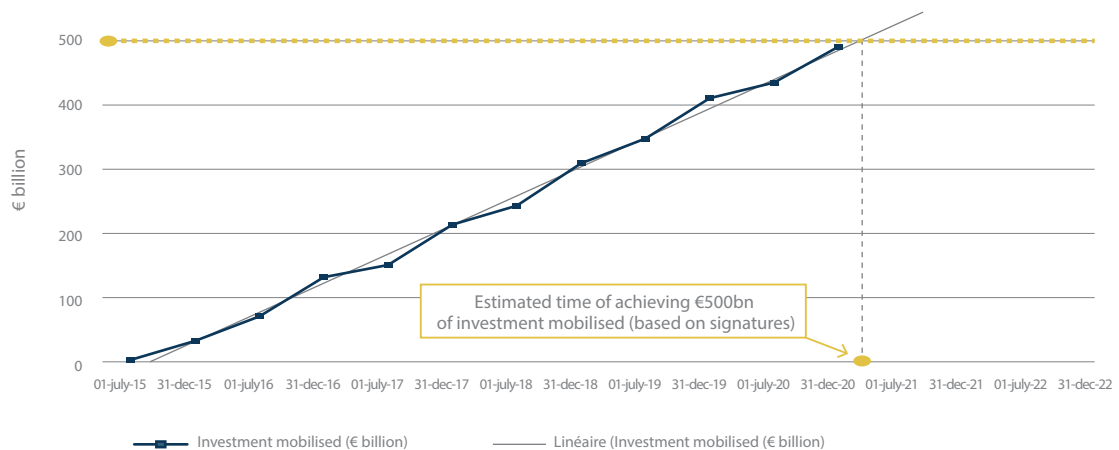
FIGURE 2: INVESTMENT MOBILISED (BASED ON APPROVED OPERATIONS) UNDER THE IIW AND SMEW, 2015–2020



Source: EFSI operational report H2 2020

EFSI is also on track to reach the €500 billion target of investment mobilised when considering signed operations (Figure 3).<sup>16</sup> The sum of signed EFSI operations as of 31 December 2020 is expected to mobilise €479.5 billion. According to IG/EV estimates, the target of €500 billion of investment mobilised will be met in May 2021 for signed operations—well before the deadline of 31 December 2022 set by the EFSI Regulation. Therefore, while the COVID-19 crisis creates some uncertainty about the timing and volumes of signatures, it can be reasonably assumed that the target for investment mobilised by signed operations will also be exceeded by the set deadline.

FIGURE 3: INVESTMENT MOBILISED UNDER EFSI (BASED ON SIGNED OPERATIONS) AS OF 31 DECEMBER 2020



Source: EFSI operational report H2 2020 and EV estimates

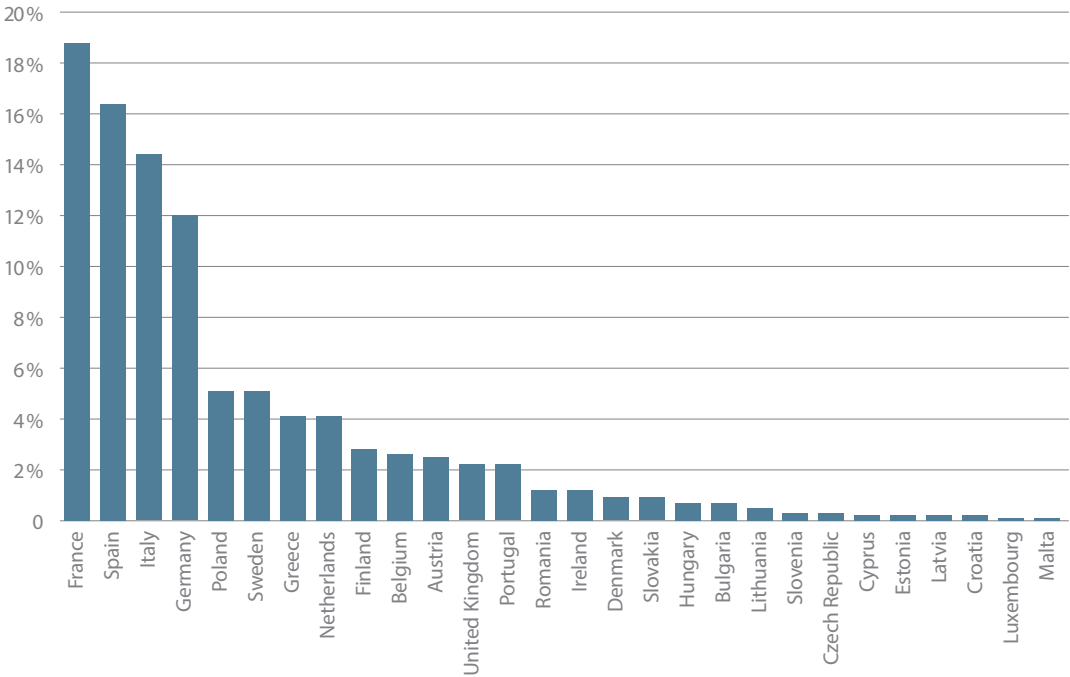
16. The volume of the investment mobilised is based on estimates at approval. The effective volume of investment mobilised will be known only once each underlying project is completed and reported as such.

### 4.3 THE GEOGRAPHICAL DISTRIBUTION OF OPERATIONS SLIGHTLY DEVIATES FROM THE EFSI STRATEGIC ORIENTATION

The EFSI Regulation does not specify any geographical target or concentration limit. However, the EFSI Strategic Orientation, as defined by the EFSI Steering Board, specifies for the IIW that “At the end of the investment period, the share of investment in any three Member States together (measured by signed loan/investment amounts) should not exceed 45% of the total EFSI portfolio.” For the SMEW, the Strategic Orientation only stipulates that “The EIF aims for the SMEW to reach all the EU Member States and also to achieve a satisfactory geographical diversification among them.”

**As of 31 December 2020 the aggregate share of France, Spain and Italy in the total volume signed under the IIW stands at 48.4%.** While the EFSI Steering Board has reiterated on several occasions the importance of a broad geographical spread of EFSI operations, it has also acknowledged the EIB Group’s efforts to ensure such a wide spread and the (relatively small) deviation from the Strategic Orientation, achieved despite a difficult operating environment (Brexit, COVID-19).<sup>17</sup> Figure 4 depicts the distribution of volume signed under EFSI (IIW) by Member State<sup>18</sup> as of year-end 2020. This distribution will further evolve until year-end 2022, when the last EFSI operations will have been signed.

**FIGURE 4: PERCENTAGE OF THE TOTAL VOLUME SIGNED UNDER EFSI (IIW) BY MEMBER STATE**



Source: EFSI operational report H2 2020

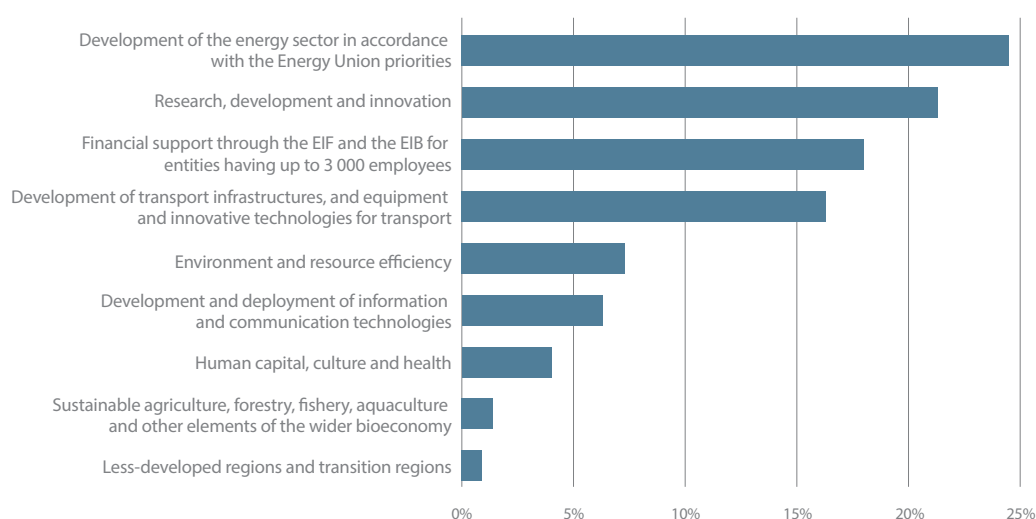
17. The distribution remains very similar when including both the IIW and SMEW, instead of the IIW alone.  
 18. The numbers exclude multicountry operations and any operations outside the European Union.

## 4.4 THE SECTORAL DISTRIBUTION OF EFSI OPERATIONS IS IN LINE WITH THE EFSI STRATEGIC ORIENTATION

The EFSI Regulation does not assign sector targets to EFSI, apart from the requirement to avoid sector concentration (Annex II). The EFSI Strategic Orientation specifies that, under the IIW, the volume of signatures in any “general objective” as defined by Article 9 of the EFSI Regulation should not exceed 30% of the total volume of signatures at the end of the investment period. As of 31 December 2020, the top sector according to this classification represented less than 25% of signatures, which is well below the sector limit.

Using the objective classification given in Article 9 of the EFSI Regulation, Figure 5 depicts the distribution of volume signed under EFSI (IIW), while Figure 6 shows the distribution of investment mobilised by signed operations.

**FIGURE 5: DISTRIBUTION OF VOLUME SIGNED UNDER EFSI (IIW) BY OBJECTIVE UNDER ARTICLE 9 OF THE EFSI REGULATION AS OF 31 DECEMBER 2020**



Source: EFSI operational report H2 2020

**FIGURE 6: EFSI INVESTMENT MOBILISED BY SIGNED OPERATIONS UNDER THE IIW AND SMEW FOR EACH CLASSIFIED OBJECTIVE AS OF 31 DECEMBER 2020**



Source: EFSI operational report H2 2020





# 5. KEY FINDINGS

## Key takeaways

- EFSI has been a game changer in many respects: in the way it used public money and the EIB Group's expertise and risk-bearing capacity to unlock mainly private investment in the European Union; in the way it fostered exchange between the EIB Group and NPBIs within the European Union; and in the way it contributed to transparently embedding Group activities into the general policy context. Over time, EFSI has matured into a mechanism that is generally acknowledged as effective and valuable.
- Its key strengths have been additionality and crowding-in of private investment.
- Most stakeholders believe that the 2017 amendments to EFSI have had positive effects overall, with no major negative effects or trade-offs identified.
- As a risk-sharing mandate, EFSI was able to respond flexibly to the evolving context of the economic shock/crisis following the COVID-19 pandemic.

## 5.1 RELEVANCE

### 5.1.1 Evolution of the macroeconomic context between 2018 and 2020

#### *Context*

EFSI was launched in 2015 in the aftermath of the global financial and sovereign debt crises, which had taken a heavy toll on GDP growth, investment and employment in the European Union. The deep effects of the crisis led to a slow recovery: the EU economy grew by less than 1% in 2013, while investment declined by 2.4% in 2012 and by 1.5% in 2013, with dire macroeconomic consequences. At the same time, the EU-28 continued to suffer from structural underinvestment in certain key sectors.

The context in which EFSI was implemented evolved over time. During the evaluation period the economy accelerated significantly in 2018 and 2019, but the emergence of the COVID-19 pandemic in early 2020 then triggered a deep economic recession.

#### *Evaluation focus*

In light of this context, the evaluation assesses the extent to which EFSI remained an adequate response to investment gaps in this rapidly evolving economic context. This analysis explores whether structural and cyclical investment gaps persisted in the European Union over the evaluation period, and in which sectors, and whether there were EFSI operations in these areas. The evaluation also considers the extent to which EFSI was reactive to the economic challenges raised by the COVID-19 crisis.

## Key findings on EFSI relevance

1. EFSI played a role in reducing cyclical investment gaps at EU-28 level over 2018–2020, particularly during the COVID-19 crisis.
2. Member States with the largest cyclical investment gaps generally received more EFSI financing in relation to their GDP.
3. EFSI also played a role in addressing structural investment gaps.
4. As a risk-sharing mandate, EFSI has remained particularly relevant amid the COVID-19 crisis, when risk aversion increased and credit constraints tightened.
5. EFSI's relevance was further enhanced in the COVID-19 context by accelerating the implementation of operations and reallocating resources to support SMEs and mid-caps.

## 5.1.2 EFSI played a role in reducing the cyclical investment gap at EU-28 level over 2018–2020, particularly during the COVID-19 crisis



**The EU-level cyclical investment gap persisted until 2018 but disappeared by 2019.** The cyclical investment gap is defined as the deviation from the historical benchmark of the ratio of gross fixed capital formation (GFCF) to GDP in the European Union. As shown in Figure 7, this deviation progressively declined at the EU level over the period 2015–2018 and disappeared by 2019.<sup>19</sup>

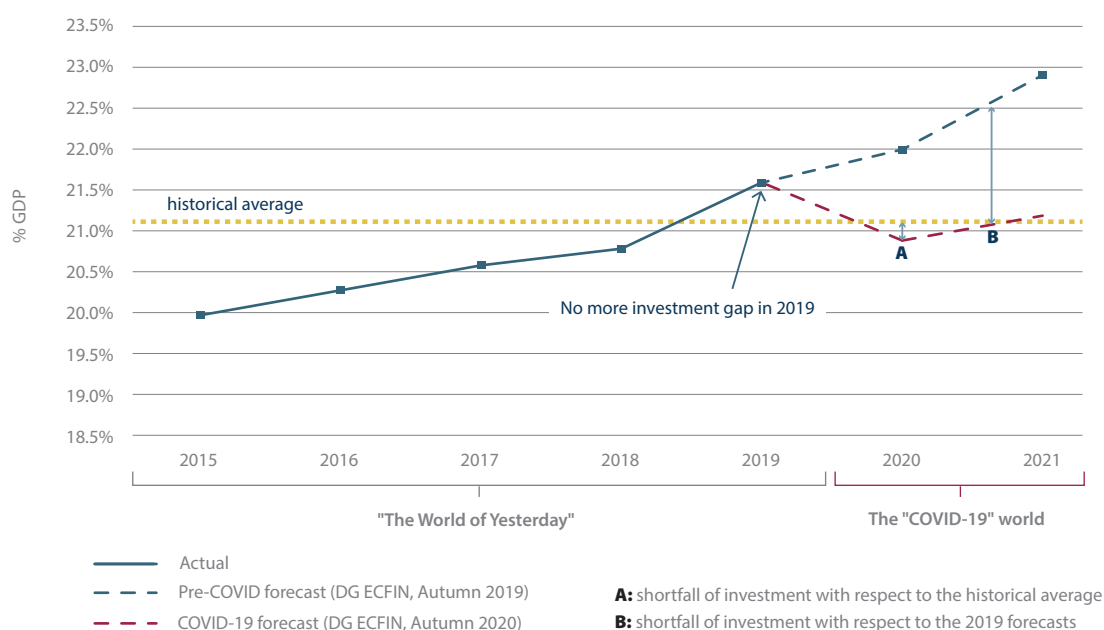
**However, the cyclical investment gap reappeared at the EU level and at the level of individual Member States in 2020.** The COVID-19 crisis caused GDP and investment to fall sharply in 2020, with aggregate investment falling more than GDP (see Table 1). This resulted in a decrease in the GFCF/GDP ratio, as shown by the red dashed line in Figure 7. Given the ongoing uncertainty around the pandemic, the crisis-related investment gap is likely to persist in 2021 and possibly beyond. This reinforces the role of the EFSI portfolio—with disbursements continuing well after 2021—in supporting aggregate investment and contributing to reducing this gap across the European Union.

**TABLE 1: EVOLUTION OF GDP AND INVESTMENT IN THE EU: ACTUAL AND FORECASTED**

	2018	2019	2020f	2021f
GDP (% change on preceding year)	+2.1%	+1.5%	-7.4%	+4.1%
Total investment (% change on preceding year)	+3.5%	+5.7%	-10.3%	+5.6%

Source: DG ECFIN; f stands for forecast

**FIGURE 7: GROSS FIXED CAPITAL FORMATION IN THE EU-28 AS A % OF EU-28 GDP, 2015–2021**



Source: Eurostat, DG ECFIN

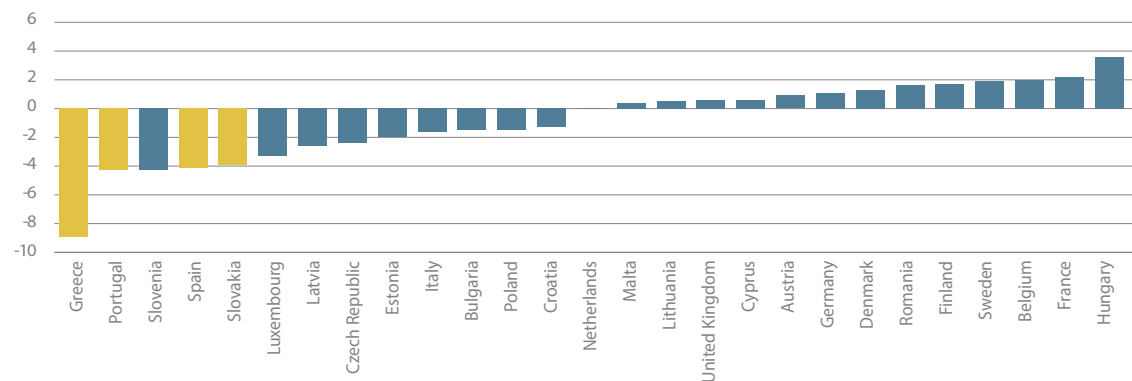
19. As a historical benchmark, the evaluation relied on the long-run average ratio of GFCF/GDP between 1995 and 2005. Note that this conclusion holds if the benchmark is based on more recent years (average 1999–2005 or average (1999–2005, 2014–2016)).

### 5.1.3 Member States with the largest cyclical investment gaps generally received more EFSI financing in relation to their GDP



**Significant cyclical investment gaps persisted in several EU Member States throughout 2018–2019.** As shown in Figure 8, this was the case for almost half of Member States, which had a GFCF/GDP ratio lower than the historical benchmark in 2019.<sup>20</sup> For these Member States, EFSI supported the aggregate investment recovery even in 2019, when the average cyclical investment gap at EU-28 level had disappeared.

**FIGURE 8: DEVIATION OF INVESTMENT-TO-GDP RATIO FROM ITS HISTORICAL LEVEL (PERCENTAGE POINTS)**

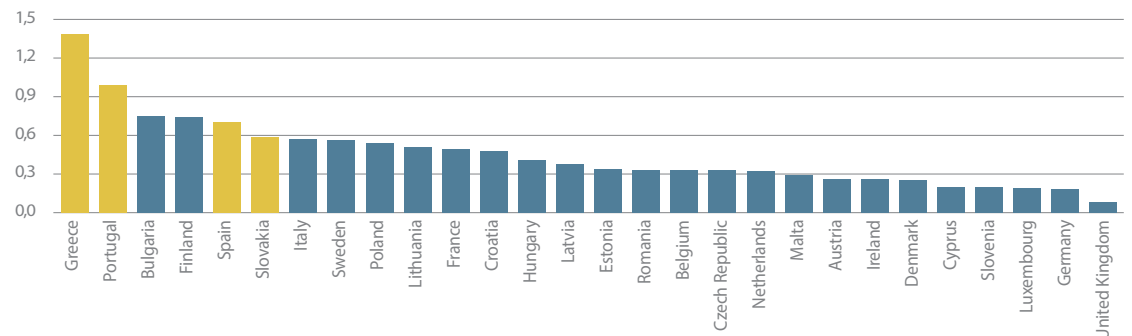


Source: Eurostat 2018–2019



**Several of the Member States with the largest cyclical investment gaps received a higher amount of EFSI financing relative to their national GDP.**<sup>21</sup> As shown in Figure 9, this was true particularly for Greece, Portugal, Spain and Slovakia. Despite some exceptions (such as Finland and Sweden), this shows that the economies of the Member States most in need of investment have been generally well served by EFSI. This is especially remarkable as EFSI had no country-based target (except the abovementioned geographical concentration limit set by the EFSI Steering Board in the EFSI Strategic Orientation, and calculated in nominal amounts, not in relation to GDP).

**FIGURE 9: EFSI VOLUME SIGNED AS OF 2019 AS PERCENTAGE OF NATIONAL GDP IN 2019**



Source: IG/EV computations based on EFSI operational reports 2018–2020 and Eurostat data

Yellow bars illustrate that Greece, Portugal, Spain and Slovakia (countries with some of the largest needs for recovery) also received the highest volume of EFSI operations in relation to their GDP.

20. The historical benchmark refers to the GFCF/GDP ratio over 1999–2005, 2014–2016.

21. The conclusion that countries with significant investment gaps are well served holds if alternative measures of the historical benchmark are used. Note that this conclusion is based on observations of the top five to six Member States by magnitude of the cyclical investment gap and by EFSI volume signed as a percentage of national GDP. Data for 2020 GDP were unavailable when the drafting of this report was finalised.

## 5.1.4 EFSI also played an important role in addressing structural investment gaps



**Large structural investment gaps persisted in the EU-28 in the sectors EFSI was designed to target, even prior to the COVID-19 crisis.** These gaps correspond to systematic underinvestment in certain key sectors with respect to specific EU policy objectives (e.g. reducing CO<sub>2</sub> emissions by 40% by 2025) or to major global competitors (such as the United States, Japan, and Canada). They are results of market failures. They exist independently of the cycle, although general lack of investment is likely to aggravate underinvestment in strategic sectors. Table 2 provides an overview of these gaps, which require long-term investment. The figures presented provide an order of magnitude rather than precise estimates.



**In terms of investment mobilised from signed EFSI operations, research, development and innovation (RDI), SME/mid-caps and energy were the sectors that received the largest support from EFSI in nominal terms.** These sectors all present significant structural investment gaps, particularly RDI and energy (see Table 2). Furthermore, in the context of increased risk aversion amid the COVID-19 crisis, the inherently riskier nature of investments in RDI may lead to an increase in the investment gap for this sector. Increased risk aversion and tightening of credit standards might also further increase the investment deficit for SMEs and mid-caps.

TABLE 2: EU-28 SECTOR INVESTMENT GAPS

EFSI general objectives	Estimated annual investment deficit at EU level (€ billion)
Research, development and innovation	145
Human capital, culture and health	60
Development of transport infrastructures, and equipment and innovative technologies for transport	155
Development of the energy sector in line with the Energy Union priorities	120
Development and deployment of information and communication technologies	160
Environment and resource efficiency	90
Financial support through the EIF and the EIB to entities with up to 3 000 employees	40
Less-developed regions and transition regions	N/A
Sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider bioeconomy	N/A

Source: Eurostat; EIB, *Restoring EU competitiveness, 2016*; EIB *investment report, 2018*

### 5.1.5 As a risk-sharing mandate, EFSI has remained particularly relevant amid the COVID-19 crisis context, when risk aversion increased and credit constraints tightened



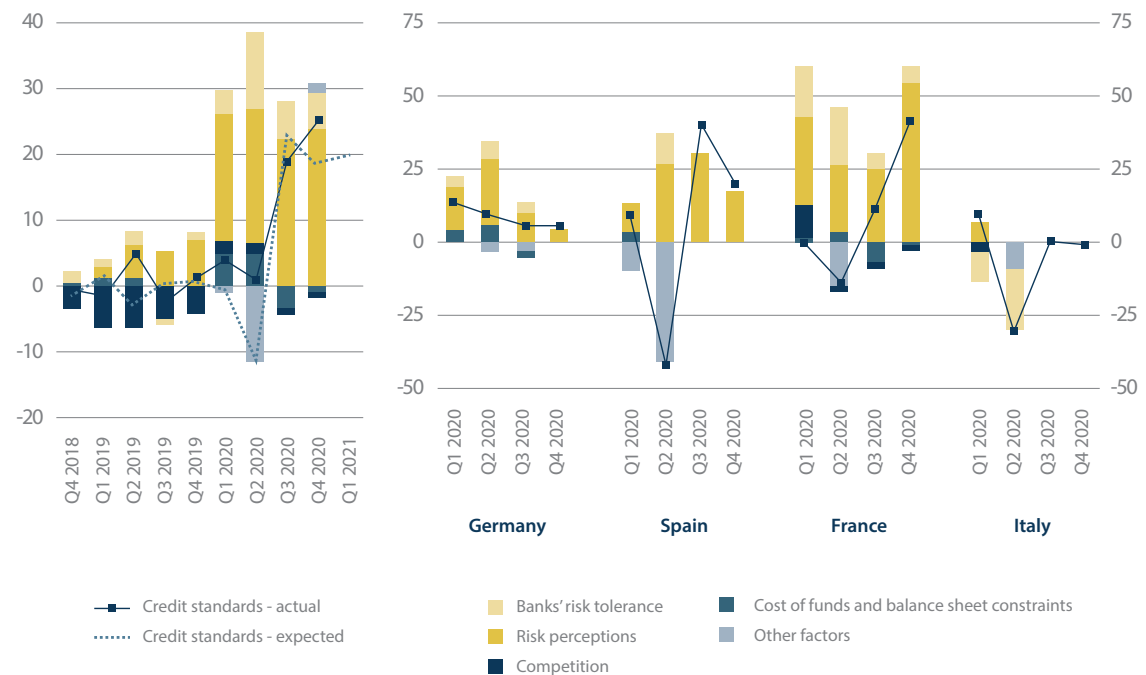
**The COVID-19 crisis brought a tightening of credit standards**—banks’ internal guidelines or loan approval criteria—**on loans to enterprises**, according to the *ECB bank lending survey* of January 2021. The net percentage of banks reporting a tightening of credit standards for loans to firms increased steadily throughout 2020. Moreover, banks expect credit standards to tighten further in Q1 2021.

The *ECB bank lending survey* attributes **this tightening particularly to the increased perception of credit risk by banks** (dark yellow bars in Figure 10)—**following the deterioration of the economic outlook—and increased risk aversion** (lower risk tolerance is denoted by light yellow bars in Figure 10) in the context of general economic uncertainty.

Most banks have been reporting a decline in demand for financing of fixed investments since Q1 2020 with respect to previous periods, while the demand for credit for inventories and working capital kept increasing over the same period. **On aggregate, the demand for credit slightly decreased in Q3 2020 and Q4 2020.**

In this context, **EFSI has a specific counter-cyclical role by countering the increased risk aversion of banks**, and private investors in general, by extending opportunities for sharing risk.

**FIGURE 10: CHANGES IN CREDIT STANDARDS FOR LOANS OR CREDIT LINES TO ENTERPRISES AND CONTRIBUTING FACTORS**



Source: ECB bank lending survey, Q1 2021

**How to read these charts:** Figure 10 reports the net percentage of banks reporting a tightening of credit standards and the contributing factors. When above zero, the “Credit standards” line shows that the percentage of banks which tightened their credit standards exceeds the percentage of banks which relaxed their credit standards, both with respect to the previous quarter. Similarly, when above zero, the yellow bar denoting “Risk perceptions” indicates that the net percentage of banks estimating that credit risk increased is positive (i.e. more banks are estimating that this risk increases rather than banks estimating that it decreased).

### 5.1.6 EFSI's relevance was further enhanced in the COVID-19 context by accelerating the implementation of operations and reallocating resources to support SMEs and mid-caps

The ECB SAFE survey of October 2020<sup>22</sup> shows a marked deterioration in SMEs' access to finance, generated by the COVID-19 crisis.



In 2019, the SAFE survey results attested that access to finance was “considered the least important obstacle for euro area SMEs,” except in a few Member States (e.g. Italy, Greece). Furthermore, access to finance for SMEs was improving, with the difference between the change in demand for and the change in the availability of external financing shrinking throughout 2019.

However, the difference between needed and available funding for SMEs in the euro area deteriorated in 2020, and the SMEs expect this trend to continue. Although the availability of external financing improved, it grew less than SMEs' financing needs, thereby broadening the gap in access to finance for SMEs, especially in Greece, Portugal and Spain.

The financial situation of SMEs also deteriorated in 2020, with reported problems including an increase in interest expenses, growing debt-to-assets ratios and rising demand for bank loans to bridge liquidity gaps. Financing was mainly used for inventories and working capital, and less for fixed investment.

#### EFSI's response included:



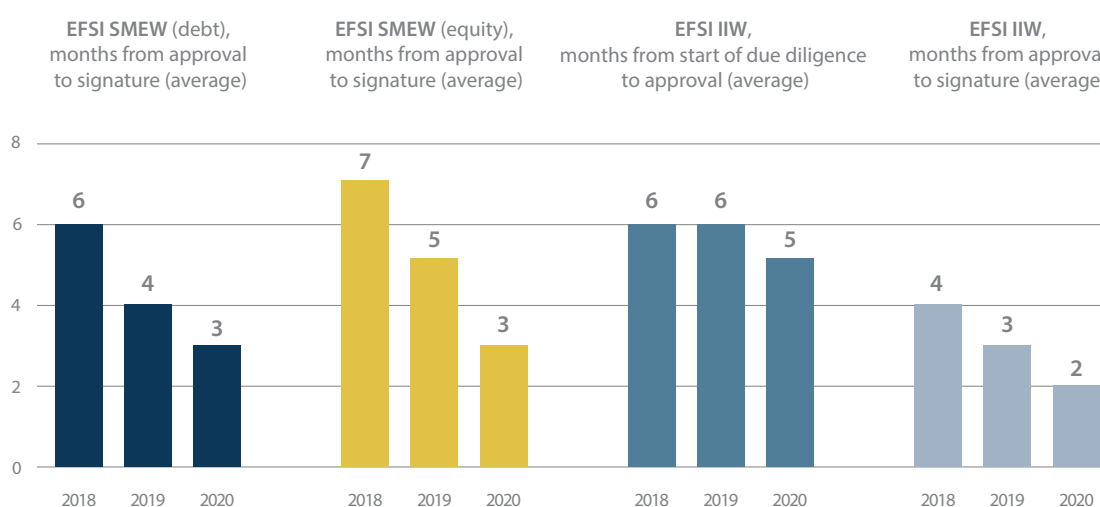
- **Quick transfer of guarantee resources:** The amendment of the EFSI Agreement dated 27th of April 2020 reallocated guarantee resources, including through transferring €250 million from the IIW to the SMEW. This transfer served to increase the guarantee capacity allocated to the COSME Loan Guarantee Facility<sup>23</sup> from €500 million to €714 million, and to increase the guarantee capacity allocated to the InnovFin (EU Finance for Innovators initiative) SME Guarantee Enhancement from €100 million to €300 million. This allowed financing to flow to SMEs quickly.
- **Approval of a dedicated €2 billion programme loan to support SMEs and mid-caps** via mezzanine tranches in asset-backed-securities transactions. This was approved by the EFSI Investment Committee in April 2020. The EFSI Steering Board also decided that sub-operations of the programme loan, even above €50 million, would not have to be re-presented to the EFSI Investment Committee for approval. Both decisions allowed a rapid response to increasing demand from banks to offload risks from their SME lending activity and address the liquidity needs of SMEs and mid-caps (inclusion of short-term working capital in the eligibility criteria).
- **Accelerating approvals and signatures for operations:** EFSI implementation was adapted by significantly shortening the time from origination to signature for new operations under the IIW and SMEW, as shown in Figure 11. This acceleration applies to not only EFSI but also EIB Group-financed operations more generally.

22. Used as proxy for the EU-27.

23. COSME: Competitiveness of Enterprises and Small and Medium-sized Enterprises—a guarantee programme operated by the EIF.

- Increase of EIB financing amounts through top-ups for existing operations:** EFSI also used top-ups for 13 operations and repeat transactions with existing clients to expand its investment support for the economy and adapt to the restrictions on finding new clients. Overall, from the start of the COVID-19 crisis until October 2020, 13 EFSI operations using COVID-19-related flexibility measures were approved for a combined amount of €2.8 billion. These top-ups and repeat operations allowed the drop in the number of projects approved to be partially offset and the volume of investment mobilised under EFSI to be maintained.

**FIGURE 11: DURATION OF APPROVAL AND SIGNATURE PROCESSES FOR IIW AND SMEW PRODUCTS (MONTHS)**



Source: EFSI monitoring data as of December 2020

## 5.2 ADDITIONALITY

### 5.2.1 EFSI was set up to finance operations that demonstrate additionality

#### Context

In the aftermath of the global economic and financial crisis, EFSI was set up to stimulate investment in the EU-28 by increasing the EIB Group's risk-bearing capacity, thereby enabling the group to take higher risk and crowd in private investment, boost GDP growth and reduce investment gaps. Article 6 of the EFSI Regulation set criteria for projects to fulfil to be eligible for the EU guarantee, including being economically and technically viable, consistent with EU policies, maximising the use of private sector capital and providing additionality.

**Under the EFSI Regulation, operations are additional if:**

- they address market failures or suboptimal investment situations
- they could not have been carried out, or not to the same extent, during the period in which the EU guarantee can be used by the EIB, the EIF or under existing EU financial instruments without EFSI support.

For the IIW, additionality was assessed by the EFSI Investment Committee at the level of individual operations. Under Article 17(2) of the EFSI Agreement, EFSI-guaranteed operations offering SMEW products approved by the EFSI Steering Board and managing director (following consultation with the EFSI Investment Committee) were deemed to satisfy the additionality criteria as they provided supplementary volumes of financing in areas perceived as suffering from market failures. No further individual assessment of the additionality of SMEW operations was undertaken by the EFSI Investment Committee.

Under the original EFSI Regulation, IIW operations were considered to provide additionality automatically if their risk met the criteria of Special Activities<sup>24</sup>. However, the Amended EFSI Regulation modified this approach by stipulating that Special Activities only provide “a strong indication of additionality.” The Amended EFSI Regulation also expanded, among others, the sector eligibility of operations in less-developed and transition regions. Operations in the Special Activities category presenting country-, sector- or region-specific risks and located in these regions would now also be presumed to give “a strong indication of additionality.”

### ***Evaluation focus***

The evaluation assesses the extent to which operations financed by EFSI between 2018 and 2020 demonstrate additionality by gathering evidence from the survey of promoters and financial intermediaries, and by analysing the difference between the economic rate of return (ERR) and the financial internal rate of return (FIRR) of IIW projects (as determined by the Bank). The evaluation also considers whether the EIB Group could have carried out the same volume of Special Activities operations within the same time frame without the EU guarantee, and analyses whether the modifications introduced by the Amended EFSI Regulation made a difference in terms of additionality justifications.

## **Key findings on additionality**

- 1.** All reviewed IIW operations deliver social benefits not accounted for by the market.
- 2.** Clients surveyed in the evaluation perceived the EIB and EIF support as providing additionality.
- 3.** While financial aspects were deemed most important by clients, reputational benefits, signalling and advice were appreciated as part of the non-financial additionality brought by EFSI.
- 4.** The EIB Group could not have financed the same portfolio of EFSI operations (or not within the same time frame) without the EU guarantee.
- 5.** Amendments relating to additionality did not affect the distribution of operations between the EU-15 and EU-13, or change the quality of additionality justifications. Such changes had already started, as part of a progressive learning process between the Bank and EFSI decision-makers.

24. Special Activities (SA) is the collective denomination for those activities that entail risk greater than the risk generally accepted by the EIB and defined as: Lending/guarantee operations with a lifetime expected loss equal to or greater than 2%; Infrastructure funds and other funds participations, venture capital activities, equity operations and other operations with an equivalent risk profile. The EIB Statute (Art. 16) requires the EIB to have a special allocation of reserve ('Special Activities Reserve') to protect from unexpected losses of SA.



## 5.2.2 All reviewed IIW operations deliver social benefits not accounted for by the market



As shown in sections 5.2.1 to 5.2.4, at the aggregate level EFSI helped to address both cyclical and structural investment gaps, thereby implicitly addressing suboptimal investment situations at market level.

At the operation level, EFSI projects deliver benefits not accounted for by the market. For all EFSI operations under the IIW with available numerical estimates of ERR and FIRR, the ERR is higher than the FIRR (based on values determined by the Bank), indicating that these projects generate social benefits not accounted for by the market.<sup>25</sup>

For IIW operations approved in the period 2018–2020, numerical values for both ERR and FIRR were available for 77 projects.<sup>26</sup> The ERR exceeded the FIRR for all 77 projects, which explicitly points to delivering social benefits not accounted for by the market, thereby indicating additionality. For the remaining IIW projects, the internal corporate database contains only a qualitative assessment of the ERR and FIRR, as their social benefits could not be monetised.

SMEW operations have an intermediated structure. ERR and FIRR were not calculated for these operations as the EIF used products, which were deemed to satisfy the criteria of additionality (as per Article 17(2) of the EFSI Agreement). Furthermore, as shown in section 5.2.3, the large majority of intermediaries perceived the guarantees issued under the SMEW as providing additionality.

## 5.2.3 Clients surveyed in the evaluation perceived the EIB and EIF support as providing additionality



**The survey of IIW project promoters showed that the overwhelming majority considered EIB operations under EFSI to be highly additional.** Overall, 89% of the surveyed IIW project promoters indicated that the financing provided by EFSI could not have been provided by the market, or at least not to the same extent, within the same time frame and/or with the same conditions. In the survey of financial intermediaries covering both the IIW and the SMEW, 90% of respondents considered that EIB operations under EFSI provide additionality.

25. To provide guidance to the Bank's decision-making bodies on the justification for EIB involvement in a project, the financial and social benefits of the relevant investment are analysed for each proposal. In this context, the Bank's services determine the ERR, which takes into account all benefits and costs of the relevant investment to society, regardless of their nature and whether they are expressed in monetary terms. Examples include reducing CO<sub>2</sub> emissions and positive pecuniary externalities from fundamental research. The ERR is compared to the FIRR, which measures project value by focusing exclusively on financial benefits and costs. Whenever the ERR is higher than the FIRR, there are social benefits not priced by the market. When prices are unavailable, social benefits cannot be quantified in monetary terms and, thus, the economic analysis cannot provide a quantitative estimate for the ERR. In such cases (e.g. those with knowledge externalities), the relevant analysis provides qualitative reasons to expect the ERR to exceed the FIRR. It should be noted that the Bank does not calculate ERR/FIRR for intermediated operations to support SMEs and mid-caps.

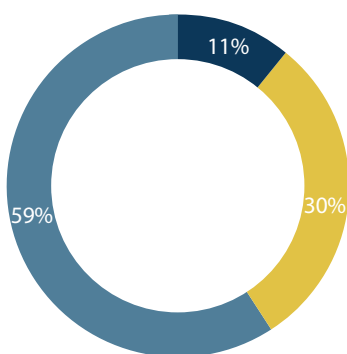
26. The analysis was done on a sample of 213 operations extracted from the internal corporate database as of May 2020.



**Interviews with project promoters and intermediaries confirmed that EFSI support provided both financial and non-financial additionality:**

- Some clients would not otherwise get financing: *“Without the EIB, we would have offered less attractive pricing to clients and had stricter collateral requirements. Many startups would have been likely deprived of financing.”*
- Projects would otherwise have been downsized: *“We wanted to benefit from fixed rates when they were low to protect against potential future rate increases. In different conditions we would have to scale down our project.”*
- EFSI crowded in private financing: *“Our market is emerging EU countries. The region is suffering from extremely low supply of private capital. So without the EIB/EIF our fund would not have been able to raise capital.”*
- EFSI impacted on time frame and structuring: *“Without the EIB we would have probably failed to complete the project on time, which would have resulted in a reduced subsidy period.”*
- It also impacted on financial development: *“It was the first hybrid bond for this country and our company. Other financial institutions were encouraged to give us funding because of the EIB, whose support acted as a quality stamp.”*

**FIGURE 12: QUESTION TO PROMOTERS UNDER THE IIW**

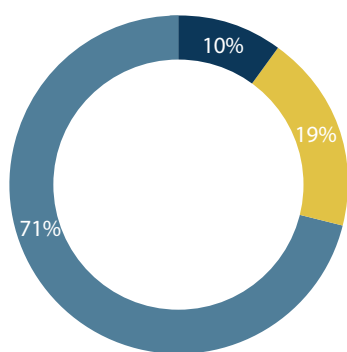


**“What would have happened if your organisation had not received the financing from the EIB?”**

- Would not have obtained financing or not within the same time frame or same size (regardless of terms and conditions)
- Would have obtained financing within the same time frame and of a same size from another source, but not with the same terms and conditions
- Would have obtained financing within the same timeframe and of a same size from another source, with the same terms and conditions

Source: survey of IIW project promoters  
Sample size: 68 responses out of 108.

**FIGURE 13: QUESTION TO FINANCIAL INTERMEDIARIES UNDER THE IIW AND SMEW**



**“What would have happened if your organisation or the transaction you were pursuing had not received the financing from the EIB/EIF?”**

- Would not have obtained financing / a guarantee or would have obtained with a delay or of a smaller size
- Would have obtained financing / a guarantee within the same time frame and of a similar size from another source, but not with the same terms and conditions
- Would have obtained financing / a guarantee within the same time frame and of a similar size from another source at the same terms and conditions

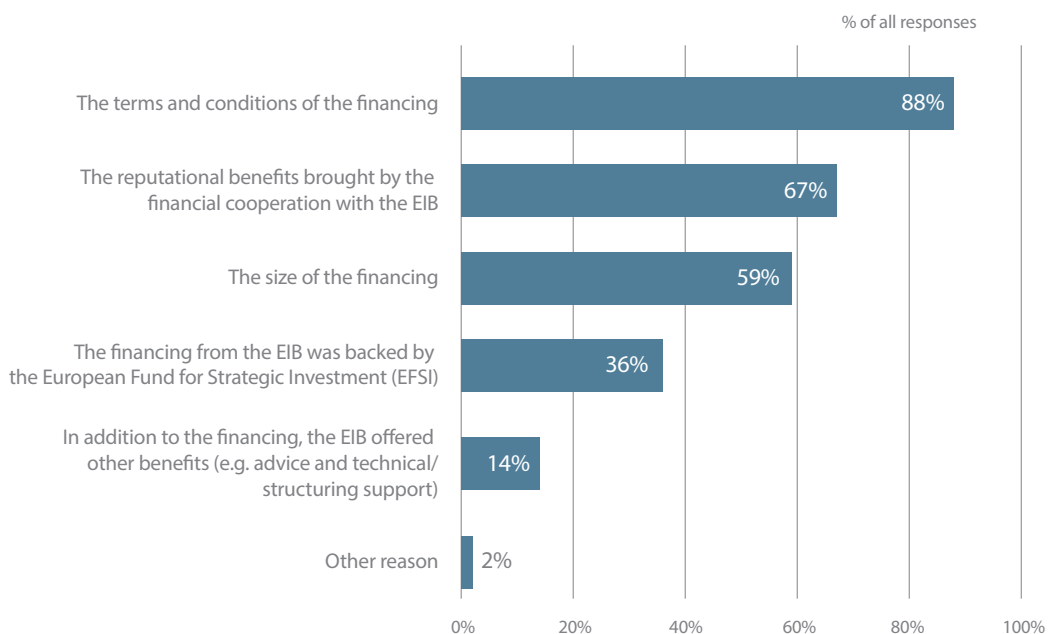
Source: Survey of IIW and SMEW financial intermediaries  
Sample size: 121 responses out of 185.

## 5.2.4 The main source of additionality is financial, but reputational benefits, signalling and advice are important elements of EFSI's non-financial additionality



For the overwhelming majority of **IIW promoters** (88%), the terms and conditions of EIB financing were the most appealing feature of EFSI operations. However, a large proportion of respondents (67%) also pointed to the reputational benefits and signalling to other investors as major sources of non-financial additionality.

**FIGURE 14: WHAT FEATURES MADE THE EIB FINANCING APPEALING FOR YOU AS A PROMOTER?**

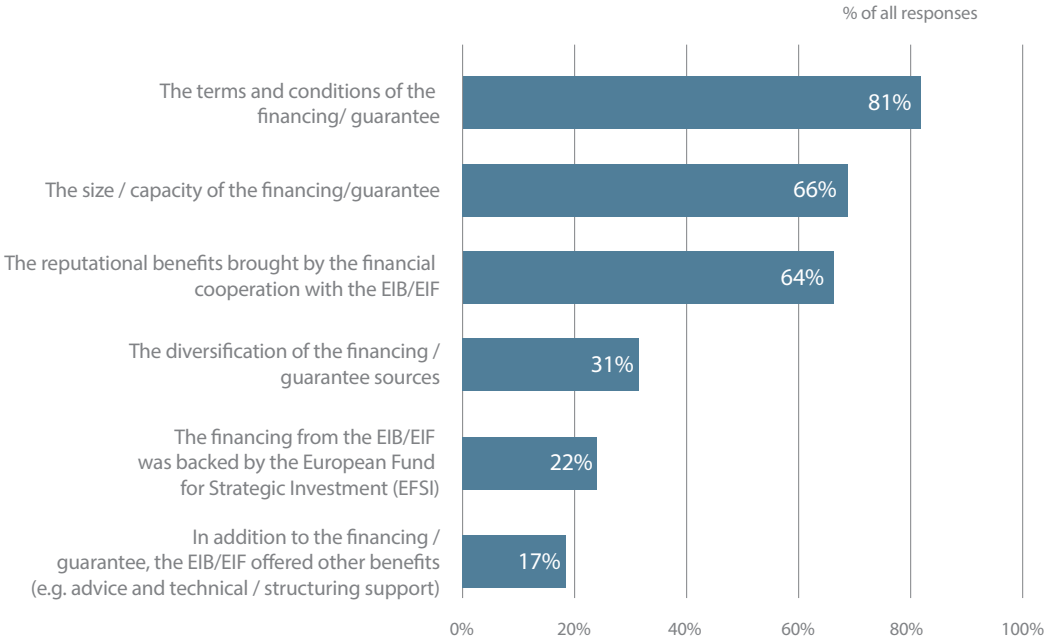


Source: Survey of project promoters under IIW  
 Size of the sample: 68 responses out of 108.  
 Multiple answers were possible.

While the terms and conditions were the most attractive feature of the EIB financing/guarantee for **financial intermediaries under the IIW and the SMEW**, reputational benefits were also strongly appreciated. In the survey of 185 intermediaries, 81% of respondents felt that the terms and conditions made EIB financing appealing, while 64% felt that reputational benefits brought by financial cooperation with the EIB Group were important.

Some of the promoters/financial intermediaries who did not mention EIB Group advice as a particularly appealing feature for them nonetheless positively appraised such advice in responding to another survey question: when asked specifically whether they had received advice from the EIB Group, around one-third of promoters and more than one-third of financial intermediaries indicated that they had received such advice and that it had been useful or very useful for them.

**FIGURE 15: WHAT FEATURE(S) MADE THE EIB/EIF OFFER APPEALING FOR YOU?**



Source: Survey of IJW and SMEW financial intermediaries  
 Sample size: 121 responses out of 185.  
 Multiple answers were possible.

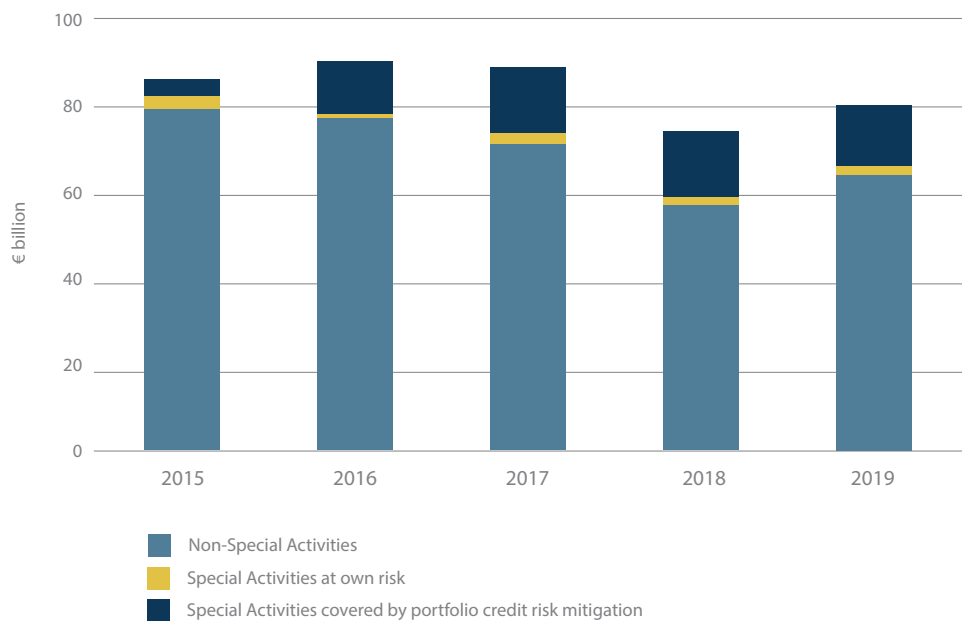
## 5.2.5 The EIB Group could not have financed the same portfolio of EFSI operations (or not within the same time frame) without the EU guarantee



An important finding of the 2018 EFSI evaluation was that “the EIB could not have financed the entire portfolio of EFSI operations under its own risk without potentially having a negative impact on its overall lending capacity, risk profile and, ultimately, the sustainability of its business model.”<sup>27</sup>

Interviews for that evaluation with relevant internal staff indicated that, at EFSI’s inception, there was consensus within the EIB that the high level of commitment to Special Activities required by EFSI were only feasible with backing from the EU guarantee. Rating agencies such as Standard and Poor’s and Moody’s noted in their 2015 rating reports that such increased levels of risky operations may impact on the EIB’s capital adequacy ratios, but treated those as “credit neutral” because of the existence of the guarantee mechanism.

**FIGURE 16: EIB VOLUME SIGNED AND SPECIAL ACTIVITIES, 2015–2019**



Source: EIB annual financial reports, 2015–2019

27. IG/EV Evaluation of EFSI, 2018 ([here](#)).

Between 2018 and 2020, the share of operations categorised as Special Activities and covered by the EFSI guarantee represented almost 20% of the overall EIB portfolio of signed operations each year. Maintaining a AAA rating is paramount for the EIB’s business model, which entails passing the financial benefits of being able to raise funds on very advantageous conditions in the capital markets to the operations it supports, for the benefit of EU policy goals. The requirements to maintain a AAA rating include (among other elements) conservative estimates of determining factors, such as unexpected loss levels, and robust capital metrics (e.g. the S&P’s risk-adjusted capital ratio and the capital adequacy ratio). Article 16 of the EIB Statute requires the Bank to maintain a Special Activities Reserve to absorb the risk of its Special Activities portfolio. As of 31 December 2020, this reserve stood at €11.7 billion, while the total volume of Special Activities covered by portfolio credit risk mitigation in 2020 represented €14 billion. Without the EU guarantee, the EIB would have had to build a much larger Special Activities Reserve, and the Bank’s key capital metrics would have deteriorated. As for the EIF, by year-end 2015 it had exhausted the means under mandates such as COSME and InnovFin, and so would have had to interrupt its activities under such mandates without support from EFSI.



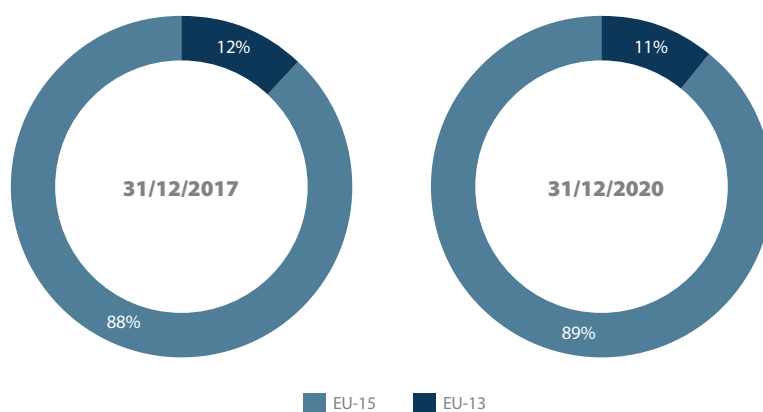
The experience of EFSI over the past seven years, including the competencies developed within the Bank to originate and manage such operations, the strengthening of its risk and capital management framework (e.g. the introduction of the Risk Appetite Framework and Group Capital Sustainability Policy) and the increase in the Bank’s own funds of €14–15 billion from 2014 to 2020, might enable the EIB to take on incrementally more risk on its own than before EFSI. However, interviews of relevant staff for this evaluation confirmed that—taking the above factors into account—**the EIB Group would not have been able to finance the volume of Special Activities under EFSI at its own risk in the absence of the EU guarantee, without threatening its financial sustainability (and AAA rating).**

## 5.2.6 Amendments relating to additionality did not affect the distribution of operations between the EU-15 and EU-13, or change the quality of additionality justifications. Such changes had already started, as part of a progressive learning process between the Bank and EFSI decision-makers

Article 9 of the EFSI Regulation limits the use of the EFSI guarantee to a restricted number of general objectives. Each objective covers a set of economic activities (e.g. “research, development and innovation,” “environment and resource efficiency”). The Amended EFSI Regulation includes, among the general objectives, operations in less-developed and transition regions, regardless of economic sector. It also defines the location of Special Activities operations in such regions as an element bearing “a strong indication of additionality.”

The stated purpose of the Amended EFSI Regulation was to expand EFSI’s outreach in the EU-13 (alineia 16 in the recital to the Amended EFSI Regulation). However, **the percentage of EFSI financing directed to the EU-13 remained the same in mid-2020 as at year-end 2017, despite the extended sector eligibility for less-developed and transition regions.** According to EFSI operational reports, it actually decreased slightly from 12% at year-end 2017 to 11% at year-end 2020.<sup>28</sup>

FIGURE 17: BREAKDOWN OF EFSI FINANCING: EU-13 VS. EU-15 (IN % OF TOTAL VOLUME SIGNED)



Source: EFSI operational reports 2017 and 2020

Amendments to the concept of additionality may have resulted in the strengthening of additionality justifications in the project documents submitted to the EFSI Investment Committee, particularly with the focus of arguments shifting away from risk aspects towards internalising external effects. However, some EFSI decision-makers indicated that there was **no qualitative change in the additionality justifications in the documentation submitted to them, specifically after 2018,** and that the quality of this documentation had already been improving since EFSI’s inception as part of a progressive learning process between the Bank and the EFSI Investment Committee.

28. It should be noted that the aggregate GDP of the EU-13 represented around 9.3% of the total GDP of the EU-28 in 2019. Thus, the share of the EU-13 in the volume of EFSI financing is in line with—and actually slightly above—the share of the EU-13 in the EU-28 GDP.

## 5.3 MOBILISATION OF PRIVATE FINANCE

### 5.3.1 Mobilising private finance was a core EFSI aim

#### Context

Article 6 of the EFSI Regulation states that EFSI should, where possible, maximise the mobilisation of private sector financing. The underlying rationale was that, following the global financial and sovereign debt crises, the private sector was reluctant to take risks and the public sector was over-indebted. By increasing the EIB Group's risk-bearing capacity, EFSI was expected to crowd in mainly private sector investment, thereby relaunching the European economy without much further strain on public debt levels.

While the Amended EFSI Regulation increased the target for investment mobilised from €315 billion to €500 billion (exceeded by year-end 2020 in terms of approvals), it did not set a specific target for mobilisation of private finance.

#### Evaluation focus

The evaluation assesses the extent to which EFSI played a significant role in mobilising private finance, while also considering potential crowding-out effects.

#### Key findings on mobilisation of private finance

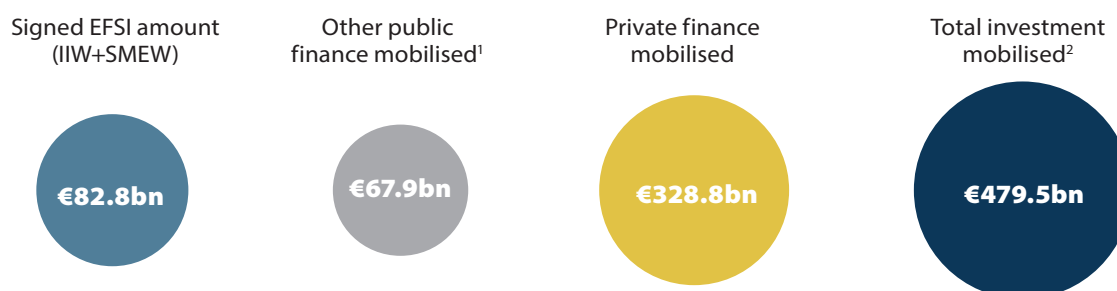
1. The majority of investments mobilised by signed EFSI operations was financed from private sources, which amounted to four times the amount of signed EFSI operations.
2. Surveys, interviews and case studies confirm that EFSI has generally served as a catalyst for attracting private investors.

### 5.3.2 The majority of investment mobilised alongside signed EFSI operations was financed from private sources



Sixty-nine percent of the investments mobilised by signed EFSI operations came from private sources, which exceed four times the volume of signed EFSI operations. The review of project-level assessments (e.g. Scoreboards) also shows that the potential to catalyse other sources of private finance has been systematically considered and formed, in most cases, part of the rationale for using EFSI.

FIGURE 18: VOLUME OF INVESTMENT MOBILISED



Source: EFSI operational report H2 2020

<sup>1</sup> Other public finance mobilised includes various categories of public financing (e.g. own contributions of public sector promoters, grants (national or EU), support by NPBlS).

<sup>2</sup> Total investment mobilised = signed EFSI amount + other public finance + private finance.



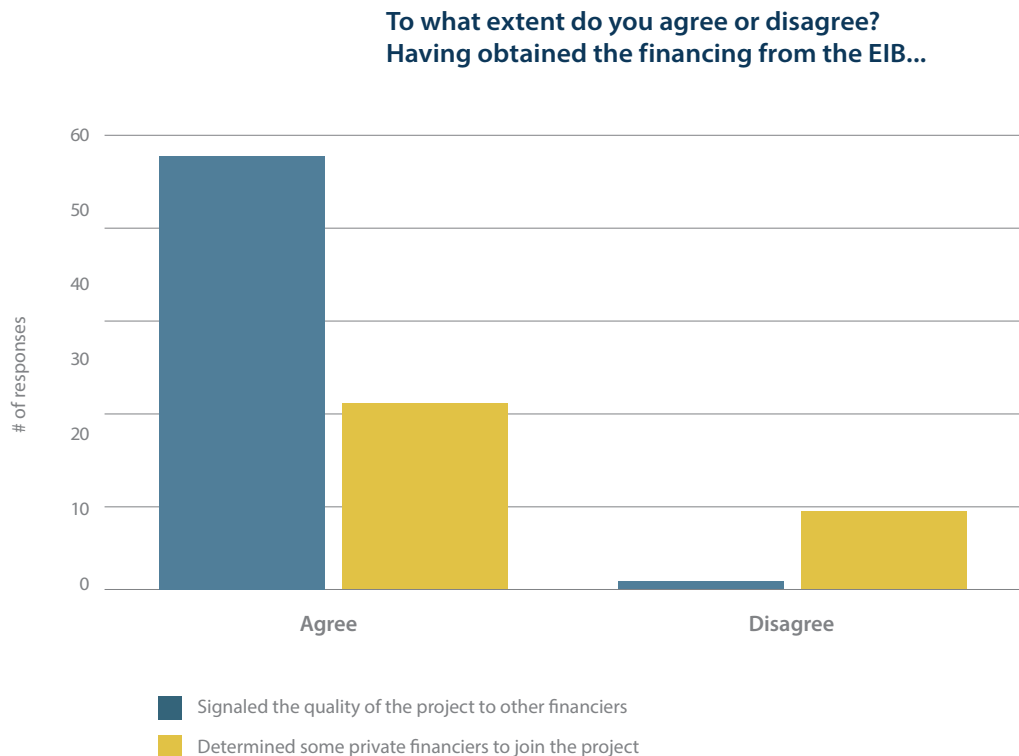
### 5.3.3 EFSI has generally served as a catalyst for attracting private investors



**The majority of project promoters/intermediaries indicated that EFSI has helped to catalyse other sources of private and public finance.** Almost all project promoters/intermediaries who responded to this survey question agreed that EFSI support signalled the quality of their project/organisation to other public and private investors (see dark blue bars in Figure 19 and Figure 20).

A significant majority also suggested that some private investors would not have provided finance to their project/organisation in the absence of EFSI (yellow bars in Figure 19 and Figure 20). Only five project promoters/intermediaries indicated that EFSI involvement deterred private investors from providing finance to their project/organisation.

**FIGURE 19: PERCEPTION OF IIW PROJECT PROMOTERS**



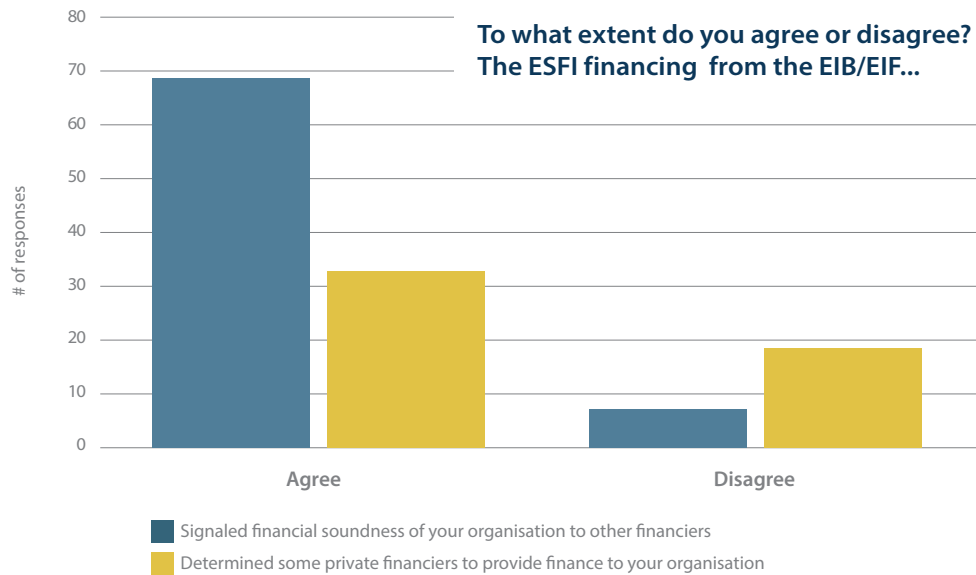
Response rates:

First question (blue bars), 57 respondents out of 108.

Second question (yellow bars), 34 respondents out of 108.

Source: Survey of IIW project promoters

**FIGURE 20: PERCEPTION OF FINANCIAL INTERMEDIARIES UNDER IIW AND SMEW**



Response rates:

First question (blue bars), 76 respondents out of 184.

Second question (yellow bars), 50 respondents out of 184.

Source: Survey of financial intermediaries under IIW and SMEW

**There was a general agreement among the nine NPBI's interviewed that the presence of the EIB/EIF helped to crowd in private investors.**



**The NPBI's considered that this effect resulted from:**

- association with the Investment Plan for Europe and the EIB/EIF, which are perceived positively by private investors;
- using EFSI to finance a larger share of riskier operations, which reassured private investors and encouraged them to provide finance.

**The consensus view of European Banking Federation members was that “EFSI helped to mobilise private sector financing” and “attracted a greater number of institutional investors.”**



**The case studies further revealed how this catalytic effect took place:**

- EFSI created visibility for the supported initiatives beyond the respective national context, thus attracting international investors.
- EFSI supported promoters in their initial endeavours to obtain financing, helping them to reach a “critical mass” of support and thereby demonstrate to other investors that the project was financially viable. This was particularly the case for investments in funds.
- The technical and legal due diligence performed by the EIB Group reassured other investors; in one case, investors conditioned their support on EIB involvement for this reason.
- The deep subordinate status of EIB financing (including through very long maturity) reduced the risk aversion of potential investors.

## 5.4 CLIMATE ACTION TARGET

### 5.4.1 The Amended EFSI Regulation introduced a soft target for climate action

#### *Context*

The Amended EFSI Regulation introduced a soft target for finance provided under EFSI's IIW, stipulating that 40% of project components (excluding support for SMEs and small mid-caps) should contribute to climate action.

Climate action is listed in Article 9 of the Amended EFSI Regulation as one area where the EU guarantee should be used to address market failures or suboptimal investment situations. More specifically, the Amended EFSI Regulation calls for reinforcement of the contribution of EFSI operations to achieving EU targets set at COP21 and the EU commitment to reducing greenhouse gas emissions by 80–95% before 2050.

#### *Evaluation focus*

The evaluation assesses the extent to which increased focus on climate action, including the introduction of a target, affected implementation of EFSI and achievement of its objectives. In particular, the evaluation examines the extent to which the share of climate action financing in the EFSI portfolio increased and whether the geographical distribution or additionality of the EFSI portfolio, two aspects of particular importance to EFSI stakeholders, were affected by the target.

#### Key findings for climate action target

1. The share of climate action in the EFSI portfolio increased over the period, but it is unclear if this was driven by the introduction of the target.
2. EFSI climate operations were concentrated in the EU-15 before and after the target's introduction. The introduction of the target did not significantly change the distribution between the EU-13 and EU-15.
3. Risk remained the decisive element of additionality for EFSI operations, although some EFSI Investment Committee members felt that the climate action target enriched their deliberations.
4. The EIB's ex-ante assessment and promoters' perceptions of additionality were similar for climate and non-climate EFSI operations, irrespective of the target's introduction.
5. The introduction of the climate target aligned EFSI with EU-wide policy developments and improved the perception of EFSI as a mandate to support climate action.

### 5.4.2 The share of climate action in EFSI’s portfolio increased from 2018 to 2020, but it is unclear if this was driven by the introduction of the target

The EFSI climate action target was exceeded by mid-2020. In the EFSI portfolio of signed operations, the share of financing for project components contributing to climate action increased after the soft target was introduced in 2018. The 40% level was surpassed in 2019, before reaching 41.6% by the end of H1 2020.

However, this increase in the share of climate action in the EFSI portfolio may not have been driven (only) by the target’s introduction.



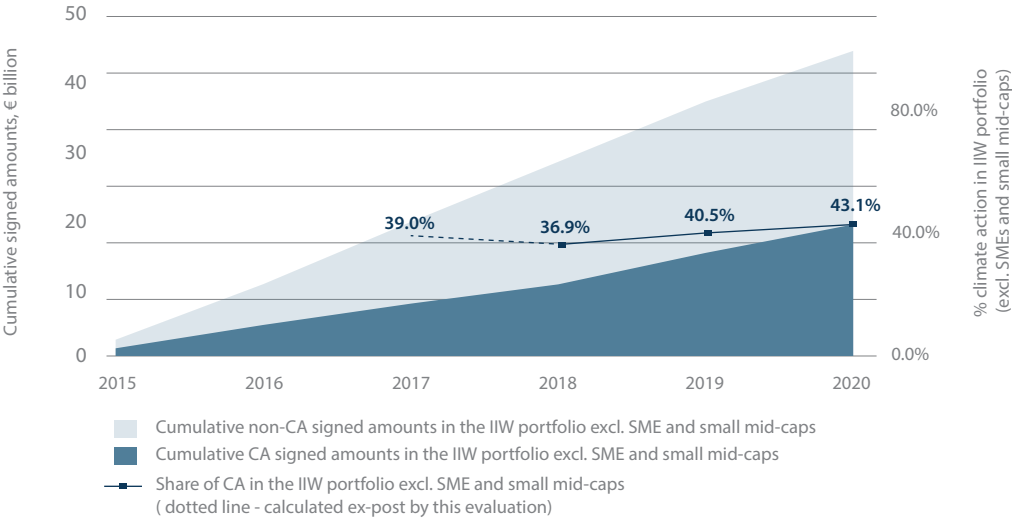
- In the overall EIB portfolio (including EFSI operations), the proportion of financing for climate action has continuously increased over recent years, from 25% in 2014 to 30% in 2018 and over 37% in 2020.<sup>29</sup> These percentages are not directly comparable with those under EFSI because the bases for their calculation are different.<sup>30</sup> However, the trend is similar.



- A wide range of interviewed EIB staff unanimously confirm that the target’s introduction did not make a difference in the origination of EFSI operations. Climate operations were already being prioritised by the EIB when the target was introduced. The increase in the share of climate action in EFSI operations has been driven more by the EIB’s ambition to become the “EU climate bank,” as evidenced by the policy changes introduced through the Energy Lending Policy (2019) and the Climate Bank Roadmap (2020).

The interviews with EFSI Investment Committee members suggest that the contribution to climate action was just one aspect considered when approving EFSI operations and that was already the case before the target’s introduction.

FIGURE 21: CLIMATE ACTION FINANCE IN THE IIW PORTFOLIO (EXCLUDING SMES AND MID-CAPS)



Source: EV computations based on EFSI operational reports

29. See the EIB Group Climate Bank Roadmap (here) and the EIB webpage dedicated to climate and environmental sustainability (here).  
 30. The EFSI climate action target is calculated only for the IIW portfolio (excluding SMEs and small mid-caps) and cumulatively (i.e. on the entire portfolio). This explains why the levels of finance illustrated in Figure 21 are lower than the total figures for the IIW.

### 5.4.3 EFSI climate operations are concentrated in the EU-15. The target's introduction did not significantly change the distribution between the EU-13 and EU-15



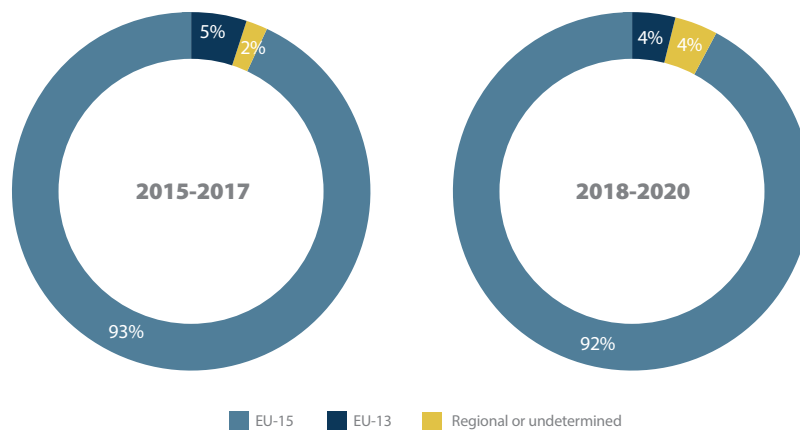
**Climate action projects under EFSI have been and continue to be particularly concentrated in the EU-15 (92–93%),** even more so than the overall EFSI portfolio (88–89% – see section 5.2.6).<sup>31</sup>

**However, as shown in section 5.2.6, the distribution of EFSI financing between the EU-15 and EU-13 did not change significantly after the amendments of the EFSI regulation. This was also the case for projects with climate components** (see Figure 22). Thus, there are no grounds to suggest that a prioritisation of climate action after the target's introduction distorted the geographical distribution of EFSI operations between the EU-13 and EU-15.



**None of the interviewed stakeholders believed there was a trade-off between the geographical location of operations and the climate target.** These interviewees comprised EFSI decision-makers (EFSI Investment Committee and Steering Board), EIB operational staff, and representatives of the European Commission, European Parliament and civil society organisations.

**FIGURE 22: REGIONAL DISTRIBUTION OF EFSI CLIMATE SIGNED AMOUNTS**



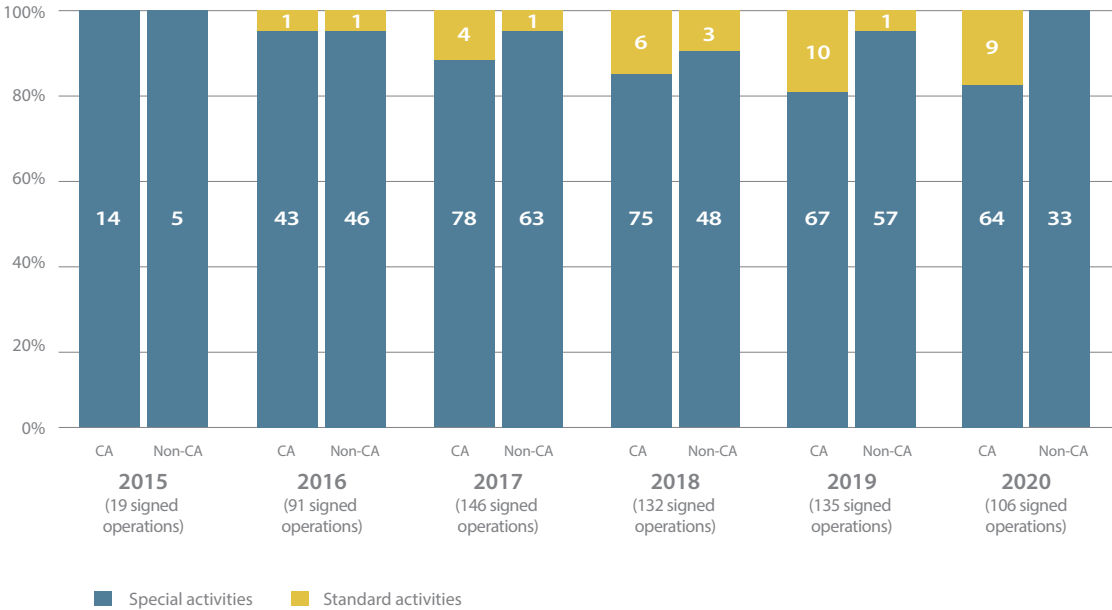
Source: EFSI operational reports

31. For the purpose of this evaluation, "climate action operations" were defined as operations under the IIW (excluding SMEs and small midcaps), having a climate action component higher than 0.

**5.4.4 Risk remained the decisive element of additionality for EFSI operations, although some EFSI Investment Committee members felt that the climate action target enriched their deliberations**

An increasing number of EFSI climate operations were signed as standard activities (25 in the period 2018–2020), while non-climate EFSI operations remained overwhelmingly Special Activities. However, an analysis of the project documentation for the EFSI Investment Committee concerning these 25 standard activities climate operations shows that risk level remained the decisive element of additionality for several operations.

**FIGURE 23: SHARE OF SPECIAL ACTIVITIES AND STANDARD ACTIVITIES FOR CLIMATE AND NON-CLIMATE OPERATIONS IN THE IIW PORTFOLIO**



Sources: EV calculations

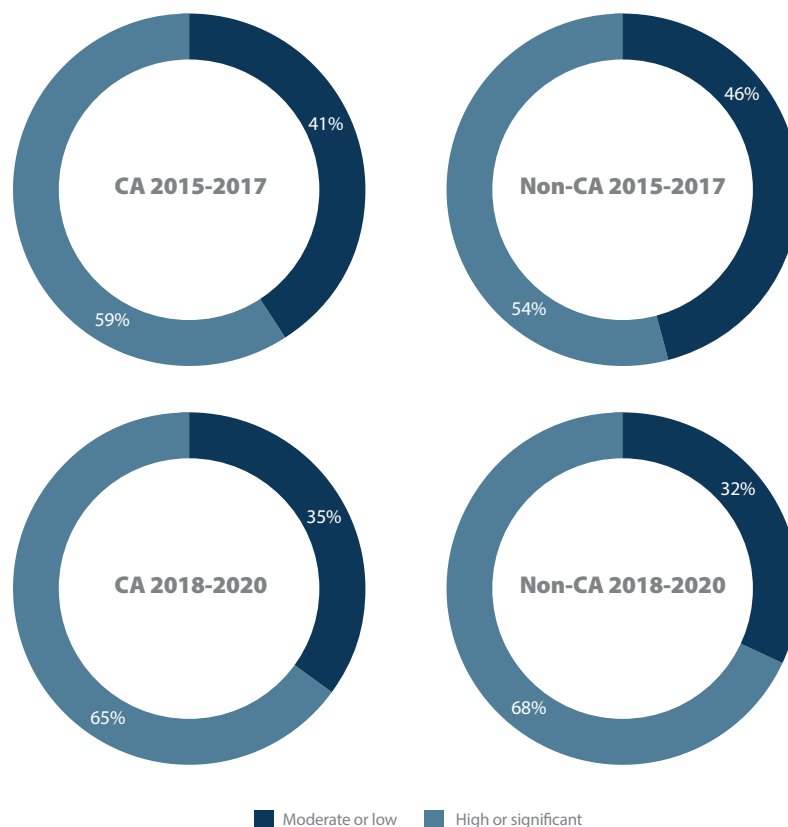


Nevertheless, EFSI decision-makers (Steering Board and Investment Committee) felt that the introduction of the climate action target—as a sign of the topic’s increased importance in EFSI—contributed to refocusing their discussions around proposed EFSI operations, moving away from risk emphasis towards market failures and suboptimal investment situations, in line with the Amended EFSI Regulation.

### 5.4.5 The EIB’s ex-ante assessment and promoters’ perceptions of additionality were similar for climate and non-climate EFSI operations, irrespective of the target’s introduction

The expected technical and financial contributions of the Bank (elements used to measure additionality in the EIB’s 3 Pillar Assessment Framework (3PA)<sup>32</sup>) were similar for climate and non-climate EFSI operations.<sup>33</sup> As shown in Figure 24, before 2018 just over half of both climate and non-climate IIW operations had a “high” or “significant” rating on Pillar 3. The share of operations with the same ratings increased to about two-thirds for operations signed after 2018, in roughly equal measure for climate and non-climate operations.

FIGURE 24: EIB’S ESTIMATED EX-ANTE FINANCIAL AND TECHNICAL CONTRIBUTIONS TO EFSI OPERATIONS, BY CLIMATE ACTION (CA) AND NON-CLIMATE-ACTION OPERATIONS



Source: Analysis of Pillar 3 scores in the 3PA assessments for the 629 operations in the EFSI IIW portfolio

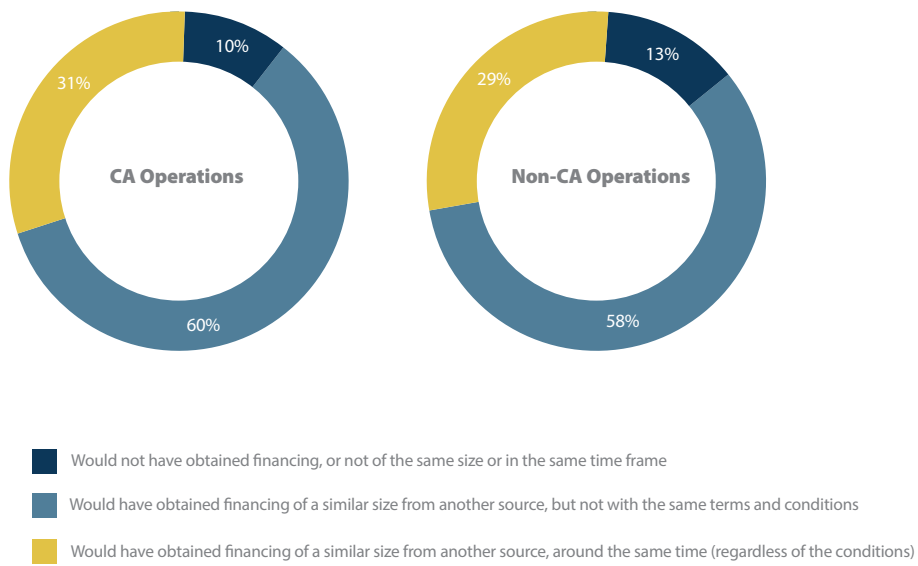
32. The 3PA was the EIB’s outcome assessment framework for operations within the European Union up to year-end 2020. See details [here](#). In 2021 the 3PA was replaced with the Additionality and Impact Measurement (AIM) framework. The assessment carried out by EIB staff under Pillar 3 considers the Bank’s financial contribution to operations and/or technical advice, which is the way in which the EIB can provide non-financial additionality to the operations it supports.

33. Ratings under Pillar 3 range from “high” (top category) to “low” (lowest category).



**The promoters' perception of additionality is similar for climate and non-climate operations signed after 2018.** The survey shows that the majority of participating promoters—of both climate and non-climate EFSI projects—would have had difficulties obtaining financing of a similar size, within the same time frame, or with the same terms or conditions in the absence of EIB support.

**FIGURE 25: PROMOTERS' PERCEPTION OF ADDITIONALITY FOR OPERATIONS SIGNED AFTER 2018**



Source: Survey of EFSI 2.0 project promoters

Sample size: 68 responses overall; 44 for climate operations and 24 for non-climate operations.



#### 5.4.6 The introduction of the climate target aligned EFSI with EU-wide policy developments and improved the perception of EFSI as a mandate to support climate action



**The introduction of the climate target generated a process of monitoring and reporting on the contribution made by EFSI to climate action.**<sup>34</sup> This process (which did not exist before the target's introduction) helped to more objectively assess EFSI's contribution to climate action and to focus the attention of EFSI internal and external stakeholders beyond investment volumes and private finance mobilisation.

Interviewed stakeholders involved in (or witnesses to) the decision to include a soft target for climate action in the Amended EFSI Regulation agree that this was a **political decision** aimed at aligning EFSI with:

- increased emphasis on the “policy-first” approach for deploying EU budgetary guarantees;
- other joint EU and EIB initiatives with relevant policy-driven targets (such as InnovFin and the Connecting Europe Facility Debt Instrument);
- the key priorities of the EU and EIB policy agenda (climate action).



The same interviewees pointed out that **the target's introduction allowed EFSI stakeholders (e.g. members of the European Parliament, the European Commission) to communicate on a more concrete topic of interest to the general public** (climate action), rather than on more technical concepts (e.g. investment volumes, multipliers, private finance mobilisation).

**The European Parliament's perception of EFSI's contribution to climate action improved after the target's introduction.** In its 2017 report the Parliament recalled that EFSI should support a major shift towards sustainable investment and underlined the need to strengthen reporting on climate change under EFSI. Introducing the climate action target has clearly addressed this concern. Subsequently, the European Parliament's report in November 2018 “welcomes the fact that in 2017 the EIB lent €16.6 billion for projects supporting its environment policy goals.”

34. The share of climate action in every EFSI operation was calculated using the EIB's methodology developed for this purpose.

## 5.5 COOPERATION WITH NPBIs

### 5.5.1 Cooperation with NPBIs could potentially enhance complementarity, leverage local expertise, reduce costs and bring the support to smaller operations

#### *Context*

The EIB Group's cooperation with NPBIs is driven by both political and technical considerations. From a political perspective, the NPBIs have a mandate to support national policies, while the EIB Group plays an important role in supporting EU policies. Therefore, the NPBIs and the Group have similar policy objectives (e.g. addressing investment gaps in Europe).

To achieve their objectives, the EIB Group and NPBIs sometimes use very similar products while targeting the same countries and sectors. Therefore, also from a technical perspective, there is scope for cooperation between the EIB Group and NPBIs to enhance complementarity and synergies.

Several bilateral and multilateral coordination structures have been put in place to facilitate numerous forms of cooperation with NPBIs, including co-financing at the project level, co-investment through investment platforms, and joint participation in risk-sharing products, securitisation structures and venture capital funds.

**As also encouraged by the Amended EFSI Regulation, this cooperation between the EIB Group and NPBIs sought to generate a number of benefits, such as:**

- Enhancing complementarity and synergies;
- EIB Group leveraging NPBI expertise on local contexts and policies;
- Reducing the transaction and information costs through “full delegation” or some level of “mutual recognition” of technical due diligence when co-financing operations;
- Allowing the EIB Group to support operations that (because of their size, level of specialisation, etc.) are not directly serviced by the Group through the use of investment platforms.

#### *Evaluation focus*

The evaluation assesses the extent to which the above benefits materialised. It also considers whether the EIB Group's cooperation with NPBIs might have unintentionally affected the geographical distribution of EFSI operations.

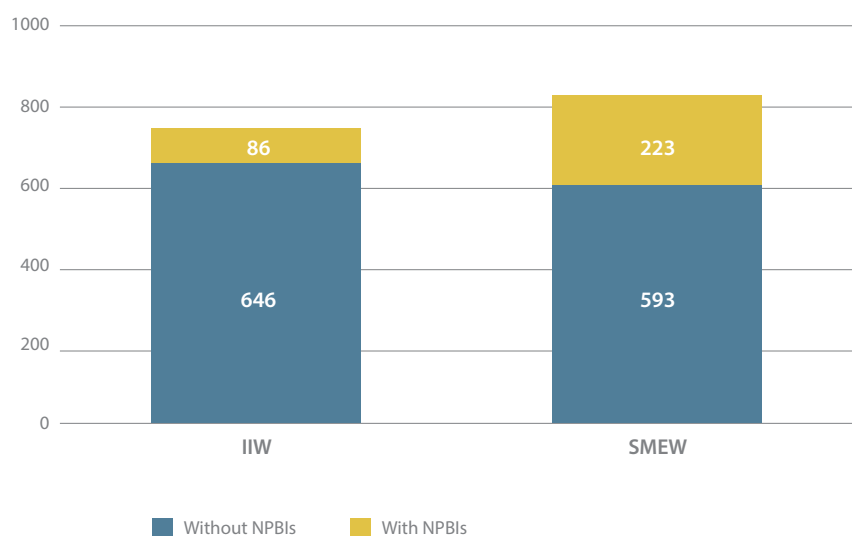
#### **Key findings regarding cooperation with NPBIs**

- 1.** A strong framework for cooperation with NPBIs has been established, beginning at EFSI's inception. This has led to more intense dialogue between the EIB Group and the NPBIs. It has also generally resulted in better mutual understanding and a significant number of joint operations (under both the IIW and SMEW).
- 2.** However, cooperation under the IIW has fallen short of delivering on some of the potential benefits:
  - The heterogeneity of the NPBIs and their respective national contexts made it challenging to systematically ensure a high level of bilateral cooperation.
  - Efficiency gains from enhanced cooperation with NPBIs were limited overall.
  - Investment platforms helped to reach smaller operations but their setup and implementation have not been efficient.
- 3.** There is no evidence that enhanced cooperation with NPBIs increased the concentration of EFSI finance in larger EU Member States.

## 5.5.2 EFSI helped to develop a strong framework for cooperation with NPBIs

There was general agreement among NPBIs and EIB Group staff that EFSI made an important contribution to facilitating exchanges between the EIB and NPBIs (and between the NPBIs themselves). However, this development had started from EFSI's inception, and was not the result of the Amended Regulation. The structures and rules for such cooperation were strengthened. A range of coordination groups (at both bilateral and multilateral levels) have been set up under the IIW and the SMEW to facilitate communication. This has resulted in substantially more dialogue to explore possibilities for cooperation, while also improving mutual understanding between the EIB Group and NPBIs. For both the EIB and EIF, the effect was qualitative and quantitative, resulting in the development of new initiatives such as the EIF-NPI (national promotional institutions) Equity Platform and the EIF-NPI Securitisation Initiative.

FIGURE 26: NUMBER OF EFSI OPERATIONS DURING 2015–2020



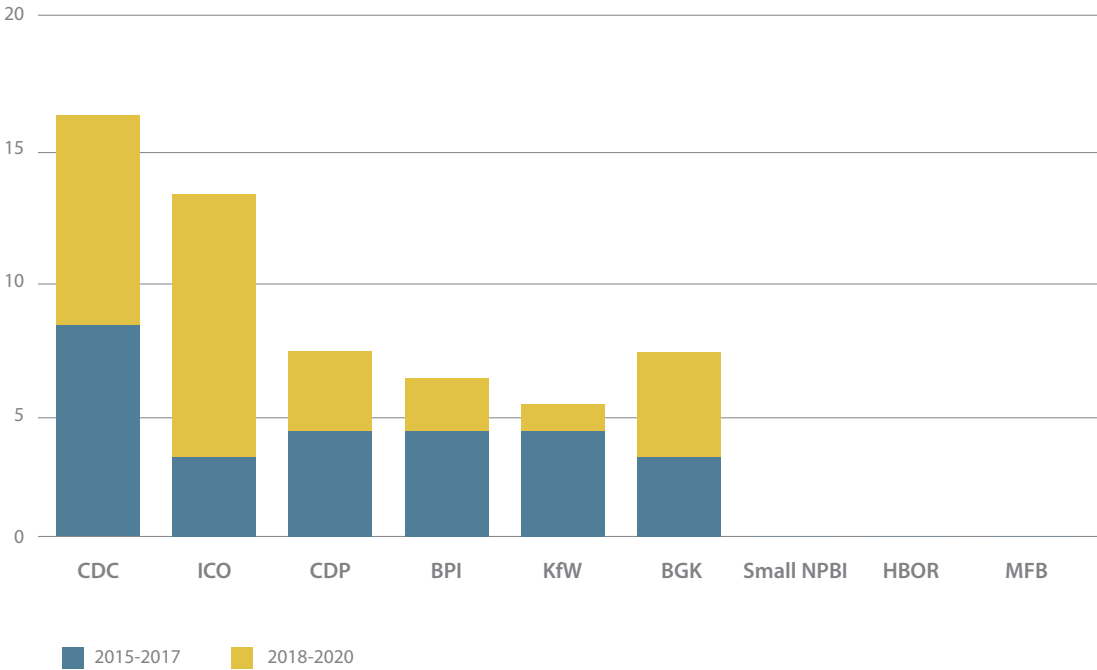
Source: EFSI monitoring data as of December 2020

**The European Investment Advisory Hub has also helped to strengthen cooperation with NPBIs.** The Hub supported several NPBIs on individual projects/investment platforms and provided capacity building to strengthen the skills of some NPBI staff. The Hub also worked with the more experienced NPBIs using them to deliver advisory services on its behalf in several countries. The implementation of Advisory Hub support was initially slow but picked up considerably during the evaluation period. The main reason for the slow start was a lack of clarity from NPBIs on the support they needed. While the number of Advisory Hub assignments has substantially increased, it is too early to judge whether the support provided will generate stronger cooperation with NPBIs in the future.

### 5.5.3 The heterogeneity of the NPBIs and their respective national contexts made it challenging to systematically ensure a high level of bilateral cooperation

Except for the substantial increase in Advisory Hub assignments, in most cases, the cooperation between the EIB Group and NPBIs did not intensify after 2018, but rather continued the trend that started in 2015. Interviewees had mixed opinions on whether dialogue was strengthened in 2018–2020 compared to 2015–2017, as encouraged by the Amended EFSI Regulation. Some of the larger NPBIs agreed that cooperation intensified from 2018 onwards, while others indicated that a prior trend continued (as evidenced by the number of operations co-financed with the EIB and the EIF). However, the smaller NPBIs pointed out the lack of opportunities for concrete cooperation with the EIB at the project level, attributable to the absence of EFSI-eligible projects in their countries or to EFSI-eligible public sector projects already having other sources of financing (e.g. structural funds).

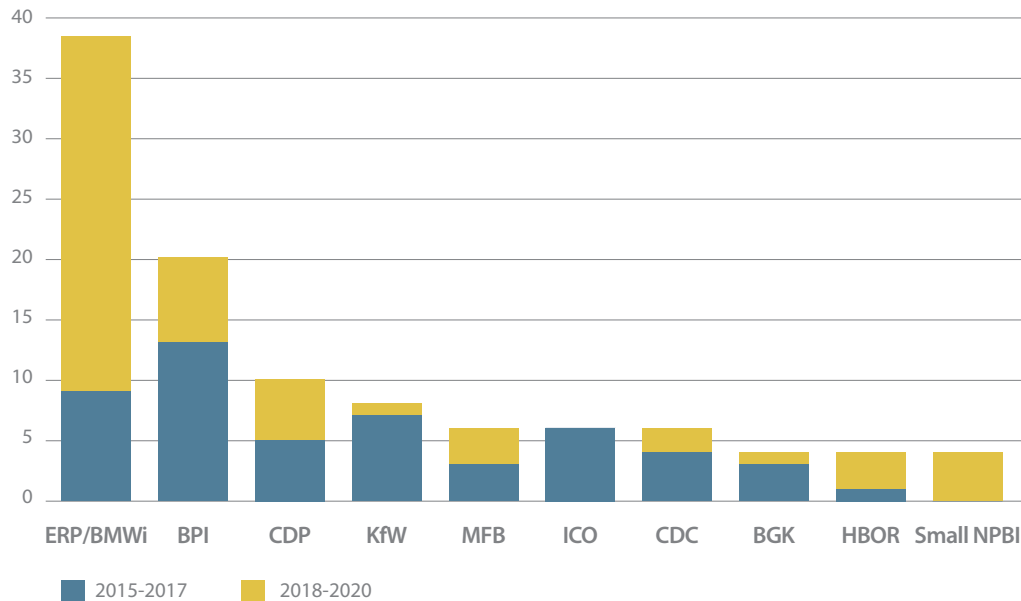
FIGURE 27<sup>35</sup>: NUMBER PROJECTS IMPLEMENTED WITH NPBIs UNDER THE IIW



Source: IIW monitoring data as of December 2020

35. CDC: Caisse des Dépôts et Consignations, France; ICO: Instituto de Credito Oficial, Spain; CDP: Cassa Depositi e Prestiti, Italy; BPI: Banque Publique d'Investissement, France; KfW: Kreditanstalt Für Wiederaufbau, Germany; BGK: Bank Gospodarstwa Krajowego, Poland; HBOR: Croatian Bank for Reconstruction and Development, Croatia; MFB: Magyar Fejlesztési Bank, Hungary

FIGURE 28<sup>36</sup>: NUMBER OF OPERATIONS IMPLEMENTED WITH NPBI<sup>s</sup> UNDER THE SMEW



Source: SMEW monitoring data as of December 2020



Increased dialogue between the EIB Group and NPBI<sup>s</sup> did not always result in an increased number of co-financed operations. This is explained by a variety of reasons, such as:

- **The diversity of NPBI<sup>s</sup>' business models and the perceived absence of scope for cooperation in some cases.** This applies not only to smaller NPBI<sup>s</sup> (as indicated above) but also to some large NPBI<sup>s</sup> in contexts where the financing already offered by commercial banks and NPBI<sup>s</sup> was perceived as sufficient, leaving limited space for further EIB financing.
- **A perceived lack of flexibility by the EIB to adapt its products to the country context.** Several small NPBI<sup>s</sup> felt that the EIB should have been more flexible and better tailored its products and financing size to the country context. The EIF was perceived as more flexible in this regard.
- **The perception of the EIB as a competitor by some NPBI<sup>s</sup>.** Several NPBI<sup>s</sup> felt that the EIB could offer more attractive financing conditions thanks to the EU guarantee and were, thus, concerned they would be crowded out by the EIB.
- **Unmet expectations.** One example is that the NPBI<sup>s</sup> expected the EIB to provide first-loss protection on co-investments, which was not acceptable for the EIB under the conditions that NPBI<sup>s</sup> proposed.
- **A perceived tendency of some NPBI<sup>s</sup> to use cooperation as a means to control the EIB.** This was perceived, for instance, in the case of some investment platforms.

36. European Recovery Program/Bundesministeriums für Wirtschaft und Energie (ERP/BMWi), Bpifrance (BPI), Cassa Depositi e Prestiti (CDP), Kreditanstalt Für Wiederaufbau (KfW), Magyar Fejlesztési Bank (MFB), Instituto de Crédito Oficial (ICO), Caisse des Dépôts et Consignations (CDC), Bank Gospodarstwa Krajowego (BGK), Hrvatska banka za obnovu i razvitak (HBOR).

#### 5.5.4 Efficiency gains from enhanced cooperation with NPBIs were limited overall



**In most cases the due diligence was conducted in parallel by the EIB and NPBIs.**

There were only a few examples under the IIW of full delegation (3 out of 34 projects) or some level of mutual recognition for technical due diligence over the 2018–2020 period. Also, there were no examples of NPBIs delegating responsibilities to the EIB, which could have been envisaged in situations where the EIB had stronger experience and capacity compared to the NPBI.

**The reasons for this include:**

- Self-imposed limitations (Basel III standards require any lender to perform its own due diligence);
- Differences in EIB and NPBI appraisal standards (e.g. on risk assessment, procurement and environmental standards), resulting in a lack of trust;
- Perception that NPBIs always have better local knowledge and capacity than the EIB.



**While there was some cooperation between the EIB and NPBIs during due diligence, this was not systematic and did not deliver significant efficiency gains:**

- Four of the nine interviewed NPBIs indicated there was limited scope for cooperation in due diligence because they implemented few operations together with the EIB.
- Five of the nine had a positive perception of cooperation during due diligence but could not provide specific examples of efficiency gains; some complained about cooperation not being replicated in follow-on operations (e.g. absence of a simplified procedure for repeat operations).



**Cooperation with the EIF under the SMEW was unanimously perceived as very efficient by the NPBIs.**

This was largely because, in most cases, the NPBIs acted as intermediaries under the SMEW, entailing less scope for conducting shared due diligence. The fact that the SMEW was mostly used to scale up existing EIF products, which were well known to NPBIs, also contributed to this positive perception, which existed since the inception of EFSI. NPBIs also praised the support received from EIF staff in the implementation of existing and new EFSI products.

**The case studies did not reveal any significant evidence that cooperation with NPBIs led to efficiency gains during the due diligence process.** Only in one case did the EIB's due diligence lead to reduced NPB due diligence, but there was no direct cooperation on the subsequent operation (i.e. the NPB used a simplified due diligence process, placing trust in the positive outcome of the EIB's process).

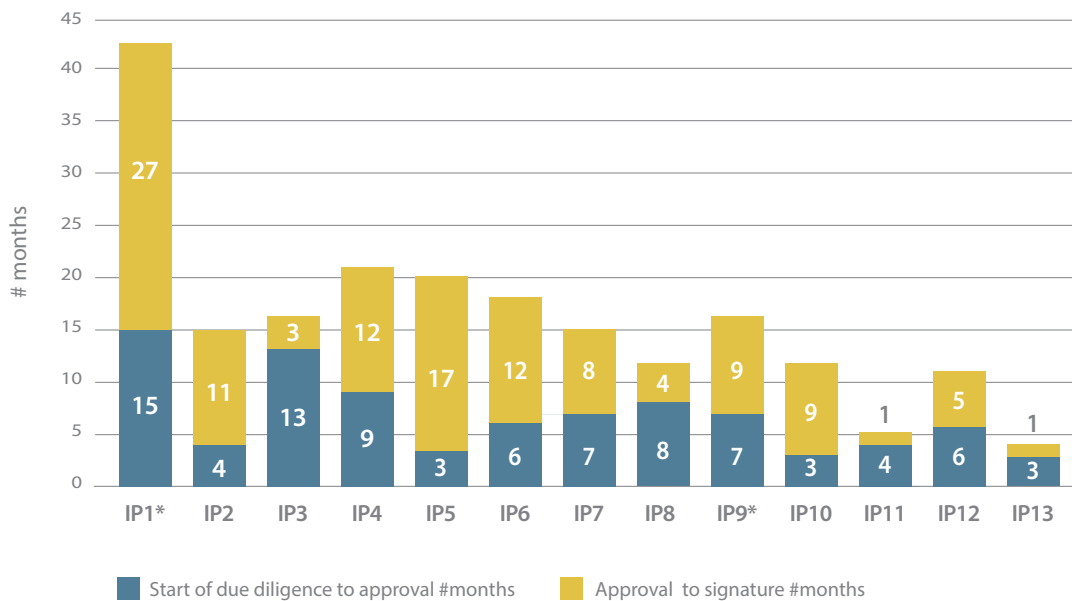
### 5.5.5 Investment platforms helped to reach smaller operations but their setup and implementation were not efficient



**Most investment platforms under the IIW provided finance/guarantees to operations too small to be financed directly by the EIB.** In most cases the investment platforms were set up as funds and risk-sharing instruments and have been used to support sub-operations generally ranging in size from €100 000 to €8 million. While there are a few examples of platforms supporting larger operations, overall it is clear that the EIB would not have been able to finance such small operations directly.

**Most platforms implemented during 2018–2020 under the IIW took a long time to set up.** The average time from the start of due diligence to approval of the operation was 6.7 months, while the average time from approval to signature was 9 months. By EIB standards, both periods (and particularly the time between approval and signature) are generally acknowledged as long. For comparison, the average time from approval to signature for all operations implemented under the IIW between 2015 and 2020 was 3.6 months.

**FIGURE 29: SETUP TIME OF INVESTMENT PLATFORMS IN MONTHS**

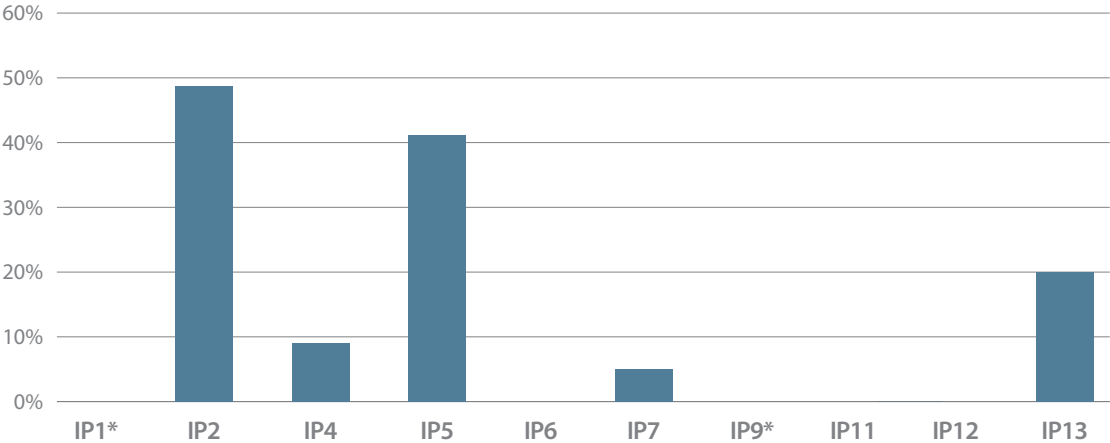


Source: EFSI monitoring data as of mid-2020  
 IP numbers represent specific investment platforms.  
 \* IP1 and IP9 were not signed by mid-2020.

**The platforms' disbursement rates were slow.** Looking at the ten funded investment platforms out of the total 13 platforms under the IIW (i.e. excluding those which provided guarantees, as these were not expected to disburse), five had not made any disbursements by mid-2020. Some of these investment platforms have also been operating for some time. For instance, IP4 and IP7 had been operating for 12 and 15 months after signature but had only disbursed 9% and 4% of the signed amounts, respectively.

**The investment platform concept was not entirely clear.** The concept was not understood by all NPBIs when it was introduced (neither under IIW nor SMEW). Some NPBIs consider it to be a mere label which does not add operational value. Those NPBIs that have used investment platforms (mostly the “Big Five”) tend to perceive the concept positively, suggesting that it gave a framework to the cooperation and helped to avoid crowding-out of NPBIs by the EIB. While the rules for cooperation with NPBIs and under the investment platforms have contributed to clarifying the concept and demonstrating examples, some ambiguity remains. For instance, a large part of the operations under the SMEW could be classified as investment platforms according to the current definition.<sup>37</sup>

**FIGURE 30: PERCENTAGE DISBURSED BY FUNDED INVESTMENT PLATFORMS**



Source: EFSI monitoring data as of mid-2020  
 IP numbers represent specific investment platforms.  
 \* IP1 and IP9 were not signed by mid-2020.

37. According to the EFSI Regulation, investment platforms are “special purpose vehicles, managed accounts, contract-based co-financing or risk-sharing arrangements or arrangements established by any other means by which entities channel a financial contribution to finance a number of investment projects. . . .”

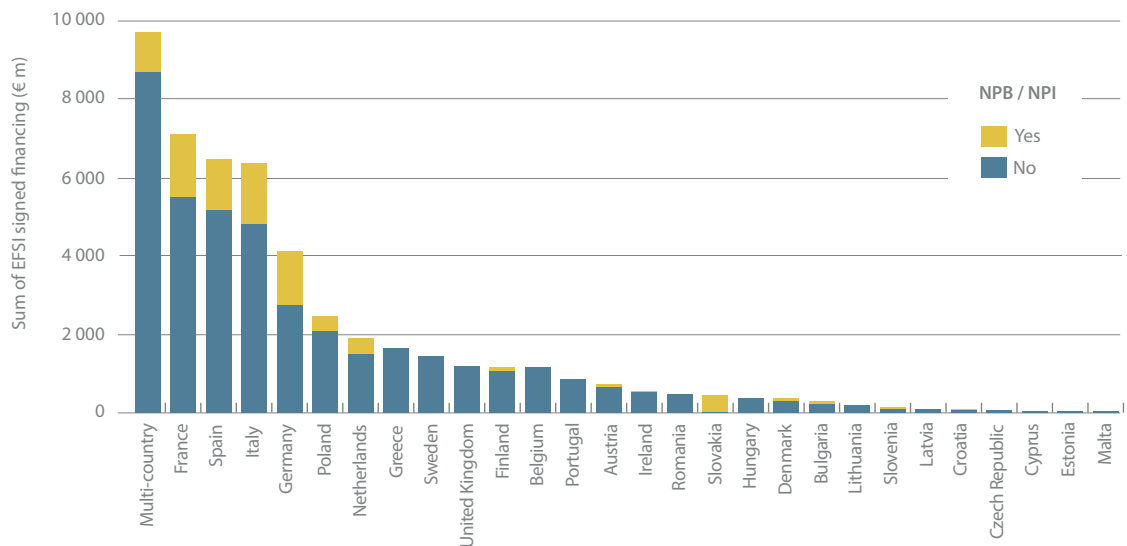


## 5.5.6 There is no evidence that enhanced cooperation with NPBIs increased the concentration of EFSI finance in larger EU Member States



The four main recipients of EFSI finance in nominal terms (France, Spain, Italy and Germany) also account for a significant part of the EFSI financing channelled to projects co-financed by NPBIs (the yellow bars in Figure 31). At first sight it therefore appears that co-financing with NPBIs might have played a role in attracting further EFSI finance to these four countries. However, the evaluation could not find any evidence to support this hypothesis.

FIGURE 31: EFSI IIW FINANCING IMPLEMENTED WITH NPBIs / WITHOUT NPBIs DURING 2015–2020



Source: EFSI monitoring data as of mid-2020



The interviews with EIB and EIF staff, NPBIs and external stakeholders suggest that co-financing with NPBIs did not lead to a greater concentration of EFSI financing in large EU economies.



While NPBIs played a role in the origination of some EFSI deals, the case studies show that EFSI participation in operations co-financed with NPBIs (under the IIW and the SMEW) was generally not influenced by the presence of NPBIs in those deals. Rather, these cases reflect overlapping policy goals between the EIB and NPBIs. In other words, a large share of the EFSI financing that flowed to projects co-financed by NPBIs would have been invested there anyway.



Only 4 of 68 surveyed promoters and 1 of 121 surveyed financial intermediaries indicated that they have been referred to the EIB or EIF by an NPBI. The vast majority approached the EIB/EIF themselves, were approached by the EIB/ EIF directly or already had a relationship with the EIB/EIF.

## 5.6 TRANSPARENCY

### 5.6.1 The Amended EFSI Regulation introduced some changes to enhance EFSI's transparency

#### *Context*

The Amended EFSI Regulation introduced a requirement to publish the rationale for EFSI Investment Committee decisions approving the use of the guarantee, and the Scoreboard used by the EIB to assess EFSI operations, while avoiding disclosure of commercially sensitive information.<sup>38</sup>

In addition, it stipulated that the European Parliament nominate an independent expert as a non-voting member of the EFSI Steering Board.

These requirements extended the scope of information EFSI had been making public from the outset. This change came at a time when the European Parliament and some civil society organisations had been expressing concerns about the lack of transparency under EFSI, including the resulting difficulty of holding the EIB Group to account for its use of the EU guarantee. Therefore, the changes introduced by EFSI 2.0 had the potential to influence external stakeholders' perceptions of EFSI, notably on topics such as transparency, additionality and governance.

#### *Evaluation focus*

The evaluation assesses the extent to which these measures changed perceptions of EFSI, while also considering possible unintended negative effects, such as complications for EIB client relationships or an increase in the number of information requests impacting the efficiency of implementation.

#### Key findings for transparency

The transparency requirements introduced through EFSI 2.0 improved perceptions of EFSI operations without any significant drawbacks

1. The European Parliament's and civil society organisations' perceptions of EFSI operations have improved.
2. There were some costs from the more complex administration, but no significant detriment to client relationships.
3. There was no loss of efficiency in the implementation triggered by additional requests for information from external stakeholders.

38. Article 6(12) of the Amended EFSI Regulation specifies that "Decisions approving the use of the EU guarantee shall be public and accessible and shall include the rationale for the decision, with particular focus on compliance with the additionality criterion."

## 5.6.2 Increased transparency has improved the European Parliament's perceptions of EFSI



The European Parliament changed its stance on EFSI in 2018 from very negative (on a wide range of topics) to positive. This included the three topics on which the EFSI 2.0 transparency measures could have generated a change in perception:

- **Additionality:** the EIB was heavily criticised in the Parliament's 2017 report for apparently funding lower-risk projects and artificially classifying operations as Special Activities. Criticism on this topic declined significantly over time until it was no longer mentioned as an issue in the Parliament's November 2018 report.
- **Transparency:** the European Parliament recognised and commended progress on this issue in 2018. While the 2017 report urged EFSI governance bodies to share information with the Parliament proactively and to improve the flow of communication, subsequent reports were all positive on the transparency enhancements introduced by EFSI 2.0.
- **EFSI governance** was heavily criticised in 2017 on several aspects, including the lack of transparency in project selection. None of these aspects were repeated in the Parliament's November 2018 report, which voiced a very positive view of EFSI overall.



The interviews conducted with the European Parliament, EIB staff and other EFSI stakeholders all confirm that the measures introduced under EFSI 2.0 have been the main reason for this change in feedback. In particular, the changes in transparency, additionality and governance (including the European Parliament nominating a non-voting member of the EFSI Steering Board ) were very positively received by the Parliament.

TABLE 3: CHANGES OVER TIME IN THE TOPICS INCLUDED IN EUROPEAN PARLIAMENT REPORTS \*

2017	May 2018	November 2018
Additionality	Additionality	
Transparency	Transparency	Transparency
Sustainability	Sustainability	Sustainability
Investment Committee		Achievement of EFSI target
Managing director		Continuation with EFSI-type mandates
Geographical distribution		Geographical distribution
Sector concentration		
NPBI cooperation		NPBI cooperation
Investment platforms		Risk of crowding-out
Small projects		Small companies

Source: EV interpretation of reports issued by the European Parliament

Legend: Green – positive comments; Orange – mixed comments; Red – negative comments.

\* The evaluation team did not analyse the validity of judgments expressed in the reports. The table is solely intended to show changes in the Parliament's perceptions of EFSI.

### 5.6.3 Increasing transparency has also improved civil society organisations' perceptions of EFSI



**Civil society organisations have also become less critical of EFSI transparency, additionality and governance.**

- **Transparency** improvements were noted in the October 2019 report issued by Bankwatch and Counter Balance. By contrast, all previous reports were highly critical of EFSI transparency, asserting in particular that the Scoreboard failed to go beyond the EIB’s standard rating system to ensure higher additionality for EFSI operations compared to EIB standard operations.
- **Additionality** was the main topic of criticism by civil society organisations in 2016. An entire chapter of one report was devoted to this topic, raising strong concerns about the lack of transparency and claiming that “the EIB is merely conducting business as usual under EFSI.” The topic received less emphasis in 2017, and in 2019 it was acknowledged that EFSI financed riskier projects with new types of partners (two aspects that are an important indication of additionality).
- **Governance:** the October 2019 report is much less critical of the EFSI Investment Committee compared to the reports issued in July and October 2016, suggesting that enhanced decision-making transparency helped (at least partly) to resolve previous concerns expressed by civil society organisations.

The minutes of regular meetings of the EFSI governing bodies with external stakeholders (including civil society organisations) also confirm the positive trend in feedback received on these three topics over time.



**The Interviews with civil society organisations, EIB staff and other EFSI stakeholders all confirm that increased transparency was a main contributor to this change in feedback on EFSI.** Another important factor was the improved communication and proactive engagement of EIB staff to address the concerns of civil society organisations.

**TABLE 4: CHANGES OVER TIME IN THE TOPICS INCLUDED IN CIVIL SOCIETY ORGANISATION REPORTS \***

May 2015	July and October 2016	November 2017	October 2019
Transparency	Transparency	Transparency	Transparency
Sustainability	Sustainability	Sustainability	Sustainability
Additionality	Additionality	Additionality	Additionality
Financial instruments	New Clients		New clients
Socialising risks	Geographical distribution	Geographical distribution	Geographical distribution
	Investment Committee		

Source: EV interpretation of reports issued by relevant civil society organisations, such as Bankwatch and Counter Balance at different points in time  
 Legend: Green – positive comments; Orange – mixed comments; Red – negative comments.  
 \* The evaluation team did not analyse the validity of judgments expressed in the reports. The table is solely intended to show changes in civil society organisation perceptions of EFSI.

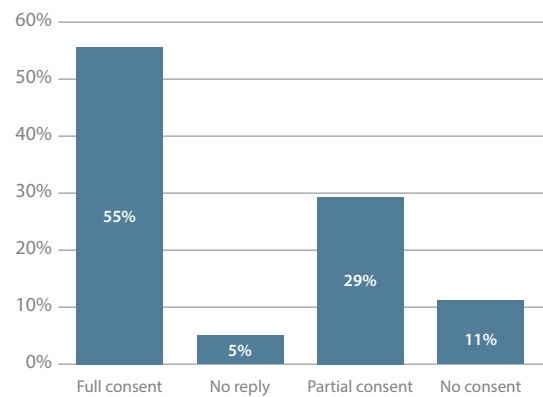
#### 5.6.4 There were some costs from the more complex administration, but no significant detriment to client relationships



**Most clients did not express any significant concerns on the content of the Scoreboard and consented to its publication.**

**Although 11% of clients did not consent to publication,** loan officers indicated that most of these clients simply requested that publication be delayed until the operation was signed. Various reasons for delaying publication were cited. Some clients had ongoing tender procedures and did not want the project's costs or the size of EIB financing to be published, so as to prevent distorted bidding behaviour. Other clients were publicly listed companies and requested that publication be delayed until after consultation with shareholders, so as to avoid stock market speculation.

**FIGURE 32: CLIENT FEEDBACK ON PUBLICATION OF SCOREBOARDS AT APPROVAL (% OF TOTAL)**



*Source: EIB internal calculation*



**The Scoreboard publication procedure introduced some administrative complexity but caused no detriment to client relationships.** The consultation of clients on the Scoreboard allowed flexible accommodation of legitimate requests. As an extra step in the process it resulted in a (limited) loss of efficiency, but this was internalised by the EIB and did not affect client relationships. While the procedure was generally perceived to be adequate, the interviewed EIB staff suggested it would have been more efficient to publish all Scoreboards at signature, thereby avoiding unnecessary iterations with clients.



**The case studies also suggest that the Scoreboards did not include information which clients would not want to be published.** For fund managers, the publication of approval by the EIB was found to be helpful in attracting other investors, so they favoured publication as early as possible, eager to capitalise on signalling effects. However, for mid-sized companies operating in a competitive market, and for publicly listed companies, the request for Scoreboard publication before loan signature has been a source of concern. The process for Scoreboard publication could be further improved by consulting the client before the language is set upon approval by the EFSI Investment Committee/EIB Board of Directors. In addition, several promoters felt that the information provided in the Scoreboard was technical and difficult to understand for external readers, suggesting there is room to make the language more reader friendly.

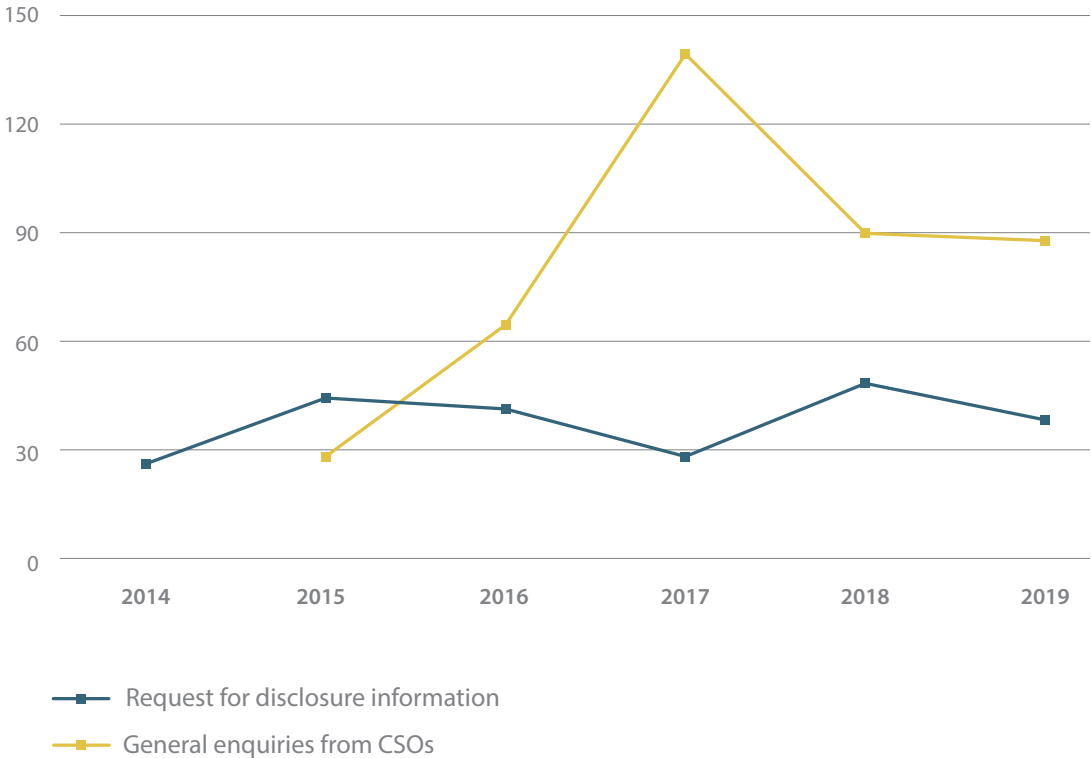
### 5.6.5 There was no loss of efficiency in the implementation triggered by additional information requests from external stakeholders

The number of general enquiries from civil society organisations decreased significantly after 2017, while the number of requests for disclosure of documents remained rather stable.

However, the observed decline in the number of general enquiries from civil society organisations was not driven by the introduction of EFSI 2.0 transparency measures:<sup>39</sup>

- Only a limited number of these general enquiries by civil society organisations relate to specific EFSI projects.
- The interviews with civil society organisations and EIB staff also suggest that these general enquiries usually relate to the nature of projects, and that their number is unlikely to be influenced by the publication of Scoreboards.

FIGURE 33: REQUESTS FOR DOCUMENTS AND ENQUIRIES FROM EXTERNAL STAKEHOLDERS ON ALL EIB OPERATIONS



Source: Annual reports on the implementation of the EIB Transparency policy

39. These general enquiries include correspondence raising questions about EIB-financed projects or the Bank’s activities and processes.

# 6. CONCLUSIONS AND LESSONS LEARNED

## 6.1 CONCLUSIONS

This evaluation presents overall positive findings on the functioning of EFSI for the period 2018–2020. Based on the analysis performed, the evaluation draws a number of conclusions.

1. EFSI has been a game changer in many respects – in the way it used public money to increase the EIB Group’s risk-bearing capacity and thereby unlock investment in the European Union; in the way it fostered intensive exchange between the EIB Group and NPBIs within the European Union; and in the way it contributed to transparently embedding EIB Group activities into the general policy context. EFSI has matured over time into a mechanism that is generally acknowledged as effective and valuable.
2. Market failures and suboptimal investment situations vary over time and across geographies within the European Union. By increasing the EIB Group’s risk-bearing capacity, EFSI has remained relevant to helping address such situations. It did so by stimulating, rather than taking away, the initiative for investment from the private sector.
3. During the COVID-19 crisis, EFSI has proven to have sufficient flexibility to react quickly to the changing risk-perception of economic actors, with guarantee capacity transferred from the IIW to the SMEW, a large programme loan introduced for asset-backed-securities structures, top-ups of existing products and accelerated time-to-market for new operations. EFSI provided a possibility for intermediaries to share the increasing risks they perceived with the EIB Group, and thereby contributed to countering a marked decrease in access to finance for SMEs and mid-caps.
4. EFSI has proven additional by several accounts:
  - providing finance that, according to the majority of clients, could not have been provided by the market, and/or not to the same extent/in the same time frame, and/or with the same conditions;
  - conferring reputational benefits and signalling;
  - addressing market failures;
  - allowing the EIB Group to finance a portfolio of operations that it could not have financed without the EU guarantee, without jeopardising its business model.
5. The introduction of the soft climate action target through the Amended EFSI Regulation allowed EFSI to become well embedded in the evolving policy context, in which climate action had become a top priority on the European agenda. The target was achieved without compromising on the geographical distribution or perceived additionality of operations. While the increase in climate operations coincided with the target’s introduction, there was no evidence that the introduction of the target alone explained this increase.
6. NPBIs are natural partners for the EIB Group in EU Member States. But one size does not fit all. Many factors, such as the respective national contexts of public support, the traditional missions of NPBIs in their respective markets, and regulatory limitations, shape the scope, format, and success of cooperation. Open concepts such as investment platforms helped intensify the dialogue, but actual cooperation has been unbalanced and concrete benefits in terms of efficiency were limited under the IIW.
7. The transparency measures introduced by the Amended EFSI Regulation contributed greatly to improving third parties’ perceptions of EFSI, had (limited) costs in terms of efficiency in implementation, and caused no significant detriment to client relationships.

## 6.2 LESSONS LEARNED

Finally, the evaluation identifies three lessons learned.

- 1.** Risk-sharing mandates can be an effective tool for addressing both structural and cyclical investment gaps, including in crises such as that triggered by the COVID-19 pandemic. An important condition is that their design and implementation have sufficient built-in flexibility, including, for example, the possibility to rapidly shift guarantee capacity where it is needed most, and the possibility to reduce the time between project origination and signature. These mandates can support investment amid increased risk aversion among economic actors, but can only work when there is some demand/appetite for investment.
- 2.** On the relationship between the EIB and NPBI, experiences from EFSI show that it is important to take into account the specificities of each NPBI (e.g. national context, specific strengths). The heterogeneity of NPBI requires specific attention and flexibility to achieve a higher degree of mutually beneficial cooperation.
- 3.** For EFSI-type mandates, increased transparency can provide important benefits, such as more positive perceptions of and higher trust in the initiative, as well as improved relationships with a set of stakeholders. If well managed, this can be achieved with limited loss of efficiency in implementation and impairments to client relationships.





## **ABOUT THE EVALUATION FUNCTION**

The evaluation function conducts independent evaluations of the EIB Group's activities. It assesses the relevance and performance of these activities in relation to their objectives and the evolving operating environment. It also helps the EIB Group draw lessons on how to continuously improve its work, thereby contributing to a culture of learning and evidence-based decision-making.

Evaluation reports are available from the EIB website:

<http://www.eib.org/en/infocentre/publications/all/ex-post-evaluations/index.htm>



# EVALUATION OF THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS

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