

POLICY DEPARTMENT D
BUDGETARY AFFAIRS

INVESTMENTS IN THE EU: WHERE ARE WE?

European Fund for Strategic Investments,
European Structural Investment Funds
& Financial Instruments



DATE

23 January 2018

TIME

10:30 - 12:30

ROOM

**PAUL-HENRI SPAAK
BUILDING
P5B001**

**Committee on
Budgetary Control**

CHAIR:

Ingeborg GRÄSSLE

RAPPORTEUR:

Bogusław LIBERADZKI

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WORKSHOP PROGRAMME

WORKSHOP ON
INVESTMENTS IN THE EU: WHERE
ARE WE?
EUROPEAN FUND FOR STRATEGIC
INVESTMENTS, EUROPEAN STRUCTURAL
INVESTMENT FUNDS & FINANCIAL
INSTRUMENTS

Organised by the Policy Department D on Budgetary Affairs

Tuesday, 23 January 2018,
10:30am - 12:30am

European Parliament, Brussels
Paul-Henri SPAAK Building (PHS), Room 5B001

WORKSHOP PROGRAMME

10:30 - 10:40 Welcome and introduction

10:30 - 10:35 **Dr Inge Gräßle MEP**
Chair of the Committee on Budgetary Control

10:35 - 10:40 **Prof. Bogusław Liberadzki MEP**
*Vice-President, Member of the Committee on Budgetary Control
and rapporteur for the event*

* * *

10:40 - 11:40 Presentations

10:40 - 10:55 **Where are we? From The European Investment Bank**
Mr Robert Pernetta, *Advisory Services Department, EIB*
Mr Matthieu Bertrand, *Risk sharing mandates division, EIB*

10:55 - 11:10 **EFSI & ESI Funds: an academic view**
Dr Jorge Nuñez Ferrer, *Centre for European Policy Studies (CEPS)*

11:10 - 11:25 **Complementarities and combination of ESI funds and EFSI**
Mr Stefan Appel, *Policy Directorate, DG REGIO, European Commission,*

11:25 - 11:45 **Lessons to learn from the practitioners' views**
Case study: Social entrepreneurship and social inclusion
Mrs Aleksandra Dmitruk, *European Social Fund Department, Ministry of Economic Development, Poland*

* * *

11:45 - 12:30 Debate and conclusions

11:45 - 12:15 **Q&A and general debate**

12:15 - 12:25 **Concluding remarks by Prof. Bogusław Liberadzki MEP**
*Vice-President, Member of the Committee on Budgetary Control
and rapporteur for the event*

12:25 - 12:30 **Closing remarks by Dr Inge Gräßle MEP**
Chair of the Committee on Budgetary Control

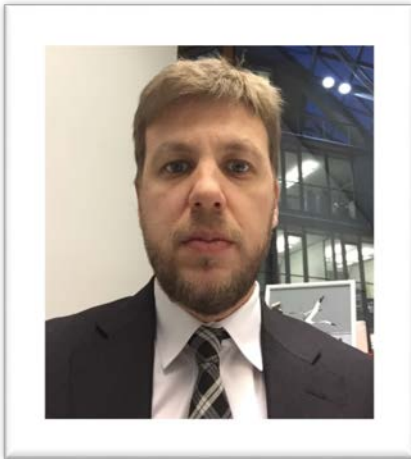
BIOGRAPHIES OF SPEAKERS



Mr Robert Pernetta,
*Financial Instrument advisor in the European
Investment Bank (EIB)*

Robert Pernetta is a financial instrument advisor in the EIB. In his capacity he advises managing authorities in ex-ante assessments and provides expert support to fi-compass. His areas of interest are low carbon economy with special focus on Energy Performance Contracting (EPC), where is currently preparing a practitioners' guide on the statistical treatment of EPC together with Eurostat.

He joined the EIB in 2016 coming from the European Commission where he has been working on financial instruments for regional development, transport infrastructure and energy efficiency. He has been in a leading position in the set-up of the European Energy Efficiency Fund. Previously to this he worked as a university lecturer in Poland and Lithuania for European Studies and International Economics. Robert Pernetta holds degrees in engineering management and Eastern European Studies.



Mr Matthieu Bertrand,
Mandate Officer, Risk Sharing mandates division,
European Investment Bank (EIB)

Matthieu Bertrand is a member of the team coordinating the EIB's implementation of risk sharing mandates deployed by the EIB with the support of the EU budget, and is focusing notably on EFSI - European Fund for Strategic Investments, and CEF – Connecting Europe Facility. Matthieu joined the EIB in 2016.

Prior to joining the EIB, Matthieu worked in the European Commission in the Directorate General for Mobility and Transport (MOVE), working first on the policy for the Trans-European Transport Networks and then on Transport Investment Strategies, in particular on the development and implementation of the Connecting Europe Facility, for grants as well as for financial instruments.



Dr. Jorge Núñez Ferrer,
*Senior Research Fellow at the Centre for European
Policy Studies (CEPS)*

Jorge Núñez Ferrer is Senior Research fellow at the Centre for European Policy Studies (CEPS) and holds a PhD from Imperial College of the University of London. He is specialised in EU budgetary and financial instruments, but has also been involved in energy policies and in particular the development of smart cities. He is presently supporting the EIB as independent external advisor on the matters of the EU budget. He is also a member of the advisory group of the newly established 'Kazarian Center for Public Financial Management' bringing together key international specialists.

He has worked as academic, EU Commission official and consultant for governments on strategic planning for EU structural funds. He is the author of numerous studies for EU institutions on the EU budget and financial instruments, as well as on innovation policy and particularly smart cities. Amongst his latest works he has led the background study on EU resources for the High Level Group on Own Resources led by Mario Monti.



Mr Stefan Appel,
Head of Unit Financial Instruments and IFI
coordination at DG REGIO, European Commission

Personal background

- Born in Nuremberg/Germany in 1964.
- Married, three children
- Studies of economics at Universities of Hohenheim and Munich

Professional experience

- 6 years in commercial retail banking in Nuremberg and Bremen
- 1996 – 1997: Federal Ministry for Economic Affairs, Germany
- Since December 1997 in the European Commission
 - From December 1997 to May 2014 in DG ECFIN
 - 1997 – 1999: EIB relations
 - 1999 – 2004: Western Balkans in particular Kosovo and Croatia
 - 2004 – 2006: EFC secretariat
 - 2006 – 2009: Euro communication
 - 2009 – 2011: IFI coordination and external financial instruments
 - 2011 – 2014: Design and support for economic adjustment programmes
 - Since June 2014 in DG REGIO, Head of Unit Financial Instruments and IFI coordination



Ms Aleksandra Dmitruk,
Deputy Director in the European Social Fund
Department in the Ministry of Economic
Development in Poland

Aleksandra Dmitruk is a deputy director in the European Social Fund Department in the Ministry of Economic Development in Poland. She is responsible for financial management of ESF co-financed programmes. Within her competence falls also designing and monitoring of the financial instruments for unemployed and social economy entities.

She graduated from the University of Economics in Cracow with the master's degree in international economic and political relations. After studies she was working for the nongovernmental sector. From 2003 she deals with ESF management in the government institutions.

POWERPOINT PRESENTATIONS

Presentation by Mr Robert Pernetta

Advisory Services Department, European Investment Bank

Presentation by Mr Matthieu Bertrand

Risk sharing mandates division, European Investment Bank



EFSI implementation – where are we?

Matthieu Bertrand, EFSI Officer, Mandate Management,
Operations Directorate, EIB

Robert Pernetta, Financial instrument Advisor
Advisory Services, EIB

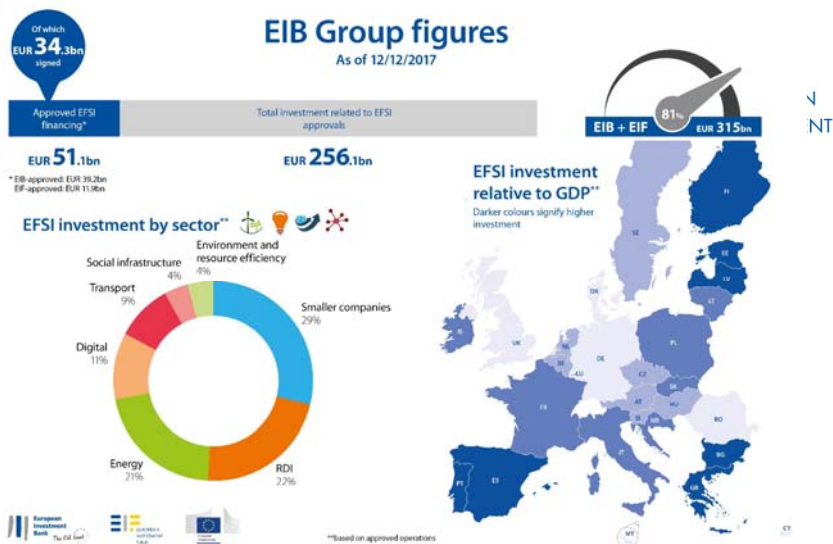
23 January 2018

European Parliament, Workshop on Investment in the EU

European Investment Bank Group

1

On track to reach the target

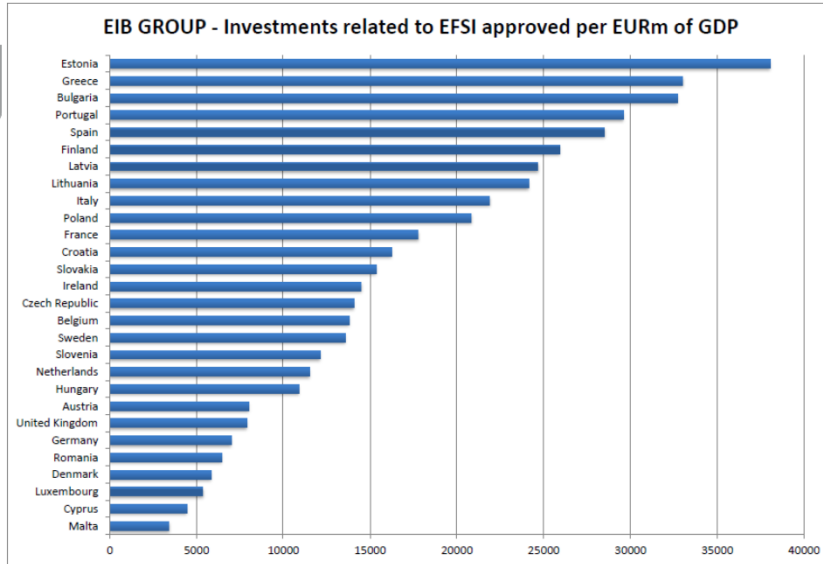


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European Investment Bank Group

2

Improved geographical balance

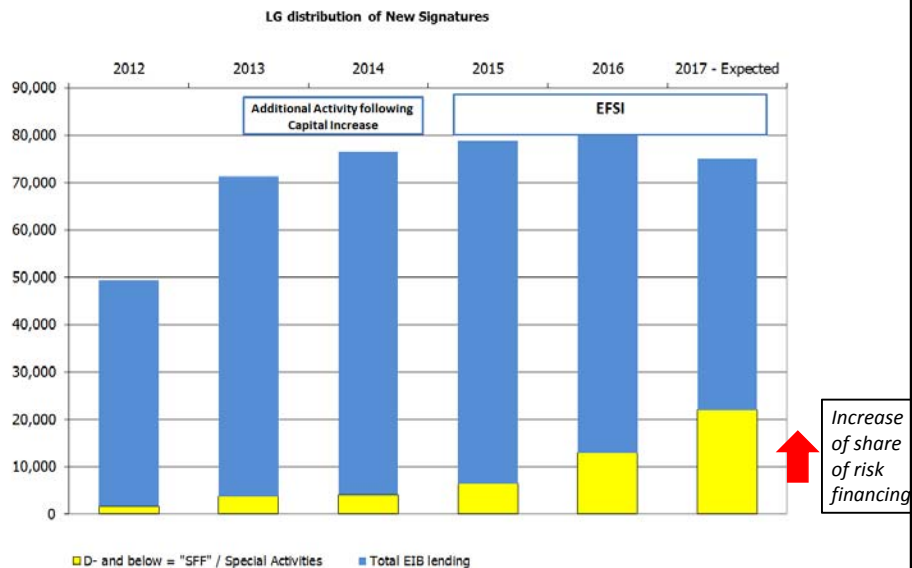


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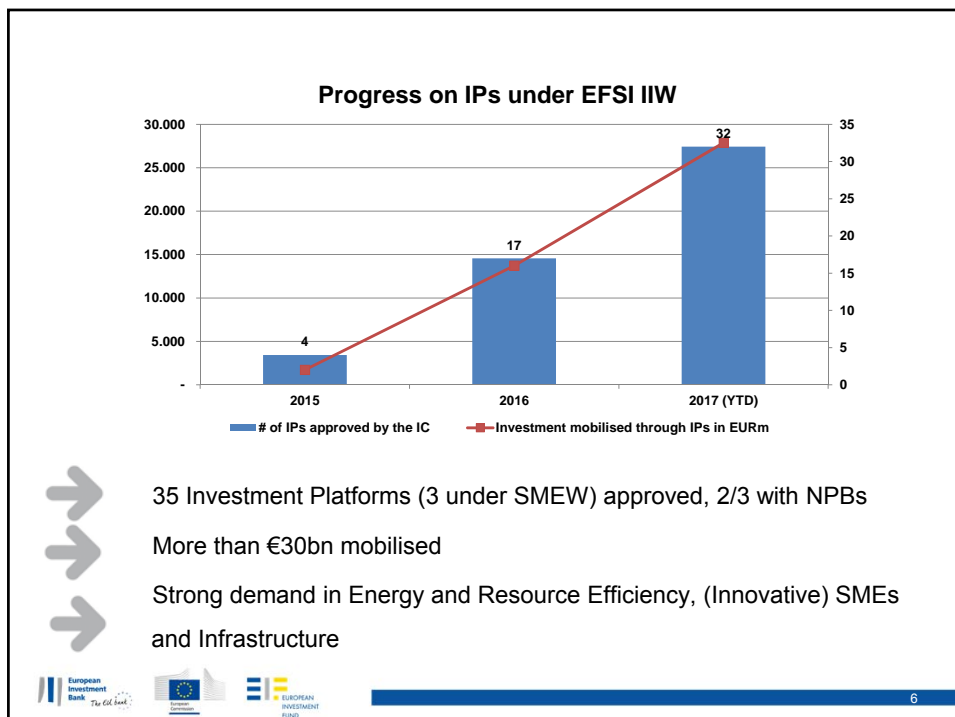
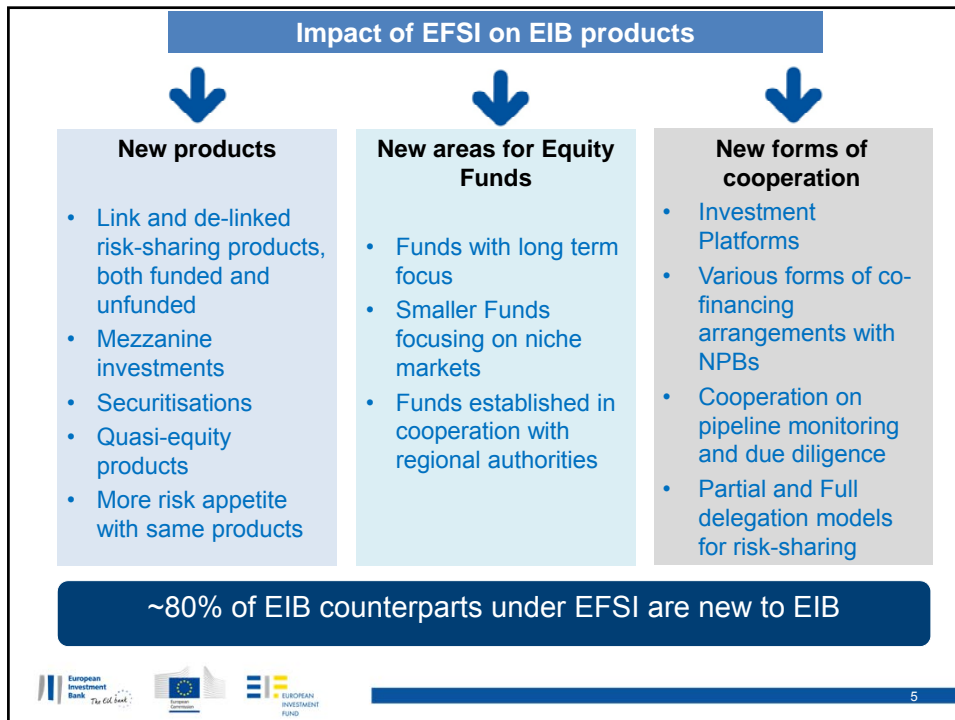
European Investment Bank Group

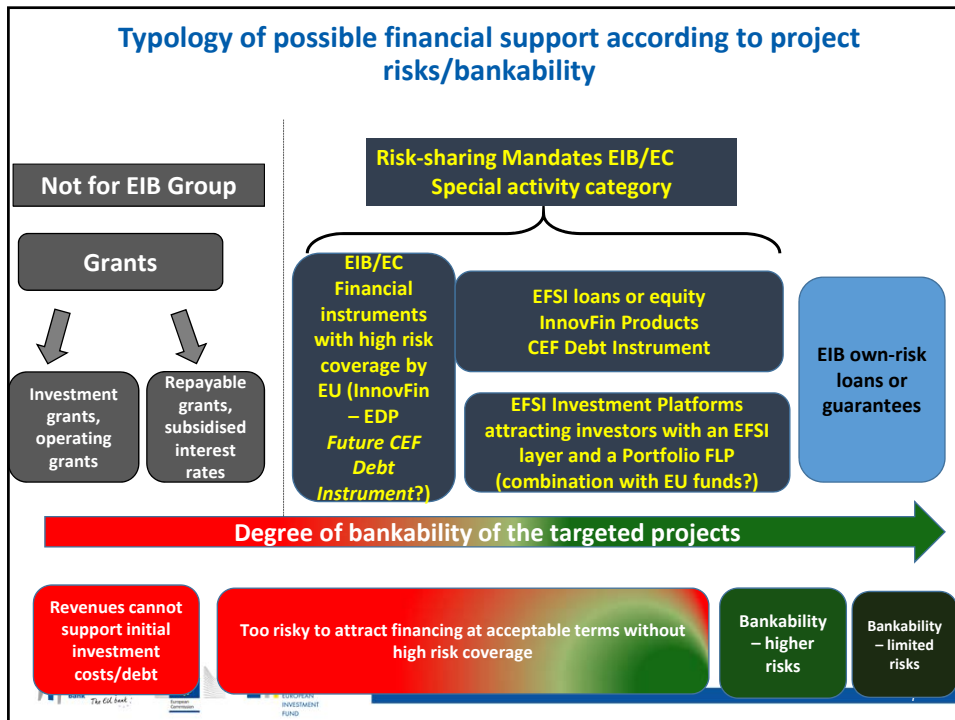
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EFSI impact on EIB activities



4





Lessons learnt

- EFSI is contributing to closing the Investment gap by addressing the need for high-risk financing – However, an Investment gap remains
- Development and market take-up of new products takes time
- EFSI's market-driven nature is essential to catalyse private investment – EFSI multiplier is in line with expectations
- Combination of EFSI and ESIF is complex but necessary in certain geographies to address certain types of market failures
- Investment Platforms are fostering new ways of cooperation between the EIB and NPBs and to combine public and private financing, but not magic tools - Thorough analysis of the market and careful structuring are essential
- The 3 pillars of the Investment Plan for Europe need to go hand-in-hand to have long term effects on Investments levels and job creation

8

Changes in EFSI 2.0 regulation

Continuity

- **Market driven instrument**
- Focusing on allowing the EIB to increase its level of higher risk financing to economically viable projects
- **Respect for commercial sensitivity, but more transparency**
- Stable governance, plus an expert from EP as non-voting member in Steering Board

New opportunities

- **Increase of the EU Guarantee from EUR 16bn to EUR 26bn**
- More time and higher target: EUR 500bn by 31 December 2020
- **Support to industries in less Developed & Transition Regions**
- Bio-economy: Sustainable Agriculture, Forestry, Fishery and Aquaculture
- **Specific focus on Cross-border infrastructure projects**
- Local currency financing

New challenges for implementation

- **Climate Action target for Infrastructure and Innovation Window**
- Adaptation of the definition of additionality
- **Increased transparency while respecting client commercial sensitivity**
- Increased focus on smaller operations
- **New requirements for taxation**
- Significant increase of EIAH objectives

European Investment Advisory Hub

Investment Plan for Europe



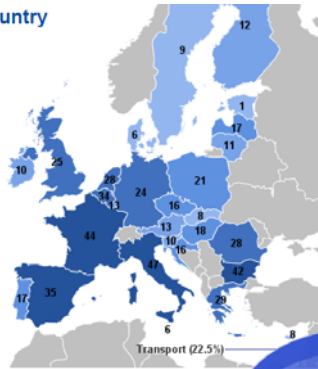
A joint initiative

Advisory Hub

Requests to the Hub: overview

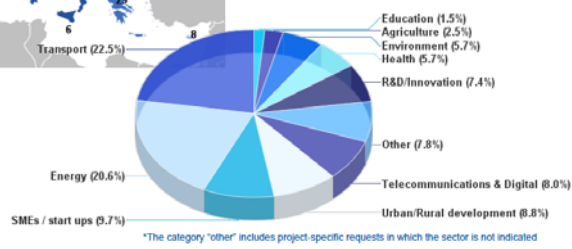
Requests by country

Country	No. of requests
Italy	47
France	44
Bulgaria	42
Spain	35
Belgium	34
Greece	29
Romania	28
The Netherlands	28
United Kingdom	25
Germany	24
Poland	21
Hungary	18
Latvia	17
Portugal	17
Croatia	16
Czech Republic	16
Austria	13
Luxembourg	13
Finland	12
Lithuania	11
Ireland	10
Slovenia	10
Sweden	9
Cyprus	8
Slovakia	8
Denmark	6
Malta	6
Estonia	1
Total	548



Total of 613 requests
 476 project-specific requests
 • Public sector : 200
 • Private sector : 257
 • Other (e.g. NGOs) : 19

Project-specific requests by sector (Tot. 476)

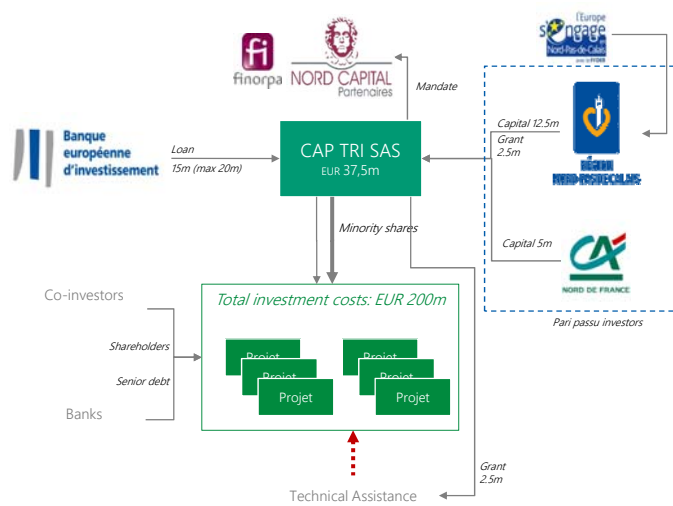




Project Examples

13

Region Haut de France – TRI CAP fund



14

Poznań affordable housing

The project comprises investment in the construction of some **1 300 new affordable housing units** for rent with buyout option in the Polish city of Poznań.

The **EFSI guaranteed EIB loan** is provided directly to the municipal housing company, without a guarantee of the city. The EUR 33.3 million loan covers 49% of the project costs.

The EIB is currently developing a broader programme loan targeting more social and affordable housing projects across Poland and the transaction with Poznań will **serve as a pilot**.



Presentation by Dr Jorge Nuñez Ferrer

Senior Research fellow at the Centre for European Policy Studies (CEPS)



Thinking ahead for Europe



Workshop – “EFSI and ESI Funds - An academic view”
23 January 2018 – European Parliament
Jorge Núñez Ferrer, Senior Research Fellow



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ESIF & EFSI (AND FIS)



- **Grants, FIS and EFSI – state, shape roles and function?**
 - The development of a new policy paradigm
- **Simplified overview of how FIS function**
 - EU supported equity and debt instruments
- **A natural development FIS and EFSI**
 - Right distribution of public and private roles
- **Problems on the way**
 - Governance
 - Risk management vs. risk aversion
- **Mandates and governance – the good and the bad**



ESI FUNDS, FIS AND EFSI



- The EU budget and particularly ESI Funds have changed considerably since 2000:
 - Europe 2020
 - 11 Thematic objectives
 - Smart Specialization Strategy
- Debt and equity instruments are not new, NPBs, IFIs have had them, also the EIB. What makes EFSI and FIS particular is governance due to the EU Budget source of guarantees.
- Benefits: **Better division of tasks and risk of public and private sector** (main benefit is NOT leverage)

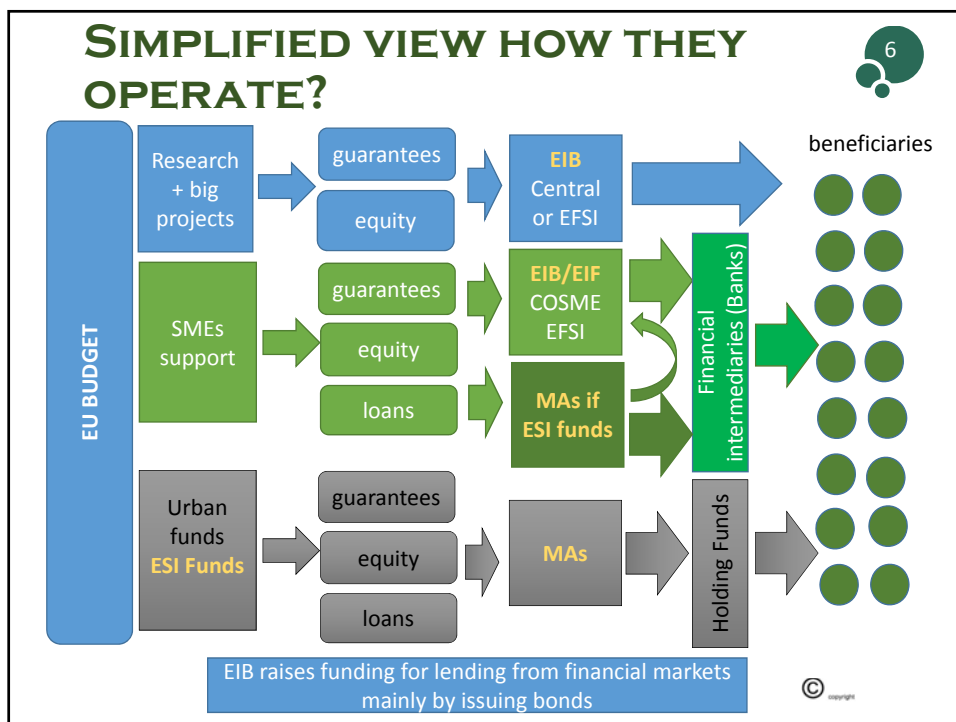
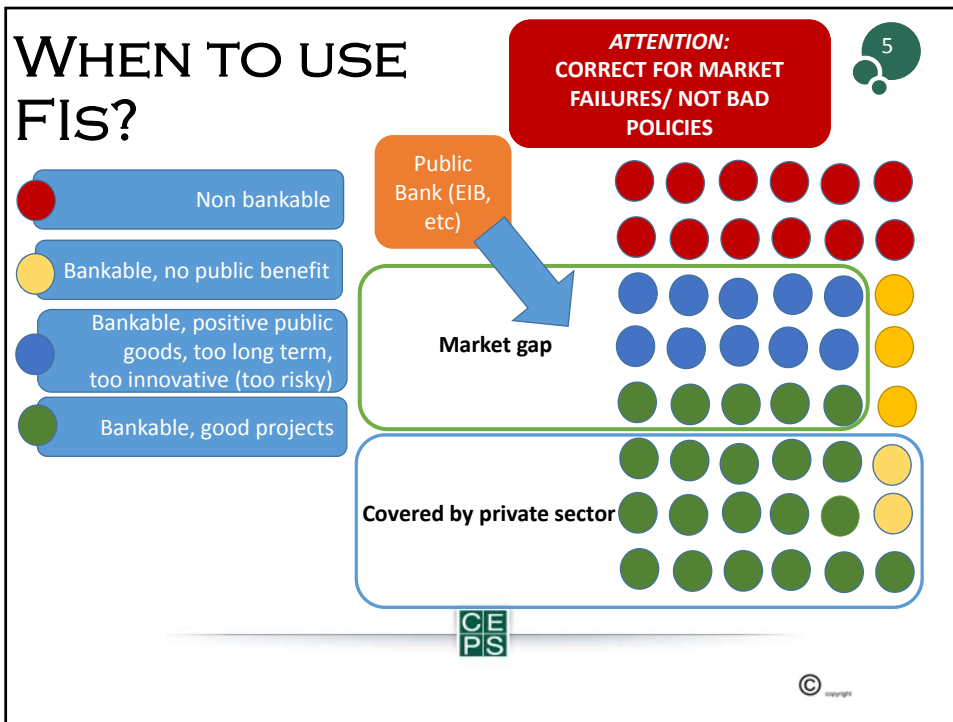


FIS AND ESIF COMPLEMENT ESI FUNDS



- To finance bankable projects (or can be 'made' bankable) which are targeting EU objectives and where demand for credit is not met, because:
 - Less credit supply than demand for bankable and 'good' projects
 - Projects not financed due to timescale and Basel III rules
 - Risk (perception) high
 - The lack of monetisation of public goods from projects makes those projects not attractive enough





PROBLEMS

7

- Rapid adaptation of Budget and proliferation of Fis (+EFSI)
 - **Reactive development** – lack of coordinated approach, lack of coherence
- Excessively divergent governance for centrally and shared managed Fis: e.g. **ex-ante assessments**, but if transferred to centrally planned tools then very different.
 - Review of the assessments shows weaknesses
 - Too long but **also often incomplete**
- EU budget changes not followed by right governance structures:
 - Simplification = complication
 - We need **less**, better and more targeted rules, nor just more rules.

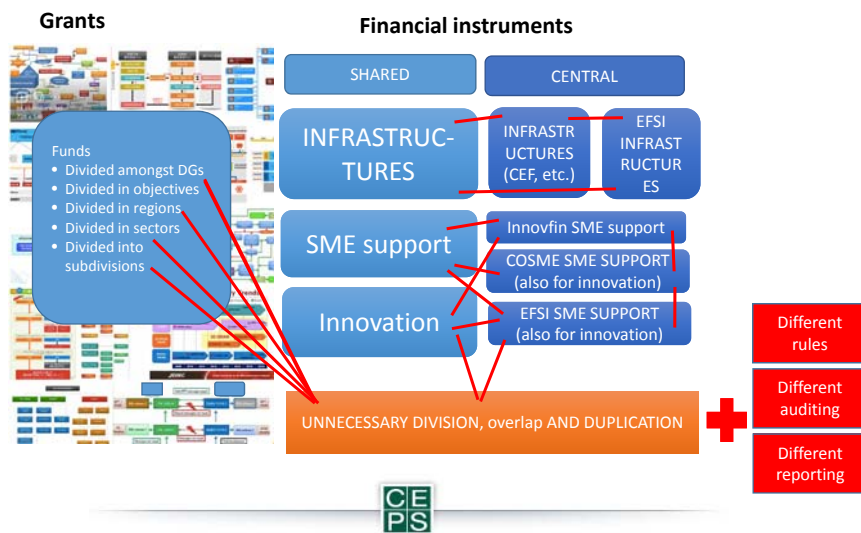
If so, what is the point of 50% of the assessment contents?



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COMPLEXITY, DUPLICATION

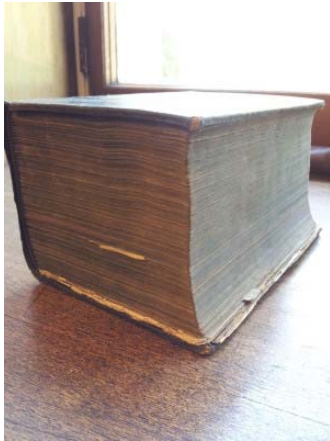
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WHAT KIND OF SINGLE RULEBOOK?

9



SINGLE AUDIT

Common procedures

REAL simplification

OR



Meaningful ex-ante – less senseless paperwork – more enforcement

CE
PS

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MAXIMISE POTENTIAL – MINIMISE FRAGMENTATION

10

- If MAs create FIs, should:
 - Based on better, shorter, more relevant ex-ante studies
 - Should be off the shelf – maybe new hybrid central shared
 - Funds should be in a Europeanwide fund, to reduce risk.

ONE BIG FUND - BIG PORTFOLIO – LARGE REGIONAL/EU COVERAGE

CENTRALLY
MANAGED

SHARED MANAGEMENT

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TO ENSURE EFFECTIVENESS

11

- **Mandates** are good to some extent, but **can backfire**:
 - **Political pressure leads to mis-targeting, losses and crowding out (FIs created even where and when not needed)**
 - **Wrong size of instruments, lack of extended portfolio leading to costs and unused 'parked funds'**
- **Wrong governance structures**:
 - **Not based on efficiency**
 - **Too heavy and thus not functional**
 - **Wrong governance system for grants for FIs can lead to wrong risk instruments, wrong pricing and wrong use of FIs**



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OTHER PRECONDITIONS

12

- **EU BUDGET SHOULD NOT CORRECT FOR POLICY FAILURES**
- **Structural reforms (3rd pillar of EFSI)**
- **FINALLY: GOVERNMENTS SHOULD BE BETTER MANAGERS OF THEIR 50% OF GDP!**
- **Lack of proper standards and public funds management dampens GDP growth substantially**



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THANK YOU!



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Presentation by Mr Stefan Appel

*European Commission, DG REGIO,
Head of Unit Financial Instruments and IFI Relations*



ESI Funds and Investment Platforms, Omnibus Regulation

Stefan Appel,
Head of Unit FIs and IFI relations, DG REGIO
Brussels, 23 January 2018

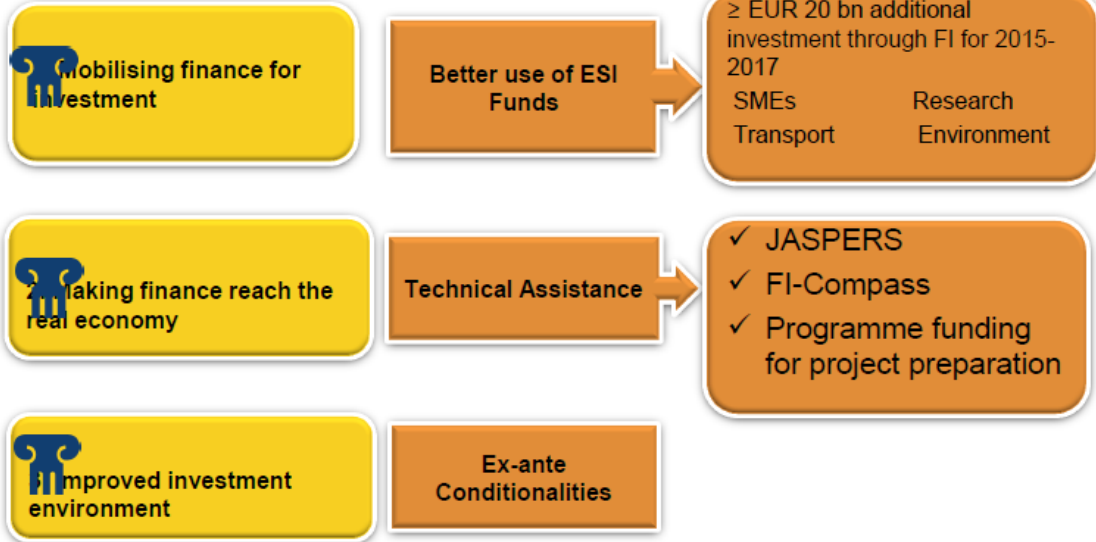


ESI Funds working together to deliver investment in 14-20

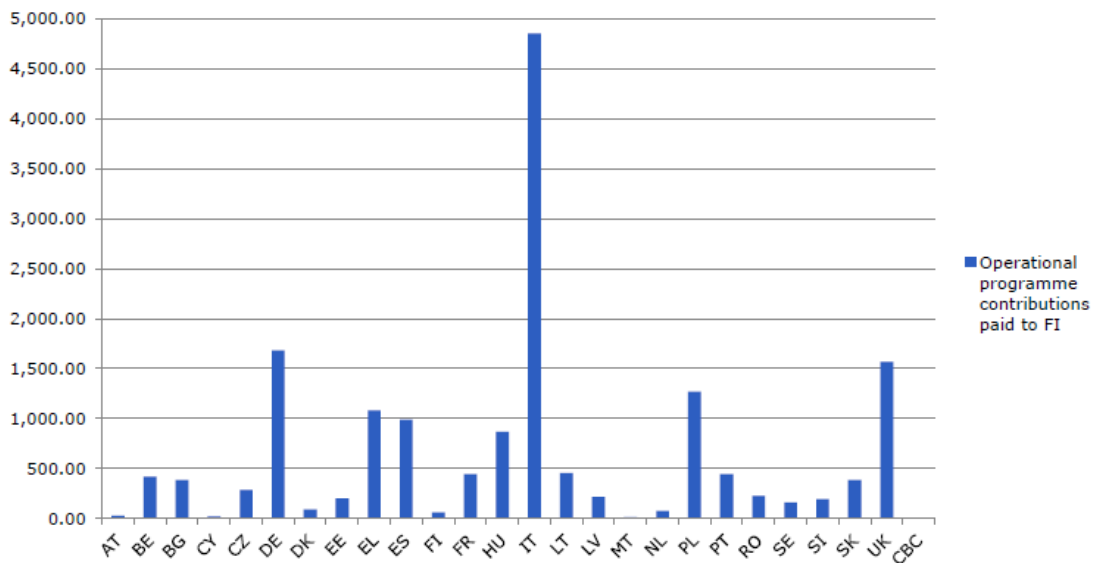
European Regional Development Fund €197 billion	European Social Fund €86 billion	Cohesion Fund €63 billion
European Agricultural Fund for Rural Development €99 billion	European Maritime & Fisheries Fund €5.7 billion	Youth Employment Initiative €3.2 billion

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ESI Funds contribution to the Investment Plan for Europe



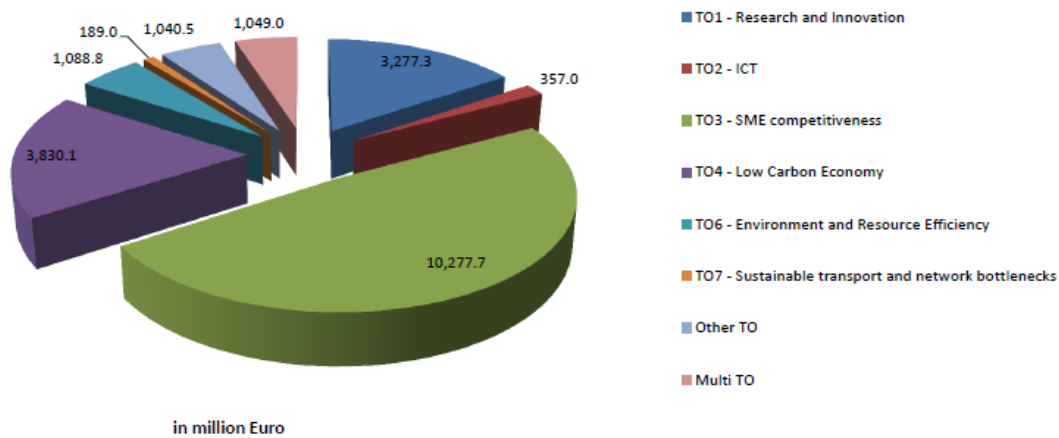
Operational programme contributions paid to financial instruments (in mln EUR) in 2007-2013



Financial instruments in 2014-2020



€ 20 billion planned allocations to FI for ERDF, ESF and CF by Thematic Objective



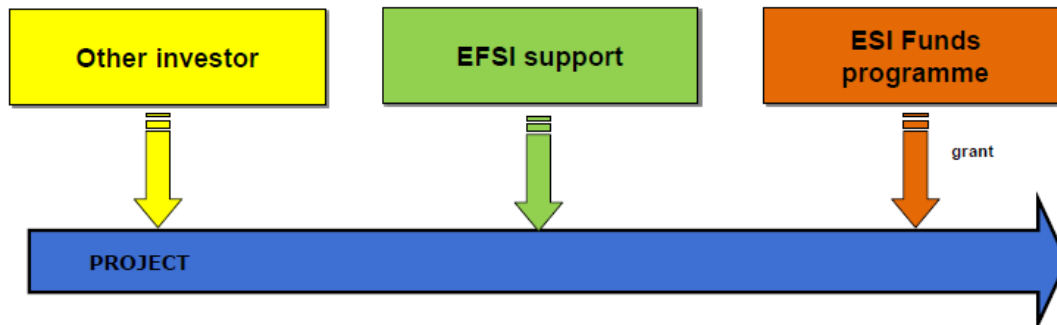
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ESI Funds - EFSI complementarities and combination

- ESI Funds and EFSI, when used in a **complementary manner**, provide support to distinct projects which together constitute integrated investment in a specific sector (e.g. in energy efficiency investments in insulation of buildings are complementary to investments in boilers).
- Direct **combination** of both funds can take place at project level. In this case both ESI Funds (through grants or through FI) and EFSI will collectively provide part of investment volume to a single project. Another possibility is to combine funds in an investment platform which will then provide financing in the form of financial products (FI) to a number of projects.

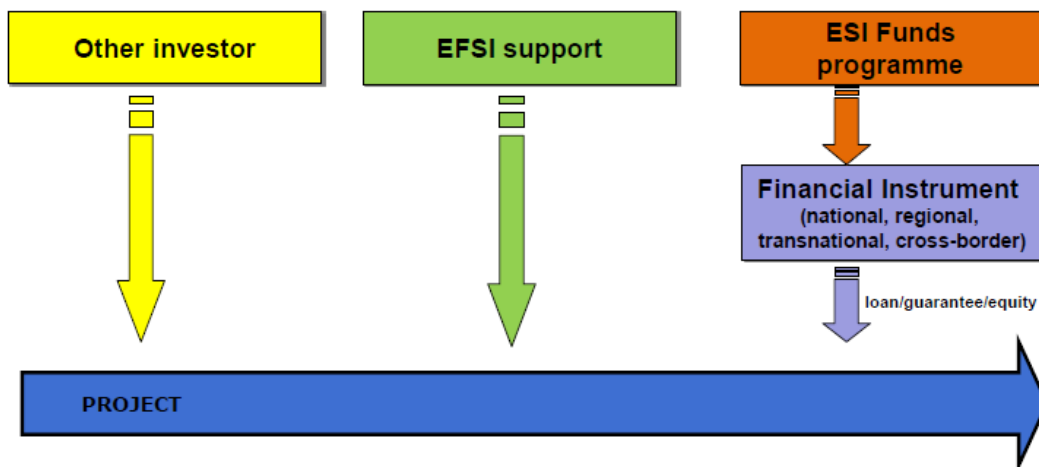
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ESIF and EFSI combination – Project level



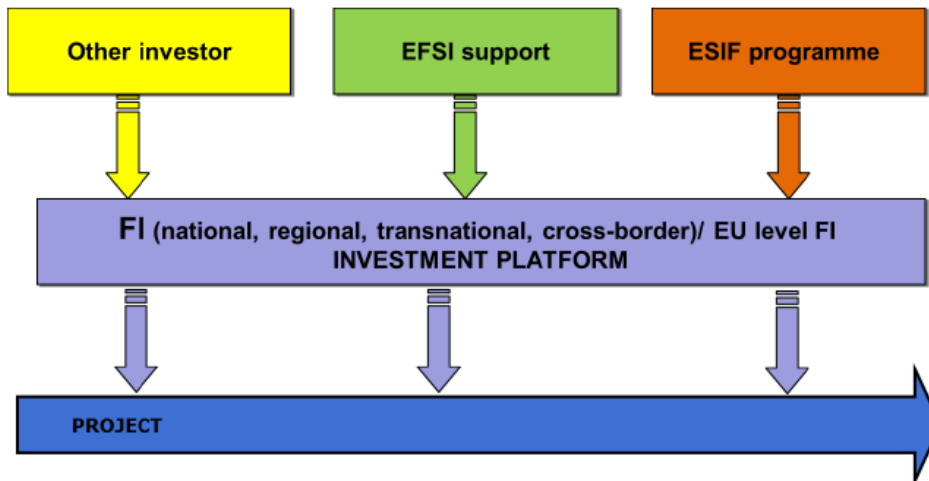
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ESIF and EFSI combination – Project level



8

ESIF and EFSI combination – Financial instrument/investment platform level



9

Change in Omnibus adds a further implementation option for managing authorities under CPR Title IV

Implementation options for FIs under CPR:

- **Article 38(1)(a)** contribution to EU level instruments
- **SME Initiative** under Article 39
- **Article 38(1)(b)** national/regional/cross-border FIs
- **Article 38(1) (c) and Article 39a** – ESIF EFSI combination

ESIF EFSI combination is already possible (and taking place under 38(1)(b)) and this option will also remain available to managing authorities

10



EFSI ESIF combination

EFSI does not change the nature, the purpose and the location of ESI Funds

Possible options of combinations:

- A. ESIF invested into established "EFSI investment platform"** (e.g. MA contributes its OP contribution into EFSI platform. ESIF used to deliver on programme objectives)
- B. ESIF and EFSI collectively create financial instrument/investment platform** (An instrument is established, where two investors (MA and EIB) agree on the investment strategy and on the scope. Support to final recipients from ESIF in compliance with programme objectives)
- C. EFSI co-invests into an established ESIF financial instrument** (MSs are willing to see EFSI being contributed to national and regional financial instruments already established and running)

11



EFSI ESIF combination – examples of signed projects

Signed EFSI projects with ESIF contribution

Infrastructure and Innovation Window					
MS	Project Name	Project Description (link to webpage)	Signature date	EFSI financing (at signature)	ESIF co-financed amount
EE	Tallinn Airport Upgrade	Investments in Tallinn International airport (link)	08/12/16	EUR 30m	EUR 27m
FR	IF TRI en Nord - Pas de Calais (<i>investment platform</i>)	Investments in low-carbon economy in Nord-Pas de Calais (link)	03/12/15	EUR 15m	EUR 30m
FR	French Regions SME Programme (<i>global authorisation</i>)	Support for SMEs in several French regions (link)	Credit line approved 13/10/15	EUR 300m	EUR 200m
IT	TI - Accelerated Fixed High Speed BB rollout	Rollout of a new broadband access network (link)	14/12/15	EUR 500m	EUR 200m
IT	Novamont Renewable Chemistry	Deployment of innovative process technologies (link)	29/04/16	EUR 15m	EUR 0.9m
LT	Lietuvos Energija Vilnius CHP project	Construction of combined heat and power plants (link)	07/12/16	EUR 190m	EUR 150m
LV	University of Latvia Research and Study Centre	Development of university campus (link)	20/07/17	EUR 30m	EUR 34m
PL	Kujawsko-Pomorskie Healthcare Program III	Investment in improvement of hospital facilities (link)	19/11/16	EUR 54m (first tranche)	EUR 23m
PT	Portugal Water Supply & Sanitation	Investments in water and wastewater sector (link)	18/07/17	EUR 220 (first tranche)	EUR 120m
RO	Romania Regional Water Programme Loan (<i>global authorisation</i>)	Programme loan to regional water operating companies (link)	Credit line approved 15/12/16	EUR 100m	EUR 765m
SME Window					
MS	Project Name	Project Description (link to webpage)	Signature date	EIF financing	ESIF co-financed amount
EE	Estfund	Fund of funds (link)	01/03/16	EUR 12m	EUR 48m
SE	Swedish Venture Initiative	Fund of funds (link)	29/04/16	EUR 21m	EUR 21m



Thank you for your attention

Presentation by Mrs Aleksandra Dmitruk

*Aleksandra Dmitruk, Deputy Director in the European Social Fund
Department of the Ministry of Economic Development in Poland*

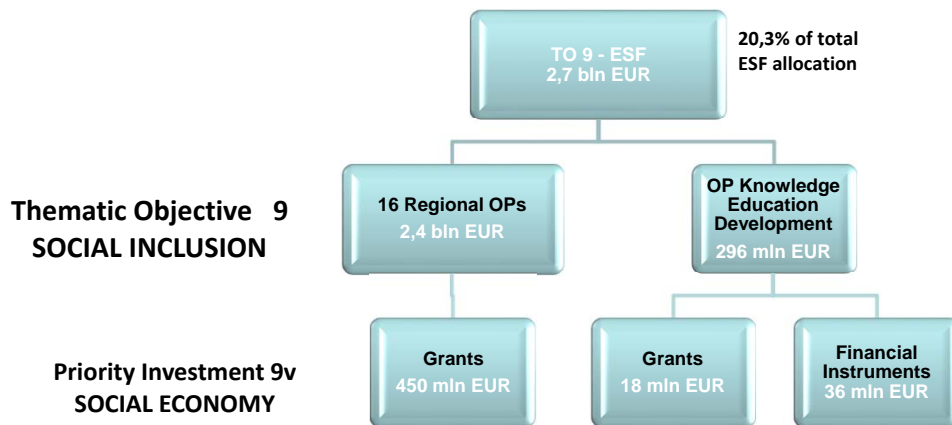


MINISTRY
OF ECONOMIC
DEVELOPMENT

Social entrepreneurship - investments from the ESF in Poland

Aleksandra Dmitruk
Deputy Director, ESF Management Department

European Social Fund for Social Inclusion in Poland



Coordination and demarcation between 16 RPOs and OP KED is provided by „Guidelines for the implementation of projects in the area of social inclusion and combating poverty using the resources of the European Social Fund and the European Regional Development Fund 2014-2020”.

National Programme for Social Economy Development (NSPED)



Social economy support system in Poland has two main components:

- (1) Creating “environment” for SEE creation and growth** including soft support by country-wide Social Economy Support Units
- (2) Providing finance to SEE** through the ESF 2014-2020, ESF 2007-2013 and state budget resources

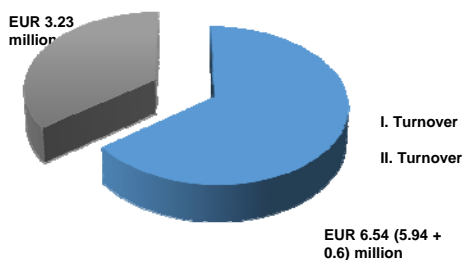
NPSED			
ROPs 2014-2020	POWER 2014-2020	Other sources	
Grants for social enterprises creation	The FI	FI based on OP Human Capital 2007-2013 legacy funds	= NFSE
	Grants to social economy system	State budget instruments	

Experience and lessons learnt 2007-2013



Pilot project: *Financial engineering support for the development of the social economy, national OP Human Capital 2007-2013*

Resources transferred by the Holding Fund to the Financial Intermediary



1 PLN = 0.2359 EUR

Indicators Achievements

Absorption	100%	149%
Employment generation	50 new jobs	507 new jobs
Final recipient	200 entities	406 entities
Other	250 loans	500 loans

- 1) Preferential loans
- 2) Advisory services

4

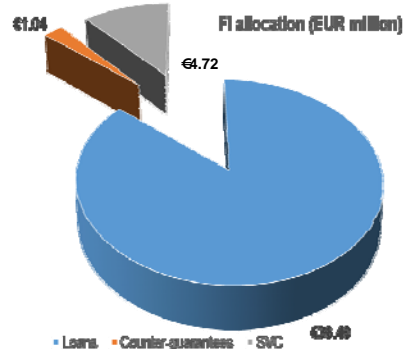
Market assessment for social economy entities

- Ex-ante assessment identified **the market failure**
- The difference between demand and supply for funds (**the financial gap**) in 2013 was set at approx. **EUR 154.5 million** (non-realized investment expenditures)
- The financing requirement (unmet demand) that could be **covered by loans and credits amounted to EUR 12.1 million**
- The financial gap **directly affected 60 social co-operatives and about 500 NGOs**, 63% of inquired SEEs said that in 2013 they lacked funds for business development
- The assessment indicated **that the financial gap would increase in subsequent years**

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Financial instruments for social economy 2014-2020

- Total FI allocation under OP KED is EUR 42.2 mln



Indicators

Employment generation

1250
new jobs

Final recipients

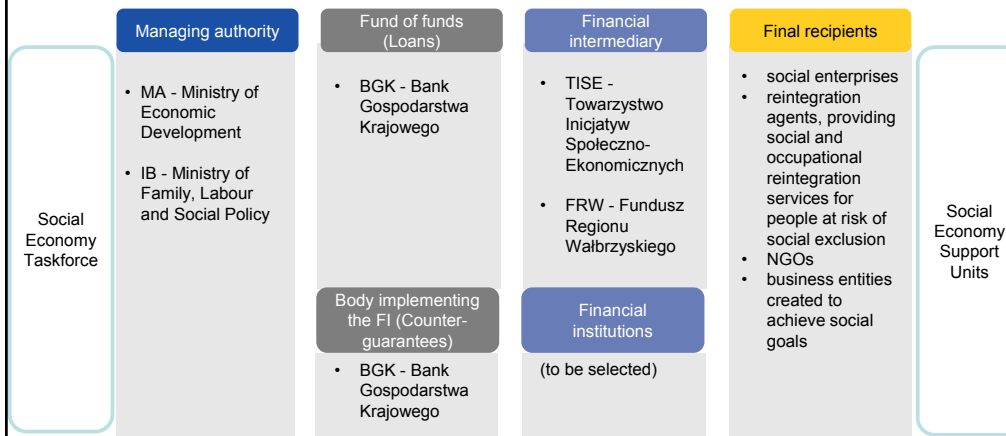
2030
loans

* including F.Ints' own contribution of min. 10% of the OP contribution for loans and counter-guarantees, as envisaged in the funding agreement.

1 PLN = 0.2359 EUR

6

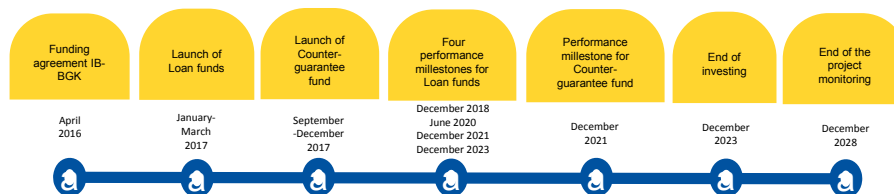
Implementation structure for loans and counter-guarantees



7

Investment period

- **Investment period 2016-2023, monitoring until 2028**
- **Performance milestones in 2018, 2020, 2021 and 2023**



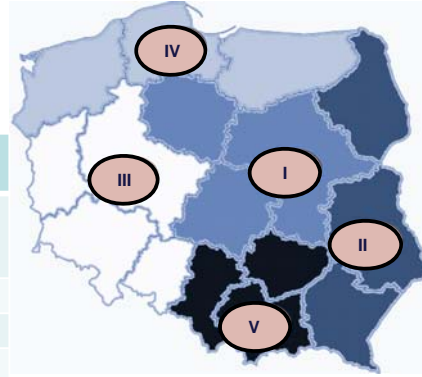
8

Target area for loans

The **division into macroregions** is based on:

- (1) the number of social co-operatives on a given area
- (2) the number of NGOs active on a given area

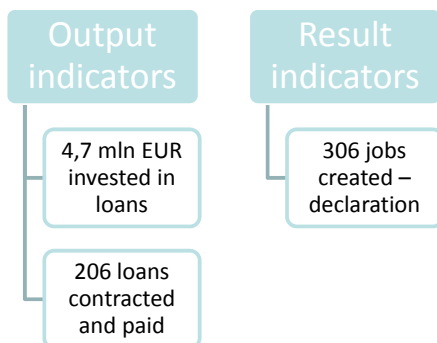
Macroregion	Breakdown of FI allocations	Specific target indicators
	% of total funds available	Each macroregion
I	27.1%	339 jobs, 550 loans
II	15.3%	191 jobs, 311 loans
III	23.2%	290 jobs, 471 loans
IV	14.1%	176 jobs, 286 loans
V	20.3%	254 jobs, 412 loans



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State of play and results as of December 2017

Loans:



Counter-guarantees:

- Allocation**
 - 1,1 mln EUR
- At the stage of finding partners**
 - cooperation agreement with BGK is to be signed in 1Q2018

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MINISTRY
OF ECONOMIC
DEVELOPMENT

Thank you for your attention!

