The InvestEU Programme: an instrument to support investment in the next MFF

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Why an Investment Plan for Europe in 2015?

- Investment & competitiveness gap
- Public budget constraints
- Financial and non-financial barriers to investment
- High liquidity in the market
EIB Group figures As of 16/07/2019

EFSI investment by sector*

- Smaller companies 30%
- RDI 26%
- Energy 18%
- Digital 11%
- Transport 7%
- Social Infrastructure 4%
- Environment and resource efficiency 4%

Of which EUR 59.2bn signed

EUR 76.9bn
Approved EFSI financing**

EUR 424bn
Total investment related to EFSI approvals

Target by 2026 EUR 500bn

EFSI investment relative to GDP*

Darker colours signify higher investment

*based on approved operations

** EIB-approved EUR 55.8bn, EIB-approved EUR 21.1bn
Programmes replaced by the InvestEU Fund

**Equity Instruments**
- CEF Equity
- COSME EFG
- EaSI Capacity Building IW
- Innovfin Equity

**Guarantee Instruments**
- EaSI Guarantee
- EFSI
- Student Loans GF
- Cultural and Creative Sector GF

**Risk Sharing Instruments**
- COSME Loan Guarantee Facility
- Private Finance for Energy Efficiency
- Innovfin Debt
- Cultural and Creative Sector GF
- Natural Capital Fin. Fac.
- Innovfin Risk Sharing
- CEF Debt Instrument

**InvestEU**
**InvestEU Programme (2021 – 2027)**

**InvestEU Fund:**
- Single fund bringing together the many different EU-level financial instruments
- EUR 38bn EU budgetary guarantee (EU compartment)
- Mobilise EUR 650bn in additional investment across Europe
- Four thematic policy windows
InvestEU Fund key principles

- Single fund: a single Regulation and single agreement with implementing partners
- Access to the EU guarantee open to multiple implementing partners
- Policy driven approach implemented through thematic policy windows
- Budgetary guarantee (no funding)
- Member State compartment
- Blending: harmonised combination rules
How does it work

- The InvestEU Fund multiplier is 13.7x compared to 15x for EFSI to focus on quality and additionality rather than volumes.
- This compares favourably to the current financial period, where all centrally managed financing instruments (including EFSI 2.0) have a budget of EUR 15.57bn and are expected to mobilise EUR 600bn.
- So we are able to deliver more with less in the next MFF.
InvestEU indicative proposed budget allocation

<table>
<thead>
<tr>
<th>Window</th>
<th>Budgetary guarantee</th>
<th>Mobilised investment (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable infrastructure</td>
<td>11 500</td>
<td>185 000</td>
</tr>
<tr>
<td>Research, Innovation and Digitisation</td>
<td>11 250</td>
<td>200 000</td>
</tr>
<tr>
<td>SMEs</td>
<td>11 250</td>
<td>215 000</td>
</tr>
<tr>
<td>Social investment and skills</td>
<td>4 000</td>
<td>50 000</td>
</tr>
<tr>
<td>TOTAL (EUR Million, in current prices)</td>
<td>38 000</td>
<td>650 000</td>
</tr>
</tbody>
</table>

- Budget for InvestEU Advisory Hub, InvestEU Portal and accompanying measures is proposed to be EUR 525m
- InvestEU is expected to mobilise more than EUR 650bn of additional investment across Europe
Social Investments & Skills Window: the objectives

- Develop and consolidate the **nascent market structures** underlying the European social economy organisations and social enterprises ecosystem, including through **innovative schemes** (S.O.Cs);

- Increase access to, and the availability of, **microfinance** for vulnerable persons (e.g. unemployed, youth, migrants) and **micro-enterprises**, social enterprises (follow-up on EaSI);

- Build up a stronger capital market for **social infrastructure** promoters investing in areas such as education (including childcare), social housing, and health (including long-term care);

- Support **human capital investments** (both demand and supply side), for students and workers and other persons in need of initial training, reskilling and upskilling, as well as for **education and training providers**.
Social Outcomes Contracting: state of play

- European Commission active together with EIF and EIB in the EU advisory board to the **Global Steering Group** on Impact Investing.

- A **PbR pilot scheme** is active since 2017 under EFSI and implemented by the EIF. It provides upfront funding (equity) to social enterprises or social sector organisations.

- A **Social Outcomes Contracting advisory platform** was launched in October 2018 by EC, EIB, FI Ministry of health and SITRA. Next event in Sept. 19 in Helsinki under the sponsorship of FI PRES.

- Social outcome contracting schemes to be eligible under **InvestEU**.
Member State compartment

**EU compartment**
- Budget under the MFF agreement (EUR 15.2bn)
- Financial and advisory products outline defined by the EC with the IP (on-going): guarantees on debt and equity type products
- Guarantee agreements signed between the EC and IP (EIB for 75%) defining the implementation details

**MS compartment**
- Budget determined by a voluntary contribution of the MS: at the programming stage or during implementation of the Funds under shared management to achieve the policy objectives selected in the PA or underlying programmes
- Financial and advisory products determined by the MSs from: existing products in the EU comp.; tailored-made or combined products
- Guarantee agreements signed between EC and IP (proposed by the MS)
• **Option for Member States to allocate up to 5% of funds under shared management to InvestEU**
  - Partnership agreement/Programmes: Member State decides on the allocation of funds for use via MS compartment
  - Contribution agreement: defining size, provisioning, contingent liability, investment priorities, categories of beneficiaries

• **Fosters MS level action and tackles local level market gaps**
  - Contributions are geographically ring-fenced
  - Member States can propose Implementing Partner
<table>
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<tr>
<th><strong>Main Features</strong></th>
<th><strong>InvestEU</strong></th>
<th><strong>FIs under shared management</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy objectives</strong></td>
<td>Delivery tool of the policy objectives of the underlying PA or programmes</td>
<td></td>
</tr>
<tr>
<td><strong>Ex-ante assessment</strong></td>
<td>Investment strategy to be agreed in the Contribution Agreement</td>
<td>Mandatory obligation (including Investment strategy)</td>
</tr>
<tr>
<td><strong>Management costs and fees (MCF)</strong></td>
<td>No MCF paid to an IP, except in duly justified cases, decided by the EC</td>
<td>MCF paid</td>
</tr>
<tr>
<td><strong>Financial products</strong></td>
<td>EU Guarantee for loans, guarantees and equity up to the risk of the provisioning rate; high leverage</td>
<td>Loans, guarantees and equity; possibility to take more risk</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td>No cash payment; IP uses its own resources</td>
<td>Payments to the MS under shared management rules</td>
</tr>
<tr>
<td><strong>Combination</strong></td>
<td>Combination between EU&amp;MS Compartment under a single set of rules possible</td>
<td>Simple combination with shared management grants under the FI; combination with InvestEU only at the level of final recipient</td>
</tr>
</tbody>
</table>
### Main Features

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<tr>
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<tbody>
<tr>
<td><strong>Reporting, monitoring and audit</strong></td>
<td>Implementation under the responsibility of the IP and EC; bi-annual reporting to MS, MS can participate in the monitoring; indirect management assurance model+ECA;</td>
</tr>
<tr>
<td><strong>Resources returned if delays or no implementation</strong></td>
<td>Implementation under the responsibility of the MA; reporting by MS under CPR, audit by the AA, EC + ECA</td>
</tr>
<tr>
<td><strong>Reflows</strong></td>
<td>Funds can come back to shared management (indicative deadlines: 4 months to sign the contribution agreement from the PA adoption; 9 months to conclude a Guarantee Agreement and 4 years to implement it)</td>
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<tr>
<td></td>
<td>Modifications of programmes needed</td>
</tr>
<tr>
<td></td>
<td>National resources to be used during the eligibility period for FIs and during 8 years after the eligibility period, for FIs or any kind of support in line with the policy objectives</td>
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</tbody>
</table>
InvestEU Advisory Hub

EIAH
- Islands Facility
- City Facility
- EEEF technical assistance
- PF4EE Expert Support Facility
- Smart Specialisation Platform for Industrial modern.
- Innovfin Advisory
- H2020 (EE11 PDA)
- European Local Energy Assistance
- CEF Programme Support Actions
- CEF (through JASPERS)
- NCFF support facility
- EaSI Technical Assistance
- InvestEU Advisory Hub
InvestEU Roadmap

Adoptions & appointments
- Contractual set-up with implementing partners
- Events & consultations incl. "Getting-ready events": seminars/consultations/working groups/meetings with Implementing Partners*, e.g. thematic events on Sustainability, Risk management, State Aid, Gender, Advisory support...

Stakeholder events in Brussels and in Member States (Q4)
Adoption of revised State Aid rules (Q4)
Guarantee & Advisory Agreements negotiation and signature (Q3-Q4)
Call for expression of interest for Implementing Partners* (Q2)
Adoption of Investment Guidelines (Q1) & Scoreboard (Q2)
Appointment of Investment Committee experts (Q4)
Setting up of Advisory and Steering Board (Q4)
InvestEU LAUNCH

Adoptions & appointments
- Contractual set-up with implementing partners
- Events & consultations incl. "Getting-ready events": seminars/consultations/working groups/meetings with Implementing Partners*, e.g. thematic events on Sustainability, Risk management, State Aid, Gender, Advisory support...

*Implementing Partners (IPs) = EIB Group and +/- 30 national and multinational potential partners
**Subject to adoption of MFF

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Disclaimer: the examples used in this presentation are designed for illustrative purposes. They are based on existing financial instruments but the figures are purely indicative. Other schemes may perfectly be envisaged.
Practical case:

Near EUR 18bn has been programmed by managing authorities during the period 2014-2020, to be implemented through over 400 financial instruments.

If the respective managing authorities would like to pursue the same objectives in 2021-2027, should they have to start from scratch if they shift to a budgetary guarantee (InvestEU)?
Assuming three financial instruments set up in a Member State during the period 2014-2020:

**FI 1 EUR 20m** Microfinance loans (expected losses 40%)
- Nat. contrib. EUR 3m
- ESF EUR 17m (85%)
- Financial intermediary (+0%) (e.g. non-profit org.)
- EUR 20m

**FI 2 EUR 40m** Guarantee on SME loans (expected losses 85%)
- Nat. contrib. EUR 10m
- ERDF EUR 30m (75%)
- Financial intermediary (+50%) (e.g. commercial bank)
- EUR 40m

**FI 3 EUR 30m** Venture Capital (expected losses 25%)
- Nat. contrib. EUR 7.5m
- ERDF EUR 22.5m (75%)
- Financial intermediary (+70%) (e.g. venture capital fund)
- EUR 30m

**Beneficiaries**
- Final reflow to MS: EUR 12m

**Beneficiaries**
- Final reflow to MS: EUR 6m

**Beneficiaries**
- Final reflow to MS: EUR 22.5m
Assuming three financial instruments set up in a Member State during the period 2014-2020 (ESIF total contribution €69.5m):

**FI 1 EUR 20m Microfinance loans (expected losses 40%)**
- Nat. contrib. EUR 3m
- ESF EUR 17m (85%)
- Financial intermediary (+0%) (e.g. non-profit org.)
- Final reflow to MS: EUR 12m

**FI 2 EUR 40m Guarantee on SME loans (expected losses 85%)**
- Nat. contrib. EUR 10m
- ERDF EUR 30m (75%)
- Financial intermediary (+50%) (e.g. commercial bank)
- Final reflow to MS: EUR 6m

**FI 3 EUR 30m Venture Capital (expected losses 25%)**
- Nat. contrib. EUR 7.5m
- ERDF EUR 22.5m (75%)
- Financial intermediary (+70%) (e.g. venture capital fund)
- Final reflow to MS: EUR 22.5m
Options in 2021-2027 for the continuation of the same three instruments:

1. As financial instruments, idem previous slide (contracts with financial intermediaries to be renewed through public procurement).

2. (2.a, 2.b) Through InvestEU (with the participation of an implementing partner(s) selected by the Commission taken into account the Member State and managing authorities proposals)
Option 2a (InvestEU, 1 implementing partner)

**Member State**

- Contribution agreement

**Commission**

- Guarantee agreement
  - EUR 167.8m
  - Provisioning rate: 41.4%
  - ESIF contribution: EUR 69.5m

**Implementing Partner (e.g. NPB) (+25%)**

- Guarantee agreement
  - EUR 167.8m

**Beneficiaries**

- Microfinance loans (expected losses 40%)
  - EUR 53.1m
  - Financial intermediary (+0%)
    - (e.g. non-profit org.)
    - EUR 53.1m
    - No final reflows

- Guarantee on SME loans (expected losses 85%)
  - EUR 44.1m
  - Financial intermediary (+50%)
    - (e.g. commercial bank)
    - EUR 88.2m
    - No final reflows

- Venture Capital (expected losses 25%)
  - EUR 112.5m
  - Financial intermediary (+70%)
    - (e.g. venture capital fund)
    - EUR 375m
    - No final reflows
Option 2b (InvestEU, 2 implementing partners)

Member State

Commission

Implementing Partner 1 (e.g. NPB) (+25%)

Implementing Partner 2 (e.g. EIF) (+25%)

Microfinance loans (expected losses 40%)

Financial intermediary (+0%) (e.g. non-profit org.)

EUR 53.1m

Guarantee on SME loans (expected losses 85%)

Financial intermediary (+50%) (e.g. commercial bank)

EUR 88.2m

Guarantee agreement EUR 77.8m

Guarantee agreement EUR 90m

Venture Capital (expected losses 25%)

Financial intermediary (+70%) (e.g. venture capital fund)

EUR 375m

Beneficiaries

No final reflows

Beneficiaries

No final reflows

Beneficiaries

No final reflows

EUR 112.5m

EUR 44.1m

EUR 88.2m

EUR 77.8m

EUR 90m

EUR 112.5m

EUR 375m

Guarantee: EUR 167.8m
Provisioning rate: 41.4%
ESIF contribution: EUR 69.5m
Overall financing (€m):

<table>
<thead>
<tr>
<th></th>
<th>Fin. Instr.</th>
<th>InvestEU</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESIF contribution</td>
<td>69.5</td>
<td>69.5</td>
</tr>
<tr>
<td>National co-financing</td>
<td>20.5</td>
<td>0</td>
</tr>
<tr>
<td>EU guarantee</td>
<td>N/A</td>
<td>167.8</td>
</tr>
<tr>
<td>Member State contingent liability</td>
<td>0</td>
<td>98.3</td>
</tr>
<tr>
<td>Financing provided to beneficiaries</td>
<td>200</td>
<td>516.3</td>
</tr>
<tr>
<td>Leverage (financing/ESIF) (*)</td>
<td>2.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Final reflows to Member State</td>
<td>40.5</td>
<td>0</td>
</tr>
</tbody>
</table>

(*) the leverage used here is the one that highlights the financing mobilised by the same amount of ESIF contribution. It is different from the usual leverage metrics used in financial instruments and budgetary guarantees.