European Commission

# DRAFT GENERAL BUDGET

## of the European Union

for the financial year 2020

Working Document

**Part X**

Financial instruments

COM(2019) 400 – June 2019

*Budget*

| | | | |
|---|---|---|---|
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EUROPEAN COMMISSION

# DRAFT GENERAL BUDGET
# of the European Union
## for the financial year 2020

## Working Document
# Part X

# General Budget
# of the European Union
# for the Financial Year 2020

## Working Document Part X

## Financial Instruments

**COM(2019) 400 – June 2019**

The 2020 Draft Budget is accompanied by twelve 'Working Documents', as follows:

**Part I: Programme Statements of operational expenditure**

Working Document I contains Programme Statements, which constitute the main instrument for justifying the operational appropriations requested by the Commission in the Draft Budget, pursuant to Article 41(3)(h) of the Financial Regulation. These Statements are coherent with the corresponding legal bases and provide details on the resources which are dedicated to each spending Programme.

**Part II: Human Resources of the EU institutions and executive agencies**

Working Document II presents information on the human resources of the EU institutions and executive agencies, and in particular for the Commission, both for the establishment plans and for external personnel and across all headings of the multiannual financial framework. Moreover, pursuant to Article 41(3)(b) of the Financial Regulation, it provides a summary table for the period 2014 – 2019 which shows the number of full-time equivalents for each category of staff and the related appropriations for all institutions and bodies referred to in Article 70 of the Financial Regulation.

**Part III: Bodies set up by the European Union having legal personality and Public-private partnership**

Working Document III presents detailed information relating to all decentralised agencies, executive agencies and Public-Private Partnerships (joint undertakings and joint technology initiatives), with a transparent presentation of revenue, expenditure and staff levels of various Union bodies, pursuant to Article 41(3)(c) of the Financial Regulation.

**Part IV: Pilot projects and preparatory actions**

Working Document IV presents information on all pilot projects and preparatory actions which have budget appropriations (commitments and/or payments) in the 2020 Draft Budget, pursuant to Article 41(3)(f) of the Financial Regulation.

**Part V: Budget implementation and assigned revenue**

Working Document V presents the budget implementation forecast for 2020, information on assigned revenue (implementation in 2018 and estimation for 2020), and a progress report on outstanding commitments (RAL) and managing potentially abnormal RAL (PAR) for 2018, pursuant to Article 41(3)(d) of the Financial Regulation.

**Part VI: Commission expenditure under the administrative heading of the multiannual financial framework**

Working Document VI encompasses administrative expenditure to be implemented by the Commission under the administrative heading of the multiannual financial framework (heading 5) in accordance with Article 317 of the Treaty on the Functioning of the European Union, as well as the budgets of the Offices (OP, OLAF, EPSO, OIB, OIL and PMO), pursuant to Article 41(3)(e) of the Financial Regulation.

**Part VII: Commission buildings**

Working Document VII presents information on buildings under Section III - Commission, pursuant to Article 266(1) of the Financial Regulation.

**Part VIII: Expenditure related to the external action of the European Union**

Working Document VIII presents information on human resources and expenditure related to the external action of the European Union, pursuant to Article 41(10) and (11) of the Financial Regulation.

**Part IX: Funding to international organisations**

Working Document IX presents funding provided to international organisations, across all MFF headings, pursuant to Article 41(3)(g) of the Financial Regulation.

**Part X: Financial Instruments**

Working Document X presents the use made of financial instruments, pursuant to Article 41(4) of the Financial Regulation.

**Part XI: EU Trust funds**

Working Document XI presents the activities supported by EU Trust Funds, their implementation and performance, pursuant to Article 41(6) of the Financial Regulation.

**Part XII: Payment schedules**

Working Document XII presents summary statements of the schedule of payments due in subsequent years to meet budgetary commitments entered into in previous years, pursuant to Article 41(3)(i) of the Financial Regulation.

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## *Introduction*

Pursuant to Article 250 of the Financial Regulation[1] (FR) repealing Regulation (EC, Euratom) No 966/2012, the Commission shall report annually to the European Parliament and to the Council on centrally managed financial instruments. In accordance with Article 41(4) FR, the report is attached as a working document (WD) to the draft budget. This is the second edition of the reporting under that provision[2].

This report covers the whole implementation period from the launch of a given financial instrument until 31 December of the reference year (2018), and includes 33 financial instruments, which, (i) had a budgetary impact in terms of budgetary commitments or budgetary payments since its launch until 31/12/2018[3], and (ii) are funded through the general EU budget[4]. The list of financial instruments is clustered in sections that are aligned to the proposed policy windows for InvestEU in 2021-2027, and also includes the external investment instruments.

The information provided in the report for each individual financial instrument is structured in 3 main sections:

- Part A: description;
- Part B: operational performance;
- Part C: financial information.

*Part A. Description*

| | |
|---|---|
| **Items of Article 41(4) covered:** | – (a): general description of the instrument, impact on EU budget, added value of the EU contribution.<br>– (b): financial institutions involved in implementation. |

*Part B. Operational performance*

| | |
|---|---|
| **Items of Article 41(4) covered:** | – (c): contribution to the achievements of the programme.<br>– (d): envisaged operations, target volumes, target leverage, leverage effect.<br>– (k): performance of the financial instrument, investments realised, leverage achieved. |

*Part C. Financial information*

| | |
|---|---|
| **Items of Article 41(4) covered:** | – (a): impact on the budget, basic act.<br>– (e): budget lines, aggregated budgetary commitments and payments.<br>– (f) the average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years.<br>– (g) revenues and repayments under article 209(3), presented separately, including an evaluation of their use.<br>– (h): value of equity investments. |

[1] Regulation (EU, Euratom) 2018/1046 of 18 July 2018 on the financial rules applicable to the general budget of the Union, Article 250.
[2] This new, merged report replaces the reports previously submitted under Articles 38(5), 49(1) and 140(8) of Regulation (EC, Euratom) No 966/2012.
[3] Hence, this report covers financial instruments launched during the 2007-2013 and 2014-2020 Multi-Annual Financial Frameworks.
[4] Instruments financed exclusively by the European Development Fund or other external sources are not included in this report.

| | |
|---|---|
| | − (i): provision for risk and liabilities, financial risk exposure.<br>− (j): impairment of assets and called guarantees.<br>− (l): balance on fiduciary account.<br>− Last sub-paragraph: administrative expenditure and operating charges, in total and per managing party. |

## *Overview*

The present report outlines the operational results of financial instruments. The 22 instruments covering the so-called 'internal policy' actions (whose beneficiaries are predominantly located in the EU) are presented under sections 1-4 that regroup the instruments covering the previous and current Multiannual Financial Framework (MFF) periods according to the four windows of the InvestEU programme 2021-2027.

Whilst taking into account that the 22 reports presented cover a large variety of different financial instruments (equity and debt, loan guarantees and venture capital, capacity building and risk sharing facilities), as well as spanning across several MFF periods, it is possible to present certain aggregate figures illustrating their general performance.

- The overall budgetary commitments made (EU budget contribution) for the 22 instruments stands, at the end of 2018, at approximately **EUR 7.75 billion**.
- When including other sources of financing from the European Fund for Strategic Investments (EFSI) via top ups to Horizon 2020, COSME and EaSI, as well as contributions from European Structural and Investment Funds (ESIF) via Member States (SME initiative), the actual EU Contribution increases to over **EUR 10 billion**.
- When aggregating figures for the 22 instruments on financing provided by other sources in addition to and including the EU Contribution, the total amount of 'financing provided by financial intermediaries to final recipients' is just under **EUR 100 billion**. These figures suggest an average leverage effect of the EU intervention of almost **10**. In other words, each euro invested by the EU budget in financial instruments has enabled providing on average 10 euros of financial support.
- When aggregating figures on 'investments made by final recipients due to the financing received', the total amount comes to over **EUR 156 billion**. These figures suggest an average multiplier effect of above **15**.

The above figures provide a snapshot of the situation at the end of 2018 and are no more than provisional indications of performance on a large scale and covering a long period. Financial instruments have a lifecycle spanning around 20 years, thus final implementation results are only fully visible well after the programming period. Whilst it is therefore challenging to present the overall impact of the different instruments, notably also as the types of recipients vary greatly (from large entities to individual students), it is possible to derive certain noteworthy trends and positive results. For instance when looking at the 6 active instruments specially targeting SMEs (sections 4.1 to 4.6 in the report), the figures for these 6 instruments suggest that **in 2018 alone over 150,000 SMEs in Europe** have been recipients of financial assistance. Over the period 2014-2018, the total for the same instruments approaches **half a million SMEs**.

Looking forward, from a technical reporting perspective, the adapted format of the proposed Invest EU Programme (2021-2017) should allow for a more systematic representation of comparable data as well as meaningful trends notably as it is foreseen for all (future) financial instruments to follow a single set of rules under a single Regulation, as opposed to the current constellation of dispersed instruments being implemented according to different basic acts and Programmes. Thus, it is widely anticipated that performance-based measurable criteria are to be firmly embedded in the future implementation of InvestEU with greater flexibility to reinforce or wind down the different financial products according to their performance.
A summary table aggregating selective data on financial information by instrument is included at Annex (covering the same 22 instruments).

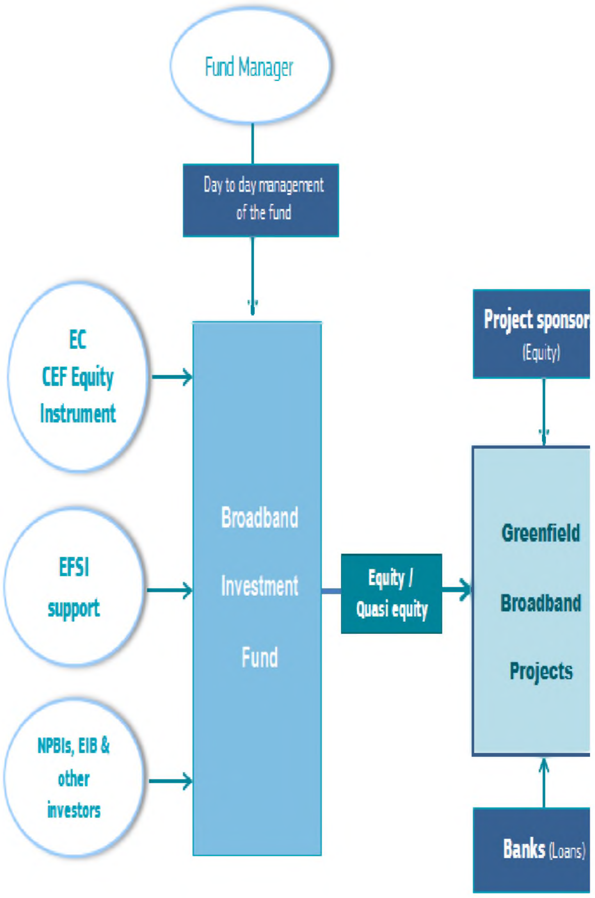
# 1 INFRASTRUCTURE AND CLIMATE CHANGE

## 1.1 The Connecting Europe Broadband Fund (CEBF) – CEF Equity Instrument

### Description

| Identification/Reference to the basic act | | | |
|---|---|---|---|
| Regulation (EU) No 1316/2013 of the European Parliament and the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 (OJ L 348, 20.12.2013, p. 129). | | | |
| **Budget lines** | | | |
| 09 03 02 Creating an environment more conducive to private investment for telecommunication infrastructure projects — CEF Broadband | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 18,000,000 | 14,000,000 | 0 |

**Initial financial envelope:** **EUR 100.000.000**
**Current financial envelope:** **EUR 100.000.000**
**Overall financial envelope:** **EUR 100.000.000**




*General description:*

The CEF Equity Instrument has established a financial instrument called the Connecting Europe Broadband Fund (hereafter, the 'CEBF' or 'the Fund'). The CEBF was set up to meet the growing demand for financing of smaller-scale broadband projects across Europe, which currently do not have easy access to funding. This support will complement existing EU financial instruments for broadband development as well as other financing currently available on the market through private investors or private financial institutions. The CEBF also receives support under the European Fund for Strategic Investments (EFSI).

The CEBF aims to raise EUR 500 million for broadband investment by 2020 and is expected to unlock total investments of EUR 1-1.7 billion.

The CEBF will invest in underserved areas where there are strong opportunities for profitability. Eligible countries are EU Member States, as well as Norway and Iceland. The main eligibility criteria for projects can be summarized as follows:

- Eligible projects (whether fixed line or mobile) should make a significant contribution to the achievement of the targets of the Digital Agenda for Europe (DAE), which means, at the minimum, the support to the connectivity necessary to achieve the DAE Target 2 (30 Mbps) and/or Target 3 (100 Mbps). Furthermore, in case of fixed line networks, minimum speed levels in line with DAE target 3 (100 Mbps) should be permanently available for at least one or several retail products out of the operator's commercial product offerings. A priority should be given to projects that facilitate the transition towards a European Gigabit Society by the deployment of networks upgradable to 1 Gigabit as well as to projects based on wholesale-only models.

- The Company will only invest in what is referred to as "greenfield" projects. These projects are defined as investments carried out by "start-up" companies or companies that have an asset base which is small compared to the cumulative investments planned for new assets.

- Eligible projects will deploy "state of the art technology" which means a technology, or a mix of technologies, whose performance features are comparable to the best-performing commercially available technologies.

- The projects will be deployed predominantly in underserved areas, which would be typically classified as grey Next Generation Access ('NGA') networks (i.e. only one NGA network exists or is planned) and white NGA areas (no NGA network exists), for state aid purposes.

- An investment by the Fund will not exceed EUR 30 million for one project.

*Implementation cycle:*

The Fund is implemented under the CEF Equity instrument under direct management by the European Commission (DG CONNECT). The Fund is managed by an independent fund manager, Cube Infrastructure Managers ('Cube IM'), which has been selected in a competitive selection process organized by the European Investment Bank ('EIB'). Cube IM is a professional asset manager with extensive experience in infrastructure and, in particular, broadband investments in Europe. For alignment of interests, Cube IM has subscribed into the Fund for an amount of EUR 5 million.

The Fund has been launched on 27 June 2018 with EUR 420 million at first closing through commitments from:

- The EIB for EUR 140 million (out of which EUR 100 million are backed by the EFSI);

- The European Commission, via the Connecting Europe Facility ('CEF'), for EUR 100 million;

- The German KfW for EUR 50 million;

- The Italian Cassa Depositi e Prestiti for EUR 50 million;

- The French Caisse des Dépôts for EUR 50 million;

- An additional EUR 25 million contributed by a European private investor; and

- Cube IM for EUR 5 million.

The CEBF is continuing fundraising efforts towards private institutional investors, with a view to proceed to a subsequent closing before the end of 2019.

## Operational Performance

The CEBF has only started to sign its first operations in January 2019.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries (including EFSI top-up)** | **0** | **200.000.000** |
| **Leverage** | **0** | **2,5** |
| **Multiplier effect** | **0** | **5** |
| **Envisaged operations** | **0** | **31** |
| **Financing provided by financial intermediaries to final recipients** | **0** | **500.000.000** |
| **Number of final recipients** | **0** | **-** |
| **Investments made by final recipients due to the received financing (minimum)** | **0** | **1.000.000.000** |

### *Geographical diversification*

N/A. The CEBF was launched in June 2018 and the first operations were signed in January 2019.

The CEBF has signed its maiden project in Croatia on 25 January 2019 for an expected contribution of EUR 30m (equity capital). The project aims at deploying high-quality fiber-to-the-home (FttH), open-access network for residential, business and public administration in the rural areas of the Primorje-Gorski Kotar and Istria regions – the two North-Western counties in Croatia – and to cover over 135,000 locations. The CEBF intends to provide up to EUR 30m in equity (preferred shares and shareholder loan) out of total CapEx of EUR 64 million.

A second project has been signed on the 12th of April 2019, and a third one is expected to be signed before the end of H1 2019.

### *Main issues for the implementation*

The delays in commercially launching the Fund resulted mostly from its very innovative character, in particular the need to reconcile the interests of different groups of investors, to make it attractive for private investors, while maintaining those characteristics of the Fund which justify the public intervention.

The Fund is now starting to invest in projects and the interest from promoters is significant. It is the first instrument specifically designed to cater for a clearly identified gap in the financial market. It is also the first ever pan-European joint-venture to structure an investment vehicle between European Institutions (EC, EIB), national banks (CdC, KfW and CdP) and private investors; as such, it required some learning on all sides. Additionally, following feedback received from dozens of private institutional investors, a second closing is foreseen to actually allow private investors to join based an already initiated project pipeline.

The development of the Fund, even if not straightforward, was a unique opportunity for the European Commission to internalize technical knowledge for this type of transactions, particularly in light of the next Multiannual Financial Framework ('MFF'), and to create trust with other participants, some of which will assume the role of Implementing Partners under the new InvestEU Regulation.

## Financial Information

*(in euros)*

| | Notes | 2018 | 2016-2018 |
|---|---|---|---|
| **Capital** | 1 | | |
| Fund's capital | | 420.000.000 | 420.000.000 |
| EU stake € | | 0 | 100.000.000 |
| EU stake % (equal treatment) | | 0 | 23,81% |
| **EU Contribution** | 2 | | |
| Commitments | | 0 | 100.000.000 |
| *of which to technical assistance* | | 0 | 0 |
| Payments | | 921407 | 921407 |
| **Reflows** | 3 | | |
| Revenues | | 0 | 0 |
| Repayments | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Impairments | | 0 | 0 |
| realised losses | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 668.158 | 668.158 |
| *of which to EIF* | | 0 | 0 |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 100.000.000 | 100.000.000 |
| Value of equity investments | | 0 | 0 |
| *investment at cost* | | n/a | n/a |
| **Fiduciary Account** | 7 | | |
| Balance | | 0 | 0 |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| n/a |

### *Notes on financial information*

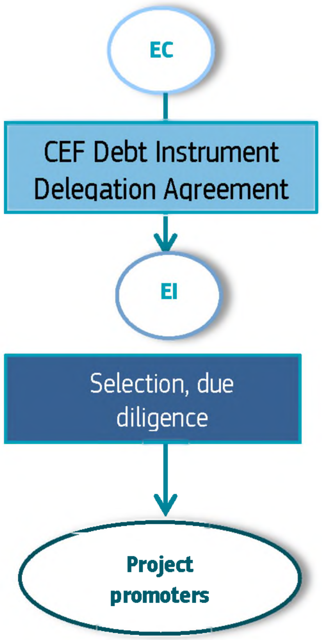
1. Fund’s capital at first closing EUR 420 million
2. Amount fully committed in 2016

## *1.2 Connecting Europe Facility (CEF) – Debt Instrument*

### *Description*

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation (EU) No 1316/2013 | | | |
| **Budget lines** | | | |
| Item 06 02 01 05; Article 09 03 02; Item 32 02 01 04 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 89.289.000 | 15.000.000 | 0 |

**Initial financial envelope: EUR 2 557[5] million**
**Current financial envelope[6]: EUR 755 million**
**Overall financial envelope[7]: EUR 2 536 million[8]**




Financing provided : **EUR 13470 mio**
Investment realised: **EUR 13470 mio**

*General Description*

The CEF Debt Instrument was established through Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/210.

The CEF debt instrument aims to facilitate greater private sector involvement in the long term financing of transport, energy and telecommunication projects.

*Duration*

The CEF Debt Instrument implementation has been running since July 2015, when the Delegation Agreement with the EIB was signed.

The last tranches of Union contribution to the CEF Debt Instrument can be committed by the Commission up to 31 December 2020. The signature of any new operations would have to be finalised by 31 December 2022.

The indicative termination date of operations can be much longer given the long project life spans of these infrastructure projects (e.g until 2040 or beyond).

*Added value, final recipients and projects*

The goal of the CEF Debt Instrument is to contribute to Trans-European Network (TEN) goals by addressing market failures.

All operations under the Debt Instrument are supported by a risk sharing mechanism with the EIB where the EU budget takes 95% of the first loss piece of the portfolio of such operations. The first loss provisioning provided by the EU budget is shared among all projects in the three sectors

[5] Initial envelope available for CEF DI, as per Art.9 of CEF DI Delegation Agreement of 2015.
[6] Committed amount.
[7] This amount includes EUR 1 billion budget used to support the 2017 CEF Transport Blending Call.
[8] The CEF Regulation allows for implementing projects with FIs, using up to 8.4% of the total CEF budget envelope.

covered by the CEF DI. This allows for higher diversification and hence maximises the number of projects that can be supported by the CEF Debt Instrument.

*Financial institutions involved in implementation*

The EIB is the entrusted entity for the CEF Debt Instrument.

## Operational Performance

*Contribution to the objectives of the programme*

The CEF DI (both the products and budget) has been used effectively to deliver projects of EU added value. By the end of December 2018, the CEF DI portfolio (including the legacy LGTT and PBI instruments) comprised 14 active projects in 8 Member States with:

Total financing achieved: EUR 13470 million

Total investment realised: EUR 13470 million

Achieved leverage and multiplier effect(9): 17.84

Additional projects, including ALD Clean Transport Fleet; Rotterdam Electric Buses Tram & Metro Infra; SNAM LNG CNG; Ecoslops; and Hype Deployment of Hydrogen Electric Vehicles are expected to reach financial close in the first half of 2019. Four projects under the Green Shipping Guarantee Programme are expected to close in the second half of 2019.

Financial support using EFSI and the Investment Plan for Europe (which was developed after the CEF Regulation) has to a certain extent substituted for CEF DI. However, there remains an important role for the CEF DI to provide specific financing products or tools. For example, the Green Shipping Guarantee (GSG) programme, developed under the CEF DI umbrella, is designed for projects with a green innovation element covering the construction of new vessels or retrofitting of existing vessels. It applies to both inland shipping and seagoing operators.

Development work has continued for tailored financial solutions: to this end, the CEF DI Delegation Agreement is currently in the process of being amended. The draft amendment envisages an enlarged risk spectrum and financing offer, including a thematic financing category, called Future Mobility, for pre-bankable and highly innovative projects in the transport sector, that will contribute, amongst others, to decarbonisation, for instance by using renewable energy. In addition, 2018 saw development work done to ensure that support for Telematic applications can be enhanced under the proposed amendment of the CEF DI DA.

*Envisaged operations, target volumes based on targeted leverage effect*

The cap on the use of the CEF debt instrument, after the establishment of the EFSI, has been set at 8.4% of the total CEF budget envelope.

*Performance, target leverage effect and achieved leverage effect*

The achieved leverage exceeds this range, at 17.84. This high leverage is reflective of the subordinated nature of the financing supported by the CEF DI for many of the projects in the CEF DI portfolio.

[9] For infrastructure projects these numbers are the same

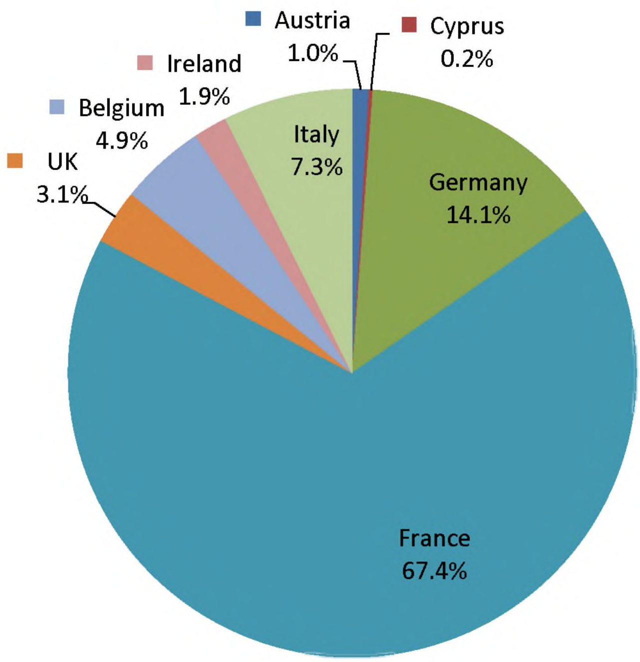
| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **755.023.980** | **n.a** |
| **Leverage** | **17.84** | **6 to 15** |
| **Multiplier effect** | **17.84** | **n.a** |
| **Envisaged operations** | **14** | **n.a** |
| **Financing provided to final recipients** | **13.470.000.000** | **n.a** |
| **Number of final recipients** | **14** | **n.a** |
| **Investments made by final recipients due to the received financing** | **13.470.000.000** | **n.a** |

* n.a. is used for items for which the CEF Delegation Agreement does not set target values

There won't be any more commitment to the CEF DI from the Commission in 2019 or 2020 because the budget has been used for setting up the CEF Transport blending facility.

### *Geographical diversification*

By the end of December 2018, the CEF DI portfolio (including the legacy LGTT and PBI instruments) comprised 14 active projects in 8 Member States. Geographical distribution of Eligible Final Recipients (EUR 13 470 000 000) is as follows:




### *Main issues for the implementation*

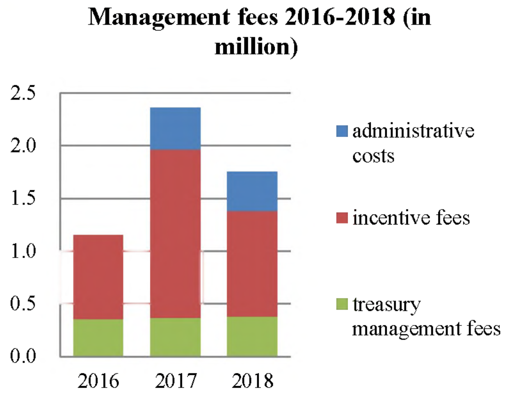
Due to the overlap in eligibility of the CEF Debt Instrument and EFSI, and the broader flexibility of eligibility criteria of the EFSI compared to the CEF, the CEF DI has performed below expectations. Therefore, the CEF DI delegation agreement has been revised to increase the complementarity between the CEF DI and the EFSI. The new Delegation Agreement will enter into force in 2019.

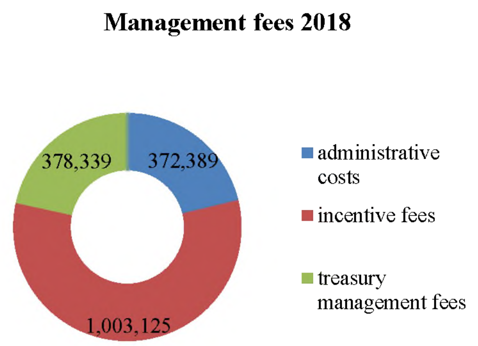
## Financial Information

*(in euros)*

| | Notes | 2018 | 2007-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 2.536.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 0 | 755.023.980 |
| *of which from third countries* | | *0* | *0* |
| *of which from reflows* | | *0* | *6.881.251* |
| Budgetary payments | | 89.289.000 | 592.270.251 |
| **Reflows** | 3 | | |
| Revenues | | 10.843.897 | 97.354.849 |
| *interest income* | | *1.203.040* | *18.216.199* |
| *risk remuneration, dividends, fees* | | *7.270.622* | *71.285.712* |
| *realised gains* | | *2.370.235* | *7.782.037* |
| *other revenues* | | *0* | *70.901* |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 1.085.679 | 1.300.624 |
| Returned to be used | | 18.851.678 | 29.830.536 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 0 | 0 |
| *guarantee calls recovered* | | *0* | *0* |
| **Equity** | | | |
| *Impairments* | | *n/a* | *n/a* |
| *realised losses* | | *n/a* | *n/a* |
| **Costs** | 5 | | |
| Management fees | | 1.753.850 | 21.773.807 |
| *administrative costs* | | *372.386* | *13.220.125* |
| *incentive fees* | | *1.003.125* | *5.953.125* |
| *treasury management fees* | | *378.339* | *2.600.557* |
| Other operational and financial charges | | 173.604 | 48.467.413 |
| *negative interest* | | *29.634* | *39.252* |
| *foreign exchange losses* | | *0* | *0* |
| *other charges* | | *143.970* | *48.428.161* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 578.971.306 | 489.682.458 |
| Assets provisioned for risk and liabilities | | 597.955.193 | 523.639.270 |
| Value of equity investments | | n/a | n/a |
| Provisions for risk and liabilities | | 0 | 0 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 50.325.662 | 25.037.907 |
| *in euro* | | *50.325.662* | *25.037.907* |
| *in non-euro currencies* | | *0* | *0* |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| **N/A** |




### *Notes on financial information*

3. Part of the revenue (up to EUR 125 million) generated by the CEF was used to fund EFSI.

# 1.3 Private Finance for Energy Efficiency Instruments (PF4EE)

**Identification/Reference to the basic act**

Regulation (EU) No 1293/2013 of the European Parliament and of the Council of 11 December 2013 on the establishment of a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EC) No 614/2007 (OJ L 347, 20.12.2014, p. 185), and in particular Article 17(1) thereof.

**Budget lines**

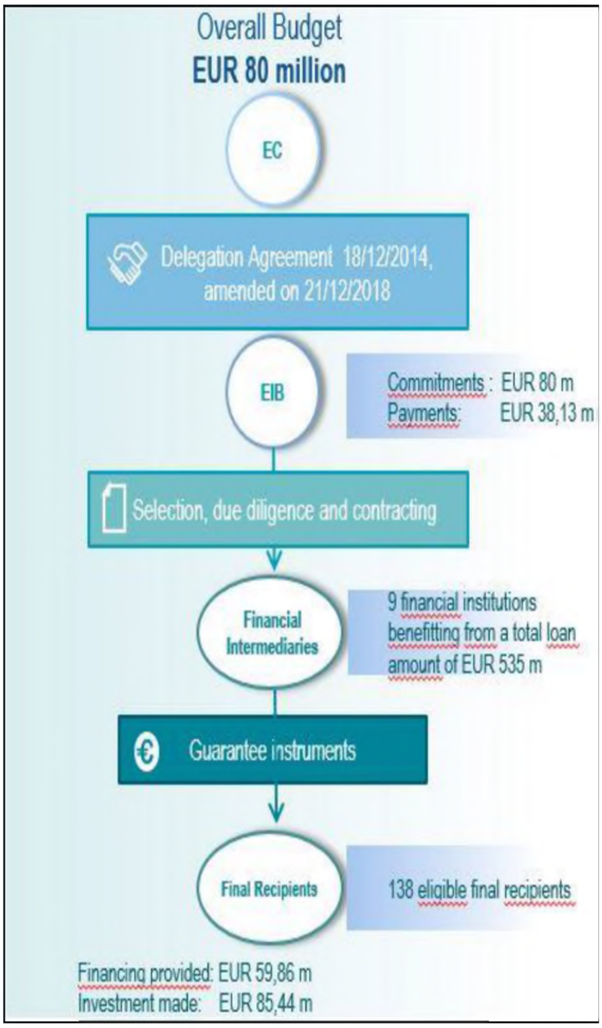
Article 34 02 01 — Reducing Union greenhouse gas emissions.
Article 34 02 02 — Increasing resilience of the Union to climate change

| | 2018 | 2019* | 2020* |
|---|---|---|---|
| **Budgetary commitment appropriations** | 25.000.000 | 0 | 0 |
| **Budgetary payment appropriations** | 5.000.000 | 12.000.000 | 10.000.000 |

** According to the LIFE 2018-2020 Work Programme (MAWP) and subject to a new Delegation Agreement with the EIB, up to a total of EUR 75 million could be made available in the 2018-2020 period, out of which EUR 25 million is already committed in 2018 (as shown in the above table).*

**Initial financial envelope: EUR 80 million**
**Current financial envelope: EUR 80 million**
**Overall financial envelope: EUR 80 million**

*Implementation cycle:*




*Policy objectives and scope*

The LIFE programme is the EU's funding instrument for the environment and climate action, with a main objective to contribute to the implementation, updating and development of EU environmental and climate policy and legislation by co-financing projects with European added value. Aside from providing action grants to projects and operating grants to non-governmental organisations, LIFE programme also developed financial instruments, such as Private Finance for Energy Efficiency Instrument (PF4EE).
PF4EE aims to help address market barriers by investing in projects that would not attract affordable financing because they are considered as too high risk. Therefore, its core objective is the deployment of energy efficient loans across Europe. Thanks to the guarantee provided by the LIFE programme, the EIB can sign long-term loans with commercial banks that will enable them to finance final recipients at more favourable conditions. The final recipients include private individuals, home-owner associations, SMEs, corporates and/or public institutions/bodies, undertaking EE investments in line with the NEEAP of each Member State.

*Implementation arrangements*

PF4EE is a guarantee instrument implemented under indirect management by the European Investment Bank. The delegation agreement (DA) was signed on 8 December 2014, and amended on 21 December 2018 (under the Debt for Energy Efficiency Projects Green (the "DEEP Green") initiative of the EIB). The PF4EE Instrument has two components:

- a risk mitigation mechanism (the PF4EE Instrument Risk Sharing Facility or RSF) for Financial Intermediaries to partially recover losses they may incur in their energy efficiency loan portfolio; and

- an advisory component (the PF4EE Instrument Expert Support Facility or ESF), aimed at providing expert support to the Financial Intermediaries.

The EU budget allocation in the LIFE regulation for the programming period 2014-2017 amounts to EUR 80 million. This includes EUR 72 million for the guarantee, EUR 3.2 million (4%) for the ESF and up to EUR 4.8 million (6%) for the administrative and incentive fees.

The design of the Risk Sharing Facility enables the Commission to provide credit risk protection to the Financial Intermediaries, by making cash collateral available to them in respect of the Final Recipients. The EIB loans complement the RSF, and are provided by the EIB at competitive rates and with long-maturities.

*EU added value*

The PF4EE Instrument contributes to meeting the general objectives of the LIFE Regulation as set out in its Article 3 and further specified in the priority area “climate change mitigation”. In particular, the PF4EE Instrument:

(i) Addresses a major climate policy issue, contributing to the achievement of the Europe 2020 objective to secure energy savings and the associated reduction in emissions;
(ii) Provides the necessary level of piloting and demonstration of a new policy instrument, with major potential to deliver EU added value;
(iii) Complements and supports Member States’ responsibilities under their National Energy Efficiency Action Plans (NEEAPs);
(iv) Offers the potential to improve the cost-effectiveness of the LIFE Programme through leverage and complementarity;
(v) Builds longer term capacity in a sustainable commercial finance activity thereby ensuring continuing and long-term support for sustainable development;
(vi) Supports solidarity and burden sharing and
(vii) Offers the potential to mainstream the initiative into Member State programmes (through NEAAPs and potentially other programmes and initiatives in line with EU Directives relating to Energy Efficiency).

*Duration*

The PF4EE is conceived as a pilot initiative in the years 2014-2017 and initially designed to be extended and scaled up. The implementation period, during which the EIB may commit the EU Contribution Committed, started on the signature of the Delegation Agreement (08/12/2014) and ends the 31/12/2019, unless agreed otherwise between the Parties.

## Operational Performance

The EU has committed the total EUR 80 million from which, EUR 72 million are available for the Risk Sharing Facility.

By the end of 2018, some 33 financial institutions had expressed their interest in PF4EE, out of which, 12 financial institutions had submitted applications. Out of these 12 applications, 9 have already turned into signed operations in the following countries: Czech Republic, Spain, France, Belgium, Portugal, Italy, Croatia, Greece and Cyprus.
The total amount committed by the EIB to the RSF operations amount to EUR 54.5 million. The remaining EUR 17.5 million are still funds to be re-allocated.

By the end of 2018, the total amount of investment costs financed amounts to EUR 85.4 million.

*Financing provided*

In 2018, the European Commission paid EUR 5 million to the fiduciary account, bringing the total EU Contribution paid to EUR 38.126.667. This amount includes the disbursement of EUR 17.2 million to the collateral agreements (which are paid in 3 tranches), the technical assistance (EUR 1.594.654,23) and the fees (EUR 2.757.790,4 – representing 3.45% of the EU Contribution (EUR 80 million). The balance in the PF4EE fiduciary account is EUR 16.642.027.

*Leverage effects*

When PF4EE was designed, it was envisaged that the EIB Energy Efficiency Loans will leverage the EU Contribution to the PF4EE Instrument up to 6 times. EIB Energy Efficiency Loans may refinance up to 75% of the capital cost of Eligible Energy Efficiency Investments. The remaining part of the capital cost will be financed by the Financial Intermediaries and, generally, also by Final Recipients. This will result in an increased leverage of the EU Contribution to the PF4EE Instrument. Thus the target Investment Leverage Effect is 8-fold. Approximately 6-10 operations were expected to be signed with Financial Intermediaries involving around 1800 Final Recipients.

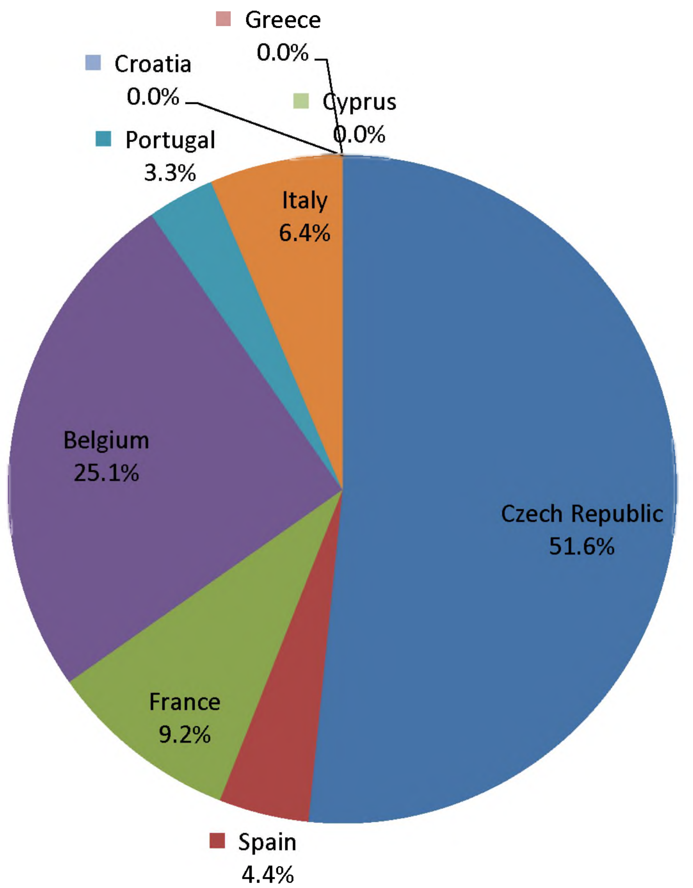
The total cumulative number of Financial Recipients is 138.

| ***Key figures*** | ***Actual*** | ***Target*** |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **54.500.000** | **72.000.000** |
| **Leverage** | **1,1** | **6** |
| **Multiplier effect** | **1,57** | **8,88** |
| **Envisaged operations** | **9** | **6-10** |
| **Financing provided by financial intermediaries to final recipients** | **59.875.908** | **430.000.000** |
| **Number of final recipients** | **138** | **1800** |
| **Investments made by final recipients due to the received financing** | **85.441.039** | **640.000.000** |

### *Geographical diversification*

Geographical diversification of PF4EE is focused on the EU-28 Member States. It is worth mentioning that priority was given to FIs that operate in Member States that are lagging behind from the 2020 climate action targets.

The existing Delegation Agreement was amended with a view to facilitate the deployment of the instrument. Main features include: eliminating the 15% funding limit per commercial bank, providing a longer time period (up to 60 months instead of 36 months) for the commercial banks to sign loans with the final recipients and simplifying some of the reporting obligations. The geographical distribution of investments made by final recipients (EUR 85.4 million) is depicted below. NB figures are not available for Cyprus, Greece and Croatia at present – hence no values appear below.




### *Main issues for the implementation*

The deployment of the instrument has been much slower than initially expected. This is due to the combination of market factors, such as underdeveloped energy efficiency market, abundance of cheap loans, low capacity of the local banking sector to underwrite and sell new specialized and more complex products such as energy efficiency loans, ambiguity over possibilities to combine ESIF grants with EU- Financial Instruments. In addition, the lead-time for the EIB to roll-out of the expert support facility was much longer than expected.

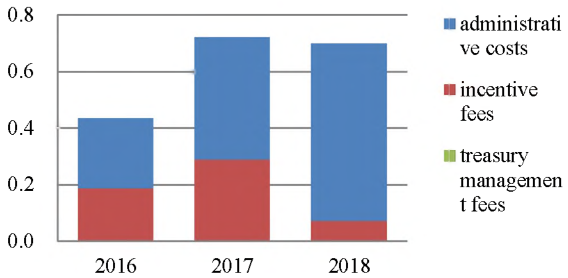
## Financial Information

| | Notes | 2018 |
|---|---|---|
| **Overall budget** | 1 | |
| Financial envelope available | | |
| **EU Contribution** | 2 | |
| Budgetary commitments | | 25.000.000 |
| *of which from third countries* | | *0* |
| *of which from reflows* | | *0* |
| Budgetary payments | | 5.000.000 |
| **Reflows** | 3 | |
| Revenues | | 66.313 |
| *interest income* | | *0* |
| *risk remuneration, dividends, fees* | | *66.313* |
| *realised gains* | | *0* |
| *other revenues* | | *0* |
| Repayments | | 0 |
| Payable to the Commission | | 0 |
| Returned to the general budget | | 0 |
| Returned to be used | | 0 |
| **Losses from operations** | 4 | |
| Guarantees called | | 0 |
| *guarantee calls recovered* | | *0* |
| **Equity** | | |
| *Impairments* | | *0* |
| *realised losses* | | *0* |
| **Costs** | 5 | |
| Management fees | | 699.543 |
| *administrative costs* | | *628.090* |
| *incentive fees* | | *71.453* |
| *treasury management fees* | | *0* |
| Other operational and financial charges | | 586.318 |
| *negative interest* | | *0* |
| *foreign exchange losses* | | *0* |
| *other charges* | | *586.318* |
| | | **2018** |
| **Risk exposure** | 6 | |
| Maximum financial risk exposure | | 49.300.000 |
| Assets provisioned for risk and liabilities | | 33.842.027 |
| Value of equity investments | | 0 |
| Provisions for risk and liabilities | | 0 |
| **Fiduciary Account** | 7 | |
| Balance in the fiduciary account | | 16.642.027 |
| *in euro* | | *16.642.027* |
| *in non-euro currencies* | | *0* |

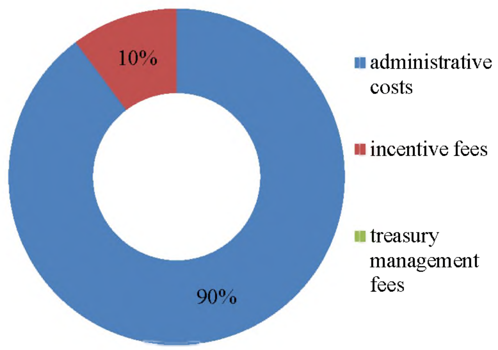
The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

**NA**

**Management fees 2016-2018 (in million)**




**Management fees 2018**




### *Notes on Financial Information*

***6. Under risk exposure, the balance in the fiduciary account is excluding the amounts already paid to the collateral agreements. The 2018 figure for assets provisioned for risk and liabilities is the sum of the balance in the fiduciary account and the collateral paid.***

## *1.4 Natural Capital Finance Facility (NCFF)*

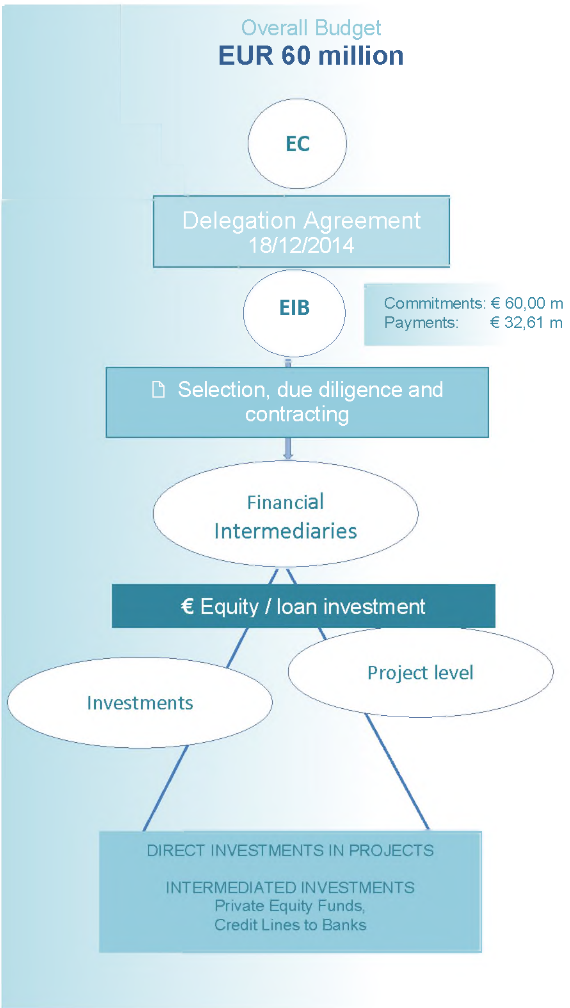
### Description

| Identification/Reference to the basic act |
|---|
| Regulation (EU) No 1293/2013 of the European Parliament and of the Council of 11 December 2013 on the establishment of a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EC) No 614/2007 (OJ L 347, 20.12.2013, p. 185), and in particular Article 17(1) thereof. |

| Budget lines |
|---|
| Article 07 02 02 — Halting and reversing biodiversity loss.<br>Article 34 02 02 — Increasing the resilience of the Union to climate change. |

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 3.000.000 | 3.000.000 |

| | |
|---|---|
| **Initial financial envelope:** | **EUR 60 million** |
| **Current financial envelope:** | **EUR 60 million** |
| **Overall financial envelope:** | **EUR 60 million** |




*Implementation cycle:*

NCFF provides direct and indirect financing for natural capital investment projects. The financing may consist in loans or equity. It finances upfront investment and operating costs for revenue-generating or cost-saving projects which promote the conservation, restoration, management and enhancement of natural capital that contribute to the Union's objectives for biodiversity and climate change adaptation, e.g. through ecosystem-based solutions to challenges related to land, soil, forestry, agriculture, water and waste.

*Implementation arrangements*

The NCFF is a risk sharing financial instrument, which is implemented under indirect management by the European Investment Bank. The delegation agreement was signed on 18 December 2014. The NCFF allows testing different financing options to focus on the most suitable approaches in a potential future instrument.

The EU budget allocation foreseen in the LIFE regulation for the programming period 2014-2017 amounts to EUR 60 million. That amount includes EUR 50 million for the Investment Facility and EUR 10 million for the Technical Support Facility.

*Duration*

An amendment signed in October 2017 extended the implementation period of NCFF until and including 2021 and increased the maximum duration of contracts between the EIB and final recipients from 15 to 25 years, whilst keeping the possibility of a further 5-year extension if needed.

*Added value*

The added value of the NCFF is that it addresses current market gaps and barriers to the private financing of projects in the field of biodiversity and climate change adaptation. The aim is to establish a pipeline of replicable, bankable investments that will serve as a "proof of concept" and that demonstrate to private investors the attractiveness of such investments for the longer term. A further aim is to leverage funding from private investors for this pipeline of investments.

The NCFF supports projects that the EIB normally does not invest in, because they are too small, the time to ensure an investment return is too long, or the perceived credit risk of biodiversity and climate change adaptation investments is too high.

## Operational Performance

*Achievement*

Three operations were signed in 2018, out of which two loan agreements and one equity agreement for the Irish Sustainable Forest Fund.

*Targeted leverage effect*

The total contribution by the EIB is deemed to reach EUR 100-125 million. An amount of EUR 120-240 million is the target aggregate amount of finance available to eligible final recipients supported by the Financial Instrument. This amount does not include the financing that eligible final recipients make available from their own resources.

The target leverage effect as indicated in the Delegation Agreement is 2-4 (EUR 120-240 million divided by EUR 60 million of Union contribution) over the lifetime of the financial instrument.

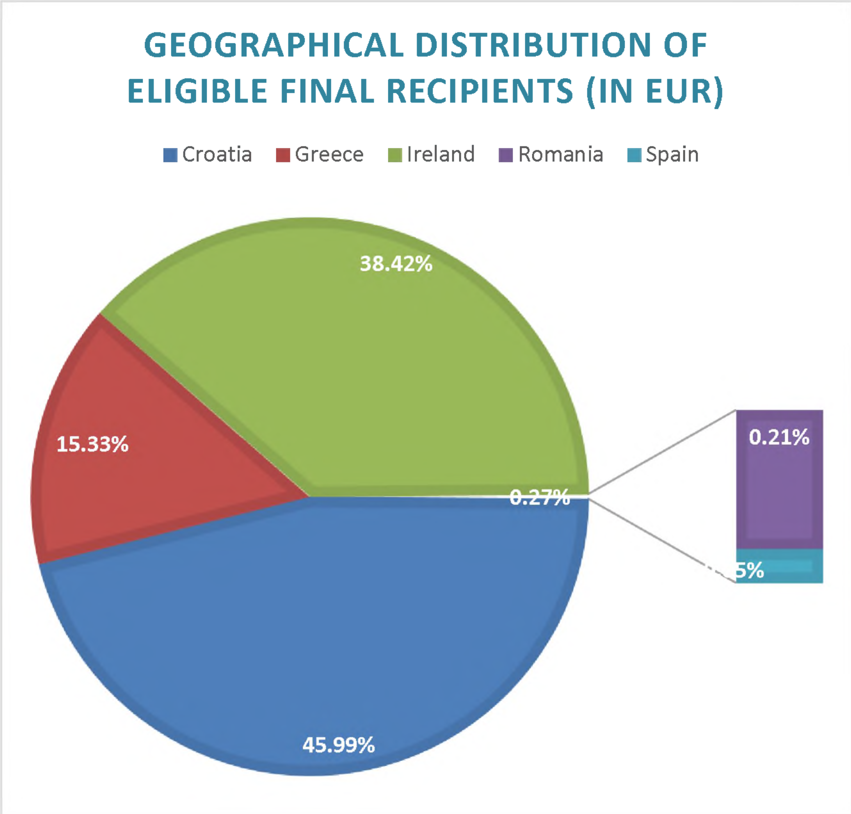
In 2018, four contracts for technical assistance were concluded. One of them concerns a signed operation, another concerns identified potential operations and two concern horizontal work that may benefit operations throughout the EU.

| ***Key figures (totals until and including 2018)*** | ***Actual*** | ***Target*** |
|---|---|---|
| **EU Contribution committed to the EIB** | **60.000.000** | **60.000.000** |
| **Leverage** | **0,5** | **2-4** |
| **Multiplier effect** | **0,8** | **2,8** |
| **signed operations (until and including 2018)** | **4** | **9-12** |
| **Technical Support Facility provided (in euro) in 2018** | **117,400** | **10,000,000** |
| **Financing provided by the EIB for operations with final recipients and financial intermediaries (excluding technical assistance) in 2018** | **32,500,000** | **120,000,000** |
| **Investments made by final recipients and financial intermediaries due to signed operations** | **45.663.660** | **168.000.000** |

### *Geographical diversification*

The aim is to invest in some 9 to 12 operations. The broad geographical coverage (EU Member States) is to enhance the effectiveness of the pilot phase.

The three operations from the NCFF Investment facility signed in 2018 amount to 32,500,000 EUR million. They were signed with final recipients/financial intermediaries from Ireland, Croatia and Greece. The support from the technical support facility amounting to 117,400 EUR concerns a signed operation in Ireland, a potential operation in Spain and two contracts concern horizontal work that may benefit operations all over the Europe.




### *Main issues for the implementation*

The key implementation issues to meet the aims and requirements of the facility are:

- to identify and develop financially viable projects which have a positive impact on biodiversity and climate adaptation;
- to ensure sufficient uptake in a broad range of sectors, in view of future replicability.

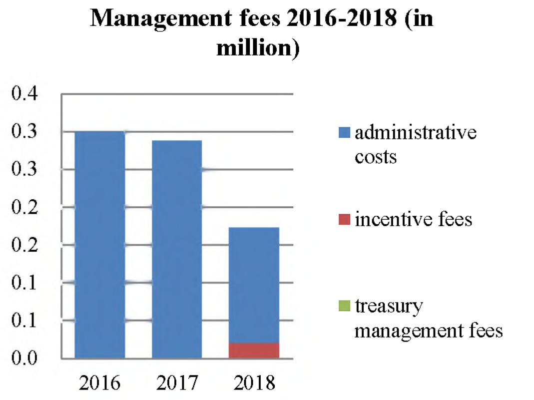
## Financial Information

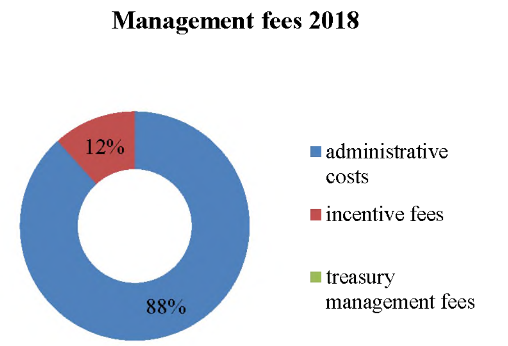
(in euros)

| | Notes | 2018 | 2014-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 60.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 0 | 60.000.000 |
| *of which from third countries* | | *0* | *0* |
| *of which from reflows* | | *0* | *0* |
| Budgetary payments | | 0 | 12.645.000 |
| **Reflows** | 3 | | |
| Revenues | | 0 | 0 |
| *interest income* | | *0* | *0* |
| *risk remuneration, dividends, fees* | | *0* | *0* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *0* | *0* |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 0 | 0 |
| *guarantee calls recovered* | | *0* | *0* |
| **Equity** | | | |
| *Impairments* | | *0* | *0* |
| *realised losses* | | *0* | *0* |
| **Costs** | 5 | | |
| Management fees | | 173.249 | 1.061.004 |
| *administrative costs* | | *153.061* | *1.040.816* |
| *incentive fees* | | *20.188* | *20.188* |
| *treasury management fees* | | *0* | *0* |
| Other operational and financial charges | | 107.436 | 107.436 |
| *negative interest* | | *0* | *0* |
| *foreign exchange losses* | | *0* | *0* |
| *other charges* | | *107.436* | *107.436* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 5.510.000 | 760.000 |
| Assets provisioned for risk and liabilities | | 11.114.500 | 11.145.000 |
| Value of equity investments | | 0 | 0 |
| Provisions for risk and liabilities | | 0 | 0 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 11.114.500 | 11.145.000 |
| *in euro* | | *11.114.500* | *11.145.000* |
| *in non-euro currencies* | | *0* | *0* |

The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

N/A



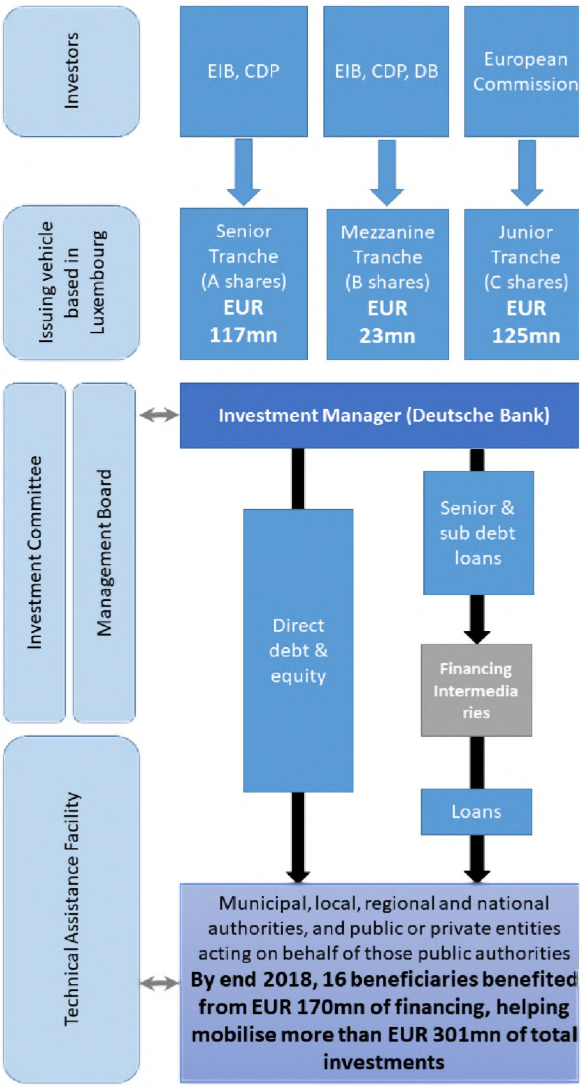



# *1.5 European Energy Efficiency Fund (EEEF)*

## Description

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation (EU) No 1233/2010 of the European Parliament and the Council of 15 December 2010 amending regulation (EC) No 663/2009 establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy. | | | |
| **Budget lines** | | | |
| Article 32 02 52 — Completion of energy projects to aid economic recovery | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

**Initial financial envelope: EUR 146 334 644,50**
**Current financial envelope: EUR 146 334 644,50**
**Overall financial envelope: EUR 146 334 644,50**




### *Implementation cycle*

The period to allocate the EU contribution for investments ended in March 2014. The EU contribution amounts that were allocated during that period were disbursed by end 2015. No further contributions or payments are expected.

The EUR 21m EC technical assistance facility was created together with the Fund and provided grants for project development services related to technical and financial preparation of projects. The EC technical assistance facility stopped functioning at the end of 2017 and was replaced by the EEEF Technical Assistance facility, the fund's own project development support platform. The EEEF TA facility has received ELENA funds, under the Horizon 2020 Programme of the European Union and builds on the experience gained from its predecessor facility. By December 2018, it already was supporting four beneficiaries in Italy, Spain and Lithuania.

## Operational Performance

The EEEF had successfully disbursed EUR 99,8 million of EU contribution to the allocated projects by the end of the investment period, providing innovative financing solutions to energy efficiency and renewable projects. As of 31 December 2018, more than EUR 170 million have been allocated to 16 projects that have generated EUR 301,5 million of total investments. No losses were incurred since the inception of the fund, despite the variety of financing instruments and technologies financed. The fund has paid dividends every year since 2013, including complementary dividends since 2015. A fraction of these dividends have partly financed the EEEF Technical Assistance facility.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **125.000.000** | **125.000.000** |
| **Leverage** | **1,4** | **N/A** |
| **Multiplier effect** | **2,4** | **N/A** |
| **Envisaged operations** | **N/A** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **170.452.571** | **N/A** |
| **Number of final recipients** | **16** | **N/A** |
| **Investments made by final recipients due to the received financing** | **301.500.000** | **N/A** |

### *Geographical diversification*

The EEEF is financing 16 projects in 8 Member states. It aims to further geographically diversify investments and play a demonstrative role in new Member states. The geographical distribution of EUR 170.4 million of financing is depicted below.

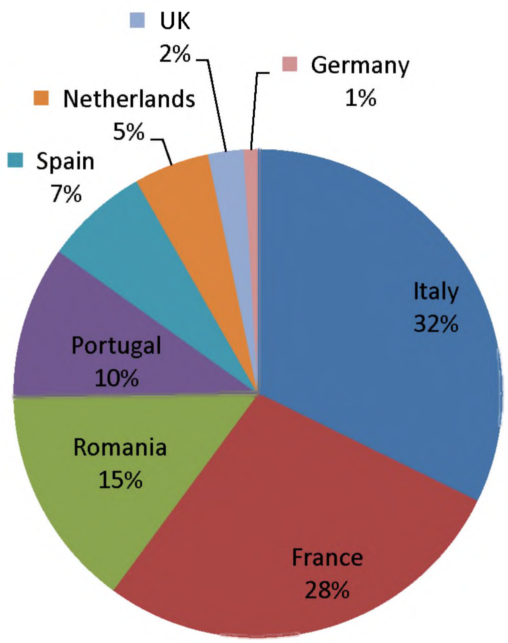



*Figure 1- Investment per Member state (based on value of signed commitments)*

### *Main issues for the implementation*

Experience with the EEEF is very useful to understand the dynamics of the energy efficiency sector:

- Financing instruments for sustainable energy need to be flexible, reflecting local market needs;
- The gap in capacity to develop and finance energy efficiency investments can be effectively tackled by the provision of project development assistance, which would enable the creation of a verified track record of the impacts of energy efficiency investments, building the sector's credibility and investor confidence;
- EU-level instruments should address common barriers, market failures and impacts of the financial crisis, while complementing national or regional schemes in place, avoiding duplication and avoiding crowding out private investments.

From an operational point of view, the fund remains financially healthy but is facing difficulties signing new projects and ensuring the geographical balance of the support provided. Several factors can explain these:

- There is high liquidity in financial markets leading to a fall of interest rates, rendering alternative financing more attractive. In various occasions, EEEF found itself competing against the cheaper financing directly from the EIB.
- Public sector projects progress slowly and require a commitment to realize the projects in form of the PPPs. Flaws / interruptions in their public procurement or political indecisiveness are among the main reasons for projects not to materialise.
- In a similar way, the Fund is being continuously approached by numerous energy service companies and industry players presenting interesting business plans and possible pipelines.

In order to alleviate these issues, the manager of the Fund is planning to:

- provide additional support and technical expertise to interested project promoters channelled through the Fund's dedicated Technical assistance facility;
- adjust its product strategy in order to offer new products that allow project aggregation and to allow additional equity participation;
- focus business development activities in projects located in Southern Europe.

## Financial Information

(in euros)

| | Notes | 2018 | 2011-2018 |
|---|---|---|---|
| **Capital** | 1 | | |
| Fund's capital | | 264.900.000 | 264.900.000 |
| EU stake € | | 101.215.380 | 98.804.363 |
| EU stake % (C shares) | | 38 | 37 |
| **EU Contribution** | 2 | | |
| Commitments | | 0 | 146.334.645 |
| *of which to technical assistance* | | 0 | 21.334.645 |
| Payments | | 0 | 116.203.765 |
| **Reflows** | 3 | | |
| Revenues | | 0 | 0 |
| Repayments | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Impairments | | 0 | 0 |
| Realised losses | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 2.319.559 | 14.244.430 |
| *of which to EIF* | | 0 | 0 |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 101.215.380 | 98.804.363 |
| Value of equity investments | | 101.215.380 | 98.804.363 |
| *investment at cost* | | - | - |
| **Fiduciary Account** | 7 | | |
| Balance | | 2.624.358 | 2.630.258 |

| |
|---|
| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
| n/a |

### *Notes on financial information*

1. Initial commitment by all investors. Net assets attributable to holders of redeemable ordinary C shares. Source: Holdings statement of Account, as of 31 Dec 2018.

2. Payments include EUR 99.829.868,36 paid for the Fund and EUR 16.373.896,98 for the EC technical assistance facility.

5. Source: Final audited 2018 Annual Report

6. Source: Final audited 2018 Annual Report

7. Two Trust accounts have been created but they are not fiduciary accounts as defined in the "Annex 5 Guidelines art. 140.8". The Fund Trust account is credited with the part of the EU contribution to be used for the Fund as well as interest earned and debited with the payments of EU Contribution to the Fund. Its balance on 31/12/2018 was EUR 2.6 million. The TA Trust Account is credited with the part of the EU Contribution to be used for the Technical assistance, interest earned, funds recovered from Technical Assistance and debited with payments of EU Contribution to eligible costs for Technical Assistance, external audit costs, funds to be returned to the Commission and the Technical assistance management fee. Its balance on 31/12/2018 was EUR 4.38 million.

## *1.6 The 2020 European Fund for Energy, Climate Change and Infrastructure (Marguerite)*

### *Description*

**Identification/Reference to the basic act**

Regulation (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans- European transport and energy networks (OJ L 162, 22.6.2007, p. 1).

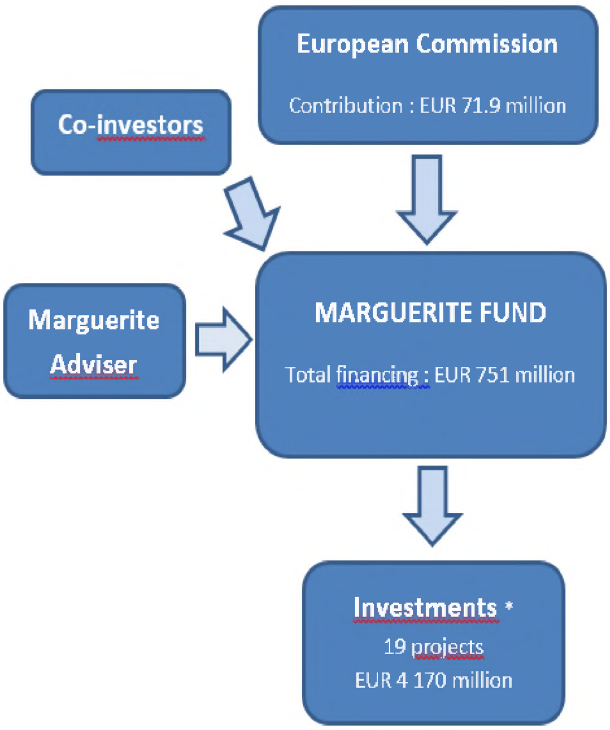
**Budget lines**

Article 06 02 51 00 — Completion of trans-European networks programme

| | 2018 | 2019* | 2020* |
|---|---|---|---|
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

** Forecast payment appropriation needs are provisionally estimated at EUR 3.2 m for 2019 and EUR 1.2 m for 2020.*

**Initial financial envelope:** EUR 80,000,000
**Current financial envelope[10]:** EUR 71,909,749
**Overall financial envelope:** EUR 71,909,749




*General Description*

The Commission directly manages its investment in the Marguerite Fund; there is no delegation or sub-delegation agreement to any entrusted entity.

The contributions are paid directly by the EC hence no trust account is established. The EC is a pari-passu investor (11.26 % share) alongside co-investors, sharing equally with other co-investors both costs and returns.

The Investment Adviser "Marguerite Adviser S.A." employs the Advisory Team and provides investment advisory services to the Fund under an Advisory agreement. As such, it is responsible for the day-to-day management and on-going activity of the Fund. The Advisory Team is in charge of origination, due diligence (appraisal), structuring and execution of the investments as well as of monitoring and asset management.

[10] The initial EUR 80 million commitment was reduced to EUR 71.9 million in 2018 following the end of the investment period

* at the end of the investment period; higher investment amount due to recycling

## Operational Performance

As of end December 2018, and following the sales of assets as well as a transfer of some recent Marguerite Fund assets to Marguerite II (serving as seed assets), the Marguerite portfolio comprises 9 projects based in 8 Member States. It represents a total remaining equity commitment EUR 361 million.

It should be noted that, by the end of the investment period term as of 31 December 2017, the Marguerite Fund has:

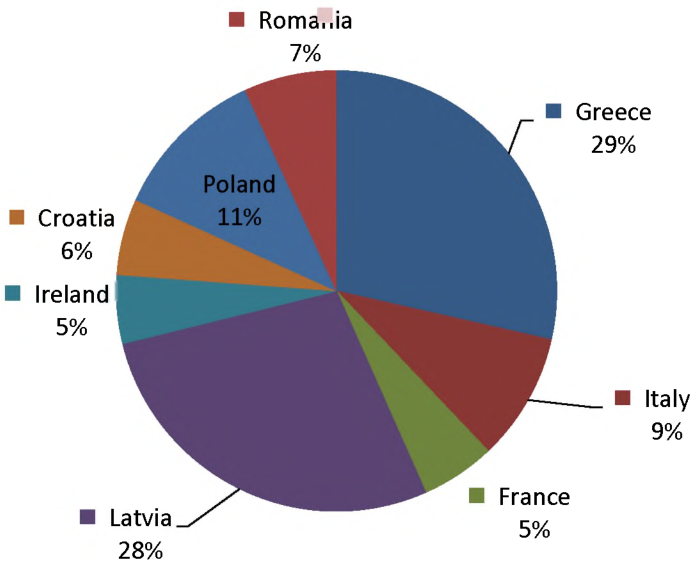
- been fully invested
- respected the objectives of diversification of the portfolio
- made more than 85% of the investments in the Core Sectors
- invested more than 65% of commitments in Greenfield projects

*Achievements*. In total, the Fund invested in 19 projects in 13 Member States. It represented a total equity commitment by the Fund of EUR 751 million.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **71.909.749** | **80.000.000** |
| **Leverage** | **10,44** | **8,87** |
| **Multiplier effect** | **58** | **49,31** |
| **Envisaged operations** | **n/a** | **20-30** |
| **Financing provided by financial intermediaries to final recipients** | **751,000,000 *** | **710,000,000** |
| **Number of final recipients** | **19 **** | **20-30** |
| **Investments made by final recipients due to the received financing** | **4.170.000.000** | **3.945.436.872** |

**** The actual financing exceeded the initial target, thanks to recycling of proceeds. Following the sale of assets after the end of the investment period, the Fund's remaining equity as at 31/12/2018 is EUR 395,8 million.***

***** The current number of final recipients, following the sale of assets in 2018, is 9.***




### *Geographical diversification*

The Fund invested in a geographically diversified portfolio of investments throughout the EU (in a total of 13 Member States) with particular regards to the needs of, and opportunities in, new EU member states (5 in EU-13 member states). EUR 395.8 million is distributed as shown in the chart.

### *Main issues for the implementation*

Two deals which remain in the portfolio of Marguerite Fund are underperforming, i.e Aeolus (Poland) and Chirnogeni (Romania).

Due to changes to the regulatory regime or tax legislation the value of the assets has been partially or fully written off.

## Financial Information

(in euros)

| | Notes | 2018 | 2009-2018 |
|---|---|---|---|
| **Capital** | 1 | | |
| Fund's capital | | | 598.530.001 |
| EU stake € | | | 67.440.000 |
| EU stake % (equal treatment) | | | 11,27% |
| **EU Contribution** | 2 | | |
| Commitments | | 71.909.749 | 71.909.749 |
| *of which to technical assistance* | | 0 | 0 |
| Payments | | 0 | 67.440.000 |
| **Reflows** | 3 | | |
| Revenues | | 0 | 0 |
| Repayments | | 14.513.921 | 42.040.689 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 5.633.808 |
| **Losses from operations** | 4 | | |
| Impairments | | 0 | 0 |
| Realised losses | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 690.061 | 10.657.145 |
| *of which to EIF* | | 0 | 0 |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 42.515.792 | 39.913.232 |
| Value of equity investments | | 42.515.792 | 52.388.928 |
| *investment at cost* | | 25.399.311 | 39.913.232 |
| **Fiduciary Account** | 7 | | |
| Balance | | 0 | 0 |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| **n/a (funds fully invested in 2017)** |

### *Notes on financial information*

1. See section operational performance above.

2. As of 31 December 2018, the EC committed EUR 71.9 million (reduced from initial EUR 80 million commitment) and paid EUR 67.4 million. The remaining commitments (EUR 4.5 million) for already signed deals will be paid in 2019 and 2020.

3. In 2018, Marguerite Fund announced three distributions that were executed in the form of redemption of shares. In January, a distribution of EUR 3 million was made. Two more distributions followed for a total amount of EUR 11.5 million.

As of 31 December 2018, a total of EUR 42 million were 'recovered': EUR 5.6 million recovered as assigned revenue (not recallable) in early 2018 (2017 distribution); EUR 33.9 million was on the waiting account due to recallability; in addition EUR 2.5 million were still at fund manager at year end.

5. Management costs i.e. - advisory and operating fees are fully paid out of the assets (revenues) and are not a separate cost position (not in accounting). In 2018, the EC share of management and operating fees was EUR 0.69 million. The total aggregate amount of EUR 10.66 million refers to the EC share of the such costs since the set-up of the Fund.

6. In 2018, we estimate the risk exposure to be at EUR 42.5 million.

In addition, the investment at cost was reduced to EUR 25.4 million due to the aforementioned distributions (EUR 67.4 total payments deducted by two distributions of EUR 42 million)

# 2 RESEARCH AND INNOVATION

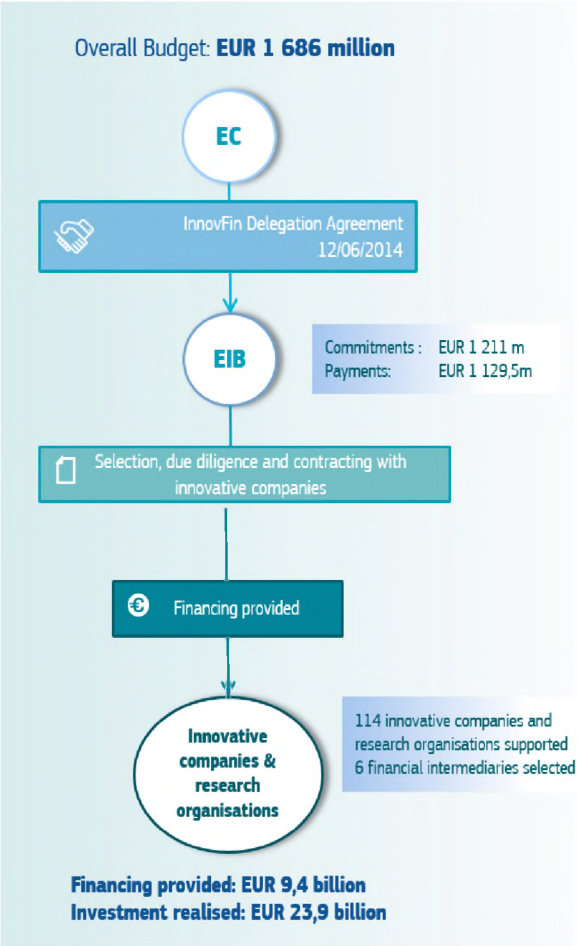
## 2.1 Horizon 2020 Loan Services for R&I Facility

### Description

| Identification/Reference to the basic act |
|---|
| Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) (OJ L 347/104, 20.12.2013)<br>Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" (OJ L 347/81, 20.12.2013)<br>Council Decision 2013/743/EU of 3 December 2013 establishing the specific programme implementing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) (OJ L 347/965, 20.12.2013). |
| **Budget lines** |
| 08.020202; 08.020301; 08.020303; 08.030102 |

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Budgetary commitment appropriations** | 90.000.000 | 143.000.000 | 168.000.000 |
| **Budgetary payment appropriations** | 80.000.000 | 100.000.000 | 60.000.000 |

Initial envelope: EUR 1 060 million
Current financial envelope: EUR 1 236 million
Overall financial envelope: EUR 1 686 million




*Implementation cycle:*

The Horizon 2020 Loan Services for R&I Facility (branded InnovFin) aim is to improve access to risk finance for R&I projects carried out by a variety of promoters notably including medium and large midcaps, larger companies, universities and research institutes, R&I infrastructures and special-purpose vehicles located in Member States or in Associated Countries.

This instrument helps addressing riskier projects or sub-investment grade promoters carrying out RDI investments across all Horizon 2020's Societal Challenges. A particular approach is foreseen to address the financing needs of midcap companies (with employees between 500 and 3 000 employees).

The InnovFin facility offers better access to risk finance in an open, demand-driven way through direct loans or hybrid/mezzanine investments made available by the EIB as well as through risk-sharing (guarantees) involving other banks and financial intermediaries.

The InnovFin facility covers a broad spectrum of final recipients with a flexible loan financing approach, and are complemented by a dedicated guarantee facility for loans and leases for innovative SMEs and Small Midcaps.

The funding of the Loan and Guarantee Service for Research and Innovation has two main components:

- demand-driven, providing loans and guarantees on a first-come, first-served basis, with specific support for final recipients such as SMEs and mid-caps. This component responds to the steady and continuing growth seen in the volume of RSFF lending, which is demand-led. This demand-driven component is supported by the budget of the Horizon 2020 Access to Risk Finance programme.
- Targeted, focusing on policies and key sectors crucial for tackling societal challenges, enhancing competitiveness, supporting sustainable, low-carbon, inclusive growth, and providing environmental and other public goods. That component helps the Union address research and innovation aspects of sectorial policy objectives and is supported by other parts of Horizon 2020, other frameworks, programmes and budget lines in the Union budget, particular regions and Member States that wish to contribute with their own resources (including through Structural Funds) and/or specific entities (such as Joint Technology Initiatives) or initiatives.

*Duration:*
The facility is planned to last until 31 December 2033 (until last operations are wound down).

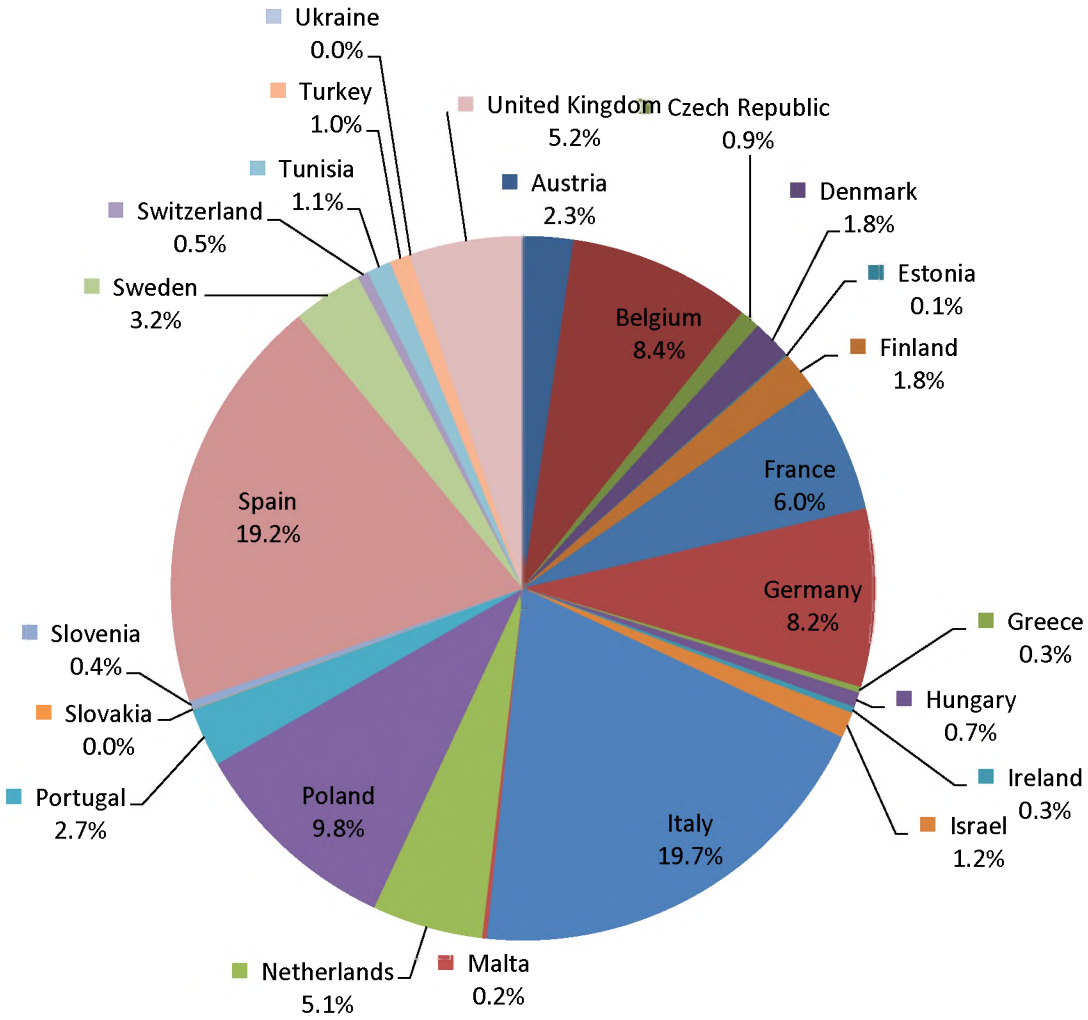
## Operational Performance

As of 31/12/2018 112 InnovFin operations in Member States and 8 in Associated Countries to Horizon 2020 have been signed for a total financing amount of EUR 9 425 million which has triggered investment by final recipients amounting to 23 884 million. For 2014-2020, the EU contribution of EUR 1 686 million was targeted to mobilise an amount of financing of EUR 15 174 million for the target final recipients.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **1.211.000.000** | **1.686.000.000** |
| **Leverage** | **7,78** | **9** |
| **Multiplier effect** | **19,72** | **18** |
| **Envisaged operations** | **120** | **150** |
| **Financing provided by financial intermediaries to final recipients** | **9.425.355.739** | **15.174.000.000** |
| **Number of final recipients** | **120** | **150** |
| **Investments made by final recipients due to the received financing** | **23.884.288.791** | **30.348.000.000** |

### *Geographical diversification*

As of 31/12/2018 the InnovFin facility is implemented in 21 Member States and in 5 Associated Countries to Horizon 2020. The chart below shows how the financing (EUR 9 425 355 739) is distributed by country.




### *Main issues for the implementation*

No issues to report on.

## Financial Information

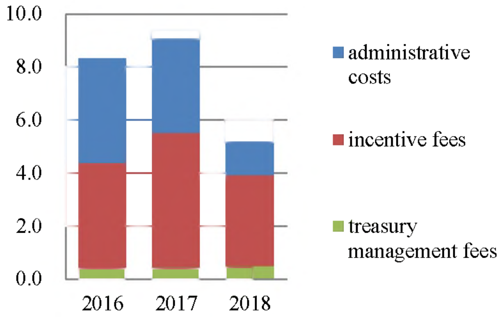
*(in euros)*

| | Notes | 2018 | 2014-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 1.686.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 191.500.000 | 1.211.000.000 |
| *of which from third countries* | | | |
| *of which from reflows* | | *29.905.978* | *589.405.978* |
| Budgetary payments | | 146.000.000 | 1.129.500.000 |
| **Reflows** | 3 | | |
| Revenues | | 39.409.000 | 94.828.000 |
| *interest income* | | *2.304.000* | *8.078.000* |
| *risk remuneration, dividends, fees* | | *36.035.000* | *81.230.000* |
| *realised gains* | | *1.070.000* | *5.520.000* |
| *other revenues* | | | |
| Repayments | | 1.000 | 39.757.000 |
| Payable to the Commission | | | |
| Returned to the general budget | | | |
| Returned to be used | | 8.905.978 | 26.905.978 |
| **Losses from operations** | 4 | | |
| Guarantees called | | | 93.018.000 |
| *guarantee calls recovered* | | *1* | *39.756.001* |
| **Equity** | | | |
| *Impairments* | | *N/A* | *N/A* |
| *realised losses* | | *N/A* | *N/A* |
| **Costs** | 5 | | |
| Management fees | | 5.192.000 | 45.149.000 |
| *administrative costs* | | *1.288.000* | *26.866.000* |
| *incentive fees* | | *3.421.000* | *16.533.000* |
| *treasury management fees* | | *483.000* | *1.750.000* |
| Other operational and financial charges | | 685.000 | 989.000 |
| *negative interest* | | *285.000* | *387.000* |
| *foreign exchange losses* | | | |
| *other charges* | | *400.000* | *602.000* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 971.348.000 | 835.758.000 |
| Assets provisioned for risk and liabilities | | 1.106.575.000 | 941.251.000 |
| Value of equity investments | | N/A | N/A |
| Provisions for risk and liabilities | | 37.181.000 | 22.551.000 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 148.667.000 | 45.551.000 |
| *in euro* | | *148.667.000* | *45.551.000* |
| *in non-euro currencies* | | | |

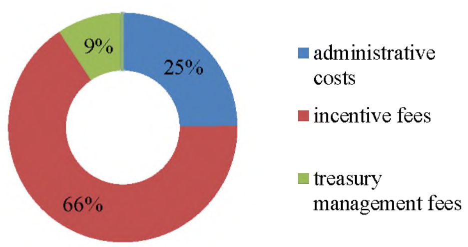
The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

N/A

**Management fees 2016-2018 (in million)**




**Management fees 2018**

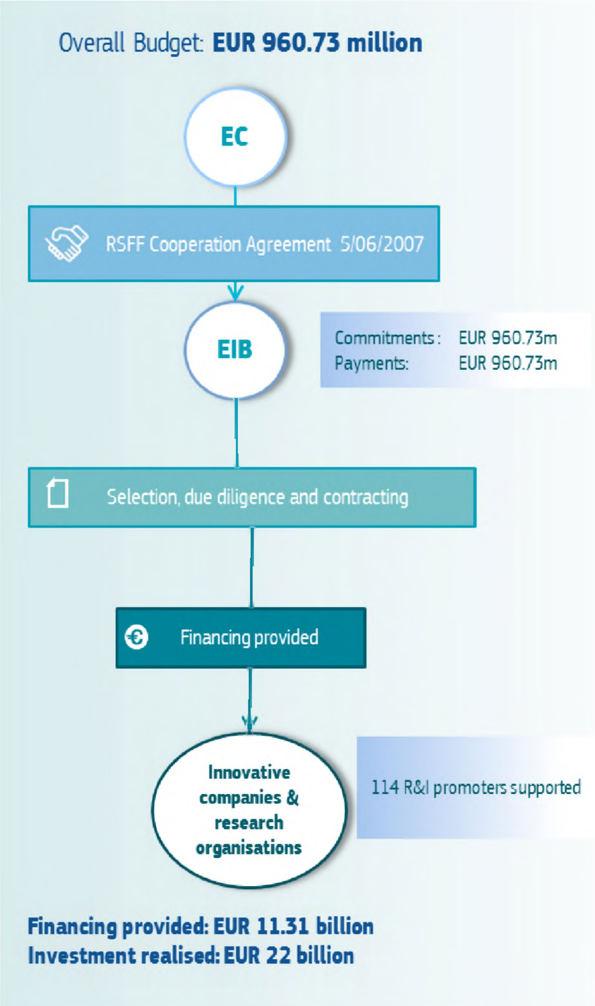


## *2.2 Risk-Sharing Finance Facility under the FP7 (RSFF)*

### Description

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Decision No 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013) (OJ L 412, 30.12.2006, p. 1).<br>Council Decision 2006/971/EC of 19 December 2006 concerning the specific programme 'Cooperation' implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (OJ L 400, 30.12.2006, p. 86).<br>Council Decision 2006/974/EC of 19 December 2006 on the Specific Programme: 'Capacities' implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (OJ L 400, 30.12.2006, p. 299). | | | |
| **Budget lines** | | | |
| N/A: Former MFF 2007-2013 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

Initial envelope: EUR 960.73 million
Current financial envelope: EUR 960.73 million
Overall financial envelope: EUR 960.73 million




*Implementation cycle:*

The RSFF, co-developed by the European Commission and the EIB, was established in June 2007. The RSFF facilitates access to finance by providing loans and guarantees to a wide range of beneficiaries — including SMEs, mid-sized enterprises, larger companies, research institutions, universities and research infrastructures —investing in RDI.

The EU and the EIB are risk-sharing partners for loans provided by the EIB directly or indirectly to beneficiaries. The European Union, through FP7 budget resources, and the EIB have set aside a total amount of up to EUR 2 billion (up to EUR 1 billion each) for the period 2007-2013 to cover losses if RSFF loans are not repaid.

Through those EU/EIB contributions for risk-sharing and loss coverage, the EIB is able to extend a loan volume of EUR 10 billion to companies and the research community for their investments in R&D and Innovation.

The overall budget of the facility has been committed and paid at 100% by end 2013.

*Duration:*

The facility is planned to last until 30 September 2023 (until last operations are wound down).

## Operational Performance

The RSFF has reached and easily exceeded almost all its operational and intermediate objectives. Three evaluative assessments clearly demonstrate that RSFF is well on its way to realising longer-term objectives and wider achievements.

Loan agreements have been signed with 114 R&I promoters, with a total loan volume (active loans) of EUR 11,31 billion and the instrument had been implemented in 25 countries

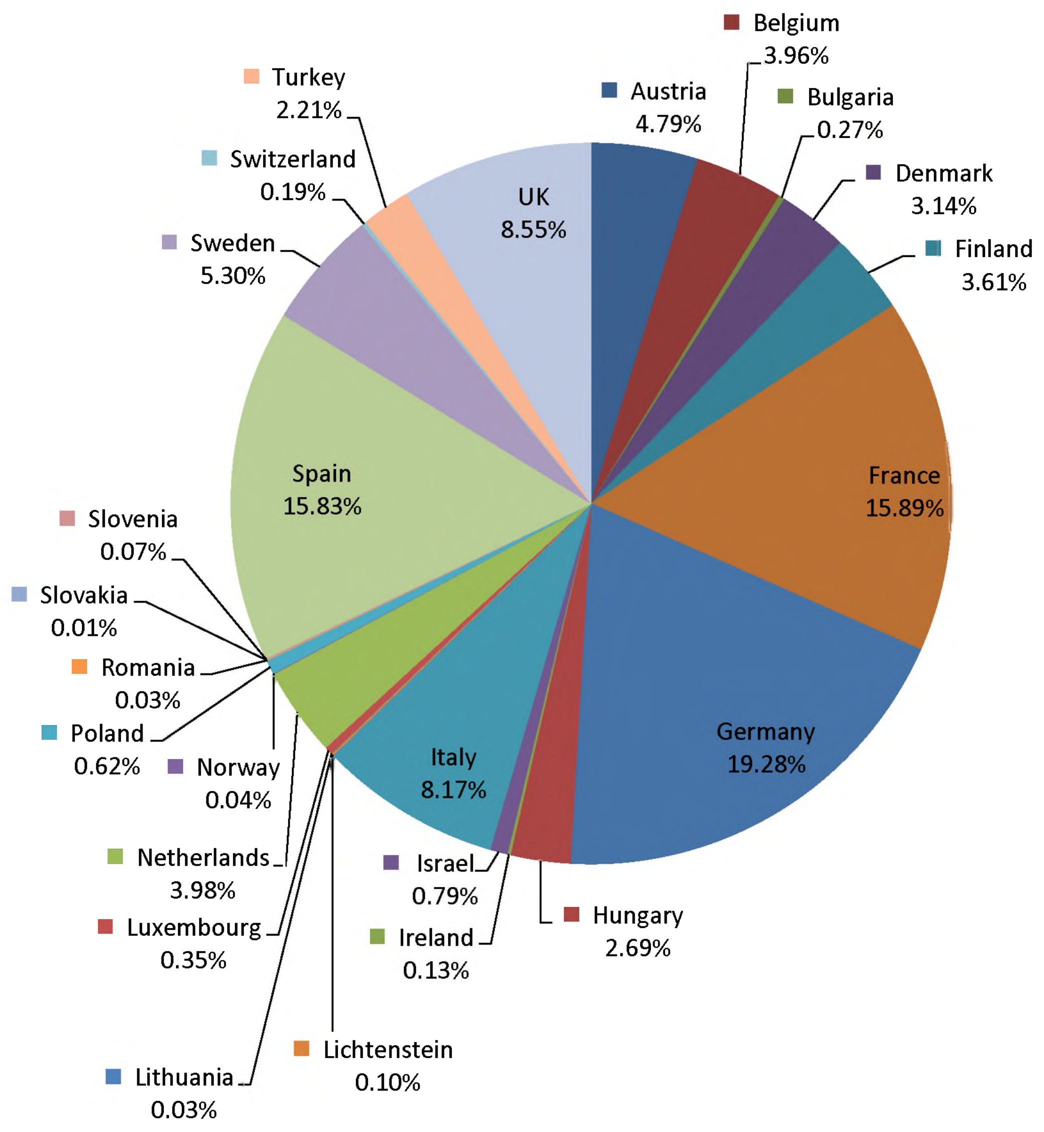
Demand for RSFF loan finance has been high since the launch of the facility in mid-2007: in its first phase (2007-2010), its take-up exceeded initial expectations by more than 50 % in terms of active loan approvals (EUR 11,3 billion versus an initial forecast of EUR 6 billion).

The first interim evaluation concluded that the RSFF had been successfully introduced into the EU's research funding scheme within FP7, was a model example of an EU financial instrument, and should be further developed and strengthened. Recommendations included the need to better target SMEs and research infrastructures. The second interim evaluation concluded that the RSFF had proved to be attractive to RDI companies and had met or exceeded its loan volume targets and enabled EIB to increase the bank's capacity to make riskier loans.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| EU Contribution committed | 960,730,000 | 960,730,000 |
| Leverage | 11.7 | 6.2 |
| Multiplier effect | 22.9 | 12.4 |
| Envisaged operations | 114 | 60 |
| Financing provided by financial intermediaries to final recipients | 11,313,000,000 | 6,000,000,000 |
| Number of final recipients | 114 | 60 |
| Investments made by final recipients due to the received financing | 22,000,000,000 | 12,000,000,000 |

### *Geographical diversification*

Loan agreements have been implemented in 25 countries (The geographic breakdown below is based on the latest information available - source: RSFF ex-post operational report 2013) since no new agreements have been signed since 2014. It shows the distribution of the EUR 11.3 billion provided to final recipients.




### *Main issues for the implementation*

Facility ended (no new operations since 2014): no issue to report.

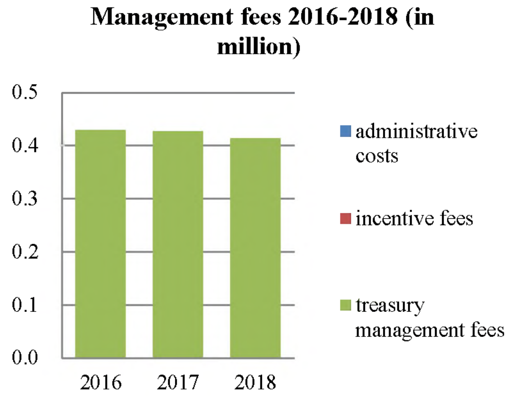
## Financial Information

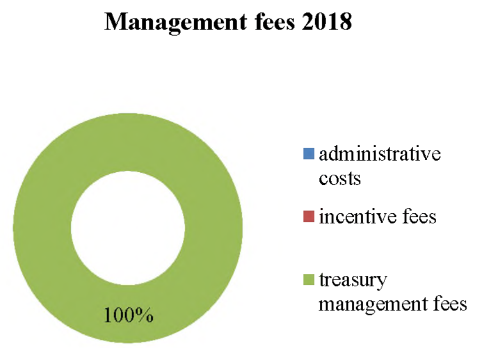
(in euros)

| | Notes | 2018 | 2007-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 960.730.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | | 960.730.000 |
| *of which from third countries* | | | |
| *of which from reflows* | | | |
| Budgetary payments | | | |
| **Reflows** | 3 | | |
| Revenues | | 13.442.230 | 281.721.435 |
| *interest income* | | *889.000* | *73.000.000* |
| *risk remuneration, dividends, fees* | | *10.693.000* | *190.672.000* |
| *realised gains* | | *1.860.230* | *18.049.435* |
| *other revenues* | | | |
| Repayments | | | 354.396.008 |
| Payable to the Commission | | | |
| Returned to the general budget | | | |
| Returned to be used | | 21.000.000 | 562.500.000 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 9.856.000 | 20.544.000 |
| *guarantee calls recovered* | | *594.000* | *5.254.000* |
| **Equity** | | | |
| *Impairments* | | *N/A* | *N/A* |
| *realised losses* | | *N/A* | *N/A* |
| **Costs** | 5 | | |
| Management fees | | 414.000 | 26.115.000 |
| *administrative costs* | | | *6.583.000* |
| *incentive fees* | | | *15.136.000* |
| *treasury management fees* | | *414.000* | *4.396.000* |
| Other operational and financial charges | | 432.203 | 52.755.203 |
| *negative interest* | | *125.851* | *884.851* |
| *foreign exchange losses* | | | *1.074.000* |
| *other charges* | | *306.352* | *50.796.352* |

| | | 2018 | 2017 |
|---|---|---|---|
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 554.187.000 | 561.929.000 |
| Assets provisioned for risk and liabilities | | 582.015.668 | 600.543.622 |
| Value of equity investments | | N/A | N/A |
| Provisions for risk and liabilities | | | |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 610.185 | 41.164.286 |
| *in euro* | | *610.185* | *41.164.286* |
| *in non-euro currencies* | | | |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| N/A |



## *2.3 RSI (Pilot guarantee facility for R&I-driven SMEs and Small Midcaps) under FP7*

**Identification/Reference to the basic act**

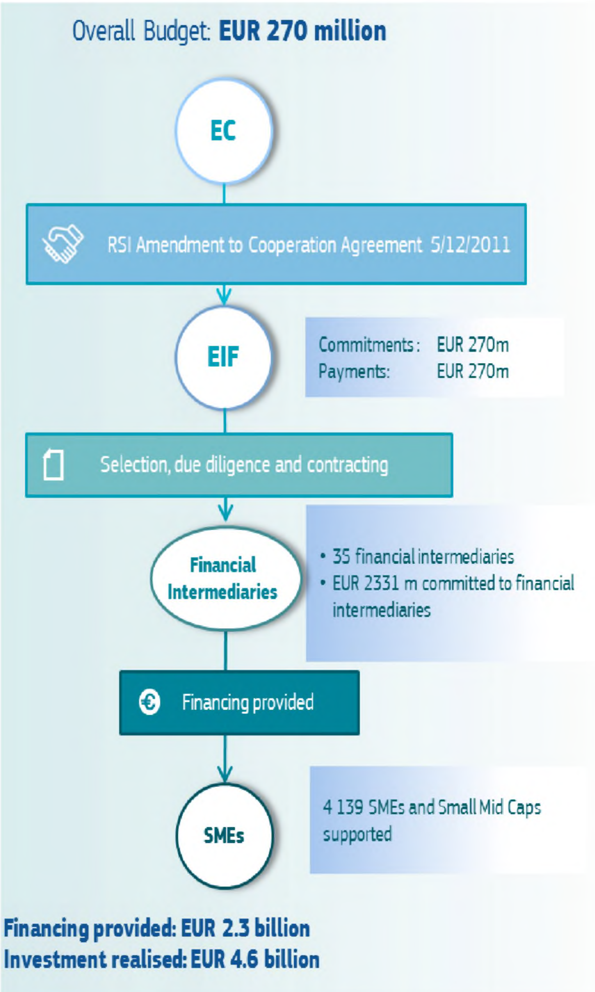
Decision No 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013) (OJ L 412, 30.12.2006, p. 1).
Council Decision 2006/971/EC of 19 December 2006 concerning the specific programme 'Cooperation' implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (OJ L 400, 30.12.2006, p. 86).
Council Decision 2006/974/EC of 19 December 2006 on the Specific Programme: 'Capacities' implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (OJ L 400, 30.12.2006, p. 299).

**Budget lines**

N/A: Former MFF 2007-2013

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

Initial envelope: EUR 270 million
Current financial envelope: EUR 270 million
Overall financial envelope: EUR 270 million



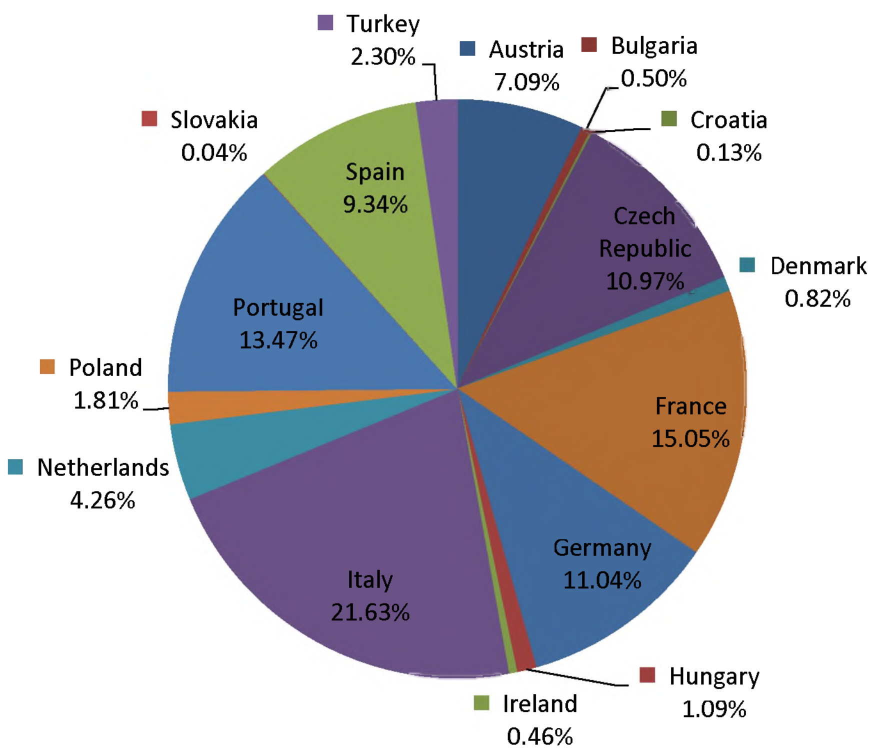

*Implementation cycle:*
The RSFF, co-developed by the European Commission and the EIB, was established in June 2007. In early 2012, within this programme a new pilot guarantee facility, RSI (Risk-Sharing Instrument for SMEs and small midcaps, with maximum 499 employees) was launched to improve access loan finance for RDI investments. The RSI guarantee facility is part of the RSFF implementation and is carried out by the European Investment Fund (EIF).
RSI is a dedicated guarantee facility for loan and lease finance addressing the finance gap for innovative SMEs and Small Midcaps (with up to 499 employees). Through risk-sharing via guarantees provided by the EIF to financial intermediaries, it made a significant contribution to support innovative smaller companies by improving their access to loan finance.
No new commitment was made since 31/12/2013. The overall budget of the facility has been committed and paid at 100% by end 2013.

*Duration:*
The facility is planned to last until 30 September 2023 (until last operations are wound down).

## Operational Performance

The Risk-Sharing Instrument has provided over EUR 2,32 billion in guarantees and counter-guarantees to 35 banks and guarantee societies: this has enabled them to support up to 4 139 innovative SMEs and small midcaps (estimated corresponding investment amount: EUR 4 662 million).

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| EU Contribution committed | 270,000,000 | 270,000,000 |
| Leverage | 8.6 | 12.2 |
| Multiplier effect | 17.2 | 22.2 |
| Envisaged operations | 35 | N/A |
| Financing provided by financial intermediaries to final recipients | 2,331,000,000 | 3,301,000,000 |
| Number of final recipients | 4139 | 3000 |
| Investments made by final recipients due to the received financing | 4,662,000,000 | 6,000,000,000 |




### *Geographical diversification*

In only 2 years' time, these financial intermediaries now cover 17 countries in the EU and Associated Countries. The chart shows how the EUR 2.3 billion is distributed (by country).

### *Main issues for the implementation*

The Risk Sharing Instrument (RSI) has come to an end, and has paved the way to the financial instrument SMEs & Small Midcaps R&I Loans Service under Horizon 2020 which is implemented on a larger scale as well in term of budget than geographical coverage or specific target groups.

## Financial Information

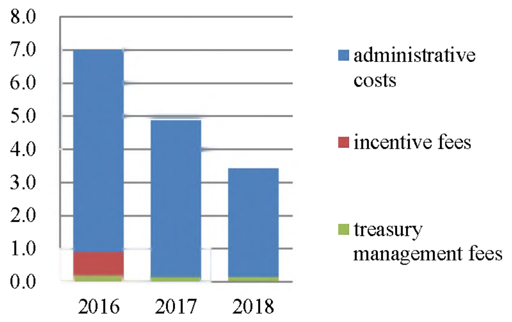
*(in euros)*

| | Notes | 2018 | 2007-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 270.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | | 270.000.000 |
| *of which from third countries* | | | |
| *of which from reflows* | | | |
| Budgetary payments | | | 270.000.000 |
| **Reflows** | 3 | | |
| Revenues | | 2.770 | 1.671.614 |
| *interest income* | | | 1.526.215 |
| *risk remuneration, dividends, fees* | | | |
| *realised gains* | | *2.770* | *145.399* |
| *other revenues* | | | |
| Repayments | | | 64.105.752 |
| Payable to the Commission | | | |
| Returned to the general budget | | | |
| Returned to be used | | | 75.845.752 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 11.109.000 | 40.885.226 |
| *guarantee calls recovered* | | | |
| **Equity** | | | |
| *Impairments* | | *N/A* | *N/A* |
| *realised losses* | | *N/A* | *N/A* |
| **Costs** | 5 | | |
| Management fees | | 3.429.904 | 32.825.860 |
| *administrative costs* | | *3.275.359* | *23.885.952* |
| *incentive fees* | | | *7.695.000* |
| *treasury management fees* | | *154.545* | *1.244.908* |
| Other operational and financial charges | | 474.206 | 1.892.793 |
| *negative interest* | | *435.364* | *780.164* |
| *foreign exchange losses* | | *35.194* | *1.108.981* |
| *other charges* | | *3.648* | *3.648* |

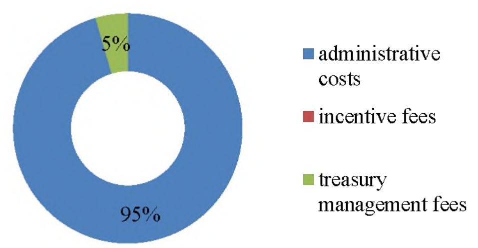
| | | 2018 | 2017 |
|---|---|---|---|
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 151.709.000 | 161.168.000 |
| Assets provisioned for risk and liabilities | | 148.832.332 | 162.445.378 |
| Value of equity investments | | N/A | N/A |
| Provisions for risk and liabilities | | 60.555.013 | 69.907.140 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 45.204.815 | 49.889.743 |
| *in euro* | | *39.303.855* | *42.454.209* |
| *in non-euro currencies* | | *5.900.960* | *7.435.534* |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| N/A |

**Management fees 2016-2018 (in million)**




**Management fees 2017**




### *Notes on financial information:*

5. Of the amount of management fees, EUR 3,063,359 these are risk fees.

# 3 SOCIAL AND EDUCATION

## 3.1a Employment and Social Innovation Microfinance and Social Entrepreneurship Guarantees (EaSI-G)

### Description

EaSI Microfinance and Social Entrepreneurship Guarantee (EasSI-G) aims:

- to increase access to, and the availability of, microfinance for vulnerable groups who want to set up or develop their business as well as for existing micro-enterprises,
- to build up the institutional capacity of microcredit providers,
- to support the development of social enterprises, in particular by facilitating access to finance.

The instrument provides support not directly to final recipients, but rather to relevant financial intermediaries, i.e. microfinance providers and social enterprise finance providers.

"Microfinance Guarantee financial instrument" targets:

- *Vulnerable people,* i.e. persons who are in a disadvantaged position with regard to access to the conventional credit market and who want to start or further develop their own micro-enterprise, including self-employment; (special focus to young people as vulnerable group).
- *Micro-enterprises,* meaning an enterprise, including a self- employed person, that employs fewer than 10 people and whose annual turnover or annual balance sheet total does not exceed EUR 2 million, in accordance with Commission Recommendation 2003/361/EC.

"Social Entrepreneurship Guarantee financial instrument" targets:

- social enterprises, regardless of their legal form.

EaSI-G provides capped guarantees up to 30% to portfolios, which include micro-credit loans granted by financial intermediaries to micro–enterprises, including self-employed persons and loans to social entrreprises. The guarantees cover up to 80% of the individual micro-credit and loans to social enterprises included in the respective portfolios.

*Impact on the budget*

| | |
|---|---|
| Initial financial envelope | EUR 96 000 000 |
| Current financial envelope | EUR 109 725 072 (out of which EUR 1 000 000 committed for the Business Development Services Support pilot) |
| Overall financial envelope | EUR 109 725 072 (out of which EUR 1 000 000 committed for the Business Development Services Support pilot, excluding EUR 300 000 000 from EFSI) |

*Implementation arrangements*

EASI-G is implemented by the European Investment Fund (EIF). The Delegation Agreement between the Commission and the EIF was signed in 2015 with technical amendments in 2016 and further amendments in 2017 and 2018 allowing for an additional top-up of EUR 300m from EFSI. The initial overall budget of EUR 96m increased by EUR 13 720 000 in 2018, leading to an overall financial envelope, excluding EFSI top up, of EUR 109 725 072 (total amount available for the facility EFSI included is EUR 409 725 072) .

From the above overall financial envelope of EUR 109 725 072, EUR 1 000 000 is earmarked for the implementation of the Business Development Services (BDS) Support pilot as an additional component embedded in the EaSI Guarantee instrument. BDS Support is intended to partially offset the costs incurred by Financial Intermediaries benefitting from an EaSI Microfinance Guarantee in view of offering Business Development Services to final recipients who qualify as Refugees and/or Migrants. The implementation of the BDS Support will begin in 2019.

*Duration*

### *3.1a Employment and Social Innovation Microfinance and Social Entrepreneurship Guarantees (EaSI-G)*

| | |
|---|---|
| Commitment period | June 2015 - December 2020 |
| Implementation period *(signatures with 3rd parties)* | 22/6/2015 – 30/06/2024 |
| Life cycle of operations | until 2034 |

*Added value of the Union contribution*

EaSI-G guarantees are widely accessible financial intermediaries (microcredit providers, both banks and non-banks, and social enterprise finance providers) to improve outreach to the hard to reach target groups, namely micro-enterprises, including vulnerable persons, and social enterprises.

*Financial Institutions involved in implementation*

European Investment Fund (EIF). Information on financial intermediaries is available in the following link http://www.eif.org/what_we_do/microfinance/easi/easi-signatures.pdf

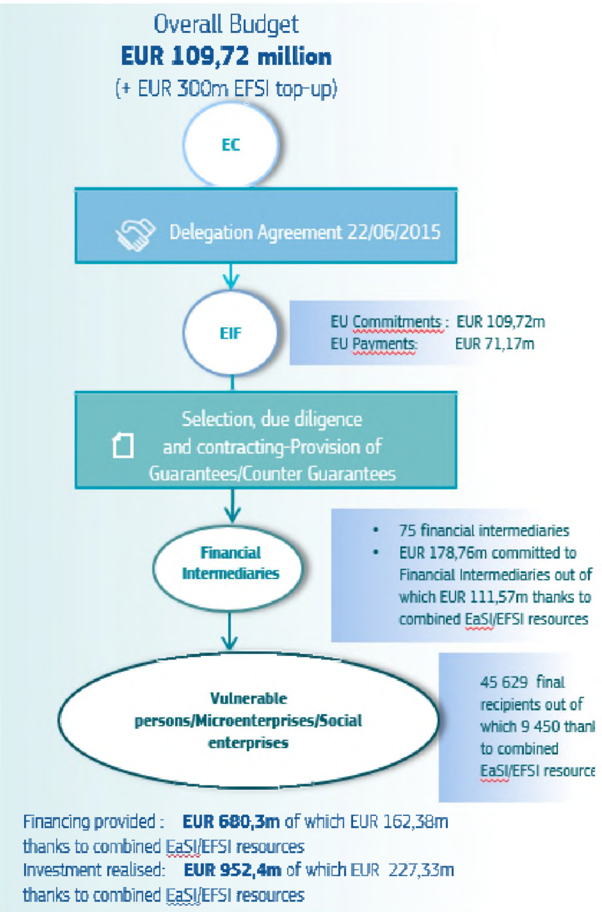
**Identification/Reference to the basic act**

Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347/238, 20.12.2013).

**Budget lines**

Item 04 03 02 03 — Microfinance and social entrepreneurship — Increasing access to, and the availability of, finance for legal and physical persons, especially those furthest from the labour market, and social enterprises

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Budgetary commitment appropriations** | 17.958.694 | 0 | 0 |
| **Budgetary payment appropriations** | 27.576.248 | 11.976.216 | 6.075.826 |




*Implementation cycle:*

EaSI Guarantee financial instruments (EaSI - G) are implemented via direct guarantees and counter-guarantees. They provide risk coverage in the form of capped guarantees to selected financial intermediaries who undertake to develop a portfolio of loans targeting eligible final recipients (vulnerable persons, micro- and social enterprises).

The EIF is instructed to provide guarantees backed by the EU budget to financial intermediaries in order to cover a portion of expected losses of a portfolio of newly generated loans to vulnerable persons, micro- and social enterprises with a higher risk profile.

As an entrusted entity, the EIF is responsible for identifying, investigating, evaluating and selecting the Financial Intermediaries by applying selection criteria and processes set out in the Delegation Agreement.

## Operational Performance

As of 31/12/2018, 100 Guarantee Agreements (75 Microfinance, 25 Social Entrepreneurship) with 75 financial intermediaries have been signed in 29 countries (24 Member States and 5 Participating Countries) for a total guarantee cap amount of EUR 178,76 million out of which EUR 111,57 million from EaSI/EFSI resources.

Until end 2018 (latest available operational data as at 30/09/2018), the main results of the instrument are the following:

- Amount of financing already provided by the instrument to eligible final recipients: EUR 680,32 million (EUR 570,3 million for microfinance and EUR 110,02 million for social entrepreneurship).
- Number of final recipients: 45 629 (44 780 for microfinance and 864 for social entrepreneurship)[11].
- Number of loans to micro and social entreprises: 48 633 (47 684 for microfinance and 949 for social entrepreneurship).
- Total amount of investment realised: EUR 952,46 million (EUR 798,42 million for microfinance and EUR 154,03 million for social entrepreneurship)[12] of which EUR 227,33 million from EaSI/EFSI.
- Total number of employees (in the supported micro and social enterprises): 94 098 (76 674 for microfinance and 17 481 for social entrepreneurship)[13].

*Additional operational information*

For the EaSI-G microfinance window,[14] the gender breakdown shows that considerable outreach to women is already achieved (31,5% of the micro-borrowers guaranteed were women). In addition, 15,7% of individual micro-borrowers who received support under the Facility so far, were either unemployed or inactive at the time they received their loan. Individuals who were final recipients of micro-loans were, by and large, educated at secondary school level (35,9%). Regarding the age group, with respect to final recipients who are natural persons, the outreach to individuals in disadvantaged age groups (younger and older people combined) is 10,4%.

For the EaSI-G social entrepreneurship window,[15] reporting data collected shows that 26% of the social enterprises benefitting from EaSI-G have as main activity producing and/or distributing healthy and /or affordable food. The vast majority (91,3%) of the social enterprises supported have an annual turnover of less than 2 million EUR.

*Envisaged operations*

The overall target leverage effect, agreed with the EIF in the Delegation Agreement, is 5,5 over the lifetime of EaSI-G. With an initial Union contribution of EUR 96 million, the minimum support of financing volumes envisaged was EUR 528 million. Due to the additional EUR 12,72 million committed in 2018 and the EUR 300 million of EFSI top up, by applying the target leverage effect factor (5,5), the new minimum envisaged target financing volume to be supported is EUR 2 247 million. Overall, the total EU contribution (including EFSI) of EUR 408,72 million for the EaSI Guarantee instrument is estimated to mobilise up to EUR 4 billion in financing for micro-enterprises and social enterprises.

*Performance of the financial instrument*

As at 31/12/2018, based on the 100 signed Guarantee agreements for a total guarantee cap of EUR 178,76 million out of which EUR 111,57 million from EaSI/EFSI, the expected volumes of loans to final recipients are estimated to reach EUR 2,07 billion, almost reaching the overall minimum target loan volume (EUR 2,24 billion).

As for actual leverage, the total guarantee cap of EUR 178,76 million has so far supported EUR 680,32 million (data as at 30/09/2018) of

[11] Total number of final recipients for both windows – excluding duplicates – equals 45 629. Some final recipients have benefitted from both windows as the sum of microfinance and social entrepreneurship number of final recipients suggest (45 644 compared to 45 629).

[12] The respective figures were calculated by applying an external multiplier factor of 1,4 which reflects the multiplier used under EFSI.

[13] Total number of employees for both windows – excluding duplicates – equals 94 098. Some final recipient have benefitted from both windows as the sum of microfinance and social entrepreneurship number of employees suggest (94 155 compared to 94 098).

[14] EaSI – Annual Impact Report 2018. The data used in this paragraph is based on a survey of a sample of micro-borrowers.

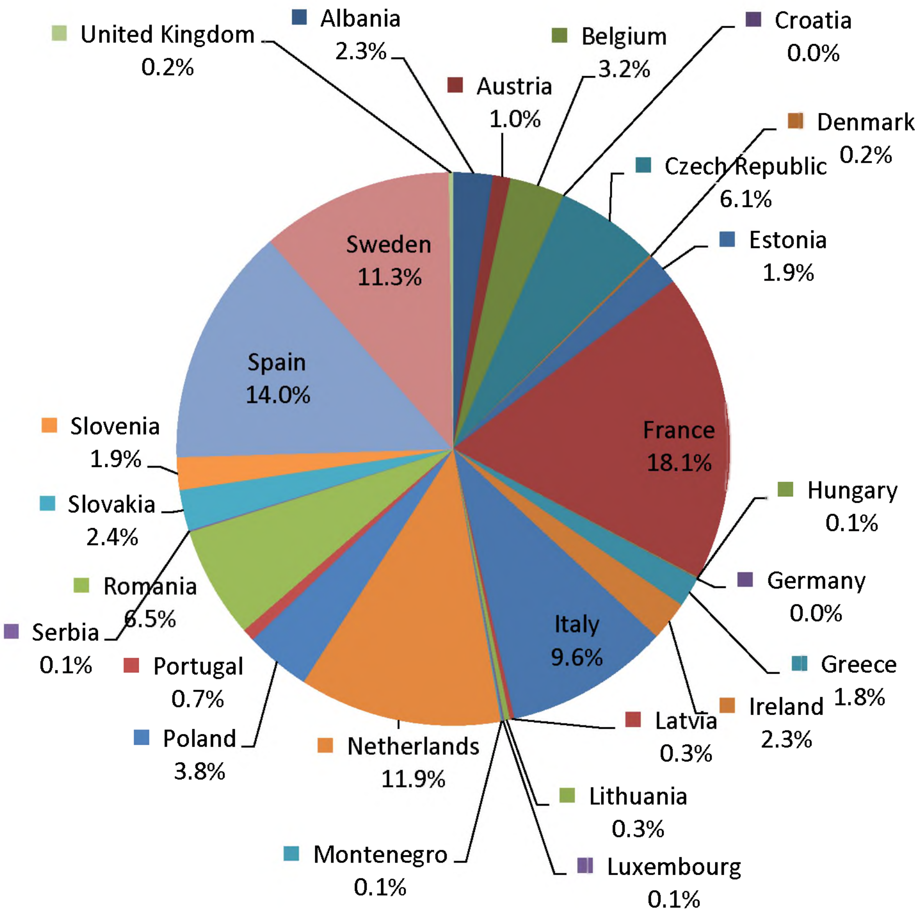
[15] EaSI – Annual Impact Report 2018. The data used in this paragraph is based on a survey of a sample of social enterprises.

new micro-loans and loans to social enterprises, suggesting an achieved leverage of 3,8.

The performance of the financial instrument is expected to out-perform the minimum target leverage factor and the minimum target loan volume.

*Performance results have been achieved also thanks to the top-up contribution from EFSI.*

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **178.760.856** | **408,725,072** |
| **Leverage** | **3.8** | **5.5** |
| **Multiplier effect** | **5.32** | **7.7** |
| **Envisaged operations** | **100** | **226** |
| **Financing provided by financial intermediaries to final recipients** | **680.328.938** | **2,247,987,896** |
| **Number of final recipients** | **45629** | **150,780** |
| **Investments made by final recipients due to the received financing** | **952.460.513** | **3,147,183,054** |




## *Geographical diversification*

As at 30/9/2018, the EaSI - G already covers 29 countries (24 Member States and 5 Participating Countries) with the relevant breakdown presented here (distribution by country of EUR 680.3 million of financing provided).

## *Main issues for the implementation*

At present, EaSI-G has been successfully deployed with strong market demand. EU budgetary commitments for 2017-2020 have already been frontloaded along with an additional top up from EFSI of EUR 100 million and EUR 200 million in 2017 and 2018 respectively, enabling the EIF to sign operations more quickly and to keep pace with market demand. In the area of social entrepreneurship, despite the initial slower take up also due to the novelty of the instrument, in the current year, the initial EU budget allocated of EUR 40 million has been fully deployed. In the area of Microfinance, EaSI has already fully committed the initial EU budget of EUR 56m, and now aims at fully utilising the additional available resources from the EFSI top up.

## Financial Information

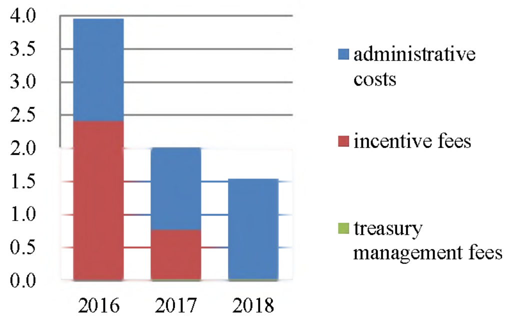
*(in euros)*

| | Notes | 2018 | 2015-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 109.725.072 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 17.958.694 | 100.178.012 |
| *of which from third countries* | | *31.287* | *31.287* |
| *of which from reflows* | | *2.401.756* | *2.401.756* |
| Budgetary payments | | 27.576.248 | 71.168.286 |
| **Reflows** | 3 | | |
| Revenues | | 220.477 | 368.205 |
| *interest income* | | *220.477* | *368.205* |
| *risk remuneration, dividends, fees* | | *0* | *0* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *0* | *0* |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 0 | 163.468 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees | | 8.658.587 | 17.390.587 |
| *guarantee calls recovered* | | *383.510* | *404.286* |
| **Equity** | | | |
| *Impairments* | | *0* | *0* |
| *realised losses* | | *0* | *0* |
| **Costs** | 5 | | |
| Management fees | | 1.540.836 | 9.729.024 |
| *administrative costs* | | *1.511.532* | *6.515.573* |
| *incentive fees* | | *0* | *3.142.434* |
| *treasury management fees* | | *29.304* | *71.017* |
| Other operational and financial charges | | 251.394 | 953.480 |
| *negative interest* | | *71.735* | *161.925* |
| *foreign exchange losses* | | *179.659* | *791.555* |
| *other charges* | | *0* | *0* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 101.858.950 | 70.148.020 |
| Assets provisioned for risk and liabilities | | 50.209.908 | 33.078.254 |
| Value of equity investments | | 0 | 0 |
| Provisions for risk and liabilities | | 40.072.221 | 22.536.272 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 50.209.908 | 33.078.254 |
| *in euro* | | *10.731.385* | *9.086.011* |
| *in non-euro currencies* | | *39.478.522* | *23.992.243* |

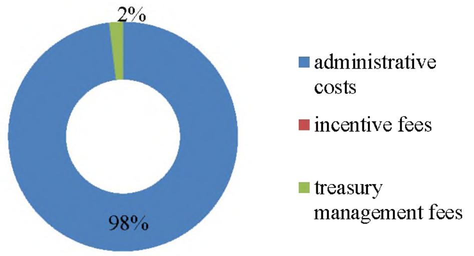
**Part C.1 Table Financial Information**

| |
|---|
| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
| **Not Applicable** |

**Management fees 2016-2018 (in million)**




**Management fees 2018**




### *Notes on financial information*

4. The maximum financial risk exposure amount in 2018 excludes called guarantees (8.658.587 EUR) and exposure covered by the EFSI Guarantee (62.504.493 EUR).

5. At year end, the short term deposits have an average maturity of 86 days.

## 3.1b EaSI Capacity Building Investments (EaSI CBI)

### Description

The EaSI Capacity Building Investment Window ("EaSI Capacity Building") is one of the Financial instruments foreseen under the Employment and Social Innovation ('EaSI') programme. Its objectives are described in Regulation (EU) No 1296/2013 and can be found in Article 4:

General objective

- To promote employment and social inclusion by increasing the availability and accessibility of microfinance for vulnerable people who wish to start up a micro-enterprise as well as for existing micro-enterprises, and by increasing access to finance for social enterprises.

Specific objectives under Article 26: build up the institutional capacity of microcredit providers.

EaSI Capacity Building Investments will be implemented through direct and indirect equity investments in financial intermediaries and/or quasi-equity i.e. loans with an "equity-like" risk profile in terms of subordination or maturity profile to financial intermediaries that are not allowed to receive equity investments by law or due to regulatory restrictions.

*Impact on the budget*

| | |
|---|---|
| Initial financial envelope | EUR 16 000 000 |
| Current financial envelope | EUR 26 000 000 |
| Overall financial envelope | EUR 26 000 000 |

*Implementation arrangements*

The EaSI Capacity Building instrument is implemented by the European Investment Fund (EIF) on behalf of the European Commission. The amended EaSI Delegation Agreement introducing the set up and the implementation procedures of EaSI Capacity Building was signed between the Commission and the EIF on 19/12/2016 with an initial indicative budget of EUR 16 million and was further amended in 2018 allowing for the provision of subordinated loans to Financial Intermediaries. During 2017, the Designated Service and the EIF agreed to increase the budget by EUR 10 million, leading to an envelope of EUR 26 million in 2018, of which EUR 22.7 million were committed in 2016 and 2017.

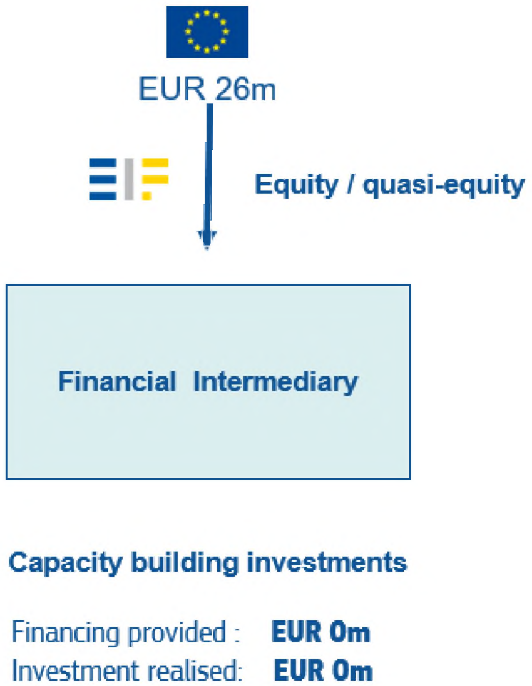
*Duration*

| | |
|---|---|
| Commitment period | December 2016 - December 2020 |
| Implementation period *(signatures with 3rd parties)* | 22/12/2016 – 30/06/2024 |
| Life cycle of operations | until 31/12/2033 |

*Added value*

The EaSI Capacity Building instrument aims at building up the institutional capacity of financial intermediaries that have not yet reached sustainability (i.e. break-even, operational capacity, etc.), including greenfield financial intermediaries, or financial intermediaries that are in need of risk capital, inter alia, to expand further their operations, both in the microfinance and in the social entrepreneurship space. The absorption capacity of the market due to these envisaged capacity building investments is expected to be improved as a result.

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ('EaSI'). | | | |
| **Budget lines** | | | |
| Item 04 03 02 03 — Microfinance and social entrepreneurship — Increasing access to, and the availability of, finance for legal and physical persons, especially those furthest from the labour market, and social enterprises. | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 3.274.616 |
| **Budgetary payment appropriations** | 0 | 0 | 3.274.616 |




*Implementation cycle:*

EaSI Capacity Building is implemented by the European Investment Fund in accordance with the amendment of the Delegation Agreement entered into on 19/12/2016 as further amended on 14/12/2018 between the European Union, represented by the Commission and EIF.

Under the Agreement, the Commission mandated EIF to implement EaSI Capacity Building Investments Window through direct and indirect equity investments in financial intermediaries and subordinated loans or quasi-equity i.e. loans with an "equity-like" risk profile in term of subordination or maturity profile to financial intermediaries.

.

## Operational Performance

*Contribution to achievement of the objectives of the programme*

Until 31/12/2018, there was one signed operation of EUR 3,07 million with a possible increase up to EUR 5 million with Helenos Fund, while a healthy pipeline of potential operations has been built up progressively by the European Investment Fund during the course of the year and expected to be signed in 2019.

*Envisaged operations*

The minimum target leverage effect agreed with the EIF in the Delegation agreement is 2 over the lifetime of the instrument, calculated as the aggregate amount of financing made to Financial Intermediaries and Sub-Intermediaries for the purpose of capacity building divided by the aggregate amount of Capacity Building Investments.

Based on the pipeline, one can expect indicatively 10-12 CBI operations made to Financial Intermediaries and Sub-Intermediaries.

Based on the target leverage of the instrument, it is estimated that the total EU budget envelope net of fees of around EUR 23,7 million will generate around EUR 47,3 million of financing provided to Financial Intermediaries and Sub-Intermediaries for the purpose of capacity building.

*Performance of the financial instrument*

Until 31/12/2018, there was one signed Capacity Building operation of EUR 3,07 million with Helenos Fund with a possible increase of up to EUR 5 million. As at the same date, Helenos fund had not made any investments to financial intermediaries which are the final recipients of the Capacity Building Investments. The latest pipeline report provided by the EIF with data as at 31/12/2018, suggests that apart from the Helenos Fund foreseen investments in financial intermediaries, there are 8 CB operations for microfinance and 2 CB operations for social entrepreneurship with an expected EU investment of EUR 17,6 million, planned to be signed within 2019.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **22.725.384** | **23.660.000** |
| **Leverage** | **0** | **2** |
| **Multiplier effect** | **0** | **3,8** |
| **Envisaged operations** | **0** | **10,12** |
| **Financing provided** | **0** | **47.320.000** |
| **Number of final recipients** | **0** | **10-12** |
| **Investments made by final recipients due to the received financing** | **0** | **89.908.000** |

### *Geographical diversification*

N/A. Until 31/12/2018, there was one signed CB operation with Helenos Fund. As at the same date, there were no underlying investments to Financial Intermediaries in the portfolio of the Helenos Fund.

### *Main issues for the implementation*

***No issues identified until now.***

## Financial Information

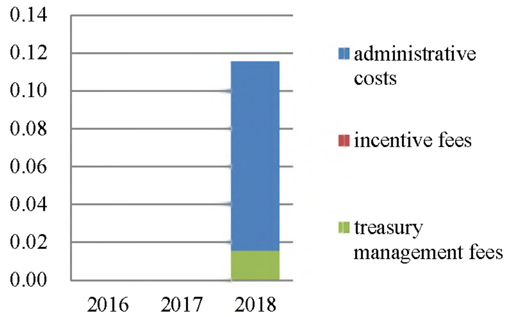
(in euros)

| | Notes | 2018 | 2015-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 26.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 0 | 23.660.000 |
| *of which from third countries* | | 0 | 0 |
| *of which from reflows* | | 0 | 0 |
| Budgetary payments | | 0 | 22.725.384 |
| **Reflows** | 3 | | |
| Revenues | | 56 | 56 |
| *interest income* | | 56 | 56 |
| *risk remuneration, dividends, fees* | | 0 | 0 |
| *realised gains* | | 0 | 0 |
| *other revenues* | | 0 | 0 |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 0 | 0 |
| *guarantee calls recovered* | | 0 | 0 |
| **Equity** | | | |
| *Impairments* | | 0 | 0 |
| *realised losses* | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 115.595 | 115.595 |
| *administrative costs* | | 100.000 | 100.000 |
| *incentive fees* | | 0 | 0 |
| *treasury management fees* | | 15.595 | 15.595 |
| Other operational and financial charges | | 53.737 | 53.737 |
| *negative interest* | | 53.737 | 53.737 |
| *foreign exchange losses* | | 0 | 0 |
| *other charges* | | 0 | 0 |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 3.107.000 | 0 |
| Assets provisioned for risk and liabilities | | 0 | 0 |
| Value of equity investments | | 776.750 | 0 |
| Provisions for risk and liabilities | | 0 | 0 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 21877.294 | 22.711637 |
| *in euro* | | 21877.294 | 22.711637 |
| *in non-euro currencies* | | 0 | 0 |

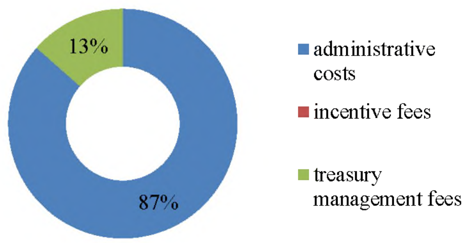
The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

**Not applicable**

**Management fees 2016-2018 (in million)**




**Management fees 2018**




### *Notes on financial information*

1. The remainder of the financial envelope is expected to be committed in 2020 at the latest.

7. The balance in the fiduciary account for the Capacity Building is also included in the balance of the fiduciary account of the EaSI Guarantee. The EIF did not distinguish between CB and Guarantee in its reporting on the various currencies.

# 3.2 European Progress Microfinance Facility (EPMF - G)

## Description

The aim of the European Progress Microfinance Guarantee Facility was to enhance access to microfinance by reducing microfinance providers' risk.

The EPMF Facility provided Union resources to increase access to, and availability of, microfinance for:

1. persons who have lost or are at risk of losing their job, or who have difficulties entering or re-entering the labour market, as well as persons who are facing the threat of social exclusion or vulnerable persons who are in a disadvantaged position with regard to access to the conventional credit market and who want to start or further develop their own micro-enterprise, including self-employment,
2. micro-enterprises, especially in the social economy, as well as micro-enterprises which employ persons referred to in point (1).

### *Impact on the budget*

| | |
|---|---|
| Initial financial envelope | EUR 25 000 000 |
| Current financial envelope[16] | EUR 23 600 000 |
| Overall financial envelope[17] | EUR 23 989 699 |

*Implementation arrangements*

The Commission empowered and mandated the EIF to provide EU Guarantees in its own name but on behalf of and at the risk of the Commission, under a Financial management Agreement ('FMA', signed 01/07/2010).

The EPMF Guarantee Facility provided capped guarantees up to 20% to portfolios, which included micro-credit loans granted by intermediaries to micro–enterprises, including self-employed persons. The micro-credit guarantee covered up to 75% of the individual micro-credit loans included in the respective portfolio.

Guarantees provided by the EIF in accordance with the Agreement were open to any intermediaries being public or private bodies established on national, regional and local levels in the Member States, which provide microfinance to persons and micro-enterprises in the Member States, such as financial institutions, microfinance institutions, guarantee institutions or any other institution authorised to provide microfinance instruments.

As the budget of the EPMF Guarantee Facility has been fully utilised by Q2 2014, no new transaction took place in 2018.

### *Duration*

| | |
|---|---|
| Commitment period | 2010-2013 |
| Implementation period *(signatures with 3rd parties)* | July 1, 2010 until April, 7 2016 |
| Life cycle of operations | until December 2020 |

[16] Amount committed and including the fess paid to the EIF
[17] Amount committed, including fees paid to the EIF and additional resources (regularised interests).

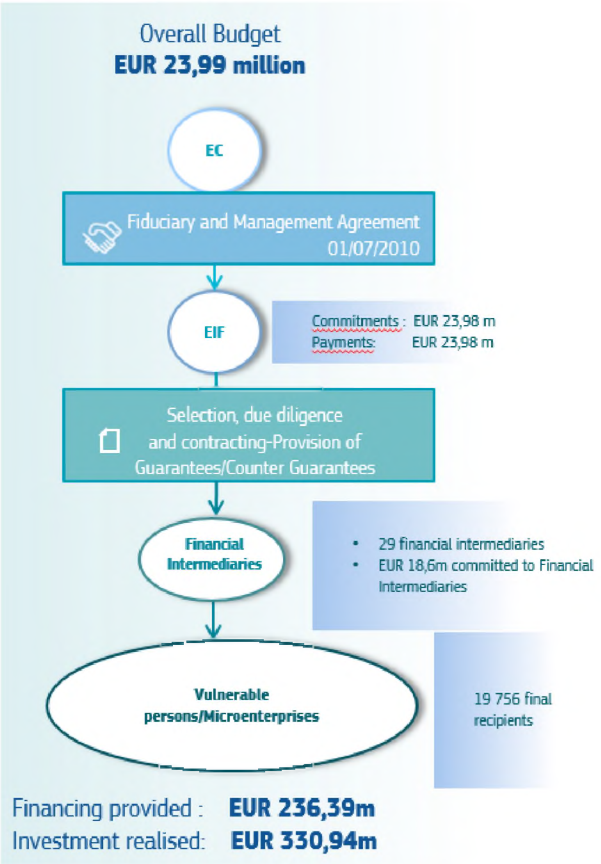
*Added value of the Union contribution*

The Facility allowed microfinance providers to reach out to target groups, who could otherwise not be served; for instance, because persons from these groups could not provide sufficient collateral or because the interest rates, which they would have to pay in accordance to their actual risk profile, were too high.

*Financial Institutions involved in implementation*

European Investment fund (EIF).

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347/238. 20.12.2013). | | | |
| **Budget lines** | | | |
| Article 04 03 53 (in part) | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |




*Implementation cycle:*

The EPMF Guarantee Facility was implemented via direct guarantees and counter-guarantees. EPMF-G Guarantees provided risk coverage in the form of capped guarantees to selected financial intermediaries who developed a portfolio of loans targeting eligible final recipients (vulnerable persons and micro-enterprises).

From a technical point of view, the EIF was instructed to provide guarantees backed by the EU budget to financial intermediaries in order to cover a portion of expected losses of a portfolio of newly generated loans to self-employed and micro enterprises with a higher risk profile.

The EIF was responsible for identifying, investigating, evaluating and selecting the Financial Intermediaries ('FI') by applying selection criteria and processes set out in Annex 1 of the FMA: Operational Guidelines. Under the FMA, the EIF examined, on a continuous basis, proposals collected based on a call for expression of interest.

## Operational Performance

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **23.989.699** | **25,000,000** |
| **Leverage** | **9,85** | **6.67** |
| **Multiplier effect** | **13,79** | **9.33** |
| **Envisaged operations** | **36** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **236.397.762** | **166,750,000** |
| **Number of final recipients** | **19756** | **N/A** |
| **Investments made by final recipients due to the received financing** | **330.956.867** | **233,450,000** |

*Contribution to achievement of the objectives of the programme*

As of 30/09/2018, in total 36 Guarantee Agreements have been signed in 18 countries for a total guarantee cap amount of EUR 18,6 million.

For the entire period as of 31 December 2018 (latest available operational data as at 30/09/2018), the main results of the instrument are the following:

- Amount of financing already provided by the instrument to eligible final recipients: EUR 236,39 million
- Number of final recipients: 19 756.
- Number of loans to micro enterprises: 21 019.
- Total amount of investment realised: EUR 330,95[18] million.
- Total number of employees (in the supported micro enterprises): 37 217.

*Additional operational information*

In 2019, the demand from microfinance providers will remain significant and the new EaSI Microfinance Guarantee (EPMF-G successor programme) is already covering fast and effectively the needs of the microfinance market.

Under EPMF-G[19] the gender breakdown shows that considerable outreach to women was achieved (34,9% of the micro-borrowers guaranteed were women).

In addition, 57,15% of individual micro-borrowers who received support under the Facility so far, were either unemployed or inactive at the time they received their loan. Individuals which were final recipients of micro-loans were, by and large, educated at the secondary school level (39,7%). Nevertheless, EPMF continues to be of importance in serving the financing needs of individuals with a higher education beyond the secondary school level (34,5%). Regarding the age group, with respect to final recipients who are natural persons the outreach to individuals in disadvantaged age groups (younger and older people combined) remains at noteworthy levels (15,2%).

*Envisaged operations*

Minimum target leverage was estimated at 6,67. With an EU contribution of EUR 25m the minimum support of financing volumes envisaged was EUR 166,75 million.

Based on the signed Guarantee agreements as at 30/09/2018, the envisaged volume of micro-loans to final recipients is expected to reach EUR 286,48 million.

*Performance of the financial instrument*

As for achieved leverage until 30/09/2018, the total EU contribution committed of EUR 23,98 million has supported so far EUR 236,39 million of new micro-loans, implying a leverage of 9,85.

The main performance indicators are presented below:

a) Total investments realised (achieved at final recipients' level): EUR 330,95 million.

b) Achieved multiplier effect: 13,79

c) Target leverage & Achieved leverage effects (on total financing): 6,67 & 9,85.

18 The respective figure were calculated by applying an external multiplier factor of 1,4 which reflects the multiplier used under EFSI.

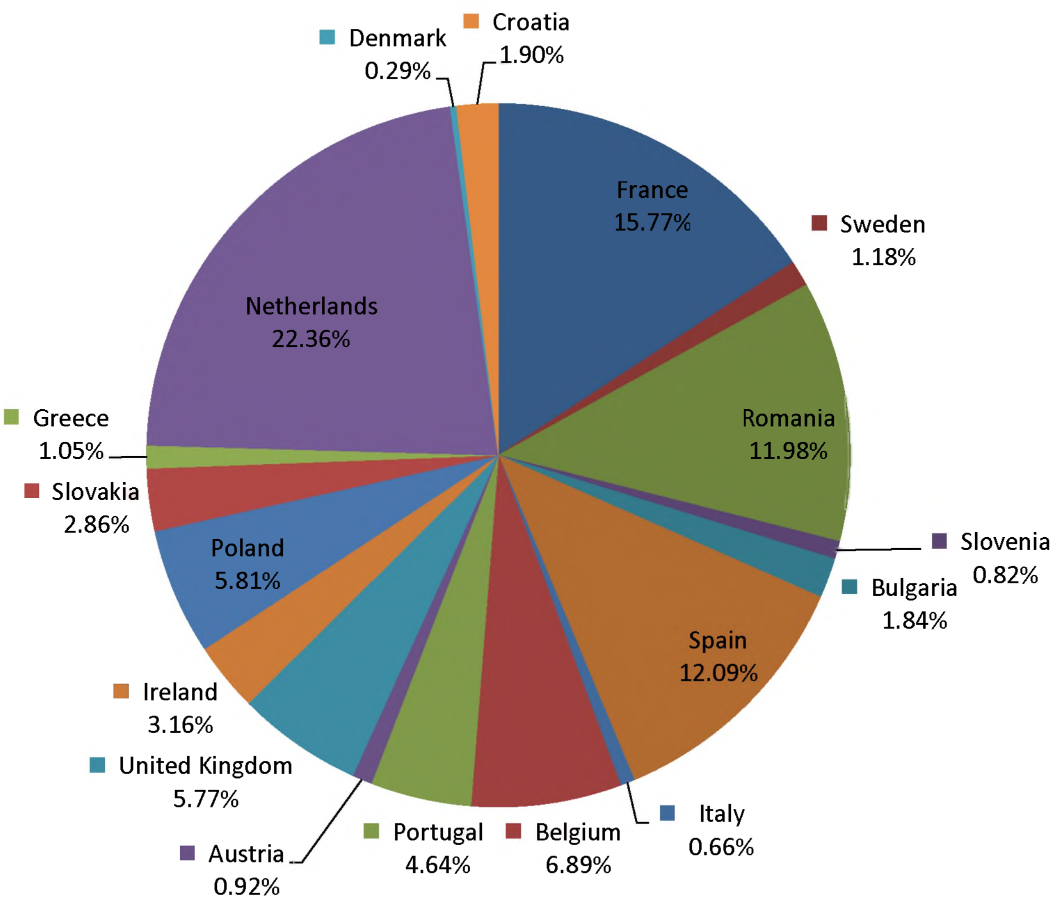
19 EPMF-Annual Implementation Report 2018-Social and Entrepreneurship Impact Evaluation Report. The data used in this paragraph is based on a survey of a sample of micro-borrowers

As of 30/09/2018, the European Progress Microfinance Facility including both EPMF-Guarantees and FCP-Funded instruments already provided 60 423 micro-loans to final recipients reaching the volume of EUR 516,91 million, compared to the initial programme target of 46 000 micro-loans with the volume of EUR 500 million.

As already presented above, the performance of the financial instrument has out-performed the minimum target leverage factor and the minimum target loan volume.

### *Geographical diversification*

As at 30/9/2018, the Facility covers 18 Member States with the breakdown presented below (distribution of EUR 236.4 million of financing provided).




### *Main issues for the implementation*

Room for improvement has been identified for accompanying mentoring and training for micro-entrepreneurs since it is considered as important factor for the sustainability of the micro-enterprises. This has been taken into account in the EaSI – Guaranteed financial instrument (EaSI-G), the successor programme of EPMF-G, where the provision of such services from financial intermediaries to final recipients is mandatory.

## Financial Information

(in euros)

| | Notes | 2018 | 2010-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 25.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 0 | 23.989.699 |
| *of which from third countries* | | 0 | 0 |
| *of which from reflows* | | 0 | 0 |
| Budgetary payments | | 0 | 23.989.699 |
| **Reflows** | 3 | | |
| Revenues | | 5.584 | 1.363.323 |
| *interest income* | | 0 | 410.953 |
| *risk remuneration, dividends, fees* | | 5.584 | 61.641 |
| *realised gains* | | 0 | 0 |
| *other revenues* | | 0 | 890.729 |
| Repayments | | 817.381 | 3.206.644 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 823.034 | 3.636.205 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 708.116 | 14.278.302 |
| *guarantee calls recovered* | | 25.436 | 56.287 |
| **Equity** | | | |
| *Impairments* | | 0 | 0 |
| *realised losses* | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 24.612 | 1.865.229 |
| *administrative costs* | | 24.612 | 1.865.229 |
| *incentive fees* | | 0 | 0 |
| *treasury management fees* | | 0 | 0 |
| Other operational and financial charges | | 42.528 | 776.101 |
| *negative interest* | | 15.673 | 66.876 |
| *foreign exchange losses* | | 2.243 | 666.985 |
| *other charges* | | 24.612 | 42.240 |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 4.480.391 | 3.724.165 |
| Assets provisioned for risk and liabilities | | 4.629.183 | 6.172.436 |
| Value of equity investments | | N/A | N/A |
| Provisions for risk and liabilities | | 3.873.917 | 4.148.249 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 4.629.183 | 6.172.436 |
| *in euro* | | *2.980.427* | *4.365.732* |
| *in non-euro currencies* | | *1.648.756* | *1.806.704* |

### *Notes on financial information*

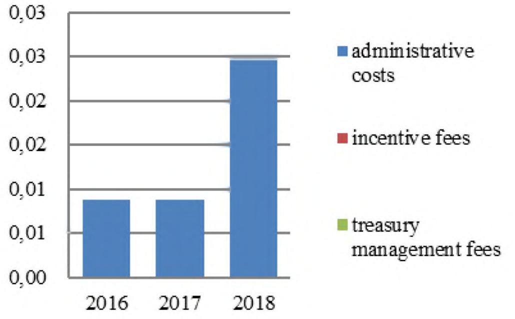
3. As foreseen in the agreement, the EIF returns unused amounts to the Commission. These returned amounts may be reused for the next generation of financial instruments under EaSI.

5. Foreign exchange loss amounting to EUR 2 243 mainly corresponds to losses from transaction or cash positions in foreign currencies.

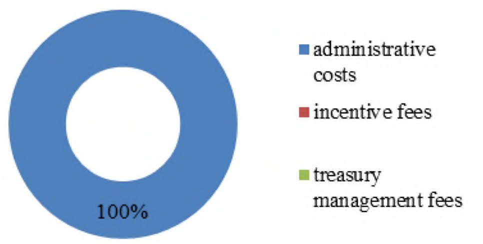
7. At year end, the short-term deposits have an average maturity of 92 days.

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| N/A |

**Management fees 2016-2018 (in million)**




**Management fees 2018**



## 3.3 European Progress Microfinance FCP-FIS

### Description

EU Microfinance Platform MICROFINANCE PLATFORM (the "Fund") is structured as a Luxembourg "fonds commun de placement – fonds d'investissement spécialisé" (FCP - FIS) governed by the law of 13 February 2007 relating to specialised investment funds (the "2007 Law") and launched on 22 November 2010. It is established as an umbrella fund, which may have several sub-funds. At 31 December 2013, the Fund has had a single sub-fund - the European Progress Microfinance Fund (the "Sub-fund").

The EPMF Fonds Commun de Placement – Fonds d'Investissement Spécialisé (EPMF FCP-FIS) is a Dedicated Investment Vehicle (DIV) in the form of a Fund which is an unincorporated co-ownership of securities and other eligible assets.

The specific investment objective of the Fund is to increase access to, and availability of a range of financial products and services in the area of microfinance for the following target groups (see also the objectives under the EPMF-Guarantee Facility):

- persons starting their own enterprise, including self-employment;
- enterprises, especially microenterprises;
- capacity building, professionalization, and quality management of microfinance institutions and of organisations active in the area of microfinance;
- local and regional employment and economic development initiatives.

*Impact on the budget*

| | |
|---|---|
| Initial financial envelope | EUR 78 000 000 |
| Current financial envelope | EUR 80 000 000 |
| Overall financial envelope | EUR 80 000 000 |

*Implementation arrangements*

The FCP-FIS is managed by the Management Company (EIF) which is vested with the broadest powers to administer and manage the Fund and the sub-fund(s) in accordance with the Management Regulations and Luxembourg laws and regulations and, in the exclusive interest of the Unit-holders, to exercise all of the rights attaching directly or indirectly to the assets of the Fund.

The EIF has the exclusive authority with regard to any decisions in respect of the Fund or any sub-fund(s), and shall act with the diligence of a professional management company and in good faith in the exclusive interests of the Unit-holders.

The Fund issues unit classes, which are redeemable at the option of the Management Company on a pro rata basis among existing investors in accordance with the provisions of the management regulations and the commitment agreements.

*Duration*

| | |
|---|---|
| Commitment period | 2010-2013 |
| Implementation period *(signatures with 3rd parties)* | Until 7/4/2016 |
| Life cycle of operations | Until 30/4/2020 |

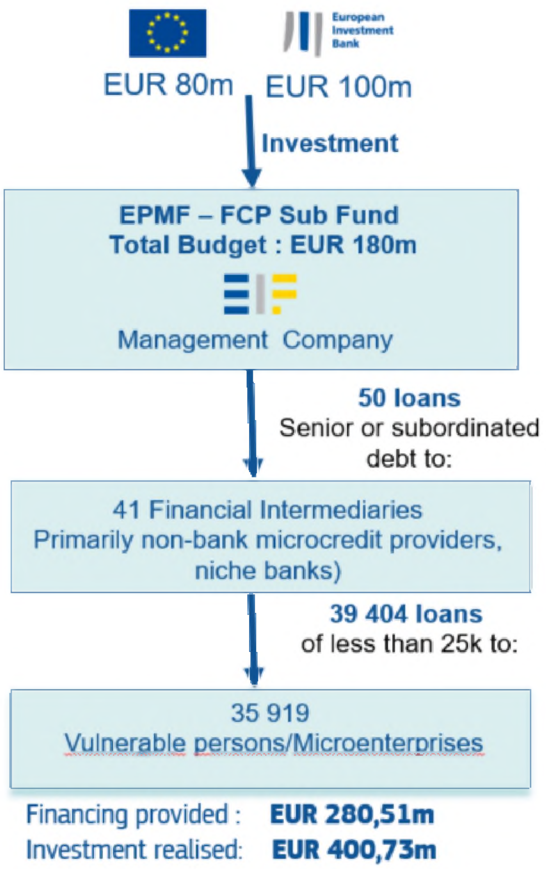
*Added value of the Union contribution*

The Fund constitutes one of the EU core measures to mitigate the consequences of the economic crisis. By providing debt, equity and funded risk sharing instrument to microfinance institutions (MFIs) located within the EU, it increases the access to, and availability of, microfinance for, inter alia, the most vulnerable. The microenterprise segment is the cornerstone of the EU economy: more than 90% of EU businesses and almost all start-ups are microenterprises. Some 66% of business start-ups are set up by unemployed people. The Fund enables economic independence for micro-entrepreneurs who might otherwise have difficulties in accessing funds for their business. It provides concrete support for economic growth, employment creation and social inclusion.

*Financial Institutions involved in implementation*

The Fund is managed by the EIF as a Management Company.

| Identification/Reference to the basic act | | | |
|---|---|---|---|
| Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347/238, 20.12.2013). | | | |
| **Budget lines** | | | |
| Article 04 03 53 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |




*Implementation cycle*

The Facility is implemented via a Dedicated Investment Vehicle (DIV) in the form of a Fund. EPMF FCP-FIS provides mainly debt instruments (senior loans).

The two founding investors of the Fund are the European Commission and the European Investment Bank for a total investment of EUR 180 million out of which EUR 80 million of EU contribution (first loss piece) and EUR 100 million from EIB (second loss piece).

EIF, in its role as the management company, evaluated, selected and concluded the relevant loan agreements with selected financial intermediaries.

On their part, selected financial intermediaries on-lent the received financing by developing loan portfolios aiming at specific target groups (self-employed persons, microenterprises).

The provision of loan financing to intermediaries increases the access to, and availability of, microfinance for the most vulnerable within the EU.

## Operational Performance

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **80.000.000** | **80,000,000** |
| **Leverage** | **3,5** | **2.83** |
| **Multiplier effect** | **5** | **4.04** |
| **Envisaged operations** | **50** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **280.516.602** | **226,400,000** |
| **Number of final recipients** | **35919** | **N/A** |
| **Investments made by final recipients due to the received financing** | **400.737.995** | **323,428,571** |

*Contribution to achievement of the objectives of the programme*

In total 50 agreements have been signed in 16 Member States including a Union contribution of EUR 80 million, with a clear geographical balance between Eastern and Western Europe.

For the entire period as of 31 December 2018 (latest available operational data as at 30/09/2018), the main results of the instrument are the following:

- Amount of financing already provided by the instrument to eligible final recipients: EUR 280,51 million
- Number of final recipients: 35 919.
- Number of loans to micro enterprises: 39 404.
- Total amount of investment realised[20]: EUR 400,73 million.
- Total number of employees (in the supported micro enterprises): 67 205.

*Additional operational information*

Under EPMF FCP, the gender breakdown shows that considerable outreach to women was achieved (34,7% of the micro-borrowers were women).

In addition, 34,7% of individual micro-borrowers who received financing so far, were either unemployed or inactive at the time they received their loan. Individuals which were final recipients of micro-loans were, by and large, educated at the secondary school level (35,2%). Nevertheless, EPMF FCP continues to be important in serving the financing needs of individuals with a higher education beyond the secondary school level (39,8%). Regarding the age group, with respect to final recipients who are natural persons the outreach to individuals in disadvantaged age groups (younger and older people combined) remains at noteworthy levels (18,9%).

Minimum target leverage was estimated at 2,83. With an EU contribution of EUR 80 million, the minimum support of financing volumes envisaged was EUR 226,4 million.

As of 30/09/2018, based on the signed loan agreements, the total expected volume of micro-loans to final recipients are estimated to EUR 402,3 million.

*Performance of the financial instrument*

The main performance indicators are presented below:

a) Total investments realised (achieved at final recipients' level): EUR 400,73 million

b) Achieved multiplier effect: 5.

c) Target leverage & Achieved leverage effects (on total financing): 2,83 & 3,54.

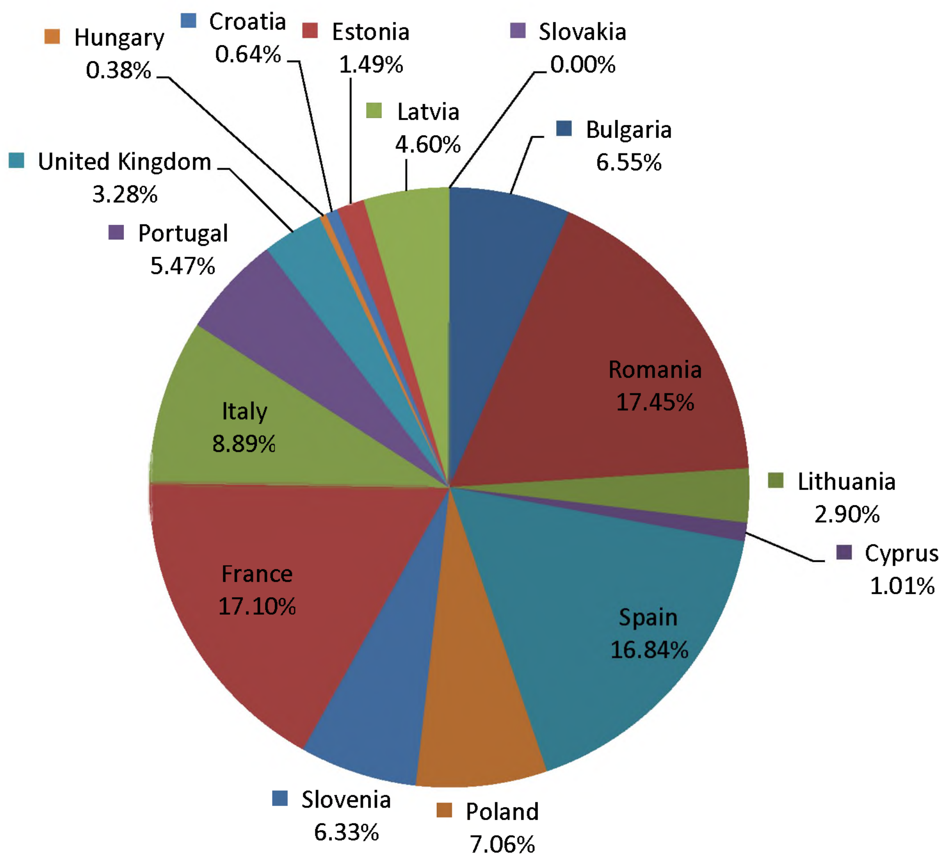
As of 30/09/2018, the European Progress Microfinance Facility including both EPMF-Guarantees and FCP-Funded instruments already provided 60 423 micro-loans to final recipients reaching the volume of EUR 516,91 million, compared to the initial programme target of 46,000 micro-loans with the volume of EUR 500 million.

As already presented above, the performance of the financial instrument has out-performed the minimum target leverage factor.

[20] The respective figure was calculated by applying a proxy index 7:10 (7 for loan volumes and 10 for investment volumes) which reflects the ratio used under EFSI.

### *Geographical diversification*

As at 30/9/2018, the Fund covers 16 Member States (financing was provided to 15 of them).




### *Main issues for the implementation*

Despite its positive effects in the area of employment and social inclusion, without access to stable funding and without the necessary capacity building component, the growth and sustainability prospects of the sector, particularly for non-bank Microfinance Institutions which are focused on social inclusion lending, remain limited.

In addition, risk is inherent in the Fund's activities but is managed through a process of on-going risk identification and measurement, monitoring of the benefited MFIs and other controls regarding the observance of specific portfolio limits and restrictions in order to ensure that the investments are diversified to an extent that an adequate spread of the investment risk is warranted.

The Management Company monitors these investments on an on-going basis by analysing regular reports (i.e. quarterly financial covenants compliance, quarterly financial statements and key performance indicators such as portfolio, liquidity, capitalisation and profitability) and through direct contact with each financial intermediary and site visits.

The Management Company has in place monitoring process to identify potential deterioration of counterpart creditworthiness and anticipate potential impairments on the portfolio and/or review of the counterpart internal rating.

## Financial Information

(in euros)

| | Notes | 2018 | 2010-2018 |
|---|---|---|---|
| **Capital** | 1 | | |
| Fund's capital | | | 180.000.000 |
| EU stake € | | | 80.000.000 |
| EU stake % (FLP) | | | 0 |
| **EU Contribution** | 2 | | |
| Commitments | | 0 | 80.000.000 |
| *of which to technical assistance* | | 0 | 0 |
| Payments | | 0 | 80.000.000 |
| **Reflows** | 3 | | |
| Revenues | | 0 | 0 |
| Repayments | | 0 | 7.197.376 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Impairments | | 0 | 12.564.880 |
| Realised losses | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 780.871 | 8.827.877 |
| *of which to EIF* | | 780.871 | 8.827.877 |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 61.048.567 | 67.435.120 |
| Value of equity investments | | 61.048.567 | 67.435.120 |
| *investment at cost* | | 72.802.633 | 80.000.000 |
| **Fiduciary Account** | 7 | | |
| Balance | | 0 | 0 |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| **Not Applicable** |

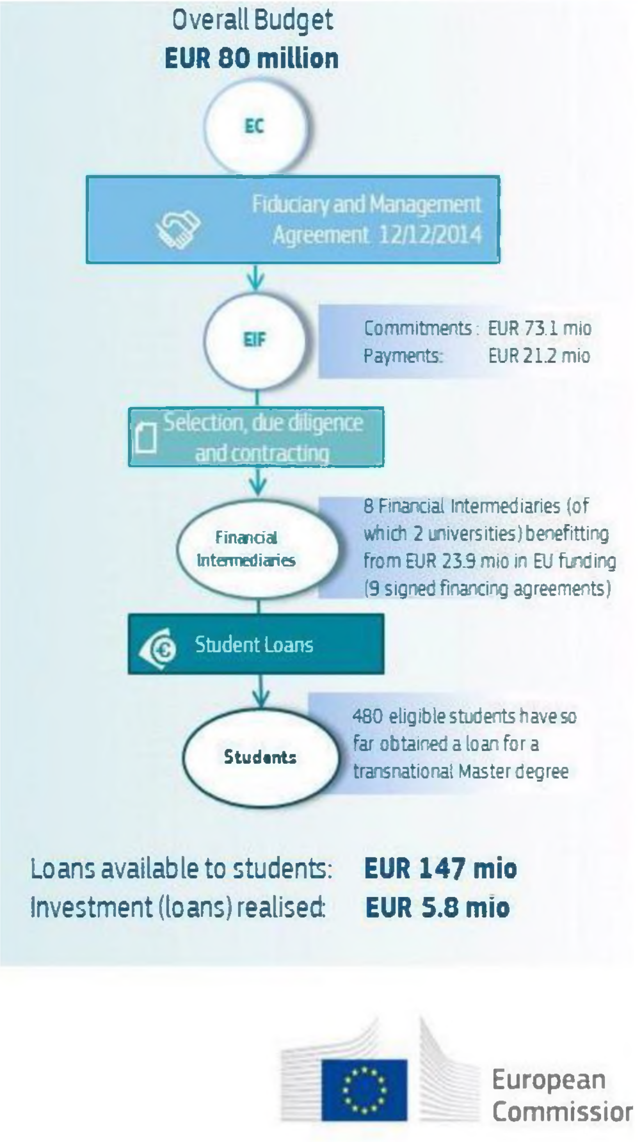
### *Notes on financial information*

2. The total envelope has been paid out in 2016.
5. EIF is entitled to receive Management Fee and Conditional Management Fee on a semi-annual basis. The management Fee shall be based on the relevant aggregate outstandings, in each case as at the relevant Management Fee Calculation Date, and shall be calculated for the relevant Management Fee Period ending on such Management Fee Calculation Date. It has to be noted that Management Fees are partially covered by the revenues of the fund.
Source : Financial Statements
6. Source : Financial Statements

## 3.4 Erasmus+ Student Loan Guarantee Facility

### Description

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation (EU) No 1288/2013 of the European Parliament and of the Council of 11 December 2013 establishing 'Erasmus+': the Union programme for education, training, youth and sport and repealing Decisions No 1719/2006/EC, No 1720/2006/EC and No 1298/2008/EC Text with EEA relevance | | | |
| **Budget lines** | | | |
| 15.020101 - (EAC) | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 8.220.000 | 8.000.000 | 1.000.000 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |




**Initial envelope**: 517.000.000 €
**Current envelope**: 80.000.000 €
**Overall envelope**[21]: 80.000.000 €

**Duration**: 1/1/2014 - 31/12/2020

*Implementation Cycle (4th year of operations in 2018):*

The Student Loan Guarantee Facility under the Erasmus+ programme aims to support mobility, equity and study excellence via guarantees to financial institutions that agree to provide Erasmus+ Master Loans to students for Master's studies in another Erasmus+ Programme country - regardless of the student's social background and with favourable conditions. The EU capped guarantee (90% at individual level, 18% at portfolio level) thus mitigates the risk for financial intermediaries of lending to a group they currently do not consider. The management of the facility is entrusted to the European Investment Fund.

Following negotiations with EIF on the delegation Agreement to EIF in 2014, the scheme kicked off in June 2015 when the first bank signed up to the guarantee facility. The first Erasmus+-guaranteed Master loans were disbursed in June 2015; hence 2018 was only the fourth year of the facility's operation. The scheme is now operational at a much lower level than envisaged, but keeps attracting a few new intermediaries annually.

21 Rounded estimation, subject to future resizing of the instrument.

## Operational Performance

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **73.111.000** | **220.000.000** |
| **Leverage** | **0,1** | **6,2** |
| **Multiplier effect** | **0,1** | **6,2** |
| **Envisaged operations** | **9** | **28** |
| **Financing provided by financial intermediaries to final recipients** | **5.676.425** | **1.364.000.000** |
| **Number of final recipients** | **480** | **95000** |
| **Investments made by final recipients due to the received financing** | **5.676.425** | **1.364.000.000** |

- Following the Erasmus+ programme's mid-term review exercise, the facility's budget was reviewed from 3,5% of the Erasmus+ budget (517 mio€) to a maximum of 1,5% (around 220 mio€).
- Currently nearly EUR 150 million[22] is available to students in Master loans via 9 financial intermediaries established in 8 Erasmus+ Programme Countries (ES, FR, UK, TR, IT, HR, LU & CY), enabled through EUR 23.9 million[23] of signed EU guarantee agreements.
- In the light of current take-up, the EIF and the European Commission are maintaining their commitment to the scheme's objectives but are downsizing the necessary budgetary allocations. The available budgets are reallocated to the Erasmus+ programme's higher education activities (esp. student mobility).
- By end 2018 (Q4 reporting) 480 students have effectively benefited from EUR 5,7 million in EU-guaranteed Master Loans. This is well below initial expectations, and also below the budget available.
- Annual beneficiary surveys have been carried out since 2016, with consistent results. The overall conclusions for the period 2015-2018[24] are:

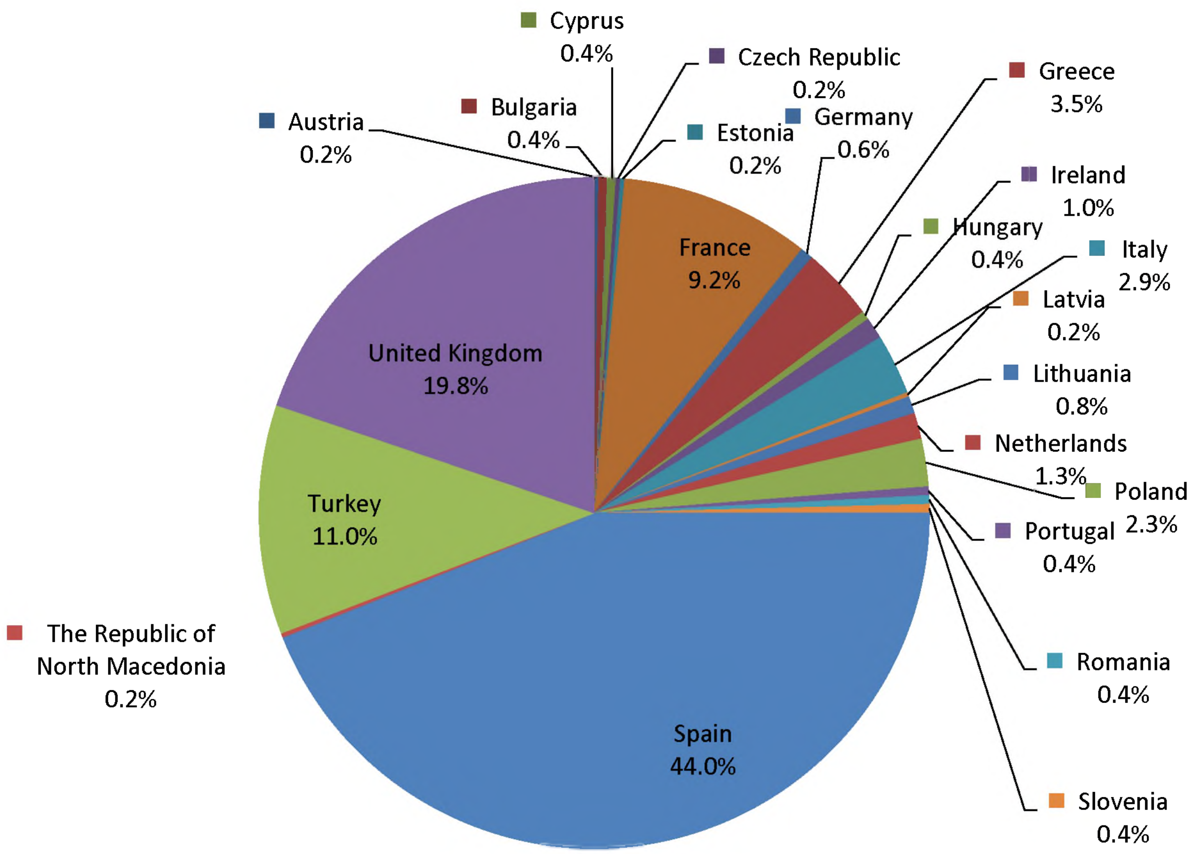
- **Over the 3 years of evaluation it has been clear that beneficiaries are generally satisfied with the Erasmus+ Master Loan Scheme** [with satisfaction rates well above 70%] in relation to its terms and conditions, its operation as well as its added value for future employment opportunities. However, a few areas of improvement were also noted, particularly in relation to **communication** and **coverage of costs** in different contexts.
- One of the key benefits of the scheme is that the Erasmus+ guarantee removes the need for parents to be financial guarantors, and to a certain extent it reduces reliance on family income. **Across all years, a majority of respondents indicated that their family experienced some level of difficulty in making ends meet and the interviews confirmed that the availability of the loan diminished the financial pressure on families**. It was also noted that over half of the respondents with families experiencing financial difficulties would have preferred to take out a higher loan amount.
- One of the main reasons for students to apply for the loan and study abroad is to follow a Master programme that **ultimately helps strengthen their international profile and employability**. There seems to be **a positive relationship between the studying abroad supported through the loan and finding an employment or training position**.

[22] Portfolio volume of EUR 147 million – source: EIF report 31/12/2018.
[23] Guarantee Cap amount – source EIF report.
[24] Over the first 3 years, the beneficiary survey gathered responses from 196 out 387 beneficiaries with valid contact data (50.6% response rate).

### *Geographical diversification*

The facility operates through 9 financial intermediaries established in 8 Erasmus+ Programme Countries. By far the largest number of final recipients comes from those countries where a financial intermediary is operating (mainly Spain, UK, Turkey and France), since most intermediaries are targeting outgoing students from within their country.

As the Spanish intermediary is also providing loans to incoming students, the Student Loan Guarantee Facility is enabling funding to Master students from 22 Erasmus+ Programme Countries.




### *Main issues for the implementation*

Achieving a sufficient critical mass and adequate geographical spread of Financial Intermediaries across the 33 Erasmus+ Programme Countries remains the main challenge for a successful and balanced implemenation of the programme.

There is still low awareness throughout the supply chain (among financial intermediaries and students, but also among multipliers – e.g. universities).

Apart from availability through a sufficient number of financial intermediaries, information to and take-up by students appears to be an issue.

Further efforts will focus on providing more information to students on the availability of the loans for studying abroad, through online and offline information provision (where financial intermediaries are operating).

## Financial Information

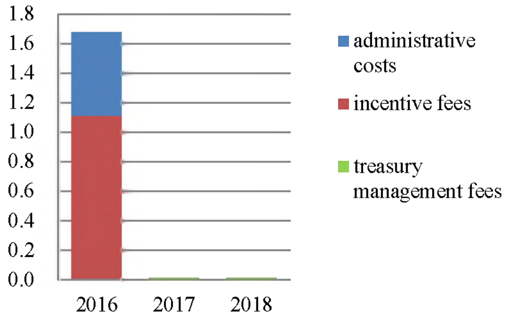
(in euros)

| | Notes | 2018 | 2014-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 80.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 8.220.000 | 73.111.000 |
| *of which from third countries* | | 8.220.000 | 40.111.000 |
| *of which from reflows* | | 0 | 0 |
| Budgetary payments | | 0 | 22.079.671 |
| **Reflows** | 3 | | |
| Revenues | | 0 | 0 |
| *interest income* | | 565.042 | 1.129.211 |
| *risk remuneration, dividends, fees* | | 0 | 0 |
| *realised gains* | | 0 | 0 |
| *other revenues* | | 0 | 0 |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 300.953 | 300.953 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 78.132 | 104.997 |
| *guarantee calls recovered* | | 0 | 0 |
| **Equity** | | | |
| *Impairments* | | 0 | 0 |
| *realised losses* | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 12.318 | 6.681.663 |
| *administrative costs* | | 0 | 4.833.083 |
| *incentive fees* | | 0 | 1.806.750 |
| *treasury management fees* | | 12.318 | 41.830 |
| Other operational and financial charges | | 1.033.930 | 0 |
| *negative interest* | | 0 | 0 |
| *foreign exchange losses* | | 1.033.930 | 0 |
| *other charges* | | 0 | 0 |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 21.285.820 | 24.404.117 |
| Assets provisioned for risk and liabilities | | 13.914.014 | 14.466.031 |
| Value of equity investments | | N/A | N/A |
| Provisions for risk and liabilities | | 741.003 | 558.517 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 0 | 0 |
| *in euro* | | 5.231.355 | 0 |
| *in non-euro currencies* | | 8.682.659 | 0 |

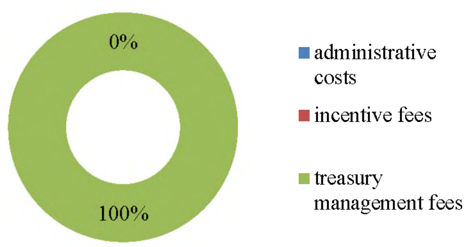
The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

**In 2018 a total of 33 mio€ unused credits (from previous budget years) have been decommitted, following a similar decommitment of 36 mio€ in 2017. These decommitments gradually recalibrate the facility to a more realistic level.**

**Management fees 2016-2018 (in million)**




**Management fees 2018**




### *Notes on financial information*

- In 2018 a new commitment of 8 mio€ was made (10 mio€ below the amount approved in the Erasmus+ financing decision). Credits from 2016 which were not fully deployed were decommitted, reducing the overall commitments to the SLGF by over 24 mio€.
- To minimise risks on negative interest, regular cooperation is ongoing and an avoidance strategy is being implemented by EIF; a continued reduction of the Minimum Reserve from EUR 10 to EUR 5 million was agreed with EIF for the 2018 budget year;
- Foreign currency portfolios (in GBP & TRY, as non-speculative hedging against exchange rate risks) have yielded some positive interest, but have also resulted in substantial exchange losses (esp. on the TRY portfolio).
- Given the low take-up by students, also the level of defaults is low. This may increase in the next years, as students are finalising their studies and start repaying their loans.
- As the amount of fees for EIF's management has reached the cap level, only asset management fees were paid in 2018.
- The level of appropriations for the 2019 financial year is rounded and does not yet take into account possible de-commitments.

# 4 SMES

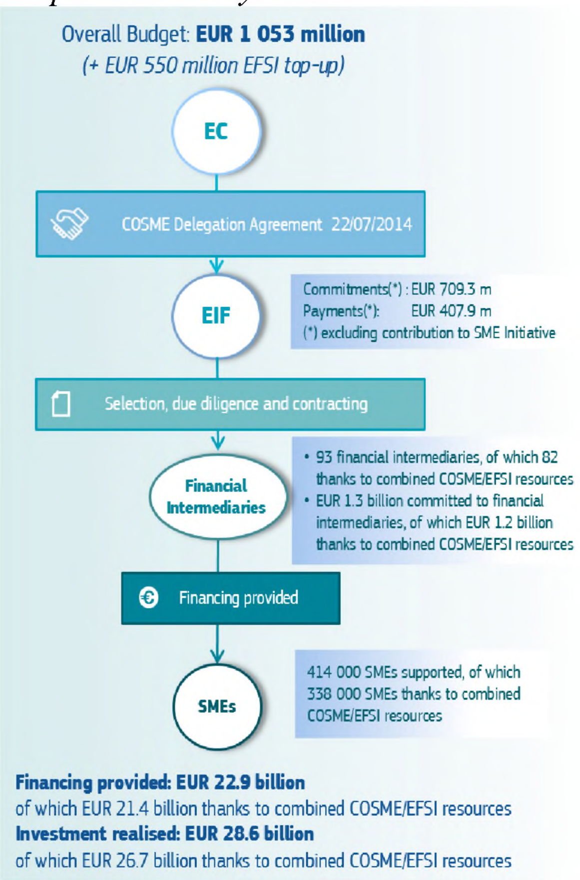
## 4.1 COSME Loan Guarantee Facility (LGF)

### Description

| Identification/Reference to the basic act | | | |
|---|---|---|---|
| Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 – 2020) and repealing Decision No 1639/2006/EC | | | |
| **Budget lines** | | | |
| 02.0202 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 220.850.429 | 154.861.000 | 214.508.000 |
| **Budgetary payment appropriations** | 136.187.290 | 110.072.923 | 162.280.143 |

Initial financial envelope[25]: EUR 717 million[26]
Current financial envelope: EUR 1,053 million
Overall financial envelope: EUR 1,053 million

*Implementation cycle:*




The COSME Loan Guarantee Facility (LGF) consists of capped portfolio guarantees or counter-guarantees for higher risk debt financing, including subordinated and participating loans, bank guarantees, leasing transactions and working capital financing. The LGF also covers securitisation of SME debt finance portfolios, providing guarantee coverage on a part of the mezzanine tranche of a securitised SME lending portfolio coupled with an undertaking by the originating institutions to build up a new SME loan portfolio.

The LGF covers, except for loans in the securitised portfolio, loans up to EUR 150 000 and with a minimum maturity of 12 months. It may also cover loans above EUR 150 000 in cases where SMEs would not meet the innovation criteria specified in the InnovFin SME Guarantee Facility. Individual transactions can be guaranteed for up to 10 years.

*Implementation arrangements*

The LGF is implemented by the EIF on behalf of the Commission. The Delegation Agreement signed with the EIF in 2014 ensures that the LGF is accessible for a broad range of financial intermediaries (guarantee societies, national promotional institutes, commercial banks, cooperatives, etc.) with experience / capacity to enter into financial transactions with SMEs.

The LGF may also contribute to the financial instruments deployed under the SME Initiative, a joint instrument combining COSME and/or Horizon 2020 EU funds and ESIF resources in cooperation with EIB/EIF with a view to generate additional lending to SMEs in specific Member States[27].

[25] The COSME basic act provides that no less than 60% of the total financial envelope for the implementation of the COSME programme shall be allocated to the financial instruments.

[26] Based on the forecast distribution between the loan guarantee and equity facility in the legislative statement accompanying the COSME basic act, 52% of the overall budget was foreseen to be allocated to the LGF and 48% to the EFG.

[27] The LGF contribution to the SME Initiative Italy (securitisation option) is covered in fiche 4.5 (SME Initiative).

The EIF is responsible for evaluating and selecting the financial intermediaries. The related open call for expression of interest for financial intermediaries published by the EIF is available at:

http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm

Target final recipients under the capped portfolio guarantees and the securitisation transactions are SMEs without a specific sector focus.

*Duration*
The guarantee instrument is planned to last until 31 December 2034 (until last operations are wound down).

*Added value*
The EIF provides under the LGF (counter-) guarantees for a portfolio of newly generated SMEs transactions which have a higher risk profile than transactions offered by the financial intermediary under its normal business practice, thereby providing financing to SMEs that otherwise would not be able to obtain financing.

## Operational Performance

| ***Key figures*** | ***Actual*** | ***Target*** |
|---|---|---|
| **EU Contribution Committed (including EFSI top-up)** | **1.145.676.385** | **1.823.000.000** |
| **Leverage** | **20** | **25** |
| **Multiplier effect** | **25** | **31.3** |
| **Envisaged operations** | **112** | **160** |
| **Financing provided by financial intermediaries to final recipients** | **22.861.961.190** | **45.575.000.000** |
| **Number of final recipients** | **414739** | **701000** |
| **Investments made by final recipients due to the received financing** | **28.577.451.488** | **56.968.750.000** |

Due to the continuous high market demand, the available LGF budget envelope was reinforced in 2017 via a top-up of EUR 550 million from the European Fund for Strategic Investment's (EFSI) SME Window, allowing the continuation of the accelerated roll-out of EU guaranteed financing of higher risk SME transactions.
By the end of 2018, 112 (counter-)guarantee agreements had been signed with 93 financial intermediaries (promotional institutes, guarantee societies, commercial banks & leasing companies) for an EU Contribution of EUR 1.1 billion, of which EUR 0.9 billion thanks to combined COSME/EFSI resources.
Under these agreements, a maximum amount of financing of EUR 36 billion will be made available to SMEs which otherwise would not be able to get the financing they need.
By the end of 2018, the LGF contributed to provide nearly EUR 22.9 billion of financing to more than 414 000 SMEs, of which EUR 21.4 billion to 338 000 SMEs from combined LGF/EFSI resources.
The financing provided triggers significant additional investments of 21-29% by the SMEs, with medium or large SMEs investing higher amounts than small ones[28]. The amount of investments realised is estimated[29] at nearly EUR 28.6 billion at the end of 2018.
Available data shows that the LGF more specifically supports smaller and younger SMEs that encounter more difficulties to obtain the financing they need. Currently, around 90% of the SMEs receiving finance have below 10 employees and 50 % are start-ups.
Overall, it is expected that the LGF, will generate more than EUR 45 billion of financing to at least 700 000 SMEs over the lifetime of the programme, leading to more than EUR 56 billion of investments. This shows that the LGF has an important impact on the real economy in the EU and participating third countries of COSME.

*Evaluations*
The LGF has been assessed twice in 2017, first by the European Court of Auditors[30] and secondly as part of COSME's interim evaluation[31]. These assessments show that the LGF is working very

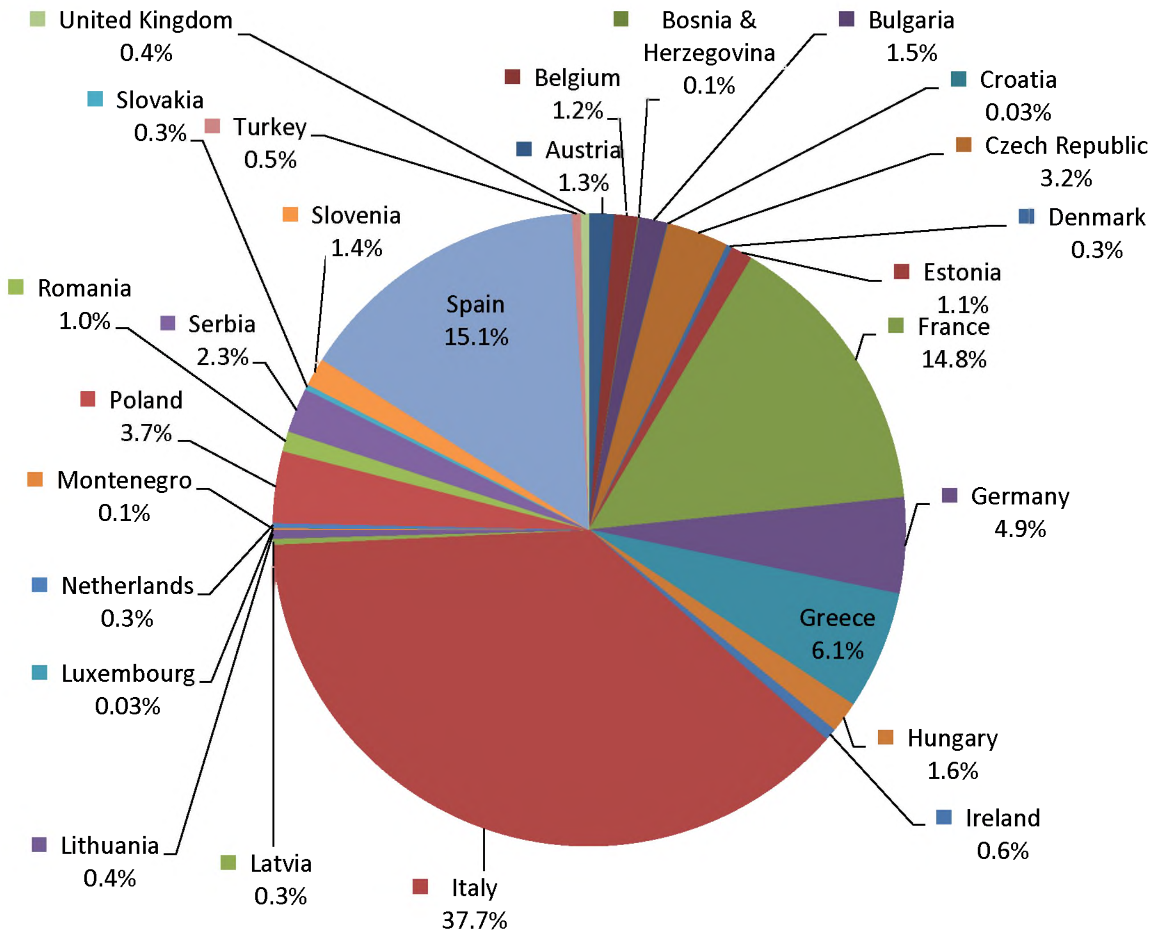
[28] Cf. results of a survey carried out as part of the COSME interim evaluation, Final report: https://ec.europa.eu/docsroom/documents/28084
[29] Using a proxy of 1,25 between financing and investment amount.

successfully. It is properly designed to help SMEs, which would otherwise struggle to obtain finance, to increase total assets, sales and employees when compared to the general SME population. The impact of the facility could be further strengthened by coordinating better with Member State activities.

The interim evaluation concluded that for each EUR 1 million invested into the LGF (effects fully attributable to the Loan Guarantee Facility), SMEs will benefit via 491 additional jobs created and EUR 22 million in additional turnover.

### *Geographical diversification*

By the end of 2018, the LGF provided guarantees and counter-guarantees to financial intermediaries in 28 countries (24 Member States and 4 countries participating to COSME) which supported financing of SMEs in 27 countries, as detailed below (in one Member State a financial intermediary had not yet reported financing transactions), namely the distribution of EUR 28.6 billion financed.




### *Main issues for the implementation*

It is crucial to continue to provide sufficient resources towards the LGF to avoid any disruption in the last years of the programme as financial intermediaries have started as of 2018 to apply for follow-on transactions to their current guarantee or counter-guarantee agreements.

No risks have been identified at this stage with regard to eligibility of financial intermediaries and final recipients, contractual compliance process and performance.

[30] Special report No 20/2017: EU-funded loan guarantee instruments: positive results but better targeting of beneficiaries and coordination with national schemes needed, available at https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44174

[31] Interim evaluation of the COSME Programme, Final report available at https://ec.europa.eu/docsroom/documents/28084

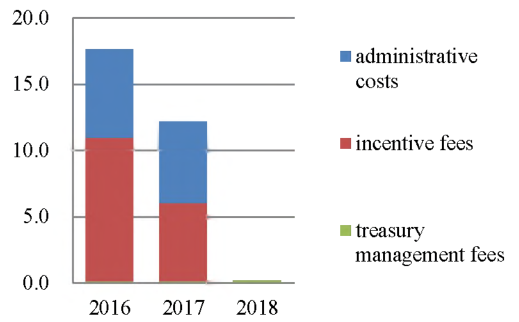
## Financial Information

(in euros)

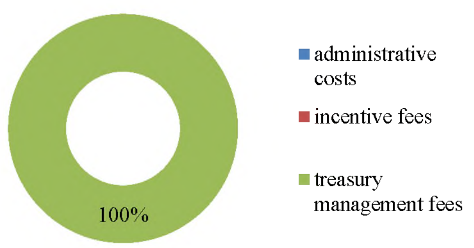
| | Notes | 2018 | 2014-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 1.053.466.408 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 220.850.429 | 710.910.908 |
| *of which from third countries* | | *6.477.197* | *32.697.361* |
| *of which from reflows* | | *0* | *0* |
| Budgetary payments | | 136.187.290 | 407.925.773 |
| **Reflows** | 3 | | |
| Revenues | | 1.971.876 | 3.829.843 |
| *interest income* | | *1.971.876* | *3.829.843* |
| *risk remuneration, dividends, fees* | | *0* | *0* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *0* | *0* |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 41.427.671 | 61.013.866 |
| *guarantee calls recovered* | | *2.812.131* | *3.448.200* |
| **Equity** | | | |
| *Impairments* | | *0* | *0* |
| *realised losses* | | *0* | *0* |
| **Costs** | 5 | | |
| Management fees | | 202.827 | 47.060.31 |
| *administrative costs* | | *0* | *21.708.400* |
| *incentive fees* | | *0* | *24.809.152* |
| *treasury management fees* | | *202.827* | *542.759* |
| Other operational and financial charges | | 3.252.478 | 5.588.113 |
| *negative interest* | | *352.523* | *853.064* |
| *foreign exchange losses* | | *2.899.955* | *4.734.699* |
| *other charges* | | *0* | *350* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 620.883.114 | 436.806.119 |
| Assets provisioned for risk and liabilities | | 310.183.160 | 223.504.246 |
| Value of equity investments | | 0 | 0 |
| Provisions for risk and liabilities | | 603.016.765 | 310.903.988 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 310.175.642 | 223.503.694 |
| *in euro* | | *148.229.484* | *114.513.220* |
| *in non-euro currencies* | | *161.946.158* | *108.990.474* |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| NA |

**Management fees 2016-2018 (in million)**




**Management fees 2018 [5]**




### *Notes on financial information*

1. The financial envelope available is composed of the amounts committed towards the LGF for the years 2014-2018 and of the amounts allocated towards the LGF in 2019-2020 as foreseen in the COSME work programmes (adopted or under preparation).

5. All management fee payments to the EIF were correctly executed within the contractual limits set. In 2018 the agreed management fee limits were reached resulting in zero charges for administrative costs and incentive fees in 2018.

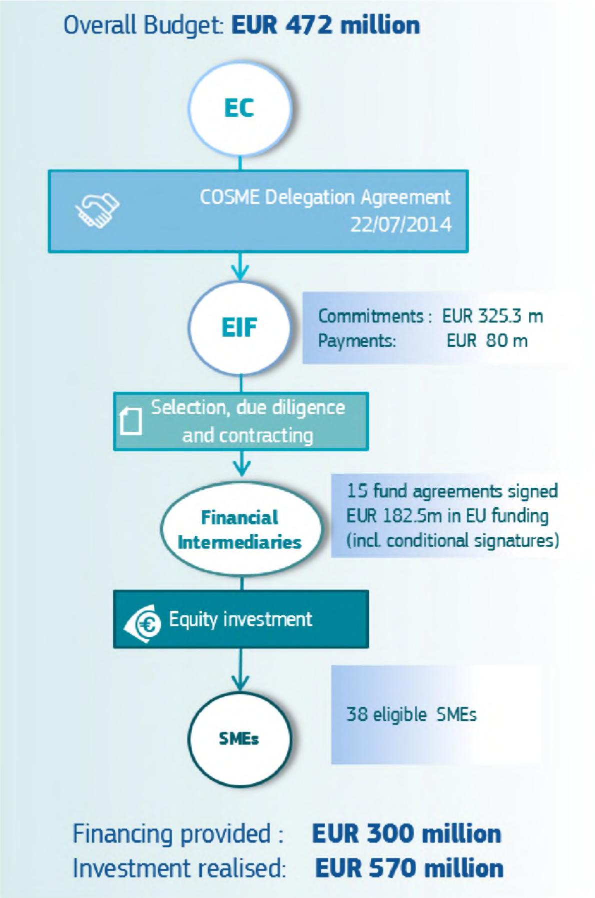
## 4.2 COSME Equity Facility for Growth (EFG)

### Description

| Identification/Reference to the basic act | | | |
|---|---|---|---|
| Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 – 2020) and repealing Decision No 1639/2006/EC | | | |
| **Budget lines** | | | |
| 02.0202 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 28.000.000 | 66.369.000 | 53.627.000 |
| **Budgetary payment appropriations** | 23.894.991 | 16.896.003 | 46.719.857 |

Initial financial envelope[32] : EUR 662 million[33]
Current financial envelope: EUR 472 million
Overall financial envelope: EUR 472 million

*Implementation cycle:*




The Equity Facility for Growth (EFG) provides enhanced access to risk capital for which significant market gaps exist in Europe and supports the development of a pan-European risk capital market. The latter will be achieved by focusing investments predominantly in those risk capital funds which invest cross-border.
The EFG is a successor to the High Growth and Innovative SME Facility (GIF2) under the Competitiveness and Innovation Framework Programme (CIP, 2007-2013).

*Implementation arrangements*
The EFG is implemented by the EIF on behalf of the Commission, as a window of a single Union equity financial instrument supporting EU enterprises' growth and research and innovation from the early stage, including seed, up to the growth stage. It focuses on funds that provide venture capital and mezzanine finance, such as subordinated and participating loans, to expansion and growth-stage enterprises, in particular those operating across borders, while having the possibility to make investments in early stage enterprises in conjunction with the equity facility for Research, Development and Innovation (RDI) under Horizon 2020. Support is given in the form of direct investments made by the EIF in financial intermediaries that provide equity or quasi-equity financing to SMEs or indirect investments via funds-of-funds as part of the Pan-European VC funds-of-funds project.
The 2014 Delegation Agreement with the EIF ensures that the EFG is accessible to a broad range of financial intermediaries provided that these are professionally and independently managed and that the funds are located in a COSME participating country.

[32] The COSME basic act provides that no less than 60% of the total financial envelope for the implementation of the COSME programme shall be allocated to the financial instruments.
[33] Based on the forecast distribution between the loan guarantee and equity facility in the legislative statement accompanying the COSME basic act, 52% of the overall budget was foreseen to be allocated to the LGF and 48% to the EFG.

From a technical point of view, the EIF is instructed to invest on a pari-passu basis with other private and public investors. Final target recipients are SMEs in their growth and expansion stage without a specific sector focus.

The EIF is responsible for evaluating and selecting financial intermediaries according to the Delegation Agreement. The related continuous open call for expression of interest for financial intermediaries published by the EIF is available at http://www.eif.org/what_we_do/equity/single_eu_equity_instrument/cosme_efg/index.htm

*Duration*

The instrument is planned to last until 31 December 2034 (until last operations are wound down).

*Added value*

The added value of the EFG lies, inter alia, in strengthening the internal market for venture capital and in developing a pan-European SME finance market, in transferring best practices and the standardisation of documentation across participating countries, as well as in addressing market failures that cannot be addressed by Member States on their own.

## Operational Performance

| ***Key figures*** | ***Actual*** | ***Target*** |
|---|---|---|
| **EU Contribution Committed** | **325.276.170** | **472.000.000** |
| **Leverage** | **0,89** | **4** |
| **Multiplier effect** | **1,8** | **7.6** |
| **Envisaged operations** | **15** | **25** |
| **Financing provided by financial intermediaries to final recipients** | **300.111.107** | **1.888.000.000** |
| **Number of final recipients** | **38** | **258** |
| **Investments made by final recipients due to the received financing** | **570.211.103** | **3.587.200.000** |

At the end of 2018, 15 fund agreements have been signed under the EFG for a total EU Contribution to financial intermediaries of EUR 182.5 million, out of which 5 signatures on a conditional basis. Ten agreements relate to Growth and Expansion Stage funds. Five relate to Multi-Stage funds in combination with the InnovFin Equity Facility for Early Stage set up under Horizon 2020. It is expected that a total of 25 fund agreements, including 3 funds-of-funds, will be signed under the 2014-2020 EFG budget envelope.

Under the 15 agreements currently signed, an overall amount of EUR 771 million of risk capital is expected to be invested in around 100 eligible final recipients (Expansion & Growth-stage SMEs) over the investment period of the funds (usually 5 years from the closure of the fund).

The target leverage effect as indicated in the COSME legal base ranges between 1:4 and 1:6. Based on a target leverage of 1:4 and the total 2014-2020 budgetary envelope of EUR 472 million, it is expected that around EUR 1.9 billion of risk capital will be provided to more than 250 SMEs over the lifetime of the EFG, which would lead to an overall investment of nearly EUR 3.6 billion[34].

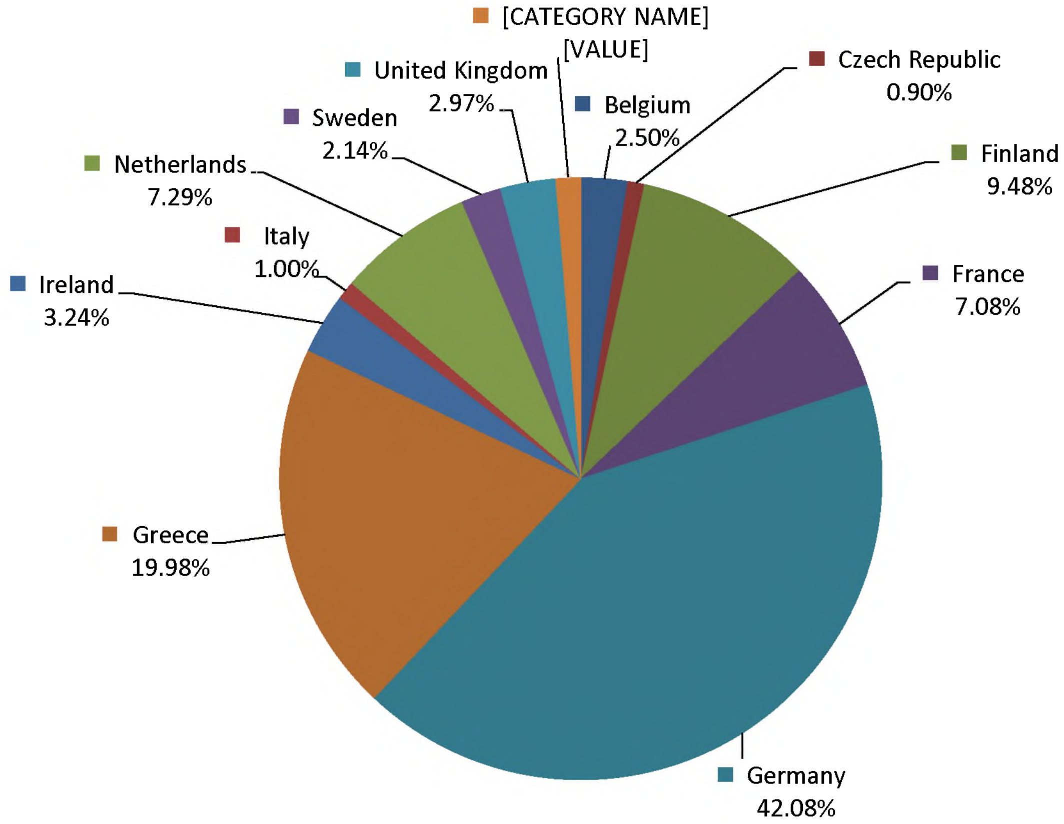
At the end of 2018, EUR 300 million of financing was provided to 38 eligible SMEs in 12 countries (see graph for geographical diversification), leading to an estimated EUR 570 million of overall investments.

An additional implementation mechanism in the form of a contribution to the Pan-European VC Funds-of-Funds project has been put in place in February 2017 under the EFG. The signature with the first Funds-of-Funds manager on a conditional basis took place in 2018 with further signatures expected in the course of 2019.

[34] Estimation based on EIF – EFSI multiplier calculation methodology for equity, with 1.9 EUR of mobilised investments for 1 EUR of mobilised financing.

### *Geographical diversification*

At the end of 2018, the EFG helped to provide investments to SMEs in their expansion and growth stage in 12 Member States. From the overall financing volume of EUR 300,1 million, 42 % has been invested in Germany, followed by 20 % in Greece and 9 % Finland.




### *Main issues for the implementation*

- Compared to guarantee agreements, the due diligence process for equity is much more complex, and necessitates more time (e.g. due to the fund-raising process involved from various investors) which results in a slower implementation of the EFG.
- The implementation of the EFG is furthermore impacted by the setting up of the Expansion and Growth Window under the EFSI Equity instrument, which has largely the same investment focus as the EFG. As a result, an order of priority has been established whereby the EIF shall first absorb investment capacity available under the EFSI Expansion and Growth Window before making use of EFG resources for investments taking place in Member States. The EFG however also targets investments in third countries participating in the COSME programme and these investments will continue to be made under the EFG only. As a consequence of reduced market demand for the EFG in Member States, the 2018 EFG budget allocation was sized accordingly.
- It is expected that the EFG allocation (EUR 100 million) towards the Pan-European VC Funds-of-Funds will be fully used for agreements to be signed in 2019. Should this not be the case, any non-used resources would be made available to make direct investments into individual funds fulfilling the EFG criteria as published in the call for expression of interest.

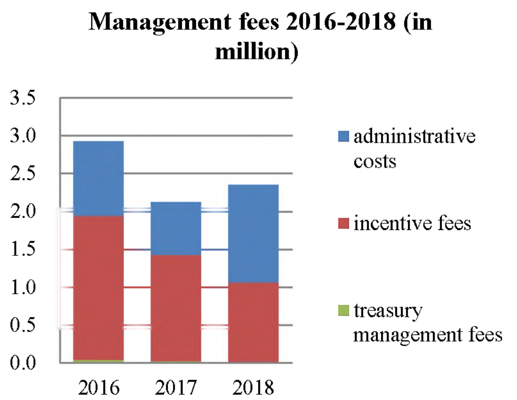
## Financial Information

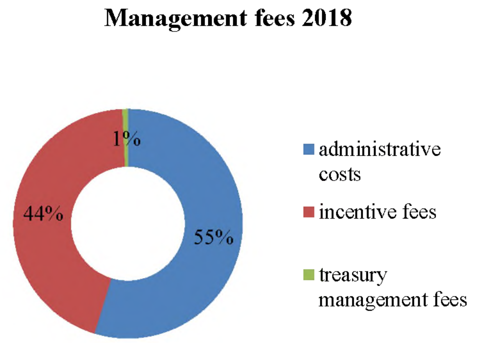
(in euros)

| | Notes | 2018 | 2014-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 472.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 28.000.000 | 325.276.170 |
| *of which from third countries* | | 0 | 0 |
| *of which from reflows* | | 28.000.000 | 53.288.582 |
| Budgetary payments | | 23.894.991 | 79.997.496 |
| **Reflows** | 3 | | |
| Revenues | | 17.792 | 80.976 |
| *interest income* | | *0* | *28.695* |
| *risk remuneration, dividends, fees* | | *17.792* | *52.281* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *0* | *0* |
| Repayments | | 50.053 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 50.053 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees called | | N/A | N/A |
| *guarantee calls recovered* | | N/A | N/A |
| **Equity** | | | |
| *Impairments* | | 0 | 0 |
| *realised losses* | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 2.352.088 | 11.916.657 |
| *administrative costs* | | *1.287.768* | *6.622.736* |
| *incentive fees* | | *1.047.059* | *5.175.216* |
| *treasury management fees* | | *17.261* | *118.705* |
| Other operational and financial charges | | 242.213 | 916.606 |
| *negative interest* | | *56.379* | *234.807* |
| *foreign exchange realised losses* | | *185.834* | *681.777* |
| *other charges* | | *0* | *22* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 140.844.122 | 128.216.533 |
| Assets provisioned for risk and liabilities | | NA | NA |
| Value of equity investments | | 45.881.613 | 24.734.349 |
| Provisions for risk and liabilities | | NA | NA |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 20.846.971 | 20.445.158 |
| *in euro* | | *14.103.319* | *11.824.071* |
| *in non-euro currencies* | | *6.743.652* | *8.621.087* |

The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

**NA**




### *Notes on financial information*

1. The financial envelope available is composed of the amounts committed towards the EFG for the years 2014-2018 and of the amounts allocated towards the EFG in 2019-2020 as foreseen in the COSME work programmes (adopted or under preparation).

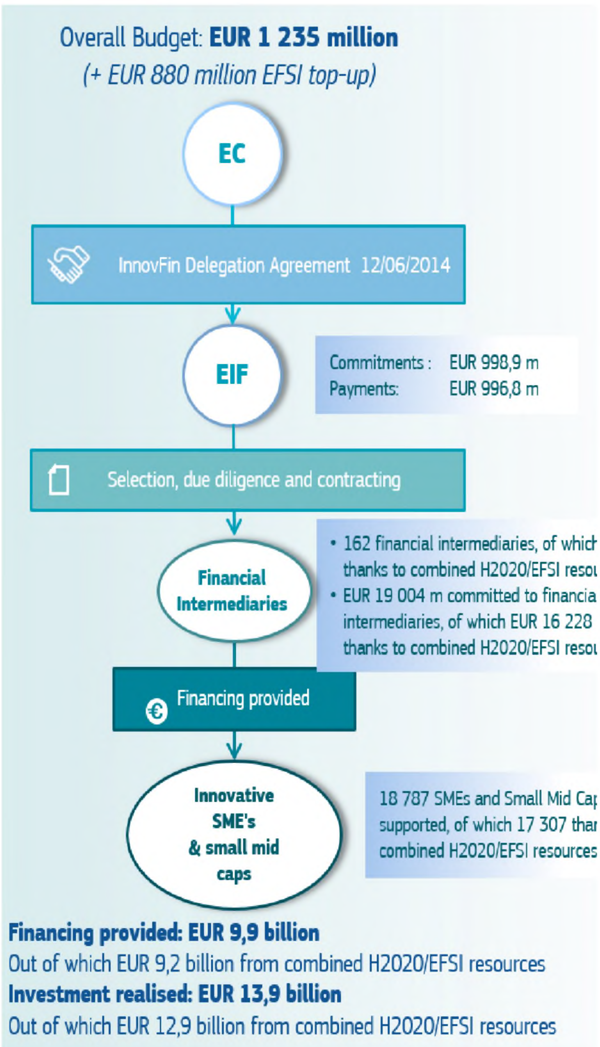
2. The 2018 EU Contribution Committed includes internal assigned revenues of EUR 28 million generated by the second window of the High Growth and Innovative SME Facility established under the predecessor Competitiveness and Innovation Programme (GIF2 repayments), bringing the overall amount of GIF2 repayments committed towards the EFG to EUR 53.3 million.

## 4.3 SMEs & Small Midcaps R&I Loans Service under Horizon 2020 (Innovfin SME Guarantee)

### Description

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) (OJ L 347/104, 20.12.2013).<br>Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" (OJ L 347/81, 20.12.2013). | | | |
| **Budget lines** | | | |
| 08 02 02 02 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 241.000.000 | 100.000.000 | 312.000.000 |
| **Budgetary payment appropriations** | 241.000.000 | 100.000.000 | 80.000.000 |

Initial envelope: EUR 1 000 million
Current financial envelope: EUR 1 150 million
Overall financial envelope: EUR 1 235 million




*Implementation cycle:*

This instrument addresses the financing gap for innovative SMEs and Small Midcaps (with up to 499 employees) for their investments in innovative products and processes containing significant technology or application risks.

The EU and the EIF, as risk-sharing partners at EU level, support loan finance to such innovative SMEs and Small Midcaps through direct or indirect guarantees which the EIF is providing to financial intermediaries, by providing direct guarantees to financial intermediaries such as banks, who extend the actual loans to final recipients. The guarantee covers up to 50% of intermediaries' potential losses. EIF also offers counter-guarantees to financial intermediaries (such as guarantee institutions) providing risk protection to banks extending loans to R&I-driven SMEs and small midcaps. This facility is available since 10 June 2014.

Due to the advantages the InnovFin SME Guarantee offers, notably in the form of risk-sharing and capital relief for banks, guarantee institutions and other financial intermediaries, this instrument is able to successfully address the financing gap for innovative small companies.

Based on the Union budget coming from Horizon 2020, the risk-sharing arrangements between the EU and EIF as well as between the EIF and its financial intermediaries, a significant loan and lease volume in support of innovative small companies and their investment is expected.

R&I-driven SMEs or small midcaps wishing to apply for a loan should contact one of the financial intermediaries signing an agreement (see Selection procedure) with EIF. This is a demand-driven facility, with no prior allocations between sectors, countries or regions. However, the Commission incentivises EIF to make a particular effort to ensure that a significant proportion of final recipients are eco-innovative SMEs and small midcaps.

Selection procedure: financial intermediaries selected by entrusted entities for the implementation of financial instruments may include private financial institutions as well as governmental and semi-governmental financial institutions, national and regional public banks as well as national and regional investment banks

a) For financial intermediaries: EIF issues calls for expression of interest, with eligibility and selection criteria defined as part of each call after consultation with DG Research & Innovation.

b) For loans: according to the internal processes of the intermediary bank or other financial institution that the SME or small midcap applies to, using normal commercial criteria

*Duration:*

The facility is planned to last until 31 December 2033 (until last operations are wound down).

## Operational Performance

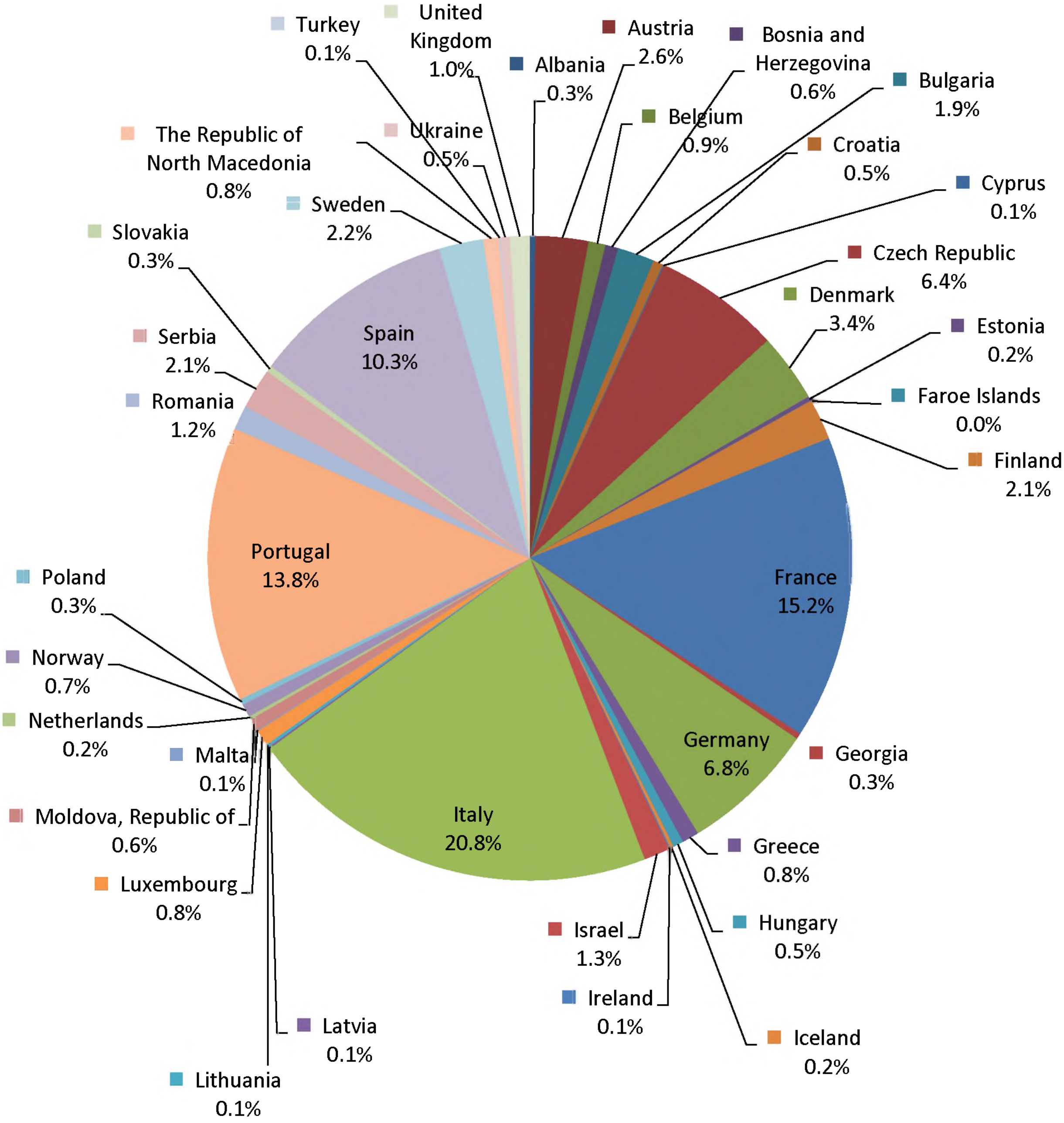
As at 31/12/2018, the Innovfin SME Guarantee already contributed to provide 9 912 million EUR of financing to 18 787 final recipients, accounting for an estimated 13 877 million EUR investment amount. For the period 2014-2020, it was targeted before EFSI additional support to mobilize a loan and lease volume of approximately EUR 9,5 billion in support of 3 000 innovative companies and their investments in RDI.

The successful roll-out of InnovFin SMEG continued in 2018, also thanks to the additional risk bearing capacity available from the SME Window of EFSI.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed including EFSI guarantee** | **1.878.938.533** | **2.030.000.000** |
| **Leverage** | **5,28** | **9** |
| **Multiplier effect** | **7,39** | **12,6** |
| **Envisaged operations** | **195** | **220** |
| **Financing provided by financial intermediaries to final recipients** | **9.912.300.000** | **18.270.000.000** |
| **Number of final recipients** | **18787** | **42000** |
| **Investments made by final recipients due to the received financing** | **13.877.220.000** | **25.578.000.000** |

### Geographical diversification

InnovFin SME Guarantee is implemented in 27 Member States and 12 Associated Countries to Horizon 2020. The chart below shows how the EUR 9.9 billion in financing is distributed by country.




### *Main issues for the implementation*

It will be crucial for the implementation of the InnovFin SME Guarantee to attract a sufficient number of financial intermediaries (banks and guarantee institutions) as risk-sharing partners of the EIF and loan providers to final recipients.

In this context, the fees charged to financial intermediaries need to reflect the risk taken at EU level while, at the same time, offering risk-sharing and capital relief for financial intermediaries.

The contractual arrangements between the European Commission (represented by DG RTD) and EIF allow for flexibility as regards product development for the period 2014-2020.

## Financial Information

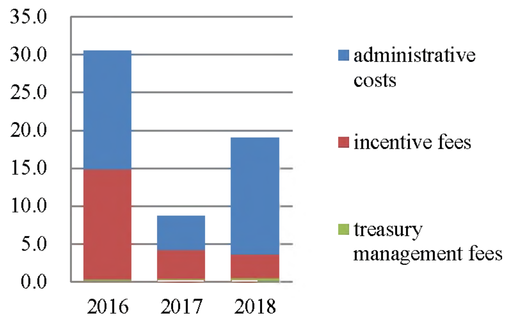
*(in euros)*

| | Notes | 2018 | 2014-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 1.235.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 258.830.661 | 998.938.532 |
| *of which from third countries* | | | |
| *of which from reflows* | | *15.710.337* | *84.843.860* |
| Budgetary payments | | 256.710.337 | 996.818.208 |
| **Reflows** | 3 | | |
| Revenues | | 5.090.371 | 13.036.454 |
| *interest income* | | *3.824.757* | *10.445.698* |
| *risk remuneration, dividends, fees* | | *50.713* | *124.323* |
| *realised gains* | | *1.214.901* | *2.466.433* |
| *other revenues* | | | |
| Repayments | | | |
| Payable to the Commission | | | |
| Returned to the general budget | | | |
| Returned to be used | | 3.970.337 | 8.998.108 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 18.319.900 | 29.894.957 |
| *guarantee calls recovered* | | *2.304.018* | *2.304.018* |
| **Equity** | | | |
| *Impairments* | | *N/A* | *N/A* |
| *realised losses* | | *N/A* | *N/A* |
| **Costs** | 5 | | |
| Management fees | | 19.060.105 | 77.959.935 |
| *administrative costs* | | *15.452.518* | *47.050.885* |
| *incentive fees* | | *3.173.600* | *29.562.881* |
| *treasury management fees* | | *433.987* | *1.346.169* |
| Other operational and financial charges | | 3.463.592 | 10.491.700 |
| *negative interest* | | *3.059.376* | *7.113.121* |
| *foreign exchange losses* | | *404.216* | *3.378.579* |
| *other charges* | | | |

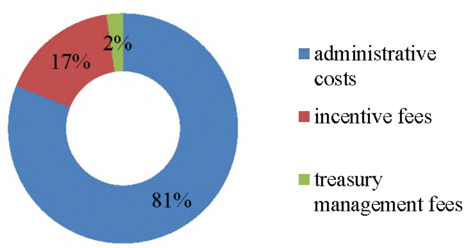
| | | 2018 | 2017 |
|---|---|---|---|
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 908.002.531 | 671.578.942 |
| Assets provisioned for risk and liabilities | | 902.518.141 | 693.627.232 |
| Value of equity investments | | | N/A |
| Provisions for risk and liabilities | | 377.291.627 | 198.180.261 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 94.337.595 | 69.811.077 |
| *in euro* | | *54.892.431* | *24.626.406* |
| *in non-euro currencies* | | *39.445.164* | *45.184.671* |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| N/A |

**Management fees 2016-2018 (in million)**




**Management fees 2018**



## 4.4 Equity Facility (early-stage capital) for Research and Innovation of Horizon 2020 (InnovFin Equity)

### Description

**Identification/Reference to the basic act**

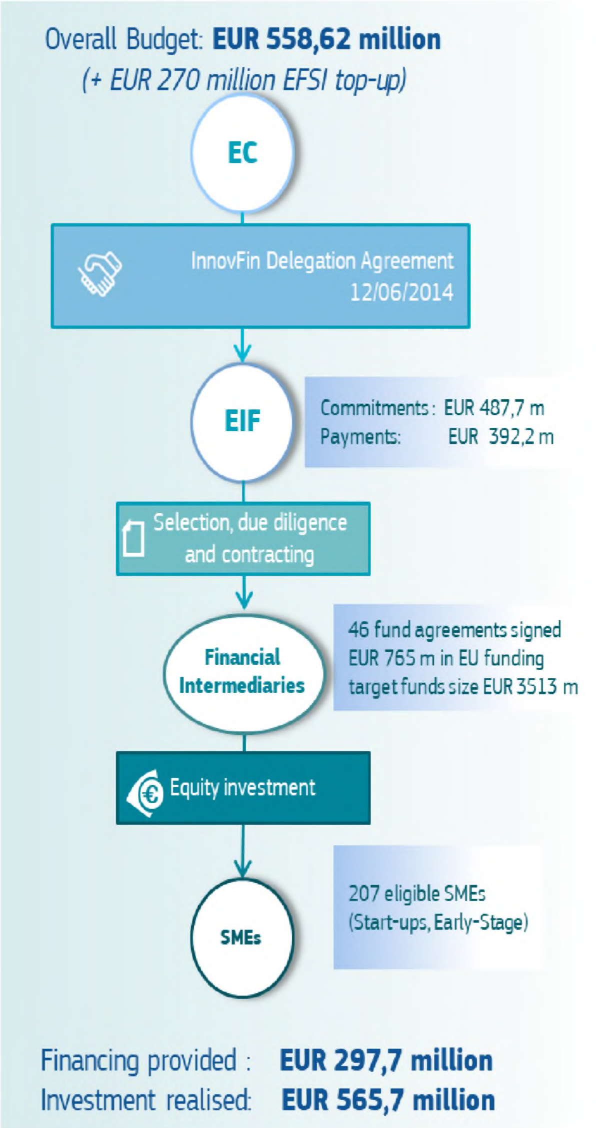
Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) (OJ L 347/104, 20.12.2013).
Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" (OJ L 347/81, 20.12.2013).

**Budget lines**

08.020202 / 04.030203 / 09.040201/ 02.040201

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Budgetary commitment appropriations** | 65.000.000 | 194.000.000 | 15.000.000 |
| **Budgetary payment appropriations** | 54.000.000 | 25.000.000 | 20.000.000 |

Initial envelope: EUR 495 million
Current financial envelope: EUR 495 million
Overall financial envelope: EUR 558.62 million




*Implementation cycle:*

The InnovFin Equity facility succeeds and refines the GIF scheme under CIP, and is part of a single equity financial instrument supporting the growth of enterprises and their R&I activities. It is designed to improve access to risk finance by early-stage R&I-driven SMEs and small midcaps through supporting early-stage risk capital funds that invest, on a predominantly cross-border basis, in individual enterprises.

SMEs and small midcaps located in Member States or in Associated Countries are eligible as final recipients. The COSME programme's Equity Facility for Growth complements this facility, which, with a set of accompanying measures, supports Horizon 2020 policy objectives.

In terms of Union added value, the InnovFin Equity complements national and regional schemes that cannot cater for cross-border investments in R&I. The early-stage deals also have a demonstration effect that can benefit public and private investors across Europe. For the growth phase, it is only possible at European level to achieve the necessary scale and strong participation of private investors that are essential to the functioning of a self-sustaining venture capital market.

Its implementation is entrusted to, the European Investment Fund (EIF) in Luxembourg, further to 2 amendments to the EIF Delegation Agreement in 2016.

Financial intermediaries (FIs), selected by entrusted entity (EIF) for the implementation of financial instruments may include private or governmental / semi-governmental financial institutions as well as national and regional public / investment banks.

### *4.4 Equity Facility (early-stage capital) for Research and Innovation of Horizon 2020 (InnovFin Equity)*

The EIF manages equity investments into risk-capital funds, while investing in a wide range of FIs, including those cooperating with business angels. The funds concerned make VC and quasi-equity (including mezzanine capital) early-stage investments in enterprises, which are likely to be mainly SMEs. In the case of multistage funds (i.e., covering both early- and growth-stage investments), funding can be provided pro rata from this facility and COSME's growth-stage equity facility, EFG.
This is a demand-driven facility, with no prior allocations between sectors, countries, or regions. However, the Commission incentivises EIF, via a performance indicator, to make an effort to ensure that a proportion of final recipients are eco-innovative SMEs and small midcaps. R&I-driven SMEs or small midcaps wishing to apply for an investment should contact one or more of the funds signing an agreement with EIF.

*Duration:*
It is planned to last until 31 December 2042 (until last operations are wound down).

| ***Key figures*** | ***Actual*** | ***Target*** |
|---|---|---|
| **EU Contribution committed** | **487.667.018** | **495.000.000** |
| **Leverage** | **0,61** | **6** |
| **Multiplier effect** | **1,16** | **11.4** |
| **Envisaged operations** | **46** | **80** |
| **Financing provided by financial intermediaries to final recipients** | **297.730.428** | **2.970.000.000** |
| **Number of final recipients** | **207** | **2250** |
| **Investments made by final recipients due to the received financing** | **565.687.813** | **5.643.000.000** |

## Operational Performance

*Nota : the EU contribution committed indicated in the summary table above does not take into account the EFSI funding nor the EIF own funds.*

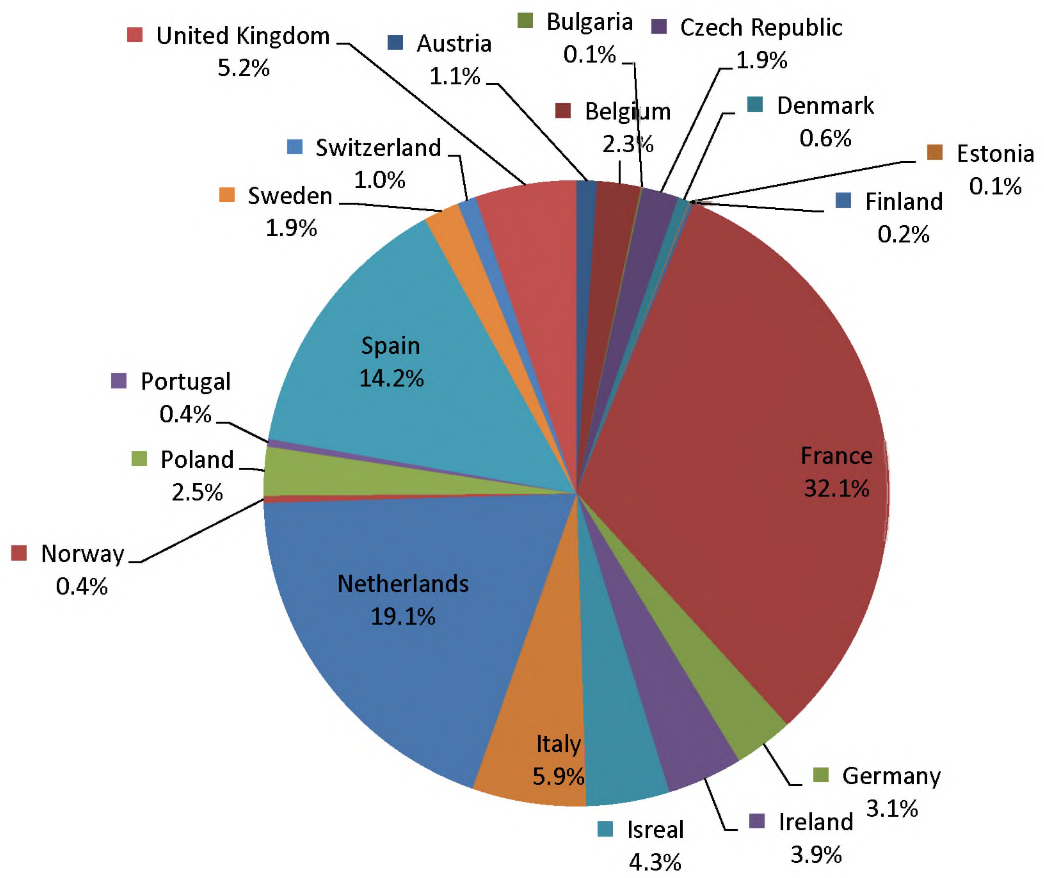
At the end of 2018, InnovFin Equity has a commitment towards 46 funds for a total amount of EUR 765 million. 36 agreements relate to pure early stage funds. 8 agreements relate to Multi-Stage funds, in combination with the COSME Equity facility for growth and 2 with Funds of Funds in the frame of VentureEU.
Out of the EUR 765 million[35] commitments towards 46 funds which include conditional commitments, EUR 620 million have already been signed.
It is expected that a total of 80 fund agreements will be signed under the 2014-2020 instrument budget envelope.
These funds have invested in 207 eligible final recipients operating in 20 Member States and associated countries.
Under the 46 agreements currently signed, we expect an overall amount of EUR 3 513[36] million of risk capital to be invested in around 2400 eligible final recipients over the investment period of the funds (usually 5 years from the closure of the fund).
The target leverage effect as indicated in the InnovFin legal base ranges around 1:6. Based on the target leverage and the total 2014-2020 budgetary envelope of EUR 495 million (this does not include EFSI top up), around EUR 2.97 billion of risk capital should be provided to over 2250 SMEs over the lifetime of the IFE, which would lead to an overall investment of EUR 5.64 billion.

An additional implementation mechanism in the form of the Pan-European VC Funds-of-Funds project has been put in place in February 2017. This compartment is branded as Venture EU. Agreements have been signed with 2 funds of Funds as of 31/12/2018. Negotiations with remaining 4 funds of funds selected should be finalized in the course of 2019.

35 Including EFSI and EIF contribution
36 Based on target fund size of funds selected

### *Geographical diversification*

As of 31/12/2018 46 commitment to funds have been signed with VC, BA,TT funds and Funds of funds established in 13 member States and 2 Associated Countries to Horizon 2020. The chart below shows how EUR 297.7 million is distributed by country.




### *Main issues for the implementation*

The InnovFin Equity facility is needed to improve the availability of equity finance for early and growth-stage investments and to boost the development of the EU venture capital market. During the technology transfer and start-up phase, new companies face a 'valley of death' where public research grants stop and it is not possible to attract private finance. Public support aiming to leverage private seed and start-up funds to fill this gap is currently too fragmented and intermittent, or its management lacks the necessary expertise. Moreover, most venture capital funds in Europe are too small to support the continued growth of innovative companies and lack the critical mass to specialize and operate transnationally.

Specific support actions such as information and coaching activities for SMEs should be provided. Regional authorities, associations, SMEs chambers of commerce and relevant FIs may be consulted on the programming and implementation of these activities.

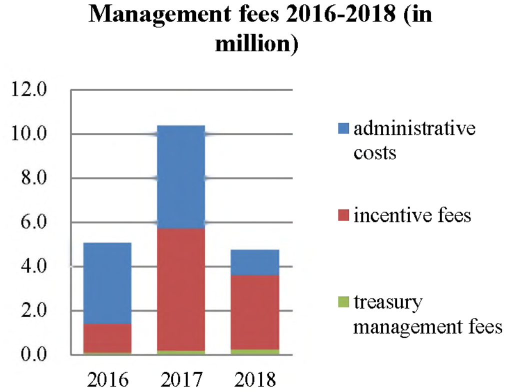
Regarding conditional closings, despite EIF's a firm commitment of investing into a fund it may be that fund managers fail to raise the required additional private and public funding to reach the first closing of a fund.

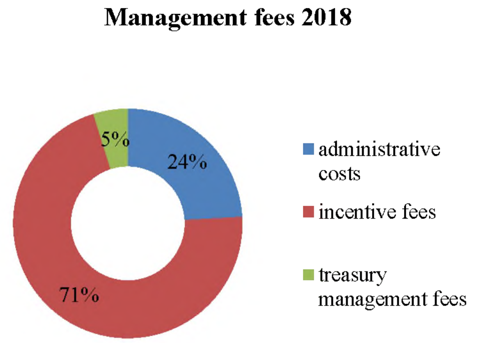
## Financial Information

(in euros)

| | Notes | 2018 | 2014-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 558.620.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 65.281.318 | 487.667.018 |
| *of which from third countries* | | | |
| *of which from reflows* | | *281.318* | *34.117.018* |
| Budgetary payments | | 70.200.000 | 392.250.000 |
| **Reflows** | 3 | | |
| Revenues | | 837.008 | 1.818.373 |
| *interest income* | | *175.183* | *625.095* |
| *risk remuneration, dividends, fees* | | | |
| *realised gains* | | *661.825* | *1.193.275* |
| *other revenues* | | | *3* |
| Repayments | | | |
| Payable to the Commission | | | 281.317 |
| Returned to the general budget | | | |
| Returned to be used | | 281.318 | 745.031 |
| **Losses from operations** | 4 | | |
| Guarantees called | | | |
| *guarantee calls recovered* | | | |
| **Equity** | | | |
| *Impairments* | | *225.223* | *225.223* |
| *realised losses* | | | |
| **Costs** | 5 | | |
| Management fees | | 4.754.383 | 24.716.324 |
| *administrative costs* | | *1.146.796* | *12.973.596* |
| *incentive fees* | | *3.378.237* | *11.246.401* |
| *treasury management fees* | | *229.350* | *496.327* |
| Other operational and financial charges | | 266.303 | 322.758 |
| *negative interest* | | | *56.402* |
| *foreign exchange losses* | | *266.277* | *266.277* |
| *other charges* | | *26* | *79* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 344.238.612 | 222.750.000 |
| Assets provisioned for risk and liabilities | | 313.200.736 | N/A |
| Value of equity investments | | 54.737.791 | 20.159.461 |
| Provisions for risk and liabilities | | 5.744.526 | N/A |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 92.502.857 | 83.437.602 |
| *in euro* | | *73.462.195* | *83.437.602* |
| *in non-euro currencies* | | *19.040.662* | |
| **Other financial assets** | | 220.697.879 | 206.373.514 |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| N/A |




### *Notes on Financial Information*

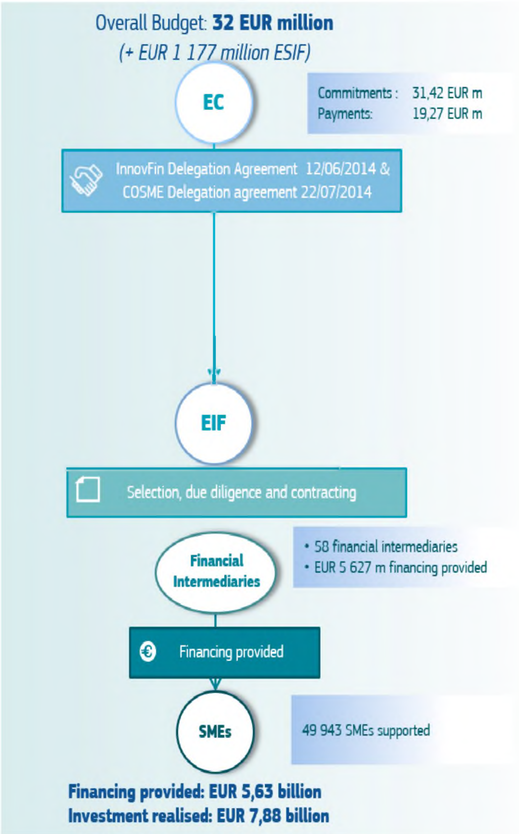
2. Reflows reported as recommitted to InnovFin Equity stem from InnovFin Equity and the High Growth and Innovative SME Equity Facility under CIP (compartment GIF 1). As of 31/12/2018 the amounts recommitted from reflows of CIP GIF 1 amount to EUR 33 371 987 (not included in the above table).

## 4.5 EU SME Initiative (focus on indirect Commission management part, i.e. COSME/H2020)

### Description

| Identification/Reference to the basic act | | | |
|---|---|---|---|
| The EU SME Initiative may receive funding from the following 4 programmes.<br>COSME: Regulation (EU) No 1287/2013 of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020).<br>H2020: Regulation (EU) No 1291/2013 of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and pursuant to the Decision No 2013/743/EU of the Council of 3 December 2013 establishing the Specific Programme implementing Horizon 2020<br>ERDF and EAFRD (Article of the 39 CPR): Regulation (EU) No 1303/2013 laying down common and general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and laying down common provisions on the European Agricultural Fund for Rural Development. | | | |
| **Budget lines** | | | |
| 08.020202 / 02.0202 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 2.235.000 | 0 |
| **Budgetary payment appropriations** | 1.678.446 | 0 | 0 |

Initial financial Envelope: EUR 175 million
Current financial envelope: EUR 32 million
Overall financial envelope: EUR 32 million[37]




SME support is a main focus of the European Structural and Investment Funds (ESIF), and financial instruments play an increasingly important role within ESIF support. The basic act governing ESIF interventions is the so-called Common Provisions Regulation (CPR).
Within the financial instruments "family", the SME Initiative is a real novelty, in that it combines different EU funding resources in one financial instrument – namely resources from ESIF, COSME or Horizon 2020 and EIB Group resources. Thereby, it increases the leverage of (both public and private) additional resources to be mobilised for SME support. Its overall aim is to enhance access to finance for SMEs, to stimulate economic growth and entrepreneurship. Access to finance is a real issue in the economy of at least several Member States in Southern and Eastern Europe: the problem is not so much the lack of liquidity in the market, but the missing transmission of that liquidity into the real economy, so that SMEs have adequate access to finance at reasonable conditions, which enables them to invest, develop their competiveness and grow. Often, a lack of collateral on the SME side is the main reason why banks are not willing to lend.

*Implementation Cycle*
The SME Initiative contributes to the objectives of better SME access to finance and, thereby,

37 H2020 reduced from EUR 60 million to EUR 28 million, COSME overall contribution is EUR 4 million.

enhanced SME competitiveness, innovativeness and growth.
The SME Initiative is a joint instrument, combining EU funds available under COSME and Horizon 2020 and ERDF-EAFRD resources in cooperation with EIB/EIF in view of generating additional lending to SMEs.
Three financial instruments could be implemented under the SME Initiative, and they boil down in substance to two alternative ways of operating, namely:
(*) uncapped guarantees providing capital relief to financial intermediaries for new portfolio of debt finance to SMEs, and
(**) securitisation instruments (with two possibilities, i.e. option n°2 securitisation instrument with MS contribution used exclusively for the participating MS and option n°3 securitisation instrument with several MS contributions pooled and used to provide protection on the aggregate exposure, particularly to the mezzanine tranches guaranteed by EIF).
A portion of the new Debt Finance portfolio equal to at least 20 times the contribution under the COSME Regulation and/or 9 times the contribution under the H2020 Regulation should fulfil respectively the COSME and/or H2020 eligibility criteria.
The period of time during which the participating Member State may commit funds to the EIF was to expire on 31 December 2016, but was extended with recent changes to the CPR.

Duration: end of the eligibility period: 31/12/2023.

## Operational Performance

So far the SME initiative helped support 50 040 final recipients in 6 Member States through 63 financial intermediaries.
5 Member States opted for the Guarantee instrument from Horizon 2020 under the SME Initiative (Bulgaria, Finland, Malta, Romania and Spain) and Italy opted for the securitization instrument from COSME.
Bulgaria: 9 financial intermediaries with a target volume of EUR 337 m and an actual volume of EUR 453.3 m for 3458 transactions to 3082 final recipients,
Finland: 5 financial intermediaries with a target volume of EUR 148.8 m and an actual volume of EUR 351.5 m for 613 transactions to 579 final recipients,
Malta: 2 financial intermediaries with a target volume of EUR 59.4 m and an actual volume of EUR 57.6 m for 658 transactions to 558 final recipients,
Romania: 14 financial intermediaries with a target volume of EUR 673 m and an actual volume of EUR 353.1 m for 1 562 transactions to 1 344 final recipients,
Spain: 28 financial intermediaries with a target volume of EUR 2728.1 m and an actual volume of EUR 4411.9 m for 52 614 transactions to 44 380 final recipients.

Italy opted for the use of the Securitisation instrument under the SME Initiative, combined with COSME resources. At the end of 2018, agreements have been signed with five Italian banks, in the form of synthetic securitisation transactions, allowing the banks to build up EUR 1.3 billion of new lending to SMEs in Mezzogiorno over the next three years, which should improve access to finance for over 6 300 SMEs located in Southern Italy.

Italy: 5 financial intermediaries, securitized existing loan portfolios of EUR 2,973 million, with a target new volume of EUR 1,294 m and an actual volume of EUR 13.5 m for 97 transactions to 97 final recipients.

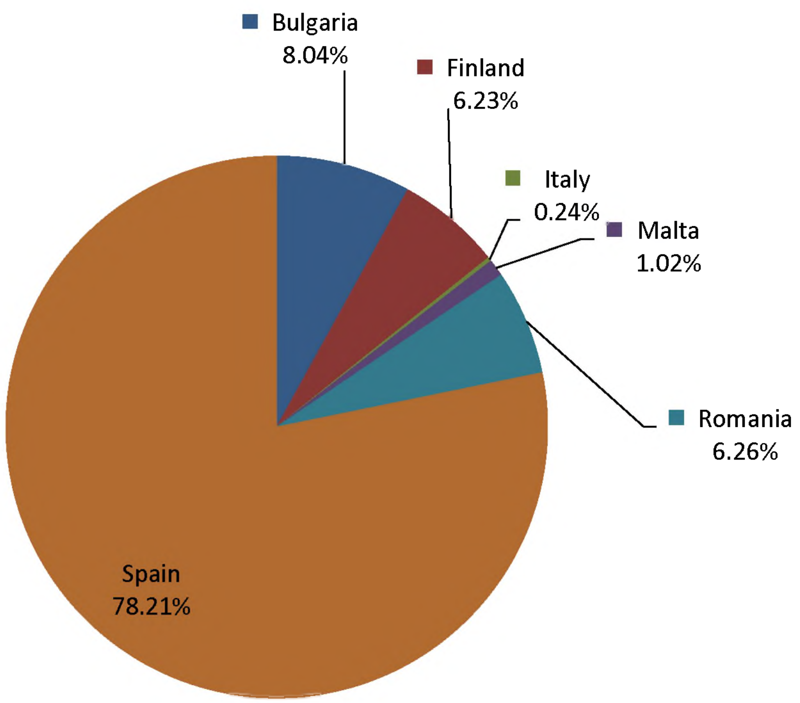
The reporting of the ERDF / EAFRD part will be submitted by the Member States as part of the annual exercise as required by Article 46 of Regulation (EU) No 1303/2013 and will be summarized in an annual publication to be prepared by 31 December 2019.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed *** | **1.198.900.271** | **1.209.974.684** |
| **Leverage** | **4,69** | **7.2** |
| **Multiplier effect** | **6,59** | **10.1** |
| **Envisaged operations** | **63** | **70** |
| **Financing provided by financial intermediaries to final recipients** | **5.640.919.158** | **8.700.000.000** |
| **Number of final recipients** | **50040** | **90000** |
| **Investments made by final recipients due to the received financing** | **7.897.286.821** | **12.180.000.000** |

***** EU contribution indicated includes COSME, Horizon 2020 and ESIF EU contributions.***

### *Geographical diversification*

The SME initiative is currently implemented in 6 Member States, financing provided to recipients (EUR 5.6 billion) is distributed by country as follows:




### *Main issues for the implementation*

No specific issue has been identified.

## Financial Information

*(in euros)*

| | Notes | 2018 | 2014-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 32.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | | 29.737.124 |
| *of which from third countries* | | | |
| *of which from reflows* | | | |
| Budgetary payments | | 1.648.491 | 20.925.588 |
| **Reflows** | 3 | | |
| Revenues | | | |
| *interest income* | | | |
| *risk remuneration, dividends, fees* | | | |
| *realised gains* | | | |
| *other revenues* | | | |
| Repayments | | | |
| Payable to the Commission | | | |
| Returned to the general budget | | | |
| Returned to be used | | | |
| **Losses from operations** | 4 | | |
| Guarantees called | | 42.317.947 | 59.001.009 |
| *guarantee calls recovered* | | 890.444 | 1.144.637 |
| **Equity** | | | |
| *Impairments* | | | |
| *realised losses* | | | |
| **Costs** | 5 | | |
| Management fees | | | |
| *administrative costs* | | | |
| *incentive fees* | | | |
| *treasury management fees* | | | |
| Other operational and financial charges | | | |
| *negative interest* | | | |
| *foreign exchange realised losses* | | | |
| *other charges* | | | |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 20.068.689 | 19.908.971 |
| Assets provisioned for risk and liabilities | | | |
| Value of equity investments | | | |
| Provisions for risk and liabilities | | | |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | | |
| *in euro* | | | |
| *in non-euro currencies* | | | |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| N/A |

### *Notes on financial information*

4. Losses from operations: guarantee calls reported are bourne by all risk takers of the SME initiative, including EIF and EIB group and thus can exceed the amounts committed by Horizon 2020 and COSME.

5. SME Initiative fees are included in fees paid within the frame of InnovFin SMEG and COSME LGF

## 4.6 Cultural and Creative Sectors Guarantee Facility (CCS GF)

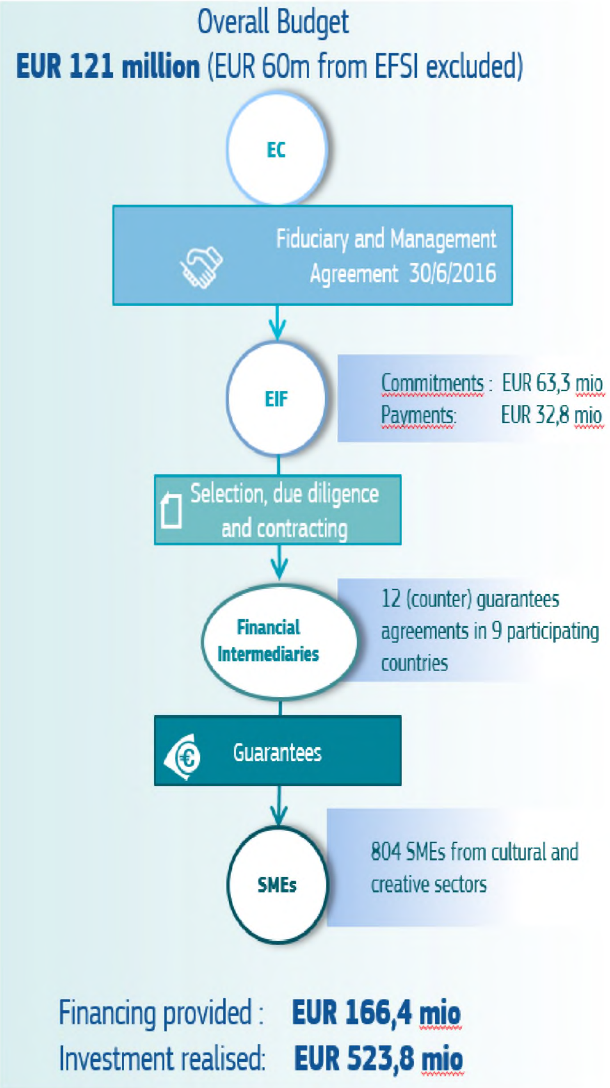
### Description

| Identification/Reference to the basic act |
|---|
| REGULATION (EU) No 1295/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 establishing the Creative Europe Programme (2014 to 2020) and repealing Decisions No 1718/2006/EC, No 1855/2006/EC and No 1041/2009/EC |

| Budget lines |
|---|
| 15 04 01 |

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Budgetary commitment appropriations** | 26.527.000 | 29.658.000 | 29.490.000 |
| **Budgetary payment appropriations** | 5.471.283 | 5.906.283 | 19.260.018 |

**Initial financial envelope**: EUR 121 million
**Current financial envelope**: EUR 121 million
**Overall financial envelope**: EUR 121 million (+ EUR 60 million EFSI contribution excluded)




*General Description:*

Part of the Creative Europe Programme, the Cultural and Creative Sectors Guarantee Facility (CCS GF) is a facility under which the European Commission through the European Investment Fund (EIF) provides guarantees and counter-guarantees on debt financing to Financial Intermediaries in order to improve access to finance to SMEs and organisations from cultural and creative sectors. Thanks to the CCS GF, Financial Intermediaries selected by the EIF are able to provide additional debt financing to SMEs in Participating Countries. In addition, the action provides technical assistance/capacity building to the financial institutions wishing to build dedicated portfolios of loans targeting cultural and creative SMEs. This results in an increase in the number of financial institutions which are willing to work with cultural and creative SMEs, as well as maximises the European geographical coverage.
DG CNECT in cooperation with DG EAC are in charge of implementing the CCS GF. The Guarantee Facility is managed by the European Investment Fund (EIF) in line with the provisions of the Delegation Agreement.

*Implementation cycle*

The calls for expression of interest were published in Q3/2016.

**Duration** : end of agreements signing period : 31/12/2020

## Operational Performance

The CC GF was launched in July 2016. With a total budgetary appropriation for CCS GF of EUR 181m (€121m from Creative Europe budget and a top up of €60 million from EFSI) in the 2016-2020 period and a targeted leverage effect of 5,7 the financial instrument may leverage over EUR 1 billion of additional funding for the cultural and creative industries.

In its second year of activity, the CCS Guarantee Facility has already exceeded its target for 2018 in terms of number of guarantee agreements signed and geographical coverage: as at the end of Q4/2018, total of 12 transactions with Financial Intermediaries were signed (for a total of EUR 84.1 million) and provided more than EUR 166.4 million in financing to 804 SMEs, accounting for more than EUR 523 million investments. Those 12 transactions are expected to generate EUR 952.5 million of leveraged financing over the period.

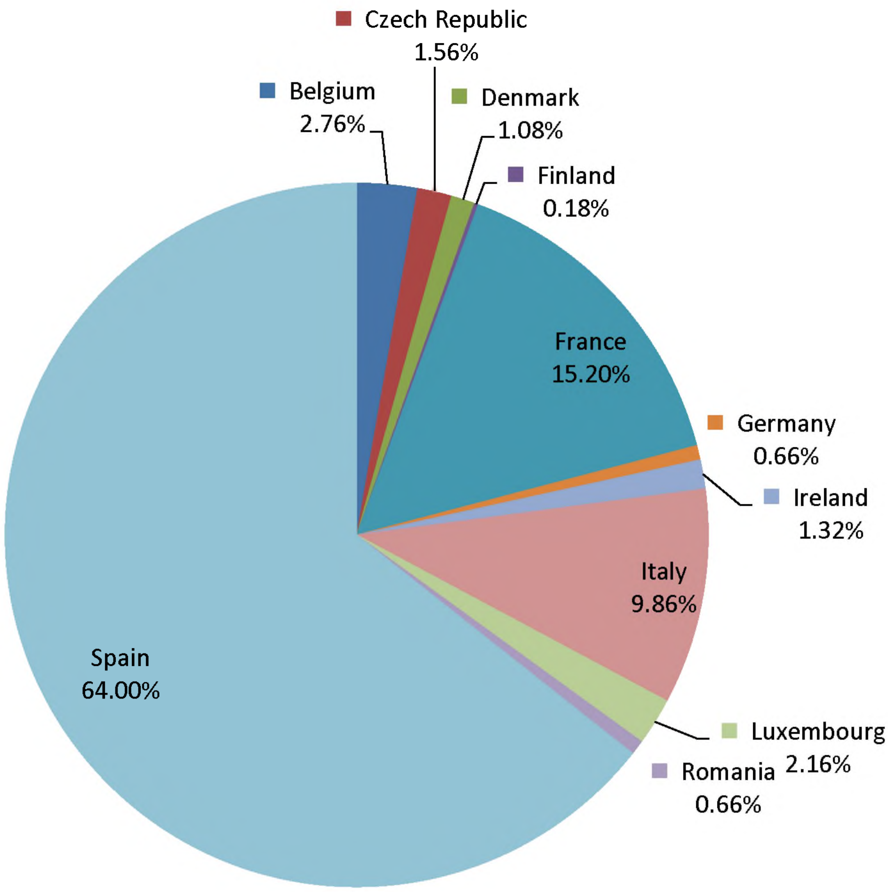
The financial instrument is coupled with Capacity Building, which helps financial intermediaries better serve creative and cultural SMEs by providing high-level personalised consultancy and support. A framework agreement on capacity building with external providers was signed in May 2018. The delivery of the capacity building is currently underway.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **63.258.000** | **181.000.000** |
| **Leverage** | **2,6** | **5,7** |
| **Multiplier effect** | **8,2** | **7,98** |
| **Envisaged operations** | **12** | **15** |
| **Financing provided by financial intermediaries to final recipients** | **166.435.137** | **1.031.700.000** |
| **Number of final recipients** | **804** | **1700** |
| **Investments made by final recipients due to the received financing** | **523.809.615** | **1.444.380.000** |

### *Geographical diversification*

Currently there are 12 (counter) guarantee agreements across Europe, out of which 11 (counter) guarantee agreements have a national focus, while 1 has a cross-border approach, targeting the international co-production of audio-visual works. New guarantee agreements signed in year 2018 and cover Poland (start of availability period on 01/01/2019), Denmark (start of availability period on 01/11/2018) and Portugal (start of availability period 15/11/2018). In addition Spanish intermediary requested an increase of the guarantee cap amount as well as an extension of the guarantee agreement for additional two years.

The pie chart below presents the distribution of financed eligible final recipients (EUR 166.4 million) by country.




## *Main issues for the implementation*

2018 was the second year of the implementation of the CCS GF. The aggregated commitments were fully used for the signature of CCS GF operations. Based on market testing carried out by the EIF and direct contacts and informative sessions with potential Financial Intermediaries, there is a positive forecast of demand for the CCS GF operations. It is therefore expected that also 2019 commitment (as well as remaining EFSI contribution) will be fully used.

The delivery of the Capacity Building started in year 2018. This technical assistance programme helps Financial Intermediaries to assess and manage risks related to lending to SMEs in the cultural and creative sector. It will result in enhanced capacities of banks and funds to lend significant volumes to SMEs in next years.

## Financial Information

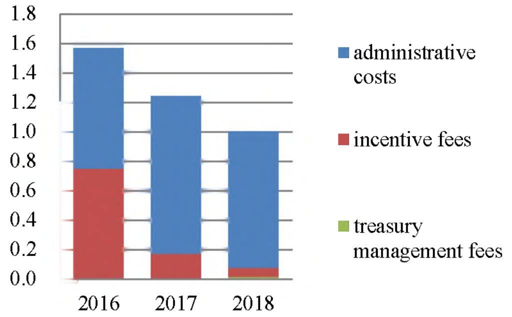
(in euros)

| | Notes | 2018 | 2016-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 121.000.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 26.527.000 | 63.258.000 |
| *of which from third countries* | | *0* | *0* |
| *of which from reflows* | | *0* | *0* |
| Budgetary payments | | 13.506.363 | 32.793.073 |
| **Reflows** | 3 | | |
| Revenues | | 83.921 | 95.269 |
| *interest income* | | *83.921* | *95.269* |
| *risk remuneration, dividends, fees* | | *0* | *0* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *0* | *0* |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 0 | 0 |
| *guarantee calls recovered* | | *0* | *0* |
| **Equity** | | | |
| *Impairments* | | *0* | *0* |
| *realised losses* | | *0* | *0* |
| **Costs** | 5 | | |
| Management fees | | 1.003.663 | 3.811.427 |
| *administrative costs* | | *928.445* | *2.814.030* |
| *incentive fees* | | *63.175* | *981.450* |
| *treasury management fees* | | *12.043* | *15.947* |
| Other operational and financial charges | | 234.866 | 283.056 |
| *negative interest* | | *18.187* | *18.167* |
| *foreign exchange losses* | | *105.772* | *153.982* |
| *other charges* | | *110.907* | *110.907* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 57.901.965 | 33.516.561 |
| Assets provisioned for risk and liabilities | | 28.265.886 | 17.381.801 |
| Value of equity investments | | 0 | 0 |
| Provisions for risk and liabilities | | 10.798.275 | 2.562.303 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 28.265.886 | 17.381.801 |
| *in euro* | | *5.394.284* | *15.685.284* |
| *in non-euro currencies* | | *22.871.602* | *1.696.517* |

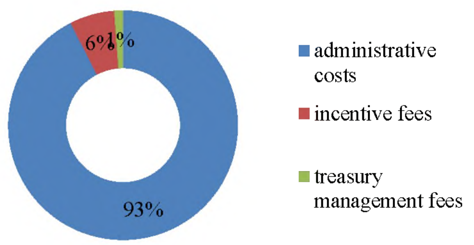
The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

**N/A**

**Management fees 2016-2018 (in million)**




**Management fees 2018**



# 4.7 SME Guarantee Facility (SMEG07) under the Competitiveness and Innovation Framework Programme (CIP)

## Description

**Policy DG in charge:** DG GROW, with DG ECFIN for the design of the instruments
**Implementing DG in charge:** DG ECFIN **Implementing Body in charge:** EIF

*Policy objectives and scope*

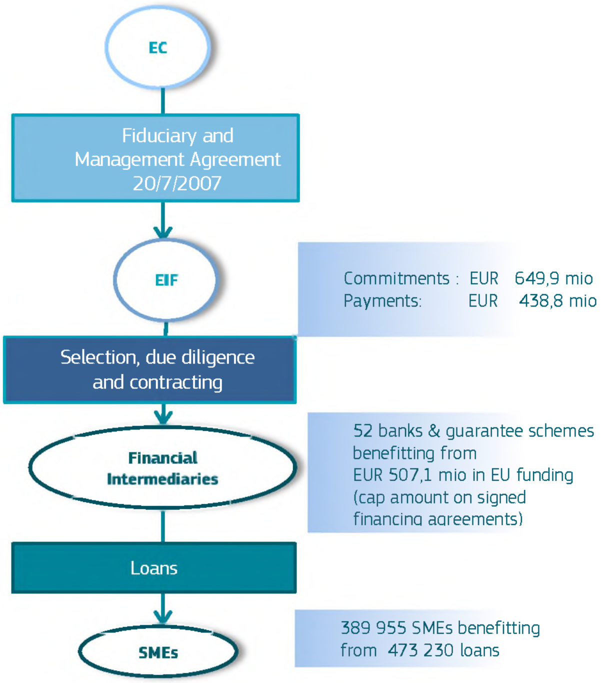
SMEG 07 is part of the Entrepreneurship and Innovation Programme (EIP), one of the three specific programmes under the Competitiveness and Innovation Programme (CIP).

Its overall objective is the improvement of access to finance for the start-up and growth of SMEs to support their investment in innovation activities, including eco-innovation. It provides counter- or co-guarantees to guarantee schemes and direct guarantees to Financial Intermediaries operating in eligible countries with the aim of increasing lending volumes available to SMEs. The Facility is a demand-driven instrument, with only indicative country-based allocations, in order to ensure wide geographical coverage. The EIF provides a capped guarantee that covers potential losses against a commitment of the financial intermediary to provide more debt financing (loans, leases or guarantees that support loans and leases) to target SMEs.

*Value added*

Thanks to SMEG 07 financial intermediaries either provide more financing to SMEs, or extend their financing to more risky and previously not serviced segments of vulnerable SMEs, such as start-ups, young companies and companies lacking sufficient collateral.

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013) (OJ L 310/15, 9.11.2006, p.15). | | | |
| **Budget lines** | | | |
| 01 04 51 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 14.600.000 | 17.400.000 | 0 |




Financing provided : **EUR 21 227,3 mio**
Investment realised: **EUR 31 070,0 mio**

**Initial financial envelope**: EUR 506 million[38]
**Current financial envelope**: EUR 565,99 million[39]
**Overall financial envelope**: EUR 565,99 million

*Implementation cycle:*

SMEG 07 is operated by the EIF under a 2007 Fiduciary and Management Agreement (FMA). Until 2013 the EIF was responsible for identifying, evaluating, and selecting Financial Intermediaries ('FIs') according to the FMA's Guarantee Policy.

ECFIN DDG2.02 (the Designated Service) was actively involved in FI approval process. Each deal needed approval of the Commission and EIF's Board of Directors. The Commission will continue its monitoring and reporting obligations until the wind-up of the facility (estimated 2026).

**Last budgetary commitmment**: 31/12/2013

**End of agreements' signing period**: 30/9/2014

[38] Initial voted commitments.
[39] Including increase /decrease in budget commitments from 2008 to 2013.

## Operational Performance

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **507.100.000** | **507.100.000** |
| **Leverage** | **41,8** | **45,2** |
| **Multiplier effect** | **61,2** | **63,3** |
| **Envisaged operations** | **69** | **69** |
| **Financing provided by financial intermediaries to final recipients** | **21.227.300.000** | **22.934.000.000** |
| **Number of final recipients** | **389.955** | **315.000** |
| **Investments made by final recipients due to the received financing** | **31.070.000.000** | **32.107.600.000** |

Until 31/12/2018 SMEG 07 consisted of 69 guarantee agreements with 52 Financial Intermediaries from 23 countries for a total amount guaranteed of EUR 7 313,8 million (and a total of EUR 507,1 million guarantee cap amount from the Union budget for direct and counter-guarantees).

Until 31/12/2018 (latest available figures), SMEG achievements under CIP were as follows:

- Guarantee agreements: 69
- Eligible recipients (SMEs) achieved: 389 955
- Eligible final recipients (SMEs) initially targeted: 315 000
- Loans achieved: 473 230
- Employees at eligible final recipients (SMEs) at inclusion date: 1 358 706

Jobs created or maintained: 389 955[40]
Total financing achieved: EUR 21 227,3 million
Total financing expected[41] : EUR 22 934,0 million
Total investment realised[42]: EUR 31 070,0 million

For 2007-2013, EUR 1 275,1[43] million of commitment appropriations were made available for the CIP financial instruments, of which EUR 649,9 million for SMEG. The appropriations were fully committed.
Regarding the payments appropriations for 2007-2018, out of the EUR 924,5 million made available for the CIP financial instruments, EUR 438,8 million were paid to the SMEG fiduciary account, managed by the EIF on behalf of the Commission. Funds are drawn down from the fiduciary account as and when defaults occur under SMEG.

As at 31/12/2018, SMEG 07 already contributed to provide more than 21,2 billion EUR of financing to 389 955 SMEs through 473 230 loans [44],accounting for nearly 31,1 billion EUR investment. The corresponding i) achieved financing leverage effect for CIP SMEG 07 at the level of entrusted entity (total loan volume received by the recipient SMEs / EU guarantee cap amount) is approx.41,8[45] - meaning 1 EUR EU funding generated nearly 42 EUR loan for SMEs -, and ii) achieved multiplier effect is 61,2 (based on a total investment realised of EUR 31 070,0 million / EU guarantee cap amount) - meaning 1 EUR EU funding generated more than 61 EUR in investment at SME level.

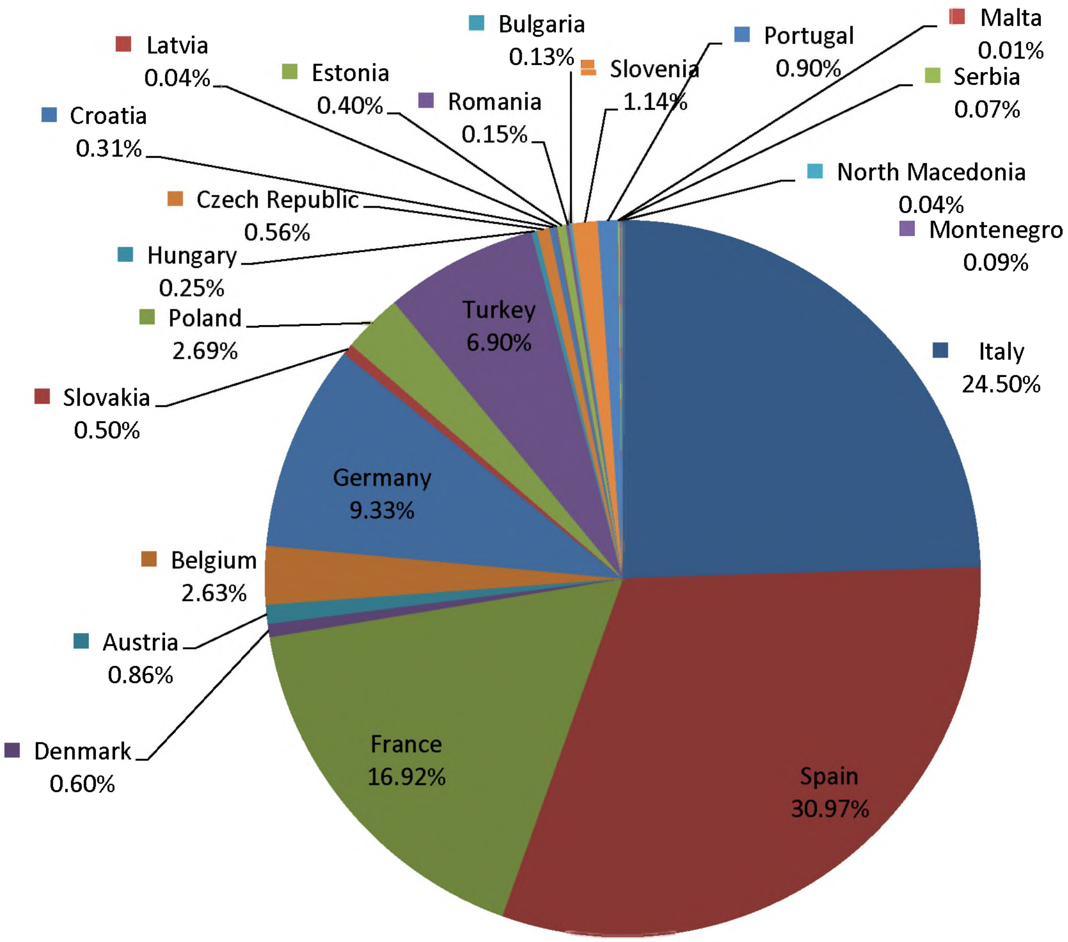
The (expected) target financing leverage effect for signed operations (calculated as "Estimated SME financing" / EU guarantee cap amount) is around 45,2[46] for the duration of the programme.

Based on the financing and investment volumes supported so far (see details above), the CIP market-oriented instruments under both GIF and SMEG have shown high efficiency and relevance in addressing current market conditions, dominated in recent years by a tightening of credit conditions and more difficult access to finance for SMEs. The SMEG Facility is a counter-cyclical instrument and has helped final recipients to face difficulties arising from the economic conditions since the crisis, namely to obtain or maintain access to finance and to create or maintain jobs over the period. Although the

[40] Estimate based on the methodology outlined in the 2011 Final Evaluation of the Entrepreneurship and Innovation Programme.
[41] i.e. : target financing volume ("estimated financing guaranteed" , source: EIF's Q4 Quarterly report dated 31/12/2018).
[42] Source: EIF's Q4 Quarterly report dated 31/12/2018.
[43] This amount has been lowered in 2016-2017 by EUR 97 million in decommitments.
[44] Source: EIF's Q4 Quarterly report dated 31/12/2018.
[45] Source: EIF's Q4 Quarterly report dated 31/12/2018; total loan volume received by the recipient SMEs = 21 227,3 million EUR / EU guarantee cap amount = 507,1 million EUR.
[46] Source: EIF's Q4 Quarterly report dated 31/12/208; "Estimated SME financing" = 22 934,0 million EUR / EU guarantee cap amount = 507,1 million EUR.

overall effect of EU programmes on SMEs' financing remains limited (by nature, EU intervention is limited to market gaps or sub-optimal market situations, meaning by far the largest part of financing is provided by banking and finance market players), the Facility did, however, make a very positive contribution to the development and sustainability of EU SMEs.

***Geographical diversification (repartition of EUR 2.12 billion of financing to recipients)***




### *Main issues for the implementation*

Implementation is finished. Some agreements signed with banks and guarantee schemes within the signing period are still ongoing, thus generating additional financing at final beneficiary level.

No specific issues have been identified.

The latest evaluations related to GIF and SMEG reiterated that their effectiveness has increased over time. In more detail, there have been improvements in monitoring systems at the level of both EIF and FIs involved in implementation which contributed to tracking comprehensively performance of the instrument and thus more effectively pursuing its policy objectives.

Besides, the relevance of the instrument as assessed by the recipient SMEs is significant[47]:

- 46% stated that the EU financing scheme was their only option available to get financing,
- 18% stated that without the EU support they would have received only part of the funding needed, 42% stated that the EU support helped them to get additional finance and
- 64% stated that EU support was crucial to find the finance needed.

[47] CSES (2012).

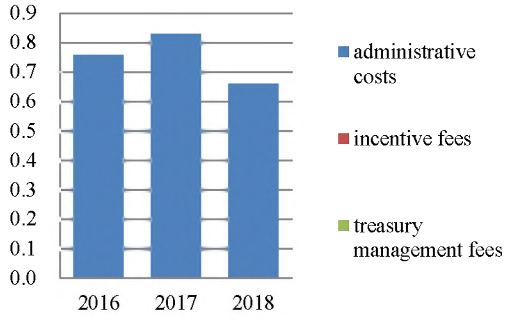
## Financial Information

(in euros)

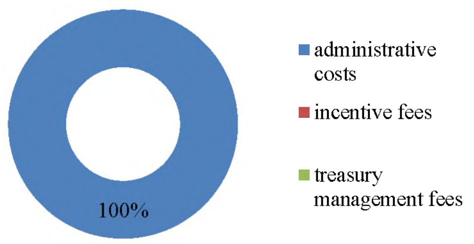
| | Notes | 2018 | 2007-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 565.989.792 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 0 | 578.076.536 |
| *of which from third countries* | | *1.182.178* | *22.748.338* |
| *of which from reflows* | | *0* | *12.089.884* |
| Budgetary payments | | 14.600.000 | 450.903.607 |
| **Reflows** | 3 | | |
| Revenues | | 2.242.889 | 39.794.167 |
| *interest income* | | *2.035.152* | *27.912.442* |
| *risk remuneration, dividends, fees* | | *207.737* | *1.005.229* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *0* | *10.876.496* |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 1.607.627 | 4.815.024 |
| Returned to the general budget | | 0 | 11.402.380 |
| Returned to be used | | 0 | 12.089.884 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 21.569.052 | 358.791.653 |
| *guarantee calls recovered* | | *4.117.234* | *30.416.900* |
| **Equity** | | | |
| *Impairments* | | *0* | *0* |
| *realised losses* | | *0* | *0* |
| **Costs** | 5 | | |
| Management fees | | 660.727 | 20.875.876 |
| *administrative costs* | | *660.727* | *20.875.876* |
| *incentive fees* | | *0* | *0* |
| *treasury management fees* | | *0* | *0* |
| Other operational and financial charges | | 3.491.138 | 20.551.466 |
| *negative interest* | | *202.590* | *670.142* |
| *foreign exchange losses* | | *3.288.548* | *19.881.324* |
| *other charges* | | *0* | *0* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 178.725.247 | 182.673.656 |
| Assets provisioned for risk and liabilities | | 82.726.265 | 90.114.450 |
| Value of equity investments | | NA | NA |
| Provisions for risk and liabilities | | 148.409.129 | 160.952.105 |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 82.721.018 | 90.098.064 |
| *in euro* | | *44.783.227* | *17.952.821* |
| *in non-euro currencies* | | *37.937.791* | *72.145.243* |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| **NA** |

**Management fees 2016-2018 (in million)**




**Management fees 2018**



## *4.8 High Growth and Innovative SME Facility (GIF) under the Competitiveness and Innovation Framework Programme (CIP)*

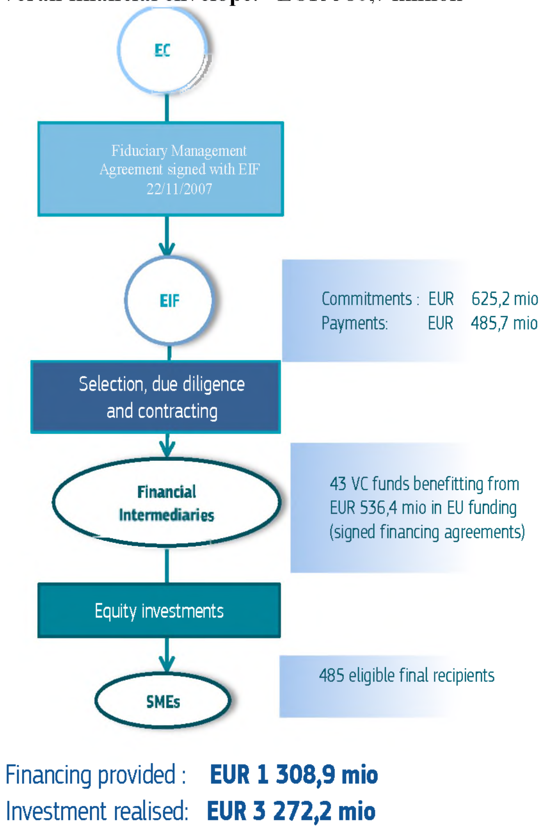
### Description

**Policy DG in charge:** DG GROW, with DG ECFIN for the design of the instruments
**Implementing DG in charge:** DG ECFIN
**Implementing Body in charge:** EIF

| **Identification/Reference to the basic act** |
|---|
| Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013) (OJ L 310/15, 9.11.2006, p.15). |
| **Budget lines** |
| 01.04 51 |

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 35.300.000 | 14.900.000 | 13.100.000 |

**Initial financial envelope**: EUR 623 million[48]
**Current financial envelope**: EUR 580,7 million[49]
**Overall financial envelope**: EUR 580,7 million[50]




[48]Initial voted commitments, including the CBS programme reallocations (EUR 73 million).
[49]Including increase /decrease in budget commitments from 2008 to 2018 (includes EUR 25 million in 2016 decommitments).
[50]Including changes in budget commitments from 2008 to 2013. The initial split CIP budget between the GIF and SMEG instruments was only indicative. CIP's share of the SMEG instrument has increased in line with market needs, leading to a lower current overall programme budget for GIF. This amount takes into account the EUR 25 million of 2016 decommitments.

***Policy objectives and scope***

GIF 07 is part of the Entrepreneurship and Innovation Programme (EIP), one of the three specific programmes under the CIP.

Its objective is to improve the access to finance for the start-up and growth of SMEs to support their investment in (eco-) innovation activities. GIF funds equity or quasi-equity to intermediaries, which then must provide long term equity or quasi-equity capital (including subordinated or participating loans and convertible bonds) to innovative SMEs. GIF therefore contributes to the establishment and financing of SMEs and the reduction of the equity financing gap (which prevents SMEs from exploiting their growth potential) to improve the European VC market. Moreover, it supports innovative SMEs with high growth potential, including in their cross-border expansion. Hence, GIF provided a critical lifeline of public support to the EU VC market in the crisis.

***Value added***

The added value of the GIF instrument consists in addressing specific market needs, offering structuring input, and providing catalytic effects.

***Implementation cycle***

GIF is implemented by the EIF on behalf of the Commission. The EIF provides EU venture capital investments on behalf of and at the risk of the Commission, under a 2007 Fiduciary and Management Agreement ('FMA'). The EIF was responsible for identifying, evaluating and selecting the Financial Intermediaries ('FI') in accordance with the FMA's Investment Policy. The EIF examined, proposals based on a call for expression of interest. Investment proposals by

FIs were selected based on a *notice of implementation* (OJ C 302, 14.12.2007).

ECFIN DDG2.02 (the Designated Service) was actively involved in FI approval process. Each deal was to be approved by the EIF Board of Directors and the Designated Service. The Designated Service will continue its monitoring and reporting obligations until the wind-up of the facility (estimated 2026).

**Date of last budgetary commitmment**: 31/12/2013

**Date of end of agreements' signing period** : 30/9/2014

## Operational Performance

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **536.384.548** | **536.384.548** |
| **Leverage** | **2.44** | **5.67** |
| **Multiplier effect** | **6,10** | **14.17** |
| **Envisaged operations** | **43** | **43** |
| **Financing provided by financial intermediaries to final recipients** | **1.308.900.000** | **3.039.745.138** |
| **Number of final recipients** | **485** | **473** |
| **Investments made by final recipients due to the received financing** | **3.272.250.000** | **7.599.362.845** |

By end 2018 GIF consisted of 43 venture capital funds having invested EUR 1 308,9 million in eligible final recipients from 17 countries (based on a total EUR 536,4 million EU contribution committed to financial intermediaries).

Until end 2018 (latest available figures), GIF achievements under CIP were as follows:

Financial intermediaries: 43

Final eligible recipients achieved: 485

Jobs created or maintained: 9 908[51]

Total financing achieved: EUR 1 308,9 million

Total financing expected[52] : EUR 3 039,7 million

Total investment realised[53]: EUR 3 272,2 million

For 2007-2013, EUR 1 275,1[54] million of commitment appropriations were made available for the CIP financial instruments, of which EUR 625,2 million for GIF. The appropriations were fully committed.

Regarding payments appropriations for 2007-2018, out of the EUR 924,5 million made available for the CIP financial instruments, EUR 485,7 million were paid to the GIF fiduciary account, managed by the EIF for the Commission. Funds are drawn down from the fiduciary account when defaults occur under GIF.

Until 31/12/2018, the GIF already contributed to provide more than 1,30 billion EUR of financing to 631 final recipients[55] for an estimated 3,3 billion EUR investment amount. The corresponding i) achieved financing leverage effect for CIP GIF at the level of entrusted entity [56] is approx. 2,44[57] - meaning 1 EUR EU funding generated nearly 2.5 EUR investments into SMEs, and ii) achieved multiplier effect is 6.1 (based on a total investment realised of EUR 3 272,2 million / EU Contribution committed to financial intermediaries of EUR 536,4 million) - meaning 1 EUR EU funding generated 6.1 EUR in investment at SME level.

The (expected) target financing leverage effect for signed operations[58] is estimated at around 5,7[59] for the entire duration of the programme.

Based on the financing and investment volumes supported so far (see above), the CIP market-oriented instruments under both GIF and SMEG have shown high efficiency and relevance in addressing current market conditions, dominated in recent years by a tightening of credit conditions and more difficult access to finance

[51] Note: Employment Report as at 31/12/2012 (latest available).

[52] i.e. : target financing volume ("Target Intermediary Size" , source: EIF's Q4 Quarterly report with data as at 31/12/2018).

[53] Source: EIF's Q4 Quarterly report with data as at 31/12/2018.

[54] This amount has been lowered in 2016-2017 by EUR 97 million decommitments.

[55] This is the total number of Final Recipients supported through the programme. Out of those, 485 are Eligible Final Recipients. The VC funds supported may address non-eligible FBs as well as eligible, but EU finances only eligible FBs out of those.

[56] total amounts invested in eligible final beneficiaries of EUR 1 308,9 million / EU Contribution committed to financial intermediaries of EUR 536,4 million

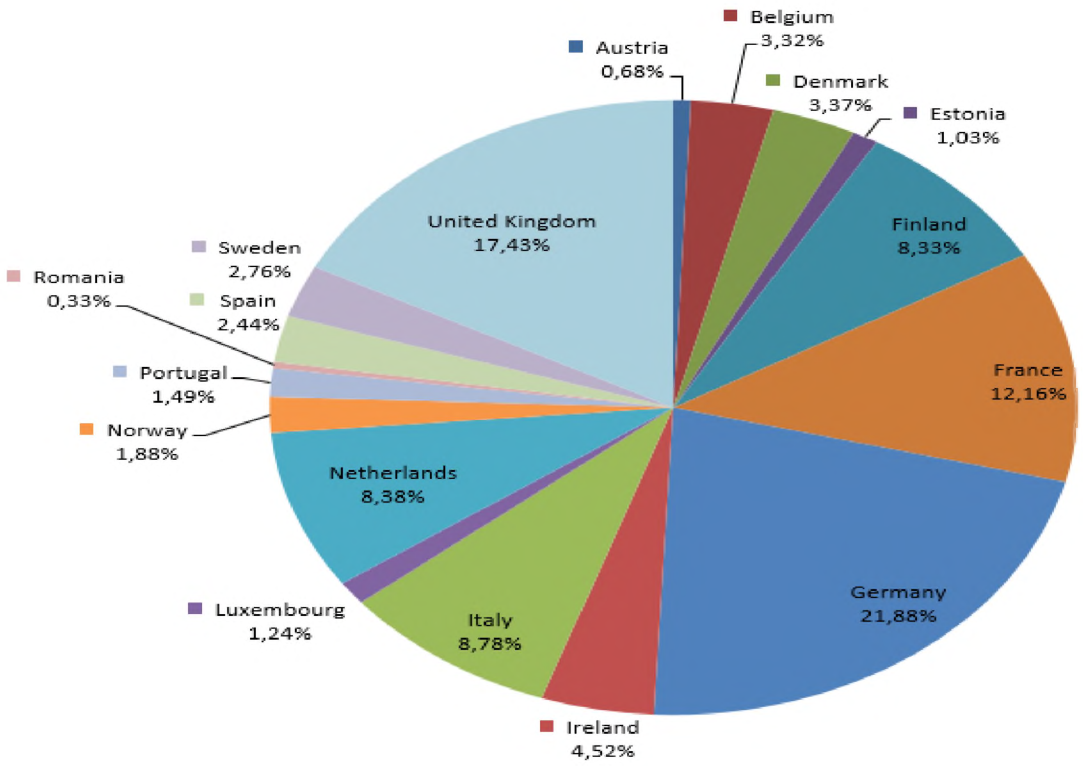
[57] Source: EIF's Q4 Quarterly report with data as at 31/12/2018.

[58] Target Intermediary Size / EU Contribution committed to financial intermediaries.

[59] Source: EIF's Q4 Quarterly report with data as at 31/12/2018.

for SMEs. Although the overall effect of EU programmes on SMEs' financing remains limited (by nature, EU intervention is limited to market gaps or sub-optimal market situations, thus by far the largest part of financing is provided by banks and finance market players), CIP's GIF components contributed very positively to the development and sustainability of SMEs in 2018.

***Geographical diversification (distribution of financing provided to recipients by country)***




## *Main issues for the implementation*

In 2018 the GIF component (providing venture capital) provided an essential contribution to SMEs' support in the participating countries, as outlined above and confirmed by the final evaluation results[60],[61].:On *Relevance*, the instrument met a clear need for finance for recipients and showed that gaps in SME finance can be addressed. 39% of recipients stated that this financing scheme was their only available option; 23% stated that without this support they would have been able to receive only part of the funding needed. In total, 62% said that the support was crucial to find the finance needed.

On *Effectiveness*, the funds are getting through to the intended recipients with the desired effects for growth, innovation and employment. 77% stated that the equity financing made it easier to obtain additional financing. Over 90% said that the financial support had a positive impact on their long term growth prospects. 62% expected an increase in turnover (between 26% and 100%). 83% identified themselves as engaged in product / service innovation.

Recipients also received other support (ie advice on business planning, access to a network, financial advice, special business advice).

On *Efficiency*, general stakeholders have the impression that the instruments are administered efficiently and that money is not wasted. On *Utility,* most recipients said the support was the only option for obtaining the funds needed. On *Sustainability,* possible improvements raised by EIPC[62] members and representatives of business organisations, related only to more general issues.On *European value-added,* the report recognised the leverage effect achieved, the fact that 80% of GIF recipients operate internationally and that VC funds i) have a broader geographical focus and ii) operate across boundaries.

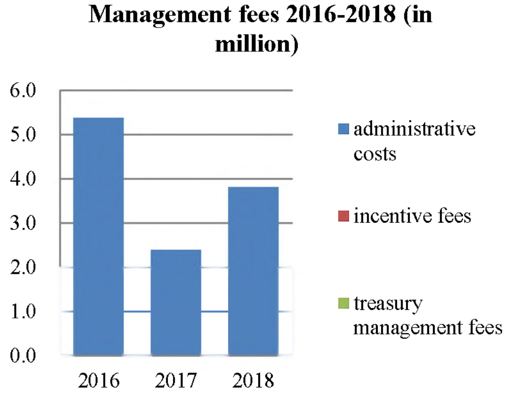
[60] CSES (2011), The EIP Final Evaluation,.
[61] Based on a telephone survey sample as part of the evaluation
[62] Entrepreunership and Innovation Programme Committee.

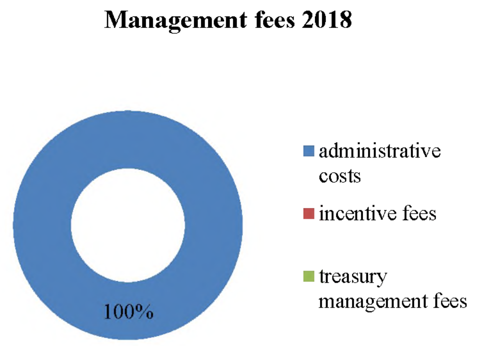
## Financial Information

*(in euros)*

| | Notes | 2018 | 2007-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 580.700.000 |
| **EU Contribution** | 2 | | |
| Budgetary commitments | | 0 | 600.156.686 |
| *of which from third countries* | | *0* | *23.727.793* |
| *of which from reflows* | | *0* | *19.474.357* |
| Budgetary payments | | 35.300.000 | 505.150.895 |
| **Reflows** | 3 | | |
| Revenues | | 7.332.662 | 32.092.504 |
| *interest income* | | *64.922* | *6.251.273* |
| *risk remuneration, dividends, fees* | | *7.089.897* | *19.164.250* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *177.843* | *6.676.981* |
| Repayments | | 37.643.270 | 167.073.967 |
| Payable to the Commission | | 0 | 58.014.094 |
| Returned to the general budget | | 0 | 793.480 |
| Returned to be used | | 58.120.139 | 136.255.065 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 0 | 0 |
| *guarantee calls recovered* | | *0* | *0* |
| **Equity** | | | |
| *Impairments* | | *7.443.405* | *37.592.167* |
| *realised losses* | | *0* | *1.385.704* |
| **Costs** | 5 | | |
| Management fees | | 3.814.553 | 32.140.379 |
| *administrative costs* | | *3.814.553* | *32.140.379* |
| *incentive fees* | | *0* | *0* |
| *treasury management fees* | | *0* | *0* |
| Other operational and financial charges | | 343.014 | 3.466.235 |
| *negative interest* | | *343.014* | *1.041.248* |
| *foreign exchange losses* | | *0* | *2.424.987* |
| *other charges* | | *0* | *0* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Maximum financial risk exposure | | 439.197.165 | 460.618.584 |
| Assets provisioned for risk and liabilities | | NA | NA |
| Value of equity investments | | 358.222.793 | 345.108.998 |
| Provisions for risk and liabilities | | NA | NA |
| **Fiduciary Account** | 7 | | |
| Balance in the fiduciary account | | 68.149.972 | 82.575.149 |
| *in euro* | | *57.552.270* | *66.028.148* |
| *in non-euro currencies* | | *10.597.702* | *16.547.001* |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| **NA** |



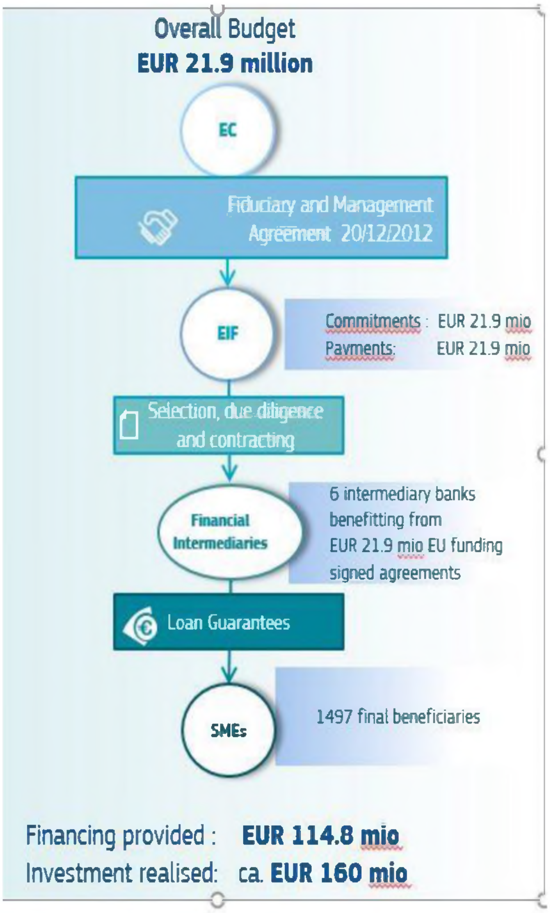
# *5 FINANCIAL INSTRUMENTS IN EXTERNAL POLICIES*

## *5.1 Guarantee Facility I (GF I)*

**Description:**Guarantee Facility I was deployed under the Western Balkans Enterprise Development and Innovation Facility (WB EDIF) as the first EU scheme of this kind for the Western Balkans. The WB EDIF Guarantee Facility serves to provide a capped guarantee for SME loans via locally represented commercial banks in the WB territories whereby such SMEs can obtain a loan to cover financing for investment and working capital of up to EUR 500 000 on preferential conditions. This first guarantee is already fully deployed.

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA), and in particular Article 14(3) thereof (OJ L 210, 31.7.2006, p. 82). | | | |
| **Budget lines** | | | |
| Budget line 22 02 51 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

Initial financial envelope: EUR 21 900 000
Current financial envelope: EUR 21 900 000
Overall financial envelope: EUR 21 900 000




*Implementation cycle:*

The Guarantee Facility I is implemented under indirect management, with the implementation tasks entrusted to the EIF.
The EU is the entirely funding GF I with EUR 21.9 million contribution (of which EUR 1.9 million is a provision for fees to the EIF as the Manager and EUR 20 million is the guarantee capital).
Duration: The instrument started on 20/12/12 and its final date of implementation is 30/11/2023.
The financial intermediaries have been selected through an open call for expression of interest published in 2013 and the entire amount of the capital had been allocated to guarantees in the course of 2014 and 2015.
After the fast absorbtion of the above mentionned funding GF I was further topped up with a replenishment of EUR 17.5 million in 2015 (reported here separetely). Given the absorption of the instrument the EIF also developed national window for Serbia only, with EUR 20 million funding under IPA. The Guarantee was signed in december 2017, with the 5 intermediaries selected in the autumn of 2018. DG NEAR also approved further replanishment of the Guarantee Facility aiming at Youth Employment and Training to be deployed in 2019 (EUR 10 million).

The GF I added value lies in its goal to guarantee SME loan portfolios issued by commercial banks for new SME lending. Under the respective guarantee agreements, the intermediary banks, commit to a range of benefits to be transmitted to the final beneficiaries, which is determined on a case-by-case basis. These include: lower interest rates, lower collateral requirements or longer loan maturities. GF I therefore improves SME access to lending by lowering the cost of borrowing in the Western Balkans, where access to loan finance remains one of the biggest difficulties for SMEs.

Duration: final date of implementation: 30/11/2023

## Operational Performance

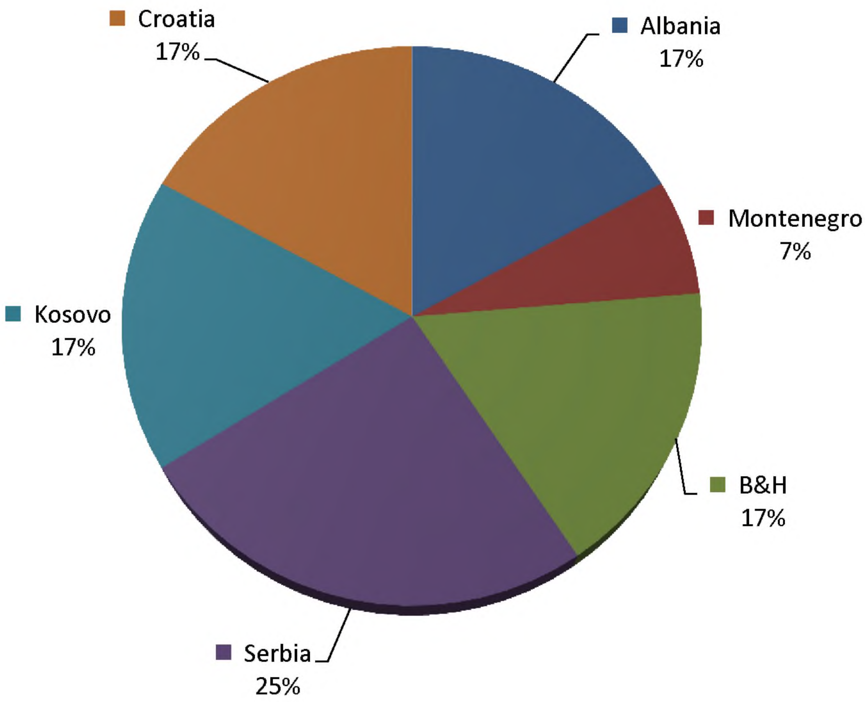
The achieved leverage effect of the Facility is 5.24, which means that the budget of EUR 21.9 million mobilised some EUR 114.8 million of new loans.
For the GF as a whole, ~88% of the loans originated under the Western Balkans Guarantee Facility are for EUR 150 000 or smaller, which demonstrates that these loans are going to smaller SMEs which typically struggle to obtain access to finance in this region.
As at 31 December 2018, the utilisation figures (loans extended to SMEs) are positive across all the transactions with Bosnia and Herzegovina and Kosovo achieving almost 100% absorption. The utilisation rate of Raiffeisen Croatia ("RBHR"), the only intermediary with lagging utilisation, was higher than in 2017 and remained stable (88.6%). The guarantees called amounted EUR 1.6 million (8.14% of the total Guarantee Cap amount), out of which UniCredit Bank Serbia accounts for the highest amount called (EUR 760 000, or 15 % of the Guarantee Cap). The supported loans cover all sectors, but most of them in wholesale trade, retail trade, manufacturing.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **21.900.000** | **21.900.000** |
| **Leverage** | **5.24** | **5.4** |
| **Multiplier effect** | **7.3** | **7.53** |
| **Envisaged operations** | **6** | **7** |
| **Financing provided by financial intermediaries to final recipients** | **114.800.000** | **117.900.000** |
| **Number of final recipients** | **1497** | **NA** |
| **Investments made by final recipients due to the received financing** | **160.720.000** | **165.060.000** |

### *Geographical diversification*

GF I covers 5 out of the 6 Western Balkans countries and Croatia: the Republic of North Macedonia was not covered by GF I but an intermediary responded to the call under GF II.

The graph below represents the geographic repartition of the final recipients, which have received financing under GF I so far.




### *Main issues for the implementation*

**Provision of regulatory capital relief:** the provision of regulatory capital relief under the Guarantee Agreements has been identified as a pivotal characteristic and its importance in the pooling of a sufficient number of qualified applicants. What is more, in individual cases of Intermediaries that have been pre-selected and entered legal negotiations with EIF, it has been presented as sine qua non condition for the conclusion of negotiations with the signature of a Guarantee Agreement if the benefit transferred to the SMEs includes pricing reduction. This should be viewed in the context of the implementation of the Third Basel Accord that strengthens bank capital requirements. Against that background, in 2014, DG Enlargement (now NEAR) consented to the granting of the regulatory capital relief to the intermediaries under the Guarantee Facility. This was done on the basis of the provisions of the Fiduciary and Management Agreement that stipulates that "in order to further the objective of the Action, Guarantees should aim to provide regulatory capital relief for Intermediaries"

## Financial Information

| | Notes | 2018 | 2013-2018 |
|---|---|---|---|
| | | | *(in euros)* |
| **Overall budget** | 1 | | |
| Financial envelope available | | | 21900.000 |
| **EU Contribution** | 2 | | |
| Commitments | | | 21900.000 |
| *of which from third countries* | | *0* | *0* |
| *of which from reflows (source)* | | *0* | *0* |
| Payments | | - | 21900.000 |
| **Reflows** | 3 | | |
| Revenues | | 0 | 3.417 |
| *interest income* | | *0* | *3.417* |
| *risk remuneration, dividends, fees* | | *0* | *0* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *0* | *0* |
| Repayments | | 0 | 19.950 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be reused | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 45.048 | 1600.000 |
| *guarantee calls recovered* | | *28.703* | *0* |
| **Equity** | | | |
| *impairments* | | *0* | *0* |
| *realised losses* | | *0* | *0* |
| **Costs** | 5 | | |
| Management fees | | 0 | 1900.000 |
| Other operational and financial charges | | 19.105 | 19.034 |
| *negative interest* | | *3.388* | *3.317* |
| *foreign exchange losses* | | *0* | *0* |
| *other charges* | | *15.717* | *15.717* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 17.857.893 | 20.000.000 |
| Assets provisioned for risk and liabilities | | 18.670.966 | 0 |
| Value of equity investments | | 0 | 0 |
| Provisions for risk and liabilities | | 17.609.966 | 0 |
| **Fiduciary Account** | 7 | | |
| Balance | | 18.670.966 | 19.341.196 |
| *in euro* | | *18.670.966* | *19.341.196* |
| *in non-euro currencies(in €* | | *0* | *0* |

The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

**The instrument started in 2013 and guarantees loans with maturity until 2023**

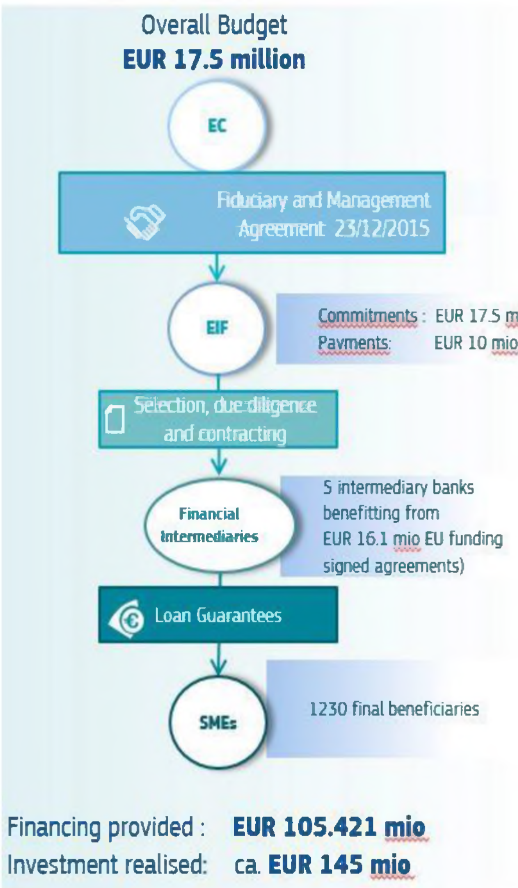
## 5.2 Guarantee Facility under the Western Balkans EDIF II (GF II)

### Description

Guarantee Facility II is deployed under the Western Balkans Enterprise Development and Innovation Facility (WB EDIF) and actually represents a direct continuation and a top-up of EUR 17.5 million made by DG NEAR in 2015 to the Guarantee Facility I. The product and its objectives are identical but funds are committed in a separate mandate because the WB EDIF GF II is compliant to the new Financial Regulation of 2014 and the resources are coming from IPA II. As the previous guarantee, GF II serves to provide a capped guarantee for SME loans via the participating commercial banks in the WB territories whereby such SMEs can obtain a loan to cover financing for investment and working capital of up to EUR 500 000. This Guarantee is also managed by the EIF.

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II) (OJ L 77, 15.3.2014, p. 11). | | | |
| **Budget lines** | | | |
| BGUE-B2015-22.020401-C8-NEAR | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

Initial financial envelope: EUR 17 500 000
Current financial envelope: EUR 17 500 000
Overall financial envelope: EUR 17 500 000




*Implementation cycle:*

GF II is implemented under indirect management, in accordance with Article 139 of the Financial Regulation (through a Fiduciary and Management Agreement), with the implementation tasks entrusted to the EIF.
The instrument is entirely financed be the European Commission with this replenishment amounting to EUR 17.5 million (of which EUR 1.4 million is a provision for fees to the EIF as the Manager and EUR 16.1 million is the guarantee capital).

*Duration*: The instrument started in 23/12/2015. Provided that EIF Board has approved the EU Guarantee before December 2020, EU Guarantee may be signed until 30 September 2021.

GF II is providing guarantees to targeted SMEs, with a guarantee rate of up to 70 % and a Guarantee Cap of up to 25 %. The exact guarantee rate and cap is being determined on a case-by-case basis. This second deployment of funding (GF II), whereby EIF signed with 5 banks in the region, shows very good results and nearly full absorption by the market.
The utilization stands at EUR 48,28 million (i.e. 0.3 % of the Total amount of Guarantees Committed)
*Duration* : Termination date is 31/12/2028 and the EU Guarantee can be signed until 30/9/2021

## Operational Performance

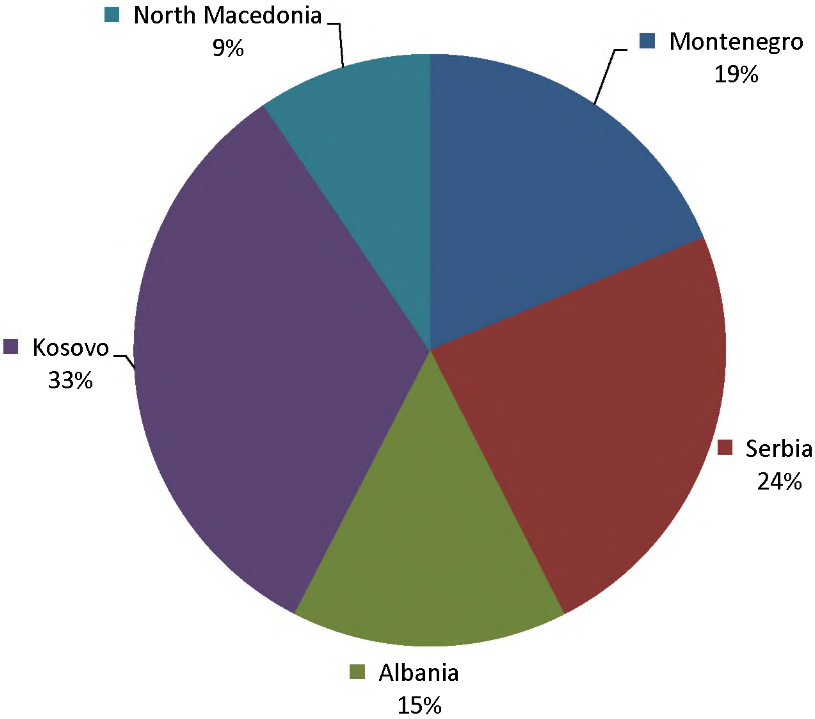
Through GF II the EU budgetary allocation of just over EUR 17.5 million (administrative fees included) was translated into an overall expected portfolio volume of EUR 107 million for lending to SMEs - more than the initially targeted one of EUR 94.5 million, resulting in an increased expected leverage effect of 6.1.

GF II, as at the reporting date, has supported 1230 final beneficiaries in 5 out of six Western Balkans countries (B&H is not benefiting). 1468 loans were signed with this replenishment. Most of the transactions are in the wholesale, accommodation and services, as well as in transport and storage sectors.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **17.500.000** | **17.500.000** |
| **Leverage** | **6** | **6.1** |
| **Multiplier effect** | **8.26** | **8.6** |
| **Envisaged operations** | **5** | **6** |
| **Financing provided by financial intermediaries to final recipients** | **105.420.560** | **107.000.000** |
| **Number of final recipients** | **1230** | **NA** |
| **Investments made by final recipients due to the received financing** | **144.588.784** | **149.800.000** |

### *Geographical diversification*

The five agreements signed by EIF are with the following banks (totalling EUR 105.4 million): CKB Montenegro (EUR 20 million); ProCredit Kosovo (EUR 35 million); ProKredit Banka AD Skopje (EUR 10 million); ProCredit Serbia (EUR 25 million), Raiffeisen Albania (EUR 17 million). The graph below represents the geographic repartition of the final recipients, which have received financing under GF II so far.




### *Main issues for the implementation*

The instruments has already proven its value added: the respective guarantee agreements with the intermediary banks commit to a range of benefits to be transmitted to the final beneficiaries, which is determined on a case-by-case basis. These include: lower interest rates, lower collateral requirements or longer loan maturities. Under the EU guarantee, a new SME loan portfolio is to be created reaching out to those companies that would otherwise not be served by the intermediary.

A replenishment of the Guarantee Facility was made in December 2017, which created a EUR 20 million Serbia window to the Guarantee Facility.

The fourth and most recent replenishment was done in December 2018 (EUR 10 million) so as to increase the fund's scale and impact in the region; it will also, but not exclusively, be used to incentivise the development of guarantee loan portfolios to SMEs that secure youth employment and training. The EIF currently deploys the youth guarantee with similar parameters with deviations for the guarantee rate regarding the youth and non-youth employment portfolios.

## Financial Information

(in euros)

| | Notes | 2018 | 2015-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 17.500.000 |
| **EU Contribution** | 2 | | |
| Commitments | | | 17.500.000 |
| *of which from third countries* | | *0* | *0* |
| *of which from reflows (source)* | | *0* | *0* |
| Payments | | 0 | 0 |
| **Reflows** | 3 | | |
| Revenues | | 152 | 15.553 |
| *interest income* | | *152* | *15.553* |
| *risk remuneration, dividends, fees* | | *0* | *0* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *0* | *0* |
| Repayments | | 0 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be reused | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Guarantees called | | 54.600 | 48.287 |
| *guarantee calls recovered* | | *6.313* | *0* |
| **Equity** | | | |
| *impairments* | | *0* | *0* |
| *realised losses* | | *0* | *0* |
| **Costs** | 5 | | |
| Management fees | | 215.957 | 852.902 |
| Other operational and financial charges | | 8.452 | 2.076 |
| *negative interest* | | *8.452* | *0* |
| *foreign exchange losses* | | *0* | *2.076* |
| *other charges* | | *0* | *0* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 16.039.087 | 10.000.000 |
| Assets provisioned for risk and liabilities | | 9.074.958 | NA |
| Value of equity investments | | 0 | 0 |
| Provisions for risk and liabilities | | 14.923.103 | 8.106.102 |
| **Fiduciary Account** | 7 | | |
| Balance | | 16.904 | 4.332.294 |
| *in euro* | | *8.452* | *4.332.294* |
| *in non-euro currencies (in €)* | | *8.452* | *0* |

The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

**The instrument started in 2015 and its termination date is 2025. However, and provided that EIF Board has approved the EU Guarantee before December 2020, EU Guarantee may be signed until 30 September 2021**

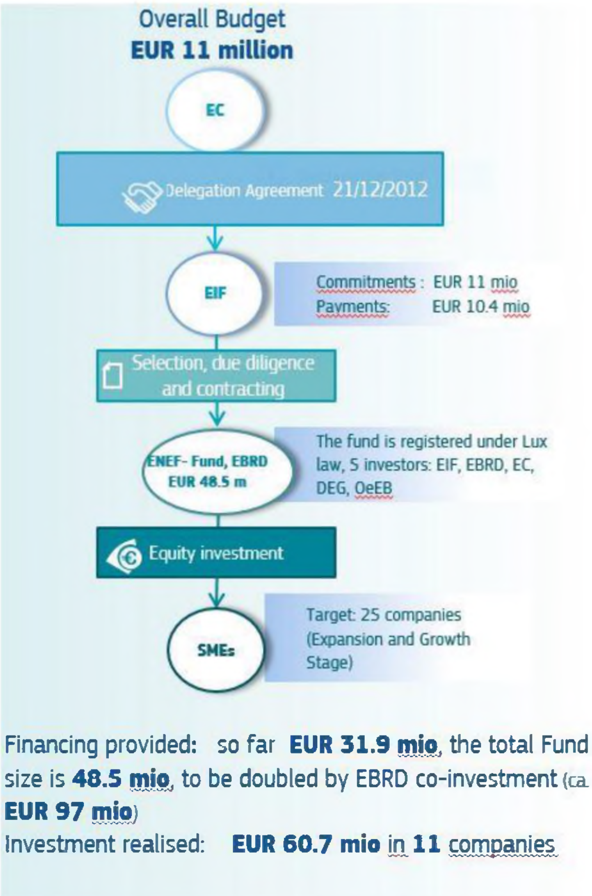
## 5.3 Enterprise Expansion Fund (ENEF)

### Description

ENEF is the second of two equity funds (together with ENIF) deployed under the Western Balkans Enterprise Development and Innovation Facility (WB EDIF). The Fund contributes to achieving the objectives of enhancing socio-economic growth of the Western Balkans via the creation of preconditions for the emergence and growth of innovative and high-potential companies. It provides equity and quasi-equity funding (such as preferred shares, convertible bonds, mezzanine or subordinated debt) on a selective basis. The instrument will provide expansion and development capital to at least 15-20 portfolio companies, with sales between EUR 5 million and EUR 20 million. So far, however, ENEF's portfolio covers also 2 start-ups. Typical investment tickets are in the range of EUR 1 to 7.5 million, with additional co-financing by the European Bank for Reconstruction and Development (EBRD).

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA), and in particular Article 14(3) thereof (OJ L 210, 31.7.2006, p. 82). | | | |
| **Budget lines** | | | |
| 22.02 51 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 600.000 | 0 | 0 |
| **Budgetary payment appropriations** | 600.000 | 0 | 0 |

Initial financial envelope: EUR 11 000 000
Current financial envelope: EUR 11 000 000
Overall financial envelope: EUR 11 000 000




*Implementation cycle:*

The Commission is implementing the instrument under indirect management in accordance with Article 139 of the Financial Regulation and has mandated the European Investment Fund to represent its interests and financial contribution to ENEF ("management of a participation of the European Community in the Enterprise Expansion Fund"). EIF is not only acting as a trustee of the EC in ENEF but is also committing own funds).

The European Bank for Reconstruction and Development (EBRD) is the Investment Advisor of the fund responsible for origination, structuring, executing and monitoring investments. An Independent Investment committee decides on investment and divestment proposals. The fund is supervised by the Board of Directors, comprised of EIF, EBRD and DEG.[63] EBRD manages ENEF through its offices in each beneficiary country.

Duration: ENEF was formally incorporated under Luxembourgish Law on 14 February 2014 with initial fund's term of 10 years. In 2018 the fund's term was prolonged with 2 more years as to provide the possibility for a

[63] *Deutsche Investitions und Entwicklungsgesellschaft*

full absorption- 2026 (the related decision will be amended and the contract prolonged).
Following an investment period of maximum 5 years, ENEF's portfolio will be wound up in a subsequent period of maximum 5 years.
ENEF fund size is of EUR 48.5 million, by receiving commitments from the following investors:
-(EC) with a contribution of EUR 11 million of which EUR 9,5 million invested via the European Investment Fund (EIF) by means of a Trusteeship (the rest is fee + TA).
- The European Investment Fund (EIF) with a contribution of EUR 5 m,
- The European Bank for Reconstruction and Development (EBRD) with a contribution of EUR 24 million (including EUR 3 million from the Italian Investment Special Fund ("IISF"),
- The Deutsche Investitions- und Entwicklungsgesellschaft (DEG) with a contribution of EUR 5 million
-The Oesterreichische Entwicklungsbank AG (OeEB) with a contribution of EUR 5 million.

*Duration*: end of implementation date: 31/12/2026, extension performed in Q4 2018.

## Operational Performance

The Enterprise Expansion Fund's size is EUR 48.5 million and is further leveraged in a proportion 1:1 with pari passu co-investments from the EBRD via its Local Enterprise Facility (LEF). Initially the Fund was designed to have deal-by-deal 1:1 co investment from EBRD, but after the investors agreed on some amendments, the co-investment will be looked at in a more flexible way at portfolio level.
In 2018, The Issue Document of the fund was amended as to allow also investments in the energy sector.
The 13 investments realised by the Fund at the end of 2018 are for a total cost of EUR 15,9 million (investments realised, to be co-financed by the EBRD at 1:1 ratio ~31.9 million).
For the time being, the underlying investment projects are largely on track and the financial performance of most of the companies is broadly in line with the original expectations.
Overall, as of 31 December 2018, the Fund had drawn ca 1/3 of its committed capital. The first distribution of EUR 1.5 million to the investors was made in Q4 2018 and the European Commission should receive its share (ca. 294 000) through its Trustee.
Succession provides opportunities for new deals in the region (the owners of companies, which were founded after 1992 are at retirement age and some of them are willing to transfer partially the ownership and therefore provide opportunity for equity investment).
Majority of the investments so far have debt character and the exit strategy is linked to the repayment of the loan. ENIF's pipeline include some very interesting investments: the largest pharmaceutical distributor in Kosovo (Santefarm), the first private Pension Fund in Bosnia and Herzegovina etc. According to the data, women are very well represented in the companies covered by ENIF (ca 50% in average).

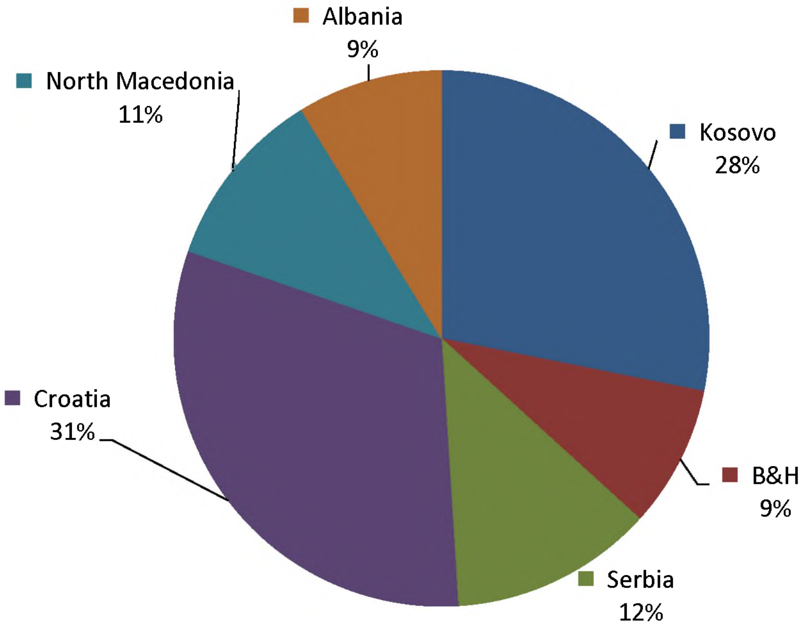
| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **11.000.000** | **11.000.000** |
| **Leverage** | **3** | **8.8** |
| **Multiplier effect** | **5.5** | **16.8** |
| **Envisaged operations** | **13** | **25** |
| **Financing provided by financial intermediaries** | **31.962.000** | **97.000.000** |
| **Number of final recipients** | **11** | **25** |
| **Investments made by final recipients due to the received financing** | **60.727.800** | **184.300.000** |

### *Geographical diversification*

ENEF is open and invests in all Western Balkan countries (Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia and Kosovo) and Croatia.

There are 13 investments in 11 companies in the ENEF's portfolio by December 2018, 2 are in Bosnia and Herzegovina, 3 in Serbia, 1 in Croatia, 1 in North Macedonia, 1 in Albania and 3 in Kosovo. The only new investment realised in 2018 via ENEF is in Kosovo.

ENEF has generalist caracter – the fund is investing in all eligible economic sectors.




### *Main issues for the implementation*

ENEF is one of the first of its kind funds in the region, paving the way for the equity finance in the 6 beneficiary countries. The Fund had to face many difficulties since its inception related to its pilot nature, the economic and political reality, as well as the specific doing business culture in the Western Balkans.

As a result the fund encounters some challenges, also related to its absorption, which, based on a proposal by the Fund Manager (made already in 2017), were subject to detailed and thorough discussion in 2018 between the shareholders. The investors agreed on a couple of measures that will improve the performance of the Fund. As a result iIn 2018 other adjustments were also made to the ENEF's Term sheet as to adapt the fund to the changes in the regional equity market and increase its absorption. The mandate of the fund was extended therefore also to cover investments in the energy sector. The implementation period of ENEF was also extended with 2 years.

ENEF provides added value in the EU efforts to support the equity funding in the Western Balkans because it is attracting European private sector investors to what is perceived as a risky and complex SME market. With its European profile the fund also plays important role in the local equity market where investors from USA, Asia and the Middle East have recently started to operate. Furthermore, building on the EBRD experience, ENEF diversifies the sources of financing available for the high-potential companies, thus enabling growth and employment creating investments. Therefore, phase II of the fund for the period after 2020 is under discussion with potential IPA 2020 financing.

## Financial Information

(in euros)

| | Notes | 2018 | 2016-2018 |
|---|---|---|---|
| **Capital** | 1 | | |
| Fund's capital | | | 48.500.000 |
| EU stake € | | | 9.500.000 |
| EU stake % (B shares) | | | 20 |
| **EU Contribution** | 2 | | |
| Commitments | | 0 | 11.000.000 |
| *of which to technical assistance* | | *0* | *1.500.000* |
| Payments | | 600.000 | 10.400.000 |
| **Reflows** | 3 | | |
| Revenues | | -11.621 | 0 |
| Repayments | | 293.814 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Impairments | | 0 | 0 |
| Realised losses | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 80.480 | 1.100.000 |
| *of which to EIF* | | *80.480* | *0* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 2.929.446 | 11.000.000 |
| Value of equity investments | | 2.929.446 | 15.700.000 |
| *investment at cost* | | *2.776.714* | *0* |
| **Fiduciary Account** | 7 | | |
| Balance | | 7.528.848 | 0 |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| 0 |

### *Notes on financial information*

1. In line with article 4(2) of the Special Conditions, the EC Contribution of EUR 10.4 million was paid into the ENEF Trust Account on 29 January 2013. Out of this EC Contribution an amount of EUR 400,000 refer to a contribution made (paid already) to the ENEF Advisor via EIF (the “Advisory Contribution”).

2. As per the Agreement, the EIF is entitled to receive an annual fee of EUR 80,000 (the “Trustee Fee”) in consideration of its performance of the Action payable upon receipt by the Commission of a Notification of semi-annual progress report as of 31 December of each year.

## 5.4 Enterprise Innovation Fund (ENIF)

### Description

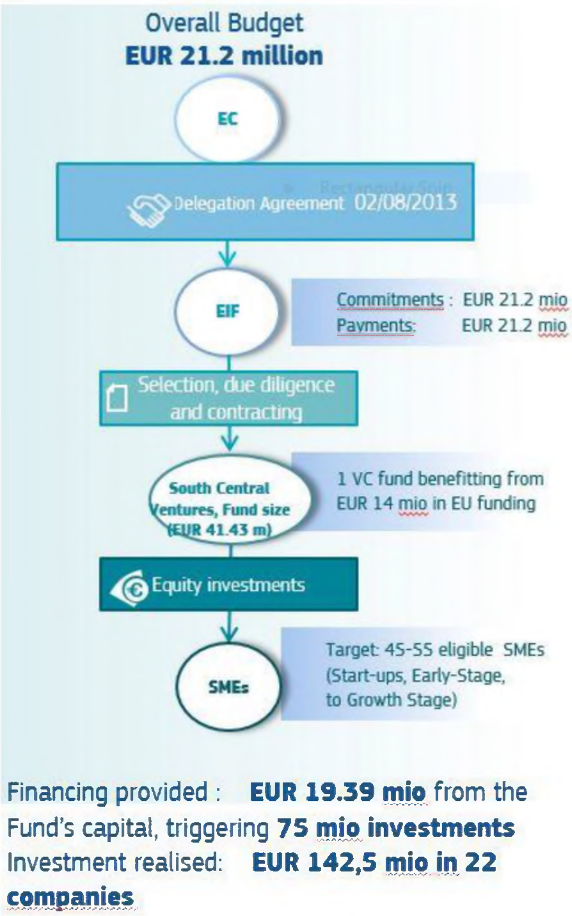
ENIF is one of the two equity instruments under the Western Balkans Enterprise Development and Innovation Facility (WB EDIF). It is a stand-alone venture capital fund deployed by EIF and its Fund manager is South Central Ventures (SCV). ENIF targets innovative companies with high growth potential, which are at early stage to later stage across a spectrum from pre-revenue and very early revenue through companies with established revenues and close to profitability. About 30% of ENIF's capital will be invested in SMEs with tickets ranging EUR 0.5 – EUR 1m. The average investment per company should be EUR 1 – 1.5m, without limiting however the possibility for follow-on investments as well as the overall profit-oriented character of ENIF.

| **Identification/Reference to the basic act** |
|---|
| Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA), and in particular Article 14(3) thereof (OJ L 210, 31.7.2006, p. 82). |

| **Budget lines** |
|---|
| 22.02 51 |

| | **2018** | **2019** | **2020** |
|---|---|---|---|
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

Initial financial envelope: EUR 21 200 000
Current financial envelope: EUR 21 200 000
Overall financial envelope: EUR 21 200 000




*Implementation cycle:*

The Commission implements the instrument under indirect management in accordance with Article 139 of the Financial Regulation, while entrusting the implementation tasks to the European Investment Fund (EIF). ENIF's Manager is South Central Ventures ("SCV"), which was selected on competitive basis- experience, expertise and presence in the region.

Duration: The instrument started in 2015. Following an investment period of maximum 5 years, its portfolio will be wound up in a subsequent period of maximum 5 years, up to 2025 (the Agreement with EIF was signed on 02/08/2018 and the final date of activities is 1/08/2023).

The EU Commission is the major investor in the fund- EUR 21.2 m (of which EUR 14.1 million investment, EUR 6.2 million direct contribution to the Fund Managers expenses only during the investment period and fees). For the sake of ownership, ENIF is structured so that each of the IPA beneficiary governments financially contributes to it corresponding to its GDP.

ENIF's EUR 25.1 million initial closing, which occurred in September 2015, was made up of contributions by the European Commission, European Bank for Reconstruction and Development (EBRD), Croatia, North Macedonia and private investors. ENIF was further increased at second closing in April 2016, including KfW, Montenegro and also third party capital raised by the Fund Manager. ENIF's third closing was completed on 1 March 2017, after Kosovo's investment of EUR 190 000. Moreover the Fund concluded its final closing in June 2017, with the inclusion of the Serbian government's investment of EUR 1 328 000 bringing ENIF's total fund's size (i.e. : financing provided) to EUR 41 430 000. With this final closing, the fund is at its final size and no additional closings are foreseen. The final composition of ENIF's investors is: 78% Institutional, 12% Private, and 10% National and Government, s presented below:

| Investor | Final commitments |
|---|---|
| EC through EIF | EUR 14.10m |
| EIF | EUR 5.0m |
| EBRD | EUR 5.0m |
| WB Beneficiaries | EUR 4.03m |
| Private Investors | EUR 5.30m |
| KfW | EUR 8.0m |
| Total | EUR 41.43m |

ENIF diversifies sources of financing for the innovative companies, enabling growth and employment creating investments. ENIF has particular added value as it finances the riskiest segments of the SMEs, innovative SMEs and start-ups/early stage development, typically of interest to venture capital investors, who have so far avoided the region. Hence, ENIF also serves as a market test for the venture capital investment potential in the region.

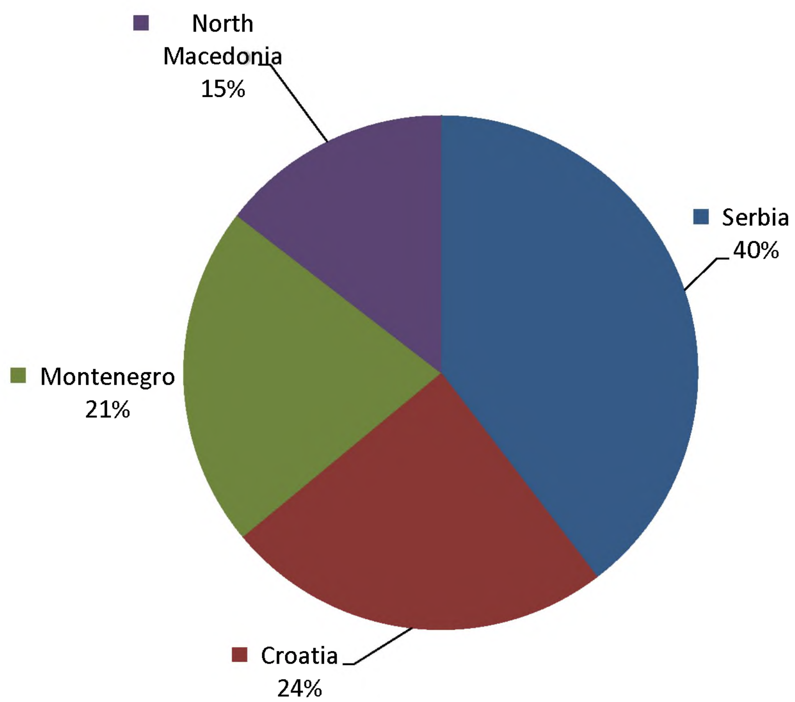
When setting-up the fund, it was estimated that the EU financial contribution of EUR 21.2 million shall leverage a total financing of approximately EUR 40 to 50 million (equalling a total fund size), implying the expected leverage factor of around 2. By December 2018 ENIF already reached its target volume.

Duration: final implementation date: 1/8/2023.

## Operational Performance

ENIF will dedicate an amount of EUR 1.5 million to be exclusively invested in 25-30 companies in pre-seed and seed companies across the entire WB Region. Together with the Seed Pocket, the total number of companies to be supported is expected to be 45-55.
By December 2018 ENIF's portfolio is composed of 22 companies, out of which 12 are start-ups and 10 seed capital investments (for a total disbursed directly from the Fund around EUR 19.39 million). ENIF's aggregate capital commitment invested in portfolio investments stands at 46% of the committed capital. At the end of H2 2018, the potential value of all deals in the pipeline, based on available information, was estimated to be ca. EUR 75 million.
During the reporting period the Fund manager screened 476 and signed 9 new deals.
The focus of the fund is on the technology sector, with particular emphasis on internet and mobile technologies (telecommunications, software development, mobile technologies, e-commerce). However, the fund retains a generalist sector investment objective (in line with the Western Balkans entrepreneurial market which is still too immature to complement extremely focused strategies). The ENIF team started also to work with the expat community of Serbian tech entrepreneurs living in the US or in the EU, as well as the Bosnian diaspora, whereas all product development of the companies is taking place in the Western Balkans (knowledge transfer).
ENIF's Advisory board held session in March and September 2018.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **21.200.000** | **21.200.000** |
| **Leverage** | **3,5** | **2** |
| **Multiplier effect** | **6,7** | **3,7** |
| **Envisaged operations** | **22** | **45-55** |
| **Financing provided by financial intermediaries to final recipients** | **75.000.000** | **42.400.000** |
| **Number of final recipients** | **22** | **45-55** |
| **Investments made by final recipients due to the received financing** | **142.500.000** | **80.560.000** |




### *Geographical diversification*

During the reporting period 9 new deals were finalised: 3 in Serbia; 3 in Croatia; 2 in North Macedonia and 1 in Montenegro. Some of the companies have regional presence. An investment in Kosovo went through a due diligence in 2018 and is expected to materialise in 2019. Two deals could potentially be added to the ENIF's pipeline for Albania. In Bosnia and Herzegovina, pipeline building remains challenging as most of the start-ups tend to relocate to other countries early-on.

### *Main issues for the implementation*

***- Fundraising for venture capital has been extremely difficult in Europe following the crisis with 2010 and 2011 seeing the bottom of investor participation in such asset class. The situation in the Western Balkans Region is even more difficult stemming from the underdeveloped market, insufficient deal flow and lack of fund management expertise and track record on the market. Against that background, participation of an anchor investor (such as International Finance Institution) is a catalyst of other private capital by ensuring expertise and implementation of best industry practice. This is the approach taken by ENIF to attract private capital and achieve leverage;***

***- The fund contributed to the emergence of the regional equity market and plays important role in stimulating the grow of start-ups and digital companies- one of the main EU priorities for the Western Balkans;***

***- A second phase of the fund is to be planned after 2020 as the teams are already in place and the current investments provide good results but also visibility for the EU. The EU participation in ENIF II is under discussion with IPA 2020 funds;***

- As to overcome some of the challenges described above the Fund has been actively promoted in the target region, in some cases together with local Governments and their agencies or in co-operation with various local organizations working with start-ups and entrepreneurs. The SCV participated in a number of pitching and investment readiness events, start-up competitions and conferences, also as a member of the jury. The team also cooperates with members of the Start-up Europe network. As a result ENIF has got coverage in the local media in most of the countries in the region, and the investment team members were invited to participate in various start-up events in the region.

- Per the ENIF trusteeship agreement, the EIF will commence monitoring missions on the later to occur between (i) the third anniversary of the initial closing date of ENIF and (ii) the date on or after which more than fifty percent of ENIF's aggregate capital commitment has been invested in portfolio investments. As at 31 December 2018, the EIF had not yet carried out a monitoring mission as ENIF has not yet fulfilled any of the aforementioned conditions.

## Financial Information

(in euros)

| | Notes | 2018 | 2016-2018 |
|---|---|---|---|
| **Capital** | 1 | | |
| Fund's capital | | | 41300.000 |
| EU stake € | | | 14.100.000 |
| EU stake % (equal treatment) | | | 35 |
| **EU Contribution** | 2 | | |
| Commitments | | 21200.000 | 21200.000 |
| *of which to technical assistance* | | *6.200.000* | *6.200.000* |
| Payments | | 21200.000 | 21200.000 |
| **Reflows** | 3 | | |
| Revenues | | -113.426 | - |
| Repayments | | 0 | - |
| Returned to the general budget | | 0 | 0 |
| Returned to be used | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Impairments | | 0 | 0 |
| Realised losses | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees | | 1.080.160 | 6.200.000 |
| *of which to EIF* | | *1.080.000* | *1.080.000* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 6.914.906 | 14.100.000 |
| Value of equity investments | | 6.914.906 | 3.986.013 |
| *investment at cost* | | *6.124.906* | *3.986.013* |
| **Fiduciary Account** | 7 | | |
| Balance | | 11088.752 | 13.417.730 |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| N/A |

### *Notes on financial information*

1. As per the Agreement, the EIF is entitled to receive an annual fee of EUR 80,000 (the "Trustee Fee") in consideration of its performance of the Action.
2. The 2018 Trusteeship fee was provided to the EC as part of the 2018 H2 reporting package sent on 31 March 2019: EUR 81 362.40.

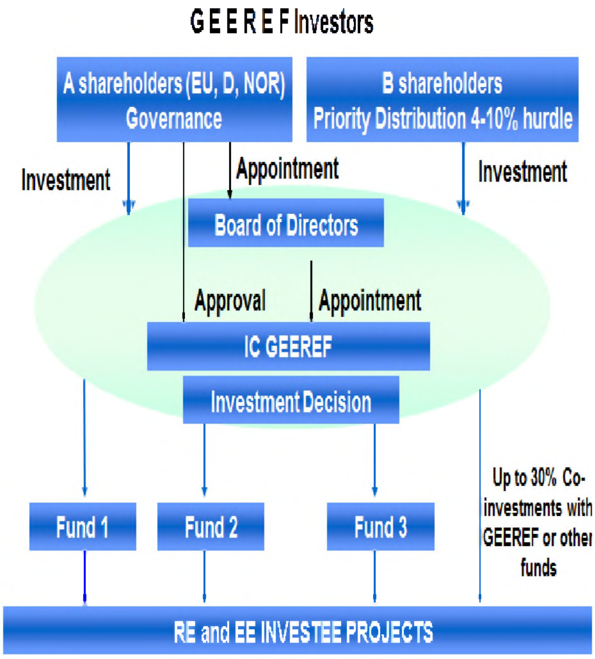
# 5.5 Global Energy Efficiency and Renewable Energy Fund (GEEREF)

## Description

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulations (EC) No 1905/2006, (EU) Nos 233/2014 and 236/2014 | | | |
| **Budget lines** | | | |
| 21 04 05 / 21 02 51 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 81.100.000 | 0 | 0 |
| **Budgetary payment appropriations** | 79.498.150 | 500.000 | 0 |

**Initial financial envelope: EUR 25 million**
**Current financial envelope: EUR 81,1million***
**Overall financial envelope: EUR 81,1million***

**The EUR 81,1 m also include EUR 5 m for Technical Assistance. In addition, EUR 20 m are financed under EDF.*




### *Implementation cycle:*

GEEREF is a Fund-of-Funds, established as the first compartment of the European Initiative on Clean, Renewable Energy, Energy Efficiency and Climate Change related to Development SICAV, SIF. Its aim is promoting energy efficiency and renewable energy in developing countries and economies in transition. In addition to the European Commission, Norway and Germany have invested approximately EUR 13 and 23 million respectively in GEEREF and were actively involved in its creation. The Commission, Norway and Germany have all subscribed to fist loss shares, and are called A-shareholders. In addition, 24 private investors have committed EUR 110 million to the fund, while the European Investment Bank (EIB) has also invested EUR 10 million. The EIB and the private investors (called "B Shareholders) have second-loss shares in the fund.

GEEREF is advised by the the EIB Group.

## Operational Performance

As of 30 September 2018, the Fund has signed commitments to 13 portfolio funds:
- In 2009, the Fund invested ZAR 108.5m (EUR 10m at prevailing exchange rate) in Evolution One, which focuses on clean energy investment in Southern African Development Community ("SADC") countries. The fund has ended its investment period and the end of its lifetime is foreseen for mid of 2019, taking into account a 1 year prolongation. It is intended that the fund will be fully exited during 2019.
- In 2009, the Fund invested EUR 12.5m in the Renewable Energy Asia Fund ("REAF"), which focuses on renewable energy projects in Asia (primarily India and the Philippines). The team has successfully raised a successor fund, REAF II, into which GEEREF has also committed, cf. below for further information on REAF II. The Fund has realised one partial exit, with another partial exit ongoing.
- In 2010, the Fund made a conditional commitment of EUR 10m in the DI Frontier Market Energy & Carbon Fund ("DI

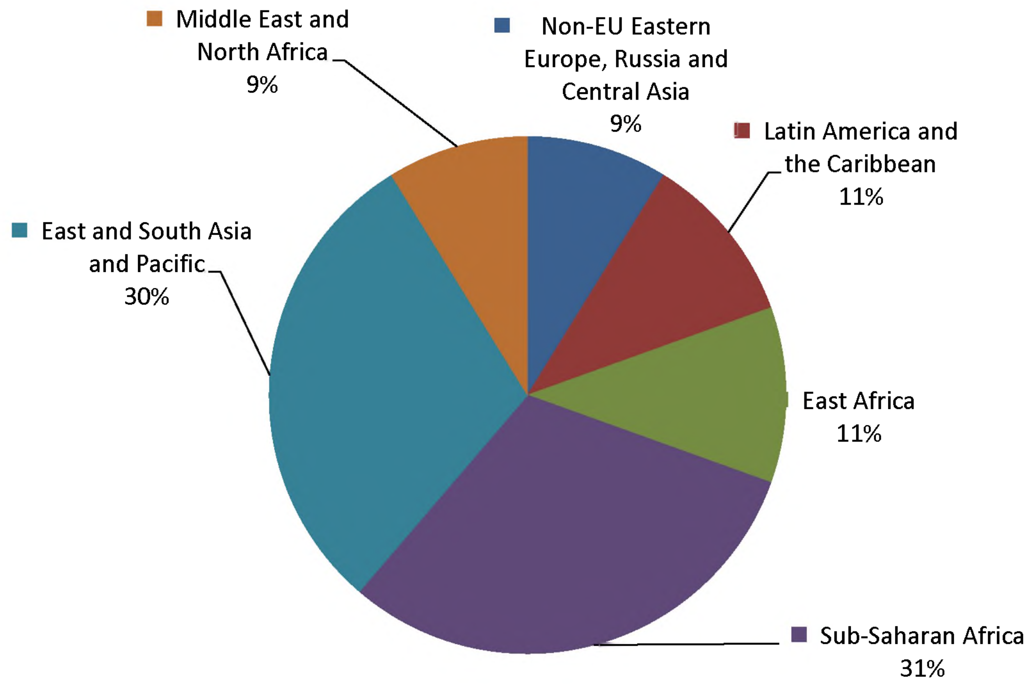
Frontier"), a private equity fund concentrating on renewable energy infrastructure in Eastern Africa. The Fund is using the proceeds of the sale of assets to Frontier II to finance the remaining capital need of the DI Frontier assets under construction.

- In 2011, the Fund made a conditional commitment of the USD equivalent of EUR 12.5m to (converted into USD 18.1m) to Emerging Energy Latin America Fund II (formerly Cleantech Latin America Fund II), a private equity fund investing primarily in renewable energy infrastructure in Latin America and the Caribbean. Signature of the conditional commitment was completed on 4 July 2011. The last asset has been sold and the fund partnership has been dissolved on 7 November 2016 and no longer exists.
- In 2012, the Fund invested the USD equivalent of EUR 10m in the Armstrong South East Asia Clean Energy Fund ("Armstrong") - formally known as LCA Asia - a fund concentrating on investments in Southeast Asia. Its investment period Was extended to 8th August 2018.
- At the end of December 2012, GEEREF signed a conditional commitment of EUR 10m in the MicroCarbon Development Fund ("MCDF") - a fund focusing on energy efficiency projects in Central America and the Caribbean. In 2013, the fund changed its name to MGM Sustainable Energy Fund ("MSEF"). MSEF has now committed or allocated all its capital and finished its investment period.
- At the end of December 2014, GEEREF signed a EUR 12m, in Indian Rupees, commitment to Solar Arise India Project Private Limited, an investment vehicle focussing on solar photovoltaic ("PV") investments in India. Solar Arise remains in investment mode.
- On 12 June 2015, GEEREF signed a USD 13m conditional commitment agreement to the Caucasus Clean Energy Fund I ("CCEF"). The fund will invest primarily in small and medium scale green-field run-of-river HPPs, with a capacity of approximately 10-20 MW. The fund will seek to make 8-12 investments, with envisaged all-in project costs of USD 15-30m, for a total portfolio of around 150 MW.
- On 14 September 2015, GEEREF signed a USD 19.6m commitment into the Africa Renewable Energy Fund ("AREF"), a fund focusing on renewable energy infrastructure investments across Sub-Saharan Africa.
- In December 2015, GEEREF signed a conditional commitment of up to EUR 15m to the Renewable Energy Asia Fund II ("REAF II"). REAF II is the first follow-on fund from the existing GEEREF portfolio and successor to the Renewable Energy Asia Fund. The final close of REAF II was achieved in November 2017 at a size of just above USD 200m. REAF II is in investment mode.
- In July 2016, GEEREF signed a USD 16.6m commitment to the Catalyst MENA Clean Energy Fund ("Catalyst" or "CMCF").
- In December 2016, GEEREF signed a USD 21m conditional commitment to Evolution II, the successor fund to Evolution One.
- In March 2017, GEEREF signed a commitment of USD 20.8m (equivalent of EUR 20m) in Frontier Energy II, the successor fund to DI Frontier Fund, targeting Renewable Energy projects in East Africa.

| ***Key figures*** | ***Actual*** | ***Target*** |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **70.509.555** | **81.100.000** |
| **Leverage** | **1,26** | **2.74** |
| **Multiplier effect** | **8,28** | **12,33** |
| **Envisaged operations** | **13** | **13** |
| **Financing provided by financial intermediaries to final recipients** | **88.932.528** | **222,000,000** |
| **Number of final recipients** | **13** | **73** |
| **Investments made by final recipients due to the received financing** | **584.129.108** | **1,000,000,000** |

### *Geographical diversification*

The scope of GEEREF is to support regional sub-funds for Sub-Saharan Africa, Caribbean, and Pacific Island States, the countries of the European Neighbourhood Policy and Russia, Latin America, and Asia (including Central Asia and the Middle East). There is a special emphasis on serving the needs of the African Caribbean and Pacific (ACP) countries.




## *Main issues for the implementation*

*Investment Strategy*

- It is expected that the GEEREF will lead to an increased engagement of the private sector by providing "patient capital". This will improve the investment conditions for private equity co-investors or senior lenders, thereby making selected project/SMEs eligible for funding from these sources, previously outside their reach.

As reported by the Fund Manager, GEEREF has achieved the following results by the end of 2017:

- 800 MW of clean energy capacity have been installed.

In 2017 GEEREF's funds registered a 20 per cent increase in the installed capacity, reaching a total of 800 MW. 125 MW were connected to the grid through out the year, primarily in South and South East Asia (86% of new addition).

- 1 900 GWH of clean energy have been generated thanks to investments supported by GEEREF.

In 2017 GEEREF's 36 grid-connected projects generated 2 000 GWH of clean energy, up by 25%, or 400 GWH, from 2016. Most of the electricity generated was in South Africa (46%), Vietnam (23%) and India (17%).

- 52 GWH Energy saved.

GEEREF had two active funds–MSEF and Evolution I– and one liquidated fund (EELAFII) that also target energy efficiency, with a total of 18 operational projects in their portfolio. Combined, these projects generated savings of 52 GWH in 2017, with the majority of the savings located in Mexico (60%), followed by South Africa (25%) and Colombia (13%).

- 1,5 Million tons of emissions of CO2 equivalent avioded.

In 2017, the electricity production and savings contributed to the avoidance of an equivalent of 1.5 million tons of $CO_2$ annually.

## Financial Information

(in euros)

| | Notes | 2018 | 2008-2017 |
|---|---|---|---|
| **Capital** | 1 | | |
| Fund's capital | | | 178.608.902 |
| EU stake € | | | 69.938.046 |
| EU stake % (A shares) | | | 39 |
| **EU Contribution** | 2 | | |
| Commitments | | - | 81.100.000 |
| *of which to technical assistance* | | *-* | *5.000.000* |
| Payments | | - | 79.498.150 |
| **Reflows** | 3 | | |
| Revenues | | -252.484 | - |
| Repayments | | - | - |
| Returned to the general budget | | - | - |
| Returned to be used | | - | - |
| **Losses from operations** | 4 | | |
| Impairments | | 5.084.559 | - |
| Realised losses | | - | - |
| **Costs** | 5 | | |
| Management fees | | 2.108.224 | 12.899.816 |
| *of which to EIF* | | *2.108.224* | *12.899.816* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 69.216.441 | 81.100.000 |
| Value of equity investments | | 69.216.441 | 80.551.997 |
| *investment at cost* | | *74.301.000* | *75.563.486* |
| **Fiduciary Account** | 7 | | |
| Balance | | 853.003 | 4.899 |

| |
|---|
| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
| **15 years from the initial closing date, 6 Nov 2008. The duration may be extended twice by one year at the Discretion of the GEEREF's BOARD with the consent of GEEREF A-Shareholders representing at least 75 % of the GEEREF Total Commitments.** |

### *Notes on financial information*

1.1 Based on 4Q 2017 Financial Report.
1.2 Amounts provided at "Fair Value". Total Fund's commitments at face value are EUR 222 000 000. EU's stake in the total fund's commitments at face value is EUR 74 270 000.
2. Based on 4Q 2017 Financial Report
2.1 The amount of payments presented in the table is divided in the following categories:

- Cumulative contributions to GEEREF's capital: EUR 74 270 000.
- Financing of the Regional Fund Support Facility (a technical assistance facility): EUR 4 500 000.
- Payments to the EIF: EUR 697 154,18 (see Note 5.2).
- Initial subscription to European Initiative on Clean, Renewable Energy, Energy Efficiency and Climate Change related to Development SICAV, SIF: EUR 31 000.

5.
5.1 Figures for "Management Fees" reflect the overall amount charged to the GEEREF sicav by the European Investment Fund as "Advisor". "Management Fees" levels are stablished on the GEEREF prospectus' Annex 1: "The Advisor". The "Management Fees" don't represent an additional disbursement for the Investors over their capital commitment, as the Management Fees are covered by the own activity of the GEEREF sicav.
5.2 EUR 697,154.18 -not included in the figures reflected in the table- has been transferred to the European Investment Fund since the GEEREF inception due to the "European Community Mandate to European Investment Fund" concluded between the European Union (represented by the European Commission) and the European Investment Fund (EIF), on 14 December 2007.
6. For 2018: based on 3Q 2018 Report. For 2008-2017: From 4Q 2017 report.
6.1 Value of equity investment represents the Fair value of the GEEREF's portfolio.
7.1 In addition to the fiduciary account reflected in the table, there is another fiduciary account linked to the GEEREF Regional Fund Support Facility, which presents the following balance:
31/12/2017: EUR 1 100 587,01
31/12/2018: EUR 848 974,54

## 5.6 SME Recovery Support Loan for Turkey

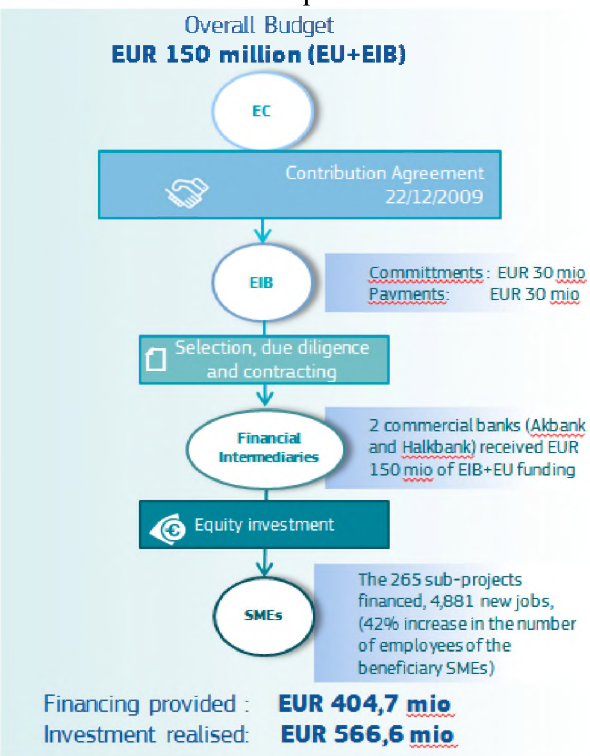
### Description

The SME Recovery Support Loan Facility for Turkey (RSL) is a joint European Union (EU) /European Investment Bank (EIB) action consisting of blending EUR 120 million EIB loan funds allocated with EUR 30 million EU funds, aiming at enabling Turkish banks to expand their SME lending and provide more attractive and longer term lending to SMEs. The Turkish intermediary banks match the amount of finance made available to the final beneficiaries 1:1, hence doubling the final total amount of loans. Up to date the amount of financing provided by the instrument to eligible final recipients is EUR 404,72 million. The project has a "recovery" nature, as part of IPA 2009 Crisis Response Package but is also in line with EU policies for SME sector development.

The overall objective of the SME Recovery Support Loan is to mitigate the crisis impact for SMEs and contribute to the development of the Turkish economy and employment sector. The main objective is to support SMEs with concrete productive investments by providing access to attractive and longer-dated debt financing.

| Identification/Reference to the basic act | | | |
|---|---|---|---|
| Joint Management Action in accordance with Article 53d (l)(c) of the Financial Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 applicable to the general budget ofthe European Communities (OJL 248, 16.9.2002, p.1). | | | |
| **Budget lines** | | | |
| 22.02 51 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

Initial financial envelope: EUR 30 mio
Current financial envelope: EUR 30 mio
Overall financial envelope: EUR 30 mio[64]




*Implementation cycle:*

The overall objective of the SME Recovery Support Loan is to mitigate the crisis impact for SMEs and contribute to the development of the Turkish economy and employment sector. The main objective is to support SMEs with concrete productive investments by providing access to attractive and longer-dated debt financing. The SME Recovery Support Loan is combined with an EIB loan for SMEs (together, the Facility) and fully disbursed to the two selected financial intermediaries since April 2011.

The IPA funds were fully allocated to two Turkish commercial banks selected following a bidding process: Akbank and Halkbank. The Support Loan amounted to EUR 150m, including EUR 120m of EIB funds and EUR 30m of Community Contributions financed from the IPA funds as part of the IPA Multi-Beneficiary Crisis Response Package.

Duration: 22/12/2009 - 22/12/2017

[64] This amount does not take into account the additional contribution of EUR 120 mio from EIB.

## Operational Performance

The EUR 150m were fully disbursed to both financial intermediaries and were each split in two tranches:
- EUR 60m of EIB funding drawn at the prevailing EIB interest rate;
- EUR 15m of IPA funds drawn interest free and disbursed in Turkish Lira;

The Facility was fully allocated since the end of June 2012. The 265 sub-projects allocated to date would help create 4,881 new jobs, which represents a 42% increase in the number of employees of the beneficiary SMEs. The average sub-project cost was EUR 1,527,250 and the average EIB allocation was EUR 564,680.

Result-Oriented Monitoring missions – carried out jointly with representatives of the EU Delegation in Ankara - took place regularly in the period 2014-2016 each time in different Turkish provinces. Final beneficiaries and local branches of both intermediaries were visited and confirmed their satisfaction with the facility as well as demonstrated very good awareness of the EU funding component and impact of the facility.

Given the success of the first round, a second round of utilisation of the EU funds – option cited in the contribution agreement was discussed. However during 2017 the political climate in Turkey and other issues related to the intermediary did not allow the finalisation of the second round: the facility expired on 22 December 2017. The final report has been approved on 26 June 2018.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **30.000.000** | **30.000.000** |
| **Leverage** | **13.49** | **5** |
| **Multiplier effect** | **18.89** | **7** |
| **Envisaged operations** | **2** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **404.721.250** | **150.000.000** |
| **Number of final recipients** | **265** | **N/A** |
| **Investments made by final recipients due to the received financing** | **566.609.750** | **210.000.000** |

### *Geographical diversification*

Eligible SMEs are located in Turkey.

### *Main issues for the implementation*

No remaining issues (Facility has come to its end 22/12/2017).

## Financial Information

*(in euros)*

| | Notes | 2018 | 2009-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 30.000.000 |
| **EU Contribution** | 2 | | |
| Commitments | | | 30.000.000 |
| Payments | | | 30.000.000 |
| **Reflows** | 3 | | |
| Revenues | | 0 | 69.340 |
| *interest income* | | 0 | 69.340 |
| Repayments | | 15.221.324 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be reused | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Losses from loans | | 0 | 0 |
| **Costs** | 5 | | |
| Management fees (EIB) | | 0 | 360.000 |
| foreign exchange losses | | 1.143.256 | 0 |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 0 | 0 |
| Assets provisioned for risk and liabilities | | 0 | 0 |
| Provisions for risk and liabilities | | 0 | 0 |
| **Fiduciary Account** | 7 | | |
| Balance | | 0 | 52.840 |

The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years

**N/A**

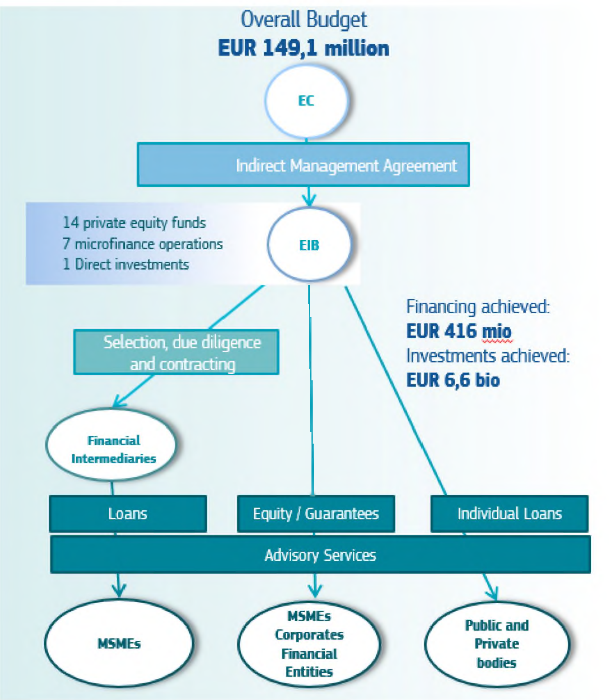
# 5.7 Facility for Euro-Mediterranean Investment Partnership (FEMIP)

## Description

FEMIP was created in October 2002, following the conclusions of the Barcelona European Council in March 2002 that private sector development in the Mediterranean region should be stimulated, to facilitate a higher level of economic growth. FEMIP combined EIB loans with EU-budget resources to provide technical assistance, risk capital and interest rate subsidies for environmental projects.
Furthermore, a dialogue structure between EU- and Mediterranean Partner Countries was created.

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (OJ L 310, 9,11,2006, p.1) | | | |
| **Budget lines** | | | |
| 22.04 51 00 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 0 | 0 | 0 |
| **Budgetary payment appropriations** | 0 | 0 | 0 |

Initial financial envelope: EUR 32 million
Current financial envelope: EUR 149,1 million
Overall financial envelope : EUR 149,1 million


***EUR 224 million have been reduced to current 149.1, due to repayments subsequent to cancellation or undisbursed commitments.***

*Implementation cycle:*
The overall objective of FEMIP is to promote sustainable economic growth in the region through investments in infrastructure and especially in private sector development. The objective of the EU's support to FEMIP focusses on providing capital to the private sector of Mediterranean partner countries pari passu with other commercial investors in the region, in the form of risk capital, technical assistance and microfinance. Operations are implemented in indirect centralised management with the European Investment Bank (EIB). The EIB is entrusted to carry out the implementation of these operations.
Risk capital is invested directly or indirectly to (i) support the private sector, i.e. enable the creation, restructuring or growth of enterprises (ii) strengthen the role of the local financial sector by supporting the creation of new institutions or the establishment of new activities for the benefit of the private sector. The Risk Capital operations consist of private equity and microfinance operations.
The operations accounted for under FEMIP were first initiated by Financial Protocols (since 1980), then under MEDA I and II (1997-2006) and finally under ENPI (2007-2013). Under the ENPI instrument, the EU budget allocated an annual funding of EUR 32 million to the EIB between 2007 and 2013 (i.e. EUR 224 million in total), of which 33,1 million were used for technical assistance. Those EUR 224 million have been reduced to current 149.1, due to repayments subsequent to cancellation or undisbursed commitments.
Duration : last commitment: 2014, with effective last payment 5/2/2016.

## Operational Performance

Access to finance in the region is very limited and is one of the most serious impediments to development facing especially small and medium-sized enterprises in the region. EIB's capacity to supply capital targeted at reducing this problem is therefore a direct response to this development cooperation challenge.

Since 1980, EUR 498 million of risk capital has been disbursed under various EU financing instruments, in particular MEDA I, MEDA II, and ENPI.

The last new operation under FEMIP Risk Capital was signed in 2014. Since the Protocole 1 was brought to life in 1980, the EIB financed in total 877 instruments, of which 807 have been exited, (12 funds, 10 direct investments, 10 microfinance institutions, and 775 co-investments). As older mandate operations are being closed, the weight of the newer mandates in the portfolio increases. The unrealized value of the Active Portfolio consists only of operations under the MEDA and ENPI mandates.

Since 2007 until 2013, FEMIP has been supported from the ENPI instrument. As at end December 2018 the ENPI FEMIP Risk Capital portfolio under management (i.e. investments which have not been exited, aka the "Active Portfolio") stood at EUR 149 million (EUR 160 million in 2017) and consisted of 22 operations (14 private equity funds, 1 direct investments, 7 microfinance operations).

Through investments in private equity funds, EIB reports that FEMIP has impacted more than 280 companies. Investments in microfinance reached over **600,000 micro** borrowers, of which more than 60% women. In 2018, the MFIs financed by the EIB employed a staff of at least 3,250. 49% of these positions were occupied by women

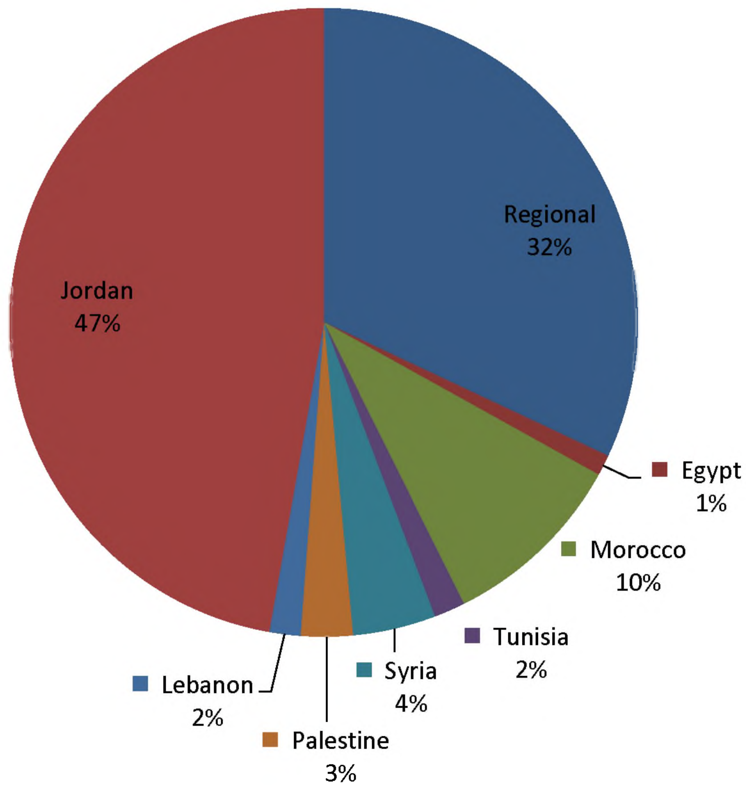
Under ENPI, the EU has also contributed 33 million of TA funding.

FEMIP has supported investments amounting to EUR 6,6 billion.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **149.089.666** | **224.000.000** |
| **Leverage** | **2,7** | **8.5** |
| **Multiplier effect** | **44,2** | **N/A** |
| **Envisaged operations** | **22** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **416.000.000** | **N/A** |
| **Number of final recipients** | **280** | **N/A** |
| **Investments made by final recipients due to the received financing** | **6.600.000.000** | **N/A** |

### *Geographical diversification*

In view of the increasing share of regional private equity funds, a closer look at the country mix of active final beneficiaries provides a better assessment of the eventual geographic outreach of these funds. For the total funds active at the end of 2018, the largest share of the final beneficiaries, both in terms of number of investments and amounts invested, are incorporated in Morocco, Tunisia and Egypt. Regarding ENPI funded operations the countries with the largest Net Signed Amounts are Morocco, Lebanon and Jordan.




## *Main issues for the implementation*

Risk capital operations depend on mobilising third party resources, particularly when investing in funds. While the business environment has improved in many countries, competitiveness remains a constraint for private sector activity in many countries in the FEMIP region, while their fiscal position is vulnerable, despite notable fiscal consolidation efforts. All countries in the region record Current Account deficits. Current Account deficits are particularly pronounced in Lebanon, West Bank and Gaza, Jordan, Tunisia and Algeria. The large Current Account deficit in Algeria, a net exporter of oil, reflects low oil prices. Export competitiveness is challenged by appreciating real effective exchange rates that arise form the dollar pegs that are in place in some countries. Egypt, Lebanon, and Jordan receive large remittance inflows. Moreover, political instability dissuades private investors to commit in the region.

It is crucial to link TA operations with concrete investments to be financed as a result of the TA work.

The activities targeting risk capital operations in the region implemented by the EIB need to be closely coordinated with the activities carried out by other donors in the region.

## Financial Information

(in euros)

| | Notes | 2018 | 2002-2018 |
|---|---|---|---|
| **Overall budget** | 1 | | |
| Financial envelope available | | | 149.089.666 |
| **EU Contribution** | 2 | | |
| Commitments | | | 0 |
| Payments | | | 0 |
| **Reflows** | 3 | | |
| Revenues | | 1.084.017 | 0 |
| *interest income* | | *737.891* | *0* |
| *risk remuneration, dividends, fees* | | *273.299* | *0* |
| *realised gains* | | *0* | *0* |
| *other revenues* | | *72.827* | *0* |
| Repayments | | 4.725.835 | 0 |
| Payable to the Commission | | 0 | 0 |
| Returned to the general budget | | 0 | 0 |
| Returned to be reused | | 0 | 0 |
| **Losses from operations** | 4 | | |
| Losses from loans | | 0 | 0 |
| **Equity** | | | |
| *impairments* | | *830.543* | *0* |
| *realised losses* | | *0* | *0* |
| **Costs** | 5 | | |
| Management fees (EIB) | | 1.079.808 | 0 |
| Other operational and financial charges | | 1.212.548 | 0 |
| *negative interest* | | *0* | *0* |
| *foreign exchange losses* | | *0* | *0* |
| *other charges* | | *1.212.548* | *0* |
| | | **2018** | **2017** |
| **Risk exposure** | 6 | | |
| Financial risk exposure | | 104.820.117 | 0 |
| Assets provisioned for risk and liabilities | | 31.267.337 | 0 |
| Value of equity investments | | 82.091.979 | 0 |
| *investment at cost* | | *76.382.312* | *0* |
| Provisions for risk and liabilities | | 0 | 0 |
| **Fiduciary Account** | 7 | | |
| Balance | | 31.267.337 | 0 |
| *in euro* | | *24.095.306* | *0* |
| *in non-euro currencies (in €* | | *7.172.031* | *0* |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| **NA** |

# *6 BLENDING FACILITIES*

## *6.1 Neighbourhood Investment Program (NIP)*

### Description

The NIP came into operation in 2008. It is a blending facility composed of operations that could take any of the following forms: technical assistance, investment grant, interest rate subsidy, equity or guarantee. The operations mentioned under "key figures" below involve a guarantee or an equity participation for most of which a fiduciary account is opened on behalf of the European Commission by a partner institution.
Two funds, which are among the projects funded by the NIP, are worth highlighting in particular:

**GGF** (Green for Growth Fund): Its mission is to enhance energy efficiency and fostering renewable energies in Southeast Europe, including Turkey and the European Neighbourhood region, mainly through the provision of dedicated financing to businesses and households via partnering with financial institutions and direct financing. It takes the form of public-private-partnership with a layered risk/return structure.

**EFSE** (European Fund for Southeast Europe) is a form of public-private-partnership. Its objective is to attract capital from the private sector thereby leveraging public donor funds that will assist the development of the private sector in the region. EFSE extends loans to local commercial banks and micro-finance institutions in the Western Balkans for on-lending to micro and small enterprises and households. EFSE is managed by the European Investment Fund (EIF). It:

— 1.Supports micro and small enterprises as the backbone of local economies, thereby contributing to income generation and employment creation

— 2.Addresses the basic need for decent shelter

3.Strengthens local financial markets.

| **Identification/Reference to the basic act - NIP** | | | |
|---|---|---|---|
| Regulation (EC) 1638/2006, Regulation (EU) 232/2014 and Regulation (EU) 236/2014 | | | |
| **Budget lines** | | | |
| 22.040102/22.040202/22.045100 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 483.980.000 | N/A | N/A |
| **Budgetary payment appropriations** | N/A | N/A | N/A |

**NIP**
Initial financial envelope: EUR 50 million (NIF)
Current financial envelope: EUR 484 million.
Overall financial envelope: EUR 2 546 million (cumulative since inception).

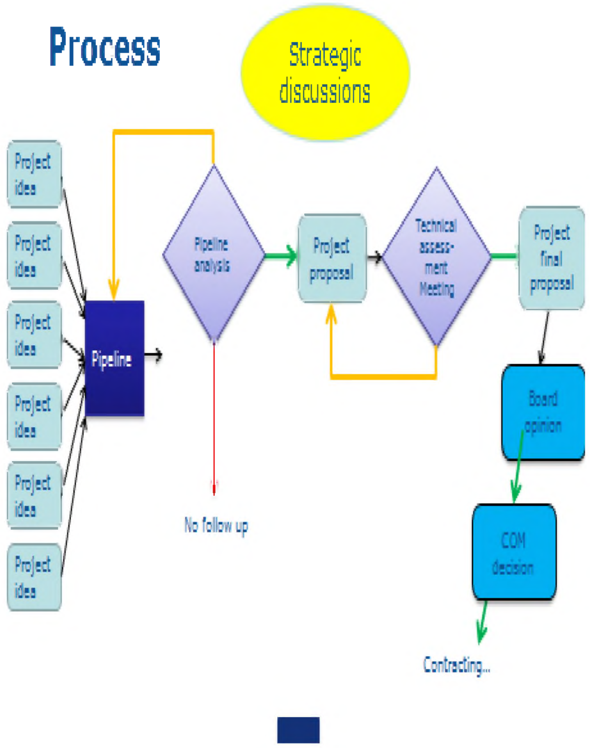
| **Identification/Reference to the basic act - GGF** | | | |
|---|---|---|---|
| Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA) (OJ L 210, 31.7.2006, p. 82).<br>Crisis Response Package, IPA 2009/021-373. | | | |
| **Budget lines** | | | |
| BGUE-B2017-22.020401-C8-NEAR | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | N/A | N/A | N/A |
| **Budgetary payment appropriations** | 10.200.000 | N/A | N/A |

**GGF**
Initial financial envelope: EUR 13,35 million (ENI)[65]
Current financial envelope: EUR 23,55 million (ENI)[66]
Overall financial envelope Neighbourhood (East): EUR 23,55 million

65 And EUR 20 million IPA.
66 And EUR 71,27 million IPA.

| Identification/Reference to the basic act - EFSE | | | |
|---|---|---|---|
| Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for PreAccession Assistance (IPA) (OJ L 210, 31.7.2006, p. 82). European Fund for Southeast Europe (EFSE), Community Assistance for Reconstruction, Development and Stabilisation (CARDS) 2006/018-264, IPA 2007/019-344, IPA 2008/020-300, IPA 2009/021-373, IPA/022-028 and IPA/039-609. | | | |
| **Budget lines** | | | |
| BGUE-B2016-22.020401-C8-NEAR | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | N/A | N/A | N/A |
| **Budgetary payment appropriations** | N/A | N/A | N/A |

**EFSE**
Initial financial envelope: EUR 5,1 million (ENI) and EUR 41,8 million (IPA)
Current financial envelope: EUR 48,95 million (ENI) and 88,59 million (IPA); an additional EUR 5,1 million have been contributed to the Neighbourhood side from the extra-budgetary NIF Trust Fund.
Overall financial envelope Neighbourhood (East): EUR 48,95 million (ENI)




*Implementation cycle:*

The objective of financial instruments under the NIP and in the Western Balkans Investment Framework (WBIF) typically aims at improving access to finance for SMEs, women entrepreneurs or environmentally beneficial investments. The decision process for financial instruments is the same as for other blended finance projects under the NIP and WBIF.

Note that initial commitments made under the previous financial regulation in the neighbourhood region (EUR 13,35 million for GGF in 2012 and EUR 5,1 million in 2009 for EFSE, which were complemented by EUR 5,1 million from the extra-budgetary NIF Trust Fund) were defined as perpetual shares. However, the new policy is to liquidate the funds after 20 years at the latest, which applies to the 2017 tranches (EUR 10,2 million for GGF and EUR 43,75 million for EFSE.)

**NIP**: end of financial perspectives, date: 31/12/ 2020
**GGF**: latest payment to be received by: 31/12/ 2037
**EFSE**: latest payment to be received by: 31/12/ 2037

## Operational Performance

**NIP**
The NIP has demonstrated to be a successful operation throughout the eleven years of its existence. It has fully delivered on its objectives by supporting the development of a favourable environment for investments to be made in its priority sectors and countries. It has strengthened the effect of EU funding compared to previous years, which would be difficult to achieve without the NIP.

In addition to the financial leverage, the NIP has also given projects considerable qualitative leverage. These benefits are both socio-economic and environmental in nature and thus not always easily measurable in financial terms.

Between 2008 and 2018, **a grand total of 151 projects** have received approval for NIP financing, worth about EUR 2,356 million (from EU budget and EUR 60 million from NIP Trust Fund), which have been blended with more than EUR 21 billion of funding by European Financial Institutions to projects approved during this period. This amounts to an achieved financial leverage of about 9. The total investment cost of these projects is estimated at over EUR 37 billion.

**Of these 151 projects, only 13 include financial instruments.** These 13 projects benefitted from a EU contribution of EUR 367 million, for a total IFI financing of more than 1,8 billion. While not all of them are operational yet, they will ultimately carry a maximum financial risk exposure of EUR 248 million. Their total future project volume is estimated at about EUR 5 billion.

The following two funds, which are among the financial instruments funded by the NIP (and from IPA for the Western Balkans), are worth highlighting in particular. However, it is to be noted that the EU contributions are regionally earmarked, while contributions by other donors are normally not and contributions have not been paid in simultaneously; moreover, for such revolving funds the leverage achieved increases with time. Thus, "leverage" of the EU contribution is approximative.

**GGF**

The GGF started operations in 2011. The European Commission holds 20% of share capital in the GGF, making it the largest donor ahead of Germany (18%) and four European financial institutions with 12% each (KfW, EIB, EBRD and FMO). As of end 2018, the European Commission had committed EUR 23,55 million for the GGF in the Eastern neighbourhood, supporting loans to intermediary banks[67] of EUR 116,5 million since inception (by European Financial Institutions, as well as further funds from other contributors), thus achieving an approximated leverage of 4,9[68] (meaning EUR 1 of EU contribution resulted in EUR 4,9 financing) in the Neighbourhood region, ultimately supporting EUR 142,7 million investments.

Regarding GGF's investments in the Western Balkans, the European Commission's commitment was EUR 71,3 million, supporting investments of EUR 280 million since inception, thus achieving an approximated multiplier of 3,9 in the Western Balkans.

**EFSE**

The European Fund for Southeast Europe (EFSE) is active in Southeast Europe incl. the Western Balkans (since 2005) and in the Eastern Neighbourhood (since 2007). Holding today 16,3% of subscribed total capital and, importantly, 29% of C shares, the Commission is EFSE's second largest donor after Germany (34% resp. 59%). EFSE has a portfolio invested in Partner Lending Institutions of EUR 918,4 million.

The EU's contribution to the EFSE in the Eastern neighbourhood region of EUR 54 million includes EUR 43 million earmarked for support to lending in local currency and 5,1 million from the extra-budgetary NIF Trust Fund. The leverage on the financing in local currency is comparatively low (initially between 1 and 2), but considered as a political priority. The cumulative amount of loans disbursed in the Eastern neighbourhood since inception is EUR 1,9 billion (and EUR 6,9 billion in EFSE overall), distributed over 184 233 loans. For its active portfolio, the average size of loans to end-borrowers is currently EUR 9 259 in the Eastern neighbourhood

As regards the EU contribution to the EFSE for Western Balkans activities, the Commission contributed to the Fund in different agreements, starting with EUR 41,8 million in 2006 and achieving a total of EUR 88,6 million in 2011. This participation has contributed to enabling investments of EUR 382 million, achieving an approximate leverage of 29 when considering the cumulative investments since the fund's inception. The cumulative amount of loans disbursed in the Western Balkans since inception is EUR 2,6 million, distributed over 423 956 individual loans. For its active portfolio, the average size of loans to end-borrowers is currently EUR 3 900.

67 Since inception according to Investors' report Q3 2018.

68 Total financing volume generated since the fund's inception (116,5 million EUR) divided by the EU contribution as at year-end 2018 (23,55 million EUR).

| *Key figures - NIP* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **366.715.000** | **N/A** |
| **Leverage** | **4,9** | **4-5** |
| **Multiplier effect** | **13,6** | **N/A** |
| **Envisaged operations** | **13,00** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **1.800.000.000** | **N/A** |
| **Number of final recipients** | **13,00** | **N/A** |
| **Investments made by final recipients due to the received financing** | **5.000.000.000** | **N/A** |

| *Key figures - GGF* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **23.550.000** | **23.550.000** |
| **Leverage** | **4,9** | **4-5** |
| **Multiplier effect** | **6.1** | **N/A** |
| **Envisaged operations** | **N/A** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **116.500.000** | **N/A** |
| **Number of final recipients** | **N/A** | **N/A** |
| **Investments made by final recipients due to the received financing** | **142.700.000** | **193.154.000** |

***GGF in East Neighbourhood:***

***Financing provided by financial intermediaries to final recipients since inception ("subloans") EUR 116 500 000***

***Number of final recipients: not available***

***Investments made by final recipients due to receiving financing since inception ("investments"): EUR 142 700 000***

| *Key figures - EFSE* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **54.050.000** | **48.000.000** |
| **Leverage** | **35,1** | **4-5** |
| **Multiplier effect** | **127,6** | **N/A** |
| **Envisaged operations** | **N/A** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **1.900.000.000** | **N/A** |
| **Number of final recipients** | **184233** | **N/A** |
| **Investments made by final recipients due to the received financing** | **6.900.000.000** | **N/A** |

***EFSE in East Neighbourhood:***

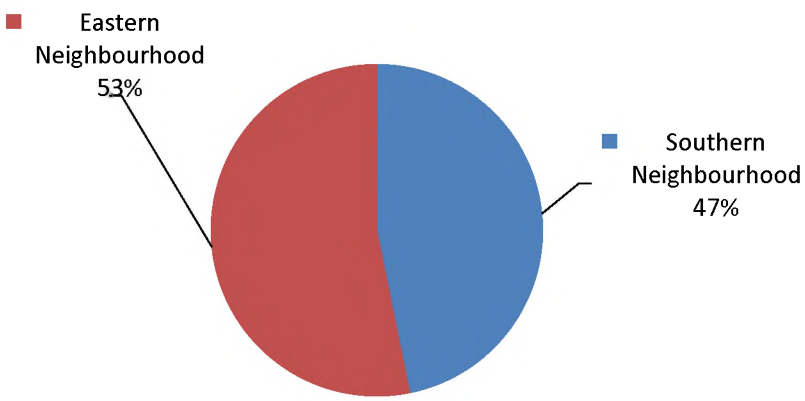
***Financing provided by financial intermediaries to final recipients since inception ("subloans") EUR 1 900 000 000***

***Number of final recipients (cumulative loans facilitated to borrowers since inception): 184 233***

***Investments made by final recipients due to receiving financing since inception ("investments"): EUR 6 900 000 000 (all SEE and Neighbourhood regions).***

### *Geographical diversification*

A larger share of the financial exposure of the NIP financial instruments is under instruments in the Eastern Neighbourhood, with a slightly lower financial exposure found in the Southern Neighbourhood. This represents a comparatively high share of the Eastern Neighbourhood, as in general the larger part of other allocations is implemented in the Southern neighbourhood.




### *Main issues for the implementation*

For the NIP in general, efforts to improve co-ordination with the EU Delegations, are currently made. Finance Institutions should ensure, for each project, their liaison with EU Delegations during early stage definition of the projects; this will allow room for the creation of synergies and efficiency. Delegations and Headquarters will undertake further efforts to send concurring messages to IFIs, both on strategic priorities and specific projects.

There is also still room for improvement of the reporting, monitoring and evaluation functions. The mid-term evaluation of the NIP recommended introducing a results-based monitoring system to be applied to all NIP projects. Currently, blending projects undergo general ROM monitoring following a new methodology for blending project specificities.

The use of financial instruments will further develop under the EU's new EFSD regulation. Complementarity between financial instruments under existing blending platforms and under the new EFSE-guarantee function should be ensured.

## Financial Information

| |
|---|
| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
| **NA** |

### *Notes on financial information*

1. All amounts as committed in Delegation Agreements for the entire operation, incl., but not only, the financial instrument.

DCFTA Facility (East) II: EUR 2.8 million equity, EUR50 million guarantee.

EFSE: of which EUR 5.1 million from the NIP Trust Fund.

Armenia SME Finance and Advice Facility: the Equity Fund is not yet operational.

5. No guarantees called yet.

| Instrument | Note | | Risk Capital Facility for the Southern Neighbourhood countries | SEMED MSME Financial Inclusion Programme | Women in Business | Eastern Partnership SME Finance Facility (Phase II) | EU Deep and Comprehensive Free Trade Area (DCFTA) Facility | EU Deep and Comprehensive Free Trade Area (DCFTA) Facility | Participation in MENA Fund for Micro-, Small and Medium Enterprises (SANAD) | Participation in Green for Growth Fund - Extension to NIF East Region | Participation in European Neighbourhood Fund window of the European Fund for South East Europe (EFSE) | Armenia SME Finance and Advice Facility | Trade and Competitiveness (DCFTA) Egypt and Jordan | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Type of instrument (equity/guarantees/ fund/other)** | | | Guarantee | Guarantee | Guarantee | Equity (C-Shares) | Equity 2.8M / Guarantee 50M | *Direct Facility. Guarantee | Guarantee | Equity (C-Shares) | Equity (C-Shares) | Equity (C-Shares) | Equity | |
| **Year of inception** | | | 2015 | 2016 | 2015 | 2010 | 2016 | 2016 | 2011/2016 | 2013 | 2009 | 2015 | 2018 | |
| **Managing party** | | | EIB | EBRD | EBRD | EBRD/KfW | EIB | EBRD | KfW | EIB | KfW | EBRD | EBRD | |
| **Commitments** | 1 | 2018 | - | 10.500.000 | - | - | - | - | - | 10.200.000 | - | 15.220.000 | 25.600.000 | **61.520.000** |
| | | Aggregated since inception | 51.250.000 | 27.640.000 | 5.235.000 | 102.000.000 | 62.400.000 | 19.430.000 | 42.640.000 | 23.550.000 | 48.850.000 | 15.220.000 | 25.600.000 | **423.815.000** |
| **Payments** | 2 | 2018 | 4.000.000 | 10.500.000 | - | - | - | - | 10.302.653 | - | - | 8.495.673 | - | **33.298.326** |
| | | Aggregated since inception | 21.200.000 | 25.500.000 | 5.235.000 | 10.200.000 | 56.800.000 | 19.430.000 | 30.640.000 | 13.350.000 | 48.850.000 | 12.495.673 | - | **243.700.673** |
| **Maximum financial risk exposure** | 3 | 2018 | 24.000.000 | 25.000.000 | 4.300.000 | 9.000.000 | 53.008.000 | 18.000.000 | 8.000.000 | 10.000.000 | 54.000.000 | 11.220.000 | 3.600.000 | **220.128.000** |
| | | 2017 | 20.000.000 | 15.000.000 | 4.300.000 | 9.000.000 | 53.746.000 | 18.000.000 | 8.000.000 | 10.000.000 | 54.000.000 | 11.220.000 | - | **203.266.000** |
| **Guarantees given** | 4 | 2018 | N/A | N/A | 26.711 | - | 50.000.000 | - | N/A | - | - | - | - | **50.026.711** |
| | | Aggregated since inception | N/A | N/A | 4.000.000 | - | 50.000.000 | - | N/A | - | - | - | - | **54.000.000** |
| **Guarantees called** | 5 | 2018 | N/A | N/A | - | - | - | - | N/A | - | - | - | - | - |
| | | Aggregated since inception | N/A | N/A | - | - | - | - | N/A | - | - | - | - | - |
| **Amounts recovered from guarantees called** | 6 | 2018 | N/A | N/A | - | - | - | - | N/A | - | - | - | - | - |
| | | Aggregated since inception | N/A | N/A | - | - | - | - | N/A | - | - | - | - | - |
| **Value of equity** | 7 | 2018 | 17.951.778 | - | - | - | 2.828.890 | - | 23.772.049 | 7.182.420 | - | 8.495.673 | - | **60.230.810** |
| | | 2017 | 15.433.568 | - | - | - | 2.800.000 | - | 17.606.286 | 9.233.928 | - | - | - | **45.073.782** |
| **Impairments and realised losses on equity** | 8 | 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Aggregated since inception | - | - | - | - | - | - | - | - | - | - | - | - |
| **Reflows: returned to the EU budget** | 9 | 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Aggregated since inception | - | - | - | - | - | - | - | - | - | - | - | - |
| **Reflows: returned to be reused** | 10 | 2018 | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Aggregated since inception | - | - | - | - | - | - | - | - | - | - | - | - |
| **Implementing costs** | 11 | 2018 | 1.250.000 | - | - | 200.000 | - | - | - | 200.000 | - | 380.000 | 600.000 | **2.630.000** |
| | | Aggregated since inception | 1.250.000 | 640.000 | 235.000 | 200.000 | 900.000 | 430.000 | 640.000 | 550.000 | 850.000 | 380.000 | 600.000 | **6.675.000** |

*in euros*

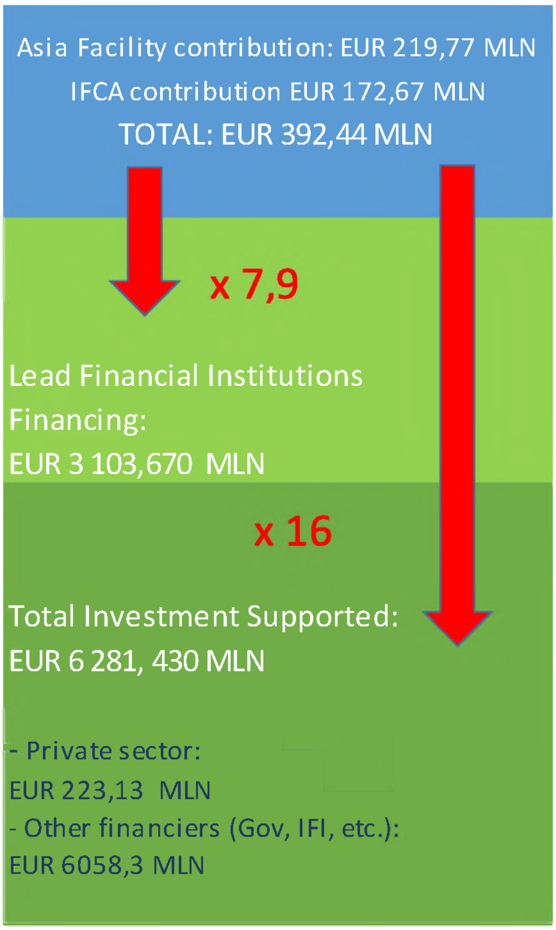
| Managing party | Note | | | EIB | EBRD | KfW | Total |
|---|---|---|---|---|---|---|---|
| **Overall envelope entrusted** | 12 | | | - | - | - | - |
| **Budgetary commitments** | 13 | | 2018 | - | 25.151.656 | 10.097.347 | **35.249.003** |
| | | | Aggregated | 113.646 | 40.616.656 | 43.887.347 | **84.617.649** |
| **Budgetary payments** | 14 | | 2018 | 53.746.000 | - | 10.097.347 | **63.843.347** |
| | | | Aggregated | 74.946.000 | 39.465.000 | 43.887.347 | **158.298.347** |
| **Amounts committed by the managing party** | 15 | Grants (including TA) | 2018 | N/A | N/A | N/A | - |
| | | | Aggregated | N/A | N/A | N/A | - |
| | | Financial instruments | 2018 | 728.000.000 | 37.660.000 | 38.397.347 | **804.057.347** |
| | | | Aggregated | 72.800.000 | 37.660.000 | 28.000.000 | **138.460.000** |
| | | Own resources | 2018 | N/A | N/A | N/A | - |
| | | | Aggregated | N/A | N/A | N/A | - |
| **Administrative expenditure** | 16 | Management fees | 2018 | 1.200.000 | 736.697 | 269.885 | **2.206.582** |
| | | | Aggregated | 2.446.000 | 1.831.697 | 819.885 | **5.097.582** |
| | | Other financial and operating charges | 2018 | - | - | - | - |
| | | | Aggregated | - | - | - | - |
| | | **Total** | **2018** | **1.200.000** | **736.697** | **269.885** | **2.206.582** |
| | | | **Aggregated** | **2.446.000** | **1.831.697** | **819.885** | **5.097.582** |

## *6.2 Investment Facility for Central Asia (IFCA) & Asian Investment Facility (AIF)*

### Description

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, (OJ L 378, 27.12.2006, p. 41).<br>Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020, (OJ L 77, 15.04.2014, p. 44)<br>Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action, (OJ L 77, 15.04.2014, p. 95). | | | |
| **Budget lines** | | | |
| 21 02 02 - cooperation with Asia and 21 02 03 - cooperation with central Asia | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 62.500.000 | 48.000.000 | 0 |
| **Budgetary payment appropriations** | 17.798.966 | 0 | 0 |

**Initial financial envelope:** EUR 50 000 000
**Current financial envelope:** EUR 362 890 000
**Overall financial envelope:** EUR 508 454 000




*Implementation cycle:*

The main purpose of these facilities is to promote additional investments with a focus on climate change relevant and "green" investments in the areas of energy, environment, and transport. In addition, the facilities may help to improve access to finance for SMEs and to promote social sector investments.

Individual projects financed under IFCA and AIF are implemented through indirect management mode. This means that the Commission delegates budget implementation tasks to eligible Financial Institutions which have successfully undergone an ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012.

Budget implementation tasks consist of the launch of public procurement and grant award procedures and of concluding and managing the resulting contracts as well as execution of payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it.

## Operational Performance

**Central Asia** is benefitting from the Investment Facility for Central Asia (IFCA). Since its creation in 2010, EUR 204.8 million have been allocated to this investment facility by the end of 2018, out of which EUR 119.26 million under the 2014 – 2020 DCI. So far, IFCA contributions worth EUR 173.46 million - including fees – are supporting 26 investment projects and are expected to catalyze investments worth EUR 907 million. Based on the current IFCA pipeline, approximately EUR 40 million are likely to be contracted in 2019, to support investments notably in the water, renewable energy and agricultural sectors. EBRD is the main contracting partner for blending projects in Central Asia (90% of contracting value at the end of 2018). However, the Commission is reaching out to other partners, including private sector arms of European development financial institutions such as, for example, the French PROPARCO.

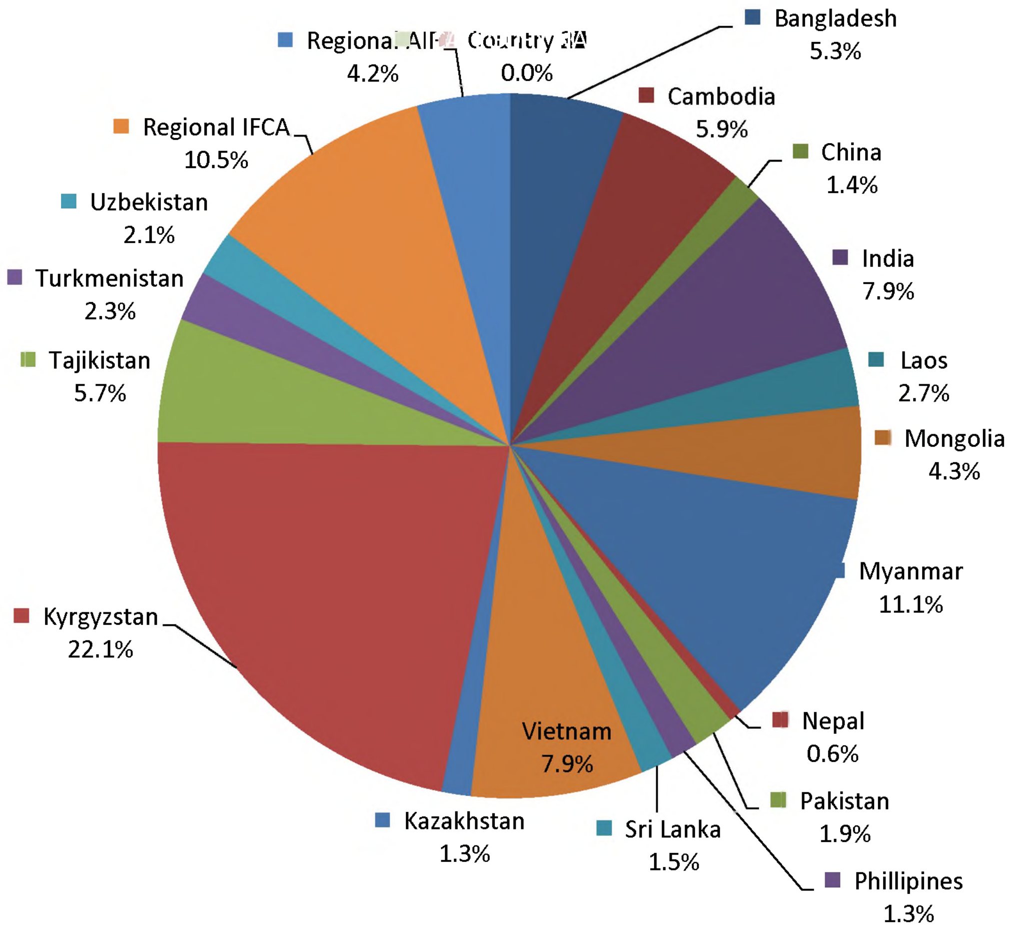
As far as the regional investment facility for **South and South East Asia** is concerned, i.e., the Asian Investment Facility (AIF), it has benefitted from DCI allocations of EUR 303.63 million by the end of 2018, out of which EUR 243.63 million have been allocated under the 2014 – 2020 DCI. Through the AIF, the DCI is funding 36 blending projects by the end of 2018. The EU grant contribution to these 36 projects amounts to EUR 219.76 million including fees for a total expected investment volume of around EUR 5.37 billion. AIF contributions worth approximately EUR 70 million are expected to be contracted by the end of 2019. Main blending partners in Asia are KfW and AFD, but the Commission is trying to further diversify its blending cooperation, and is for instance currently preparing blending projects with the ADB in Laos and Myanmar.

An investment allocation has been also created for Iraq which could offer strategic opportunities for investments during the reconstruction phase. The extension of the AIF to cover also the Middle East region could offer strategic opportunities for investment in Iraq and, depending on the evolution of the situation, also in Yemen.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **392.430.000** | **480.000.000** |
| **Leverage** | **7,90** | **8.5** |
| **Multiplier effect** | **16** | **4 to 5** |
| **Envisaged operations** | **0** | **N/A** |
| **Financing provided by financial intermediaries to final recipients** | **3.103.670.000** | **N/A** |
| **Number of final recipients** | **62** | **N/A** |
| **Investments made by final recipients due to the received financing** | **6.283.000.000** | **2.160.000.000** |

***Geographical diversification***

EU contribution committed (EUR 392.4 million) is distributed by country as follows:



## Financial Information

*(in euros)*

| Instrument | Note | | MIFA Debt Fund "Microfinance Initiative for Asia" | SMED – Support for Mongolian economic diversification | 0 | Total |
|---|---|---|---|---|---|---|
| **Type of instrument (equity/guarantees/ fund/other)** | | | 0 | 0 | 0 | |
| **Year of inception** | | | 0 | 0 | 0 | |
| **Managing party** | | | KFW | EBRD | EBRD | |
| **Commitments** | 1 | 2018 | - | - | - | **-** |
| | | Aggregated since inception | 9.220.000 | 4.200.000 | 7.850.000 | **21.270.000** |
| **Payments** | 2 | 2018 | - | 1.000.000 | 700.000 | **1.700.000** |
| | | Aggregated since inception | 9.220.000 | 1.700.000 | - | **10.920.000** |
| **Maximum financial risk exposure** | 3 | 2018 | 7.000.000 | 2.500.000 | 700.000 | **10.200.000** |
| | | 2017 | 7.000.000 | 2.500.000 | - | **9.500.000** |
| **Guarantees given** | 4 | 2018 | - | - | - | **-** |
| | | Aggregated since inception | - | - | - | **-** |
| **Guarantees called** | 5 | 2018 | - | - | - | **-** |
| | | Aggregated since inception | - | - | - | **-** |
| **Amounts recovered from guarantees called** | 6 | 2018 | - | - | - | **-** |
| | | Aggregated since inception | - | - | - | **-** |
| **Value of equity** | 7 | 2018 | 8.932.291 | N/A | - | **8.932.291** |
| | | 2017 | 8.233.112 | N/A | - | **8.233.112** |
| **Impairments and realised losses on equity** | 8 | 2018 | N/A | N/A | - | **-** |
| | | Aggregated since inception | N/A | N/A | - | **-** |
| **Reflows: returned to the EU budget** | 9 | 2018 | N/A | N/A | - | **-** |
| | | Aggregated since inception | 2.000.000 | - | - | **2.000.000** |
| **Reflows: returned to be reused** | 10 | 2018 | N/A | N/A | - | **-** |
| | | Aggregated since inception | N/A | N/A | - | **-** |
| **Implementing costs** | 11 | 2018 | - | 423 | 21.341 | **21.764** |
| | | Aggregated since inception | 220.000 | 199.992 | - | **419.992** |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| 0 |

*in euros*

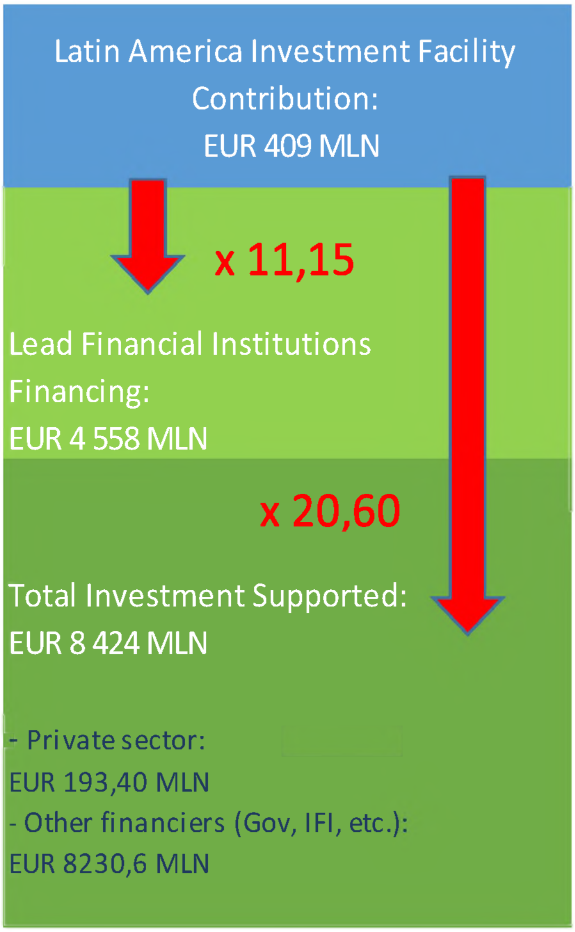
| Managing party | Note | | | AFD | EBRD | EIB | KFW | Total |
|---|---|---|---|---|---|---|---|---|
| **Overall envelope entrusted** | 12 | | | - | - | - | - | - |
| **Budgetary commitments** | 13 | | 2018 | 37.780.000 | 15.110.000 | - | 5.570.000 | **52.890.000** |
| | | | Aggregated | 173.930.000 | 178.900.000 | 20.550.000 | 50.300.000 | **373.380.000** |
| **Budgetary payments** | 14 | | 2018 | - | - | - | - | - |
| | | | Aggregated | 79.094.899 | 82.148.523 | 6.078.071 | 31.861.900 | **167.321.493** |
| **Amounts committed by the managing party** | 15 | Grants (including TA) | 2018 | 36.410.000 | 14.600.000 | - | 5.360.000 | **51.010.000** |
| | | | Aggregated | 167.530.000 | 154.440.000 | 19.650.000 | 36.610.000 | **341.620.000** |
| | | Financial instruments | 2018 | - | - | - | - | - |
| | | | Aggregated | - | 18.000.000 | - | 12.000.000 | **18.000.000** |
| | | Own resources | 2018 | 316.700.000 | 21.650.000 | 20.000.000 | 1.500.000 | **358.350.000** |
| | | | Aggregated | 1.700.850.000 | 444.320.000 | 372.000.000 | 586.500.000 | **2.517.170.000** |
| **Administrative expenditure** | 16 | Management fees | 2018 | 1.370.000 | 510.000 | - | 210.000 | **1.880.000** |
| | | | Aggregated | 6.400.000 | 6.460.000 | 900.000 | 1.690.000 | **13.760.000** |
| | | Other financial and operating charges | 2018 | - | - | - | - | - |
| | | | Aggregated | - | - | - | - | - |
| | | **Total** | **2018** | **1.370.000** | **510.000** | - | - | **1.880.000** |
| | | | **Aggregated** | **6.400.000** | **6.460.000** | **900.000** | - | **13.760.000** |

# *6.3 Latin America Investment Facility (LAIF)*

## Description

| **Identification/Reference to the basic act** | | | |
|---|---|---|---|
| Regulation(EC)No 1905/2006-Regulation(EU)No 233/2014-Regulation(EU)No 236/2014 | | | |
| **Budget lines** | | | |
| 19 09 01; 21 02 12; 21 02 01; 21 04 01 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 46.131.438 | 40.000.000 | 20.000.000 |
| **Budgetary payment appropriations** | 27.163.917 | 8.000.000 | 2.000.000 |

**Initial financial envelope:** EUR 179 750 000
**Current financial envelope:** EUR 224 818 000
**Overall financial envelope:** EUR 421 868 000
*See notes*




*Implementation cycle:*
The LAIF's main purpose is to promote additional investments in infrastructures in the transport, energy, and environment sectors (including water and sanitation, as well as agriculture and rural development) and to support social sector such as health and education, and private sector development in the Latin American countries. The Facility also supports the growth of SMEs.

The LAIF included in 2011 a climate change window to support the implementation of projects helping partner countries tackle climate change through mitigation and/or adaptation measures

In the implementation of LAIF, the role of the EU Delegations in the decision-making process is strong, as is the ownership by benefeciaries countries. The blending framework ensures a close coordination between the EU and the implementing Financial Institutions (both from Member States and Internationals).

*Notes:*

*Initial financial envelope = "amount reserved for the instrument at the time the instrument is launched".*

*Current financial envelope = committed amount until 31/12/2018 under the current MFF.*

*Overall envelope = initial amount plus any additional commitment made available at a later stage*

## Operational Performance

Since its creation in 2009 until 2018, EUR 409 million (EUR 326 million to Regional Latin America, EUR 50 million earmarked for Nicaragua, EUR 10 million earmarked for central America, EUR 6 million earmarked for El Salvador and EUR 17 million for a Climate Change Window) have been allocated to LAIF. 49 blending projects proposals have been approved by the Board by the end of 2018. Out of the 49 projects, 45 were contracted, with a LAIF contribution of EUR 378 million including fees. These contributions are expected to leverage investments worth around EUR 8.424 million. 34% of the facility contribution to the projects was made in the form of investment grant, 47% as technical assistance, 6% in the form of risk-sharing instruments and guarantees and 3% as fees.

The added value of LAIF can occur at different levels e.g.:

i. at the strategy and policy level, LAIF provides policy leverage, enhances the supply of public goods, increases EU visibility, assists in managing debt sustainability thresholds, and contributes to aid effectiveness;

ii. at the financial level LAIF, provides financial leverage, helps mitigate risks and lower borrowing costs and provides flexibility to tailor assistance to financing needs;

iii. at the operational level, LAIF stimulates financial discipline, efficient administration and monitoring, enables the acceleration of projects, improves project quality and increases donor coordination.

The expected results of the LAIF is increased investment in key sectors of the economy contributing inter alia to:

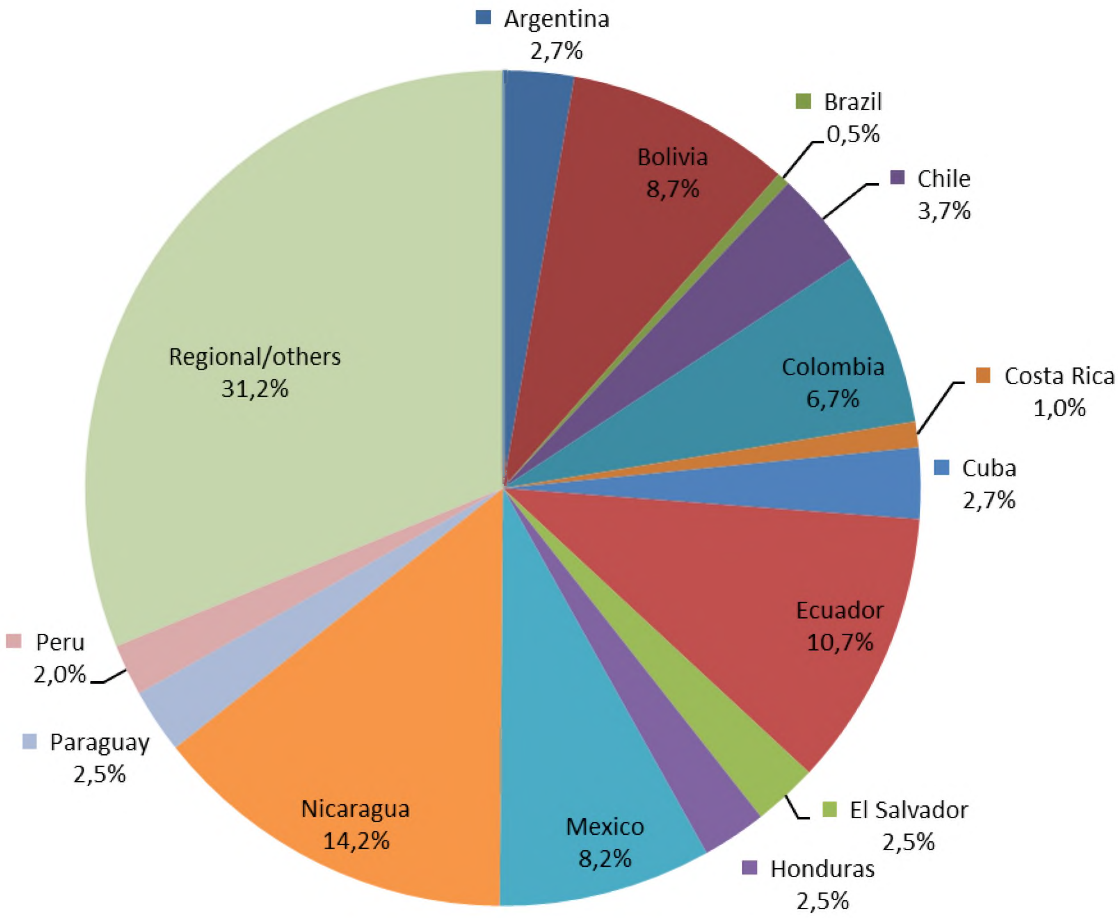
1) better transport infrastructure,
2) improved energy infrastructure,
3) increased protection of the environment,
4) improved social services and infrastructures,
5) creation and growth of SMEs and improvement of the employment situations.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed to financial intermediaries** | **409.000.000** | **320.000.000** |
| **Leverage** | **11,15** | **8.5** |
| **Multiplier effect** | **20,60** | **4 to 5** |
| **Envisaged operations** | **49** | **n/a** |
| **Financing provided by financial intermediaries to final recipients** | **4.558.443.000** | **n/a** |
| **Number of final recipients** | **45** | **n/a** |
| **Investments made by final recipients due to the received financing** | **8.424.000.000** | **1.440.000.000** |

### *Geographical diversification*

The final recipients are the people of Latin American countries foreseen in the DCI Regulation (EC) No 1905/2006 and those foreseen in Regulation (EU) 233/2014.
Special attention will be paid to a balanced involvement of the different sub-regions and countries in LAIF, while ensuring support for quality operation proposals and keeping in mind the absorption capacity of individual countries and regions.

Other final recipients are the private sector and in particular SMEs for categories of operations dedicated to private sector development.



### *Main issues for the implementation*

- attention must be paid to the aspects of the regional interconnectivity, as well as to the crosscutting objectives including the policy dialogue. The potential of regional projects in interconnection projects remains untapped.

- Blending is a major mechanism of implementation clearly linked to the overall EU objectives and policy priorities in the region. The fact that more and more countries in Latin America have reached the graduated status or are on the way to graduation only stresses this fact. Blending is becoming more and more the right tool to promote investment and engage in policy dialogue joining forces with other donors and achieving larger impact.

- The financial allocation to the regional investment facilities will substantially increase during the ongoing programming (MFF) period. For LAIF an amount of EUR 375 million is foreseen to which funds from the National Indicative Programmes may be added.

- Delegations are involved early on in the design and preparation of blending operations, the alignment with the country level priorities and channels is fostered. A stable political and security climate at the regional level in general and at the country level in particular is needed to promote and secure investments. Partner countries should increase the level of investments through their own resources as well as through loans. The pipeline of operations must target the specific policy priorities and sectors set for the region/partner country, be of sufficient quality and volume, and provide the required EU additionality.

- A greater use of financial instruments such as guarantees, equity and other risk-sharing instruments is one way to use the catalytic effect of blending in crowding in more private financing. LAIF has supported its first Financial Instrument Delegation Agreement Eco-business Fund signed in 2017.

- By financing technical assistance, innovative instruments (such as risk sharing), and providing complementary grants, LAIF will encourage the recipient governments and institutions to make essential investments, which would otherwise be postponed due to lack of resources.

- LAIF also aims to provide better access to finance for Small and Medium Enterprises.

- Reporting on individual projects is very heterogeneous in quality and quantity; continued effort is being undertaken by the EU both in HQ and in the EU Delegations to ensure follow-up of the projects and proper flow of information.

## Financial Information

*(in euros)*

| Instrument | Note | | Eco-business fund I | Total |
|---|---|---|---|---|
| **Type of instrument (equity/guarantees/ fund/other)** | | | Equity | |
| **Year of inception** | | | 2017 | |
| **Managing party** | | | KfW | |
| **Commitments** | 1 | 2018 | - | - |
| | | Aggregated since inception | 13.260.000 | **13.260.000** |
| **Payments** | 2 | 2018 | - | - |
| | | Aggregated since inception | 13.032.757 | **13.032.757** |
| **Maximum financial risk exposure** | 3 | 2018 | 12.291.808 | **12.291.808** |
| | | 2017 | 12.373.242 | **12.373.242** |
| **Guarantees given** | 4 | 2018 | - | - |
| | | Aggregated since inception | - | - |
| **Guarantees called** | 5 | 2018 | - | - |
| | | Aggregated since inception | - | - |
| **Amounts recovered from guarantees called** | 6 | 2018 | - | - |
| | | Aggregated since inception | - | - |
| **Value of equity** | 7 | 2018 | 12.291.808 | **12.291.808** |
| | | 2017 | 12.373.242 | **12.373.242** |
| **Impairments and realised losses on equity** | 8 | 2018 | - | - |
| | | Aggregated since inception | - | - |
| **Reflows: returned to the EU budget** | 9 | 2018 | - | - |
| | | Aggregated since inception | - | - |
| **Reflows: returned to be reused** | 10 | 2018 | - | - |
| | | Aggregated since inception | - | - |
| **Implementing costs** | 11 | 2018 | 16.684 | **16.684** |
| | | Aggregated since inception | 23.455 | **23.455** |

| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
|---|
| N/A |

| Managing party | Note | | | AECID | AFD | EIB | KFW | SIMEST/ CDP |
|---|---|---|---|---|---|---|---|---|
| **Overall envelope entrusted** | 12 | | | - | - | - | - | - |
| **Budgetary commitments** | 13 | | 2018 | 5.200.000 | 18.200.000 | 2.390.000 | 12.350.000 | - |
| | | | Aggregated | 99.210.000 | 105.433.000 | 68.640.000 | 132.812.000 | 3.300.000 |
| **Budgetary payments** | 14 | | 2018 | 17.137.417 | 2.820.000 | 6.007.000 | 1.000.000 | - |
| | | | Aggregated | 75.776.598 | 43.171.000 | 25.607.000 | 85.729.162 | - |
| **Amounts committed by the managing party** | 15 | Grants (including TA) | 2018 | 5.000.000 | 17.500.000 | 2.240.000 | 12.000.000 | - |
| | | | Aggregated | 97.000.000 | 101.400.000 | 66.840.000 | 102.320.000 | - |
| | | Financial instruments | 2018 | - | - | - | - | - |
| | | | Aggregated | - | - | - | 27.500.000 | - |
| | | Own resources | 2018 | 1.000.000 | 128.860.000 | 50.000.000 | 50.020.000 | - |
| | | | Aggregated | 430.210.000 | 1.965.433.000 | 860.980.000 | 1.299.820.000 | 2.000.000 |
| **Administrative expenditure** | 16 | Management fees | 2018 | 200.000 | 700.000 | 150.000 | 350.000 | - |
| | | | Aggregated | 221.000.000 | 4.033.000 | 1.800.000 | 2.992.000 | - |
| | | Other financial and operating charges | 2018 | - | - | - | - | - |
| | | | Aggregated | - | - | - | - | - |
| | | **Total** | **2018** | **200.000** | **700.000** | **150.000** | **350.000** | - |
| | | | **Aggregated** | **221.000.000** | **4.033.000** | **1.800.000** | **2.992.000** | - |

## *Notes on financial information*

13. Based on Board approval amounts
15.1 “Grants” and “Financial Instruments”: from DEVCO to the Management Parties.
15.2 “Own Resources”: Based on Board approval amounts
16.1 Latin America Carbon Finance Facility (KfW) was cancelled, with 1.5 million of Grants, 5 million FI and 0.2 million management fees and 25 million own resources
16.2 Bii Stipa II Wind Power Plant (SIMEST/CDP) was cancelled, with 3.3 million of Grants, and 11.6 million own resources
16.3 Compact cities in Mexico: Housing and Urban Development (AFD) was cancelled, with 7 million of Grants, 0.24 in management fees and 100 million own resour

## 6.4 Thematic Blending (ElecrtiFI, AgriFI, Climate Change Initiatives, Women's Economic Empowerment Initiative)

### Description

| Identification/Reference to the basic act | | | |
|---|---|---|---|
| Regulation (EC) No 1905/2006, Regulation (EU) No 233/2014, Regulation (EU) No 236/2014 | | | |
| **Budget lines** | | | |
| 21 02 07 | | | |
| | **2018** | **2019** | **2020** |
| **Budgetary commitment appropriations** | 42.800.000 | 19.000.000 | 0 |
| **Budgetary payment appropriations** | n.a. | n.a. | 0 |

**Initial financial envelope:** EUR 74,851,742
**Current financial envelope:** EUR 42,800,000
**Overall financial envelope:** EUR 368.560.390[69]


*Implementation cycle:*

In parallel to geographical blending initiatives, European Commission (COM) has developed several thematic blending initiatives:

"ElectriFI - Electrification Financing Initiative" (2014), with the aim to accelerate the access to electricity and modern energy services through intervention at the development stage of a project.

"AgriFI - Agriculture Financing Initiative" (2016), unlocking, accelerating and leveraging investments with a value chain approach focusing on smallholder's inclusiveness and/or MSME agri-business.

The "Climate Change Initiatives" (2015), supporting the identification and piloting of innovative climate finance instruments to mobilise additional private development resources.

The "Women's Economic Empowerment Initiative" (2017) aims to enhance access to financial and non-financial capacity building services in support of women financial inclusion, economic empowerment, entrepreneurship and employment.

[69] This amount does not include the additional EUR 1 million contribution to the Women's Economic empowerment Initiative from a EU Parliament budget line.

## Operational Performance

The **ElectriFI Initiative** has a total budget of EUR 262.7 million.
Projects contracted by the end of 2018:
1. "EDFI-ElectriFI – FMO" (2015, including several top ups) receiving an EU contribution of EUR 116.7 million;
2. "Africa Renewable Energy Scale Up Facility (ARESUF) – AFD and Proparco" (2016) receiving an EU contribution of EUR 24.7 million;
3. "Climate Investor One (CIO) – FMO" (2017) receiving an EU contribution of EUR 30.7 million;
4. "Transferability and Convertibility Facility – Proparco" (2017) receiving an EU contribution of EUR 26.9 million;
5. "Facility for Energy Inclusion (FEI) - African Development Bank (AfDB)" (2018) receiving an EU contribution of EUR 40.2 million.

DCI Board approved the "Digital Energy Facility (DEF) - AFD" with a EU contribution of EUR 23.5 million on 7 December 2018. The relevant contract will be signed during 2019.

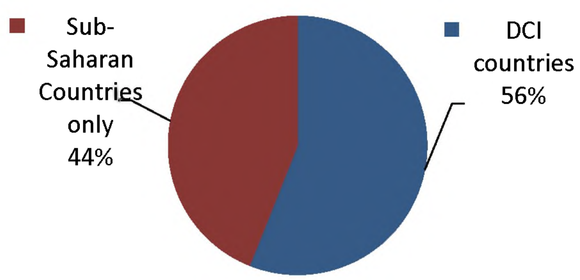
The **AgriFI Initiative** has a total budget of EUR 88.9 million (including a replenishment in 2018).
Projects contracted by the end of 2018:
1. "EDFI-AgriFI – FMO" (2017) receiving an EU contribution of EUR 39.0 million;
2. "Africa Agriculture and Trade Investment Fund (AATIF) – KfW" (2017) reiving an EU contribution of EUR 30.6 million.

DCI Board approved the "Huruma Fund – Cofides" with an EU contribution of EUR 19.3 million last 22 February 2018. The relevant contract will be signed during 2019.

The **Climate Change initiative** had a budget of EUR 8.0 million. One project was signed "Cities and Climate in Africa (CICLA) – AFD" (2016), receiving the whole budget of the initiative.

The **Women's Economic empowerment Initiative** had a total budget of EUR 10.0 million (including EUR 1.0 million from a European Parliament budget line). One project was signed "Women's Financial Inclusion Facility (WFIF) – KfW" (2018), receiving the whole budget of the initiative.

| *Key figures* | *Actual* | *Target* |
|---|---|---|
| **EU Contribution committed** | **325.760.390** | **368.560.390** |
| **Leverage** | **3,4** | **8.5** |
| **Multiplier effect** | **11,4** | **n.a.** |
| **Envisaged operations** | **n.a.** | **n.a.** |
| **Financing provided by financial intermediaries to final recipients** | **1.107.850.000** | **n.a.** |
| **Number of final recipients** | **n.a.** | **n.a.** |
| **Investments made by final recipients due to the received financing** | **3.706.460.000** | **n.a.** |




### *Geographical diversification*
The thematic initiatives have a global approach, not being attributed a priori to a specific country. Target countries are the ones eligible under the DCI financing instruments. Some projects can finance only investments in Sub-Saharan Africa (CIO, AATIF, CICLA, ARESUF, FEI, Huruma Fund and DEF). EUR 325.76 million of EU contributed committed is distributed as shown in the adjoining pie chart.

## Financial Information

*(in euros)*

| Instrument | Note | | Thematic blending |
|---|---|---|---|
| Type of instrument (equity/guarantees/ fund/other) | | | Equity/ Guarantees/ Other |
| Year of inception | | | 2014 |
| Managing party | | | AFD FMO KfW Proparco AfDB |
| Commitments | 1 | 2018 | 49.242.000 |
| | | Aggregated since inception | 325.760.390 |
| Payments | 2 | 2018 | 15.536.582 |
| | | Aggregated since inception | 74.036.528 |
| Maximum financial risk exposure | 3 | 2018 | 81.906.582 |
| | | 2017 | 66.250.000 |
| Guarantees given | 4 | 2018 | - |
| | | Aggregated since inception | - |
| Guarantees called | 5 | 2018 | - |
| | | Aggregated since inception | - |
| Amounts recovered from guarantees called | 6 | 2018 | - |
| | | Aggregated since inception | - |
| Value of equity | 7 | 2018 | 32.204.042 |
| | | 2017 | 416.910 |
| Impairments and realised losses on equity | 8 | 2018 | - |
| | | Aggregated since inception | - |
| Reflows: returned to the EU budget | 9 | 2018 | - |
| | | Aggregated since inception | - |
| Reflows: returned to be reused | 10 | 2018 | - |
| | | Aggregated since inception | - |
| Implementing costs | 11 | 2018 | - 196.586 |
| | | Aggregated since inception | 377.184 |

### *Notes on financial information*

1. The figures include the initiative contracted by the end of 2018 (so that DEF by AFD and Huruma Fund by Cofides are not included)

| |
|---|
| The average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where this duration exceeds three years |
| **N/A** |

*in euros*

| Managing party | Note | | | AFD | FMO | KfW | Proparco | African Developing Bank | Cofides | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Overall envelope entrusted | 12 | | | 43.800.000 | 186.384.156 | 39.600.000 | 39.234.234 | 40.242.000 | 19.300.000 | **368.560.390** |
| Budgetary commitments | 13 | | 2018 | - | - | 9.000.000 | - | 40.242.000 | - | **49.242.000** |
| | | | Aggregated | 20.300.000 | 186.384.156 | 39.600.000 | 39.234.234 | 40.242.000 | - | **325.760.390** |
| Budgetary payments | 14 | | 2018 | - | 15.536.582 | - | - | - | - | **15.536.582** |
| | | | Aggregated | - | 73.836.582 | - | 200.000 | - | - | **74.036.582** |
| Amounts committed by the managing party | 15 | Grants (including TA) | 2018 | - | - | 1.900.000 | - | - | - | **1.900.000** |
| | | | Aggregated | 19.700.000 | 23.096.364 | 1.900.000 | 3.200.000 | - | - | **47.896.364** |
| | | Financial instruments | 2018 | - | - | 6.800.000 | - | - | - | **6.800.000** |
| | | | Aggregated | - | 160.877.792 | 36.800.000 | 35.098.269 | - | - | **232.776.061** |
| | | Own resources | 2018 | - | - | 5.000.000 | - | 175.500.000 | - | **180.500.000** |
| | | | Aggregated | 5.410.000 | 521.240.000 | 80.700.000 | 325.000.000 | 175.500.000 | - | **1.107.850.000** |
| Administrative expenditure | 16 | Management fees | 2018 | - | - | 300.000 | - | - | - | **300.000** |
| | | | Aggregated | 600.000 | 2.410.000 | 900.000 | 935.965 | - | - | **4.845.965** |
| | | Other financial and operating charges | 2018 | - | - | - | - | - | - | - |
| | | | Aggregated | - | - | - | - | - | - | - |
| | | Total | 2018 | - | - | 300.000 | - | - | - | **300.000** |
| | | | Aggregated | 600.000 | 2.410.000 | 900.000 | 935.965 | - | - | **4.845.965** |

***Notes on financial information (2):***

12. The figures include all the projects receiving a positive opinion by a DCI Board (even if the relevant contract was not signed by the end of 2018)
13. The figures include the initiative contracted by the end of 2018 (so that DEF by AFD and Huruma Fund by Cofides are not included)
15. "Own resources" are related to all the project signed by the end of 2018 and are based on the indicative figures provided by any lead financial institution in their project application form

## 7 Glossary

| | |
|---|---|
| ABC | Aggregate Budgetary Commitments |
| AIF | Asian Investment Facility |
| DIV | Dedicated Investment Vehicle |
| EBRD | European Bank for Reconstruction and Development |
| EEE F | European Energy Efficiency Fund |
| EFSE | European Fund for Southeast Europe |
| EIF | European Investment Fund |
| EIB | European Investment Bank |
| EIB TA | European Investment Bank Trust Account |
| ENEF | Enterprise Expansion Fund Guarantee Facility under the Western Balkans Enterprise Development and Innovation Facility (EDIF) |
| ENIF | Enterprise Innovation Fund (ENIF) under the Western Balkans Enterprise Development and Innovation Facility (EDIF) |
| EPMF FCP-FIS | European Progress Microfinance FCP-FIS |
| EPMF-G | European Progress Microfinance - Guarantee Facility |
| EU | European Union |
| FCP-FIS | "Fonds Commun de Placement – Fonds d'Investissement Spécialisé" |
| FEMIP | Facility for Euro-Mediterranean Investment Partnership |
| FR | Financial Regulation |
| G43 | Anatolian Venture Capital Project |
| GAGF | Greater Anatolia Guarantee Facility |
| GEEREF | Global Energy Efficiency and Renewable Energy Fund |
| GGF | Green for Growth Fund |
| GIF | High Growth and Innovative SME Facility under CIP |
| IFCA | Investment Facility for Central Asia |
| IPA | Instrument for pre-accession assistance |
| LAIF | Latin America Investment Facility |
| LGTT | Loan Guarantee Instrument |
| Marguerite | The 2020 European Fund for Energy, Climate Change and Infrastructure |
| NAV | Net Asset Value |
| NIF | Neighbourhood Investment Facility |
| PBI | Project Bond Initiative |
| PPM | Private Placement Memorandum |
| RSFF | Risk-Sharing Finance Facility |
| SMEG07 | SME Guarantee Facility under CIP |
| TEN-T | Trans-European Transport Network |

## 8 *Summary table (internal policies)* (€)

| Financial instrument | a) Budgetary Commitments | | a) Budgetary payments | | b) Revenues 2018 | b) Repayments 2018 | b) Additional resources for the financial year 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Aggregate | Year 2020 | Aggregate | Year 2020 | Year 2018 | Year 2018 | EU budget | Instrument | Total |
| INFRASTRUCTURE AND CLIMATE CHANGE | | | | | | | | | |
| CEF Equity - Connecting Europe Broadband Fund | 100.000.000 | 0 | 921.407 | 16.000.000 | 0 | 0 | 0 | 0 | 0 |
| Connecting Europe Facility (CEF) - Debt Instruments | 755.023.980 | 0 | 592.270.251 | 0 | 10.843.897 | 0 | 1.085.679 | 18.851.678 | 19.937.357 |
| Private Finance for Energy Efficiency Instruments Facility (PF4EE) | 80.000.000 | 0 | 38.126.667 | 10.000.000 | 66.313 | 0 | 0 | 0 | 0 |
| Natural Capital Financing Facility (NCFF) | 60.000.000 | 0 | 12.645.000 | 3.000.000 | 0 | 0 | 0 | 0 | 0 |
| European Energy Efficiency Fund (EEEF) | 146.334.645 | 0 | 116.203.765 | 0 | 0 | 0 | 0 | 0 | 0 |
| The 2020 European Fund – Marguerite Fund | 71.909.749 | 0 | 67.440.000 | 0 | 0 | 14.513.921 | 0 | 0 | 0 |
| *Sub-total instruments* | 1.213.268.374 | 0 | 827.607.090 | 29.000.000 | 10.910.210 | 14.513.921 | 1.085.679 | 18.851.678 | 19.937.357 |
| RESEARCH AND INNOVATION | | | | | | | | | |
| InnovFin Debt - Horizon 2020 Loan Services for R&I Facility | 1.211.000.000 | 168.000.000 | 1.129.500.000 | 60.000.000 | 39.409.000 | 1.000 | 0 | 8.905.978 | 8.905.978 |
| Risk-Sharing Finance Facility (RSFF) | 960.730.000 | 0 | 0 | 0 | 13.442.230 | 0 | 0 | 21.000.000 | 21.000.000 |
| Pilot guarantee facility for Research and Innovation-driven SMEs and small midcaps - RSI | 270.000.000 | 0 | 270.000.000 | 0 | 2.770 | 0 | 0 | 0 | 0 |
| *Sub-total instruments* | 2.441.730.000 | 168.000.000 | 1.399.500.000 | 60.000.000 | 52.854.000 | 1.000 | 0 | 29.905.978 | 29.905.978 |
| SOCIAL AND EDUCATION | | | | | | | | | |
| EaSI Microfinance and Social Enterprise (EaSI) | 100.178.012 | 0 | 71.168.286 | 6.075.826 | 220.477 | 0 | 0 | 0 | 0 |
| EaSI Capacity Building investments | 23.660.000 | 3.274.616 | 22.725.384 | 3.274.616 | 56 | 0 | 0 | 0 | 0 |
| European Progress Micro-Finance Guarantee Facility (EPMF – G) | 23.989.699 | 0 | 23.989.699 | 0 | 5.584 | 817.381 | 0 | 823.034 | 823.034 |
| European Progress Micro-Finance Fund (EPMF – FCP-FIS) | 80.000.000 | 0 | 80.000.000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Student Loan Guarantee Facility (Erasmus+) — SLGF | 73.111.000 | 1.000.000 | 22.079.671 | 0 | 565.042 | 0 | 0 | 0 | 0 |
| *Sub-total instruments* | 300.938.711 | 4.274.616 | 219.963.040 | 9.350.442 | 791.159 | 817.381 | 0 | 823.034 | 823.034 |
| SMES | | | | | | | | | |
| Loan Guarantee Facility under COSME (COSME-LGF) | 710.910.908 | 214.508.000 | 407.925.773 | 162.280.143 | 1.971.876 | 0 | 0 | 0 | 0 |
| Equity Facility for Growth under COSME (COSME-EFG) | 325.276.170 | 53.627.000 | 79.997.496 | 46.719.857 | 17.792 | 50.053 | 0 | 50.053 | 50.053 |
| InnovFin SMEG - SME and Small Midcaps R&I Loans Service under Horizon 2020 | 998.938.532 | 312.000.000 | 996.818.208 | 80.000.000 | 5.090.371 | 0 | 0 | 3.970.337 | 3.970.337 |
| InnovFin Equity - Equity Facility for Research and Innovation under Horizon 2020 | 487.667.018 | 15.000.000 | 392.250.000 | 20.000.000 | 837.008 | 0 | 0 | 281.318 | 281.318 |
| SME Initiative (COSME and Horizon 2020 contribution) | 29.737.124 | 0 | 20.925.588 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cultural and Creative Sectors Guarantee Facility – CCS GF | 63.258.000 | 29.490.000 | 32.793.073 | 19.260.018 | 83.921 | 0 | 0 | 0 | 0 |
| SME Guarantee Facility under CIP (SMEG 07) | 578.076.536 | 0 | 450.903.607 | 0 | 2.242.889 | 0 | 0 | 0 | 0 |
| High Growth and Innovative SME Equity Facility under CIP (GIF) | 600.156.686 | 0 | 505.150.895 | 13.100.000 | 7.332.662 | 37.643.270 | 0 | 58.120.139 | 58.120.139 |
| *Sub-total instruments* | 3.794.020.975 | 624.625.000 | 2.886.764.640 | 341.360.018 | 17.576.519 | 37.693.323 | 0 | 62.421.847 | 62.421.847 |
| TOTAL | 7.749.958.060 | 796.899.616 | 5.333.834.770 | 439.710.460 | 82.131.888 | 53.025.625 | 1.085.679 | 112.002.537 | 113.088.216 |

| Financial instrument | c) Financial risk exposure of the Union | c) Provisions for risk and liabilities | c) Asset provisionned for risks and liabilities | d) called guarantees | d) Impairments of assets (for equity instruments) | f) Administrative expenditure (management costs) |
|---|---|---|---|---|---|---|
| | Amount | If applicable | If applicable | If applicable | Aggregate | Amount 2018 |
| INFRASTRUCTURE AND CLIMATE CHANGE | | | | | | |
| CEF Equity - Connecting Europe Broadband Fund | 100.000.000 | N/A | N/A | N/A | 0 | 668.158 |
| Connecting Europe Facility (CEF) - Debt Instruments | 578.971.306 | 0 | 597.955.193 | 0 | n/a | 1.753.850 |
| Private Finance for Energy Efficiency Instruments Facility (PF4EE) | 49.300.000 | 0 | 33.842.027 | 0 | 0 | 699.543 |
| Natural Capital Financing Facility (NCFF) | 5.510.000 | 0 | 11.114.500 | 0 | 0 | 173.249 |
| European Energy Efficiency Fund (EEEF) | 101.215.380 | N/A | N/A | N/A | 0 | 2.319.559 |
| The 2020 European Fund – Marguerite Fund | 42.515.792 | N/A | N/A | N/A | 0 | 690.061 |
| *Sub-total instruments* | 877.512.478 | 0 | 642.911.720 | 0 | 0 | 6.304.420 |
| RESEARCH AND INNOVATION | | | | | | |
| InnovFin Debt - Horizon 2020 Loan Services for R&I Facility | 971.348.000 | 37.181.000 | 1.106.575.000 | 0 | N/A | 5.192.000 |
| Risk-Sharing Finance Facility (RSFF) | 554.187.000 | 0 | 582.015.668 | 9.856.000 | N/A | 414.000 |
| Pilot guarantee facility for Research and Innovation-driven SMEs and small midcaps - RSI | 151.709.000 | 60.555.013 | 148.832.332 | 11.109.000 | N/A | 3.429.904 |
| *Sub-total instruments* | 1.677.244.000 | 97.736.013 | 1.837.423.000 | 20.965.000 | 0 | 9.035.904 |
| SOCIAL AND EDUCATION | | | | | | |
| EaSI Microfinance and Social Enterprise (EaSI) | 101.858.950 | 40.072.221 | 50.209.908 | 8.658.587 | 0 | 1.540.836 |
| EaSI Capacity Building investments | 3.107.000 | 0 | 0 | 0 | 0 | 115.595 |
| European Progress Micro-Finance Guarantee Facility (EPMF – G) | 4.480.391 | 3.873.917 | 4.629.183 | 708.116 | 0 | 24.612 |
| European Progress Micro-Finance Fund (EPMF – FCP-FIS) | 61.048.567 | N/A | N/A | N/A | 0 | 780.871 |
| Student Loan Guarantee Facility (Erasmus+) — SLGF | 21.285.820 | 741.003 | 13.914.014 | 78.132 | 0 | 12.318 |
| *Sub-total instruments* | 191.780.728 | 44.687.141 | 68.753.105 | 9.444.835 | 0 | 2.474.232 |
| SMES | | | | | | |
| Loan Guarantee Facility under COSME (COSME-LGF) | 620.883.114 | 603.016.765 | 310.183.160 | 41.427.671 | 0 | 202.827 |
| Equity Facility for Growth under COSME (COSME-EFG) | 140.844.122 | NA | NA | N/A | 0 | 2.352.088 |
| InnovFin SMEG - SME and Small Midcaps R&I Loans Service under Horizon 2020 | 908.002.531 | 377.291.627 | 902.518.141 | 18.319.900 | N/A | 19.060.105 |
| InnovFin Equity - Equity Facility for Research and Innovation under Horizon 2020 | 344.238.612 | 5.744.526 | 313.200.736 | 0 | 225.223 | 4.754.383 |
| SME Initiative (COSME and Horizon 2020 contribution) | 20.068.689 | 0 | 0 | 42.317.947 | 0 | 0 |
| Cultural and Creative Sectors Guarantee Facility – CCS GF | 57.901.965 | 10.798.275 | 28.265.886 | 0 | 0 | 1.003.663 |
| SME Guarantee Facility under CIP (SMEG 07) | 178.725.247 | 148.409.129 | 82.726.265 | 21.569.052 | 0 | 660.727 |
| High Growth and Innovative SME Equity Facility under CIP (GIF) | 439.197.165 | NA | NA | 0 | 7.443.405 | 3.814.553 |
| *Sub-total instruments* | 2.709.861.445 | 1.145.260.322 | 1.636.894.188 | 123.634.570 | 7.668.628 | 31.848.346 |
| TOTAL | 5.456.398.651 | 1.287.683.476 | 4.185.982.013 | 154.044.405 | 7.668.628 | 49.662.902 |

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