



Independent Evaluation of the EFSI Regulation

Final Report

Written by ICF in association with external
partners

June 2018





This study was written by

Oskar Andruszkiewicz, Charu Wilkinson, Juliette Mathis, Laurence Bedoret, James Medhurst, Jonathan Lonsdale, Zorica Trkulja, Maria Rotaru, Jan Franke, Facundo Herrera (all ICF)

Daniel Schwarz (UCL)

Martin Blaiklock (independent expert)

Thomas Langer (independent expert)

EUROPEAN COMMISSION

Directorate-General for Economic and Financial Affairs

Directorate L — Treasury and financial operations

Unit L3 — Financing of climate change, infrastructure policies and Euratom

E-mail: ECFIN-L3@ec.europa.eu

European Commission

B-1049 Brussels

Table of Contents

List of abbreviations and acronyms	6
Executive Summary	8
1 Introduction	17
1.1 This report.....	17
1.2 Objectives of the evaluation	17
1.3 Structure of the report	17
2 The EFSI Regulation	19
2.1 Context for EFSI - Investment Plan for Europe	19
2.2 An intervention logic describing the application of the EFSI Regulation	19
2.3 Implementation of the EFSI Regulation	23
2.4 Extension of EFSI (EFSI 2.0)	23
3 Evaluation approach and methodology	24
3.1 Evaluation design	25
3.2 Methods for data collection and analysis.....	26
3.3 Limitations to the evaluation methodology.....	34
3.4 Reliability and validity of the evaluation results	36
4 Evaluation of EFSI.....	38
4.1 Relevance.....	38
4.2 Effectiveness.....	62
4.3 Efficiency.....	71
4.4 Coherence	77
4.5 EU Added Value.....	86
5 Evaluation of the EU Guarantee	103
5.1 Relevance.....	103
5.2 Effectiveness.....	103
5.3 Efficiency.....	107
5.4 Coherence	109
5.5 EU Added Value.....	109
6 Evaluation of the EIAH.....	111
6.1 Relevance.....	112
6.2 Effectiveness.....	117
6.3 Efficiency.....	120
6.4 Coherence	122
6.5 EU Added Value.....	124
7 Evaluation of the EIPP	126
7.1 Relevance.....	126
7.2 Effectiveness.....	128
7.3 Efficiency.....	130
7.4 Coherence	132
7.5 EU Added Value.....	134
8 Conclusions and recommendations	135
8.1 Conclusions	135
8.2 Recommendations	140

List of abbreviations and acronyms

Abbreviations	
ASD	Advisory Services Department
BDB	Bulgarian Development Bank
CEE	Central Eastern Europe
CEF	Connecting Europe Facility
CGE	Computable General Equilibrium
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
CPR	Common Provisions Regulation
DI	Debt Instrument
EaSI	Employment and Social Innovation
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	European Court of Auditors
ECB	European Central Bank
ECFIN	Directorate General for Economic and Financial Affairs
EFG	Equity Facility for Growth
EFSI	European Fund for Strategic Investments
EGRF	EFSI Guarantee Request Form
EIAH	European Investment Advisory Hub
EIB	European Investment Bank
EIF	European Investment Fund
EIPP	European Investment Project Portal
EL	Expected Loss
ELTI	European Long-Term Investors
EPEC	European PPP Expertise Centre
ERR	Effective Rate of Return
ES	Expected Shortfall
ESIF	European structural and investment funds
EU	European Union
EUR	Euro
FPA	Framework Partnership Agreement
GDP	Gross Domestic Product
GIPP	Global Infrastructure Project Pipeline
H2020	Horizon 2020
IA	Impact Assessment

Abbreviations	
IC	Investment Committee
IIW	Innovation and Infrastructure Window
IMF	International Monetary Fund
IPE	Investment Plan for Europe
JRC	Joint Research Centre
KPI	Key Performance Indicator
KMI	Key Monitoring Indicator
MDB	Multilateral Development Banks
MFF	Multi-annual Financial Framework
MLI	Multilateral Lending Institutions
MoU	Memorandum of Understanding
MS	Member States
NPB	National Promotional Banks
NPI	National Promotional Institution
OECD	Organisation for Economic Cooperation and Development
PJ	Projects Directorate
RAC	Risk Adjusted Capital
RCR	Risk Capital Resources
RDI	Research Development and Innovation
S&P	Standard & Poor's
SACP	Stand-Alone Credit Profile
SFSB	Smart Finance for Smart Buildings
SIF	Sustainable Infrastructure Foundation
SMAF	SME Access to finance Index
SMEW	Small and Medium Enterprise Window
SRSS	Structural Reform Support Service
SWD	Staff Working Document
SZRB AM	Slovenská Záručná a Rozvojová Banka, Asset Management
TA	Technical Assistance
TFP	Total Factor Productivity
TMR	Transaction Monitoring and Restructuring (Directorate)
TRL	Technology Readiness Level
UEAPME	European Association of Craft, Small and Medium-sized Enterprises
URBIS	Urban Investment Advisory Platform
VaR	Value at Risk
VC	Venture Capital

Executive Summary

The Investment Plan for Europe

The Investment Plan for Europe (IPE) was launched in 2014 in response to a 15 per cent decline in investment in Europe following the 2008-09 global financial crisis and the subsequent sovereign debt crisis. The overall aim of IPE is to remove obstacles to and boost investments in the EU. It comprises three inter-linked pillars: (i) the European Fund for Strategic Investments (EFSI) to address the financing constraints facing investment projects and businesses; (ii) the European Investment Advisory Hub (EIAH) to deliver technical assistance to project promoters, and the European Investment Project Portal (EIPP) to provide visibility to projects looking for finance; and (iii) regulatory and structural reforms to remove barriers and create an investment friendly environment.

The original goal of EFSI was to mobilise at least EUR 315 billion of public and private investment (mid-2015 to mid-2018), through the combination of an EU Guarantee (EUR 16 billion) and EIB own resources (EUR 5 billion). It was envisaged that EFSI would generate about 15 times the level of investment from the initial EUR 21 billion endowment by crowding in public and private investors. EFSI is a budgetary guarantee instrument which enables the EIB Group¹ to invest in riskier projects or in more junior positions in lower-risk projects.

In late 2017, EFSI was extended until mid-2020 and increased in volume to EUR 33.5 billion (EUR 26 billion guarantee from the EU complemented with EUR 7.5 billion from the EIB's own resources). It now aims to mobilise EUR 500 billion of public and private investment by 2020.

EFSI comprises two investment windows. The Infrastructure and Innovation Window ('IIW') is managed by the EIB and is composed of two parts, i.e. the Debt and the Equity sub-windows. The second, SME Window ('SMEW') is managed by the European Investment Fund (EIF).

The European Commission (EC) has established an EFSI Guarantee Fund to provide a liquidity cushion from which the EIB will be paid in the event of a potential call on the EU Guarantee. The target provisioning rate of the EFSI Guarantee Fund was originally set at 50 per cent and adjusted to 35 per cent following the extension of EFSI.

Evaluation objectives, scope and methodology

Article 18(6) of the EFSI Regulation requires the Commission to evaluate the use of the EU guarantee and the functioning of the guarantee fund. This evaluation fulfils this requirement, providing a separate assessment of: (i) the EFSI programme, (ii) the use of the EU Guarantee, (iii) the EIAH and (iv) the EIPP. It covers the period from mid-2015 to 31st December 2017.

The evaluation was designed to respond to a specific set of evaluation issues (relevance, effectiveness, efficiency, coherence, and EU added value) and questions, as articulated in the Terms of Reference. It was based on a mixed methods approach comprising:

- Desk research which, inter alia, covered past evaluations, audit reports, operational reports and monitoring data on implementation of EFSI, minutes from the Investment Committee (IC) meetings, EC-EIB communication framework on EFSI, guidelines on estimation of multipliers, Key Performance Indicators/ Key Monitoring Indicators, parts of the EIB Credit Risk Guidelines, documentation related to Rhomolo-EIB model, DG ECFIN internal documentation related to the estimation of the target provisioning rate; EIAH bi-annual technical reports, Memoranda of Understanding (MoUs) signed between EIAH and NPBs/NPIs (National Promotional Banks/ National Promotional Institutions), statistics on EIAH requests and their outcome etc.;

¹ The EIB Group is composed of the EIB and the EIF.

- Review of academic and grey literature² on market failures in access to finance and sub-optimal investment;
- Portfolio analysis of EFSI operations;
- In-depth review of a sample of IIW projects, along with the analysis of the EIAH requests and EIPP projects;
- Investment gap analysis;
- 71 semi-structured interviews with wide range of stakeholders including Commission officials, EFSI Investment Committee and Steering Board members, EIB and EIF staff, EBRD, NPBs, IIW project promoters, financial intermediaries under IIW and SMEW, national ministries, EU level industry bodies (including representatives of SMEs), EIPP and EIAH beneficiaries;
- Online surveys of IIW project promoters, financial intermediaries and investors involved under IIW (signed deals only), NPBs, beneficiaries of EIAH assistance and project promoters from the EIPP.

As with any evaluation, there were limitations to the methodologies applied. The time available for the evaluation was short (mid-December 2017 to mid-April 2018) which inevitably constrained the depth and breadth of research and analysis that could be undertaken. The broad nature of inquiry (approximately 40 evaluation questions covering four components and five evaluation criteria) also limited the depth of exploration into specific evaluation issues. There was evidence of survey fatigue resulting from the parallel EIB evaluation and ECA performance audit. Finally, while all data foreseen under the Terms of Reference was provided by the EIB Group and the European Commission to the evaluators, a more detailed analysis could not be undertaken due to confidentiality and sensitivity of data. Consequently, some initial methodologies (portfolio analysis³ and in-depth project review) had to be significantly adapted.

Notwithstanding the above limitations, the overall evaluation design is strong. The research methods, presented above, were chosen to be complementary and allowed for cross-verification, corroboration and triangulation of evidence collected via different methods and from different sources, thus enhancing the reliability and validity of the evidence. The backgrounds and interests of various stakeholder groups were taken into account to assess how their perspective might have biased the information they provided. Moreover, the findings and inferences drawn were subject to internal and external validation. Finally, where the evidence is limited in some way, the report notes that fact and weighs the value of the findings.

EFSI state of play as of 31st December 2017

By the end of 2017, the closing date for this evaluation, 278 operations had been signed under the IIW with total EFSI financing amounting to EUR 27.4 billion and 328 operations under the SMEW amounting to EUR 10 billion of EFSI financing (as explained previously, the EU support comes in the form of a budgetary guarantee which does not require 100 per cent provisioning in the EU budget. The endowment of EUR 16 billion from the EU budget thus generates a greater volume of EFSI financing). Moreover, the EIAH and the EIPP had been fully established. By the end of 2017, the EIAH had signed 23 MoU with NPBs and supported 66 beneficiaries. The Portal had 238 projects published on it.

² The term grey literature refers to research that is either unpublished or has been published in non-commercial form. Examples of grey literature include: government reports, policy statements, research published by the EIB/EIF, conference presentations, factsheets etc.

³ Although not foreseen in the ToR, the evaluation team would have liked to have access to Investment Committee documentation for all IIW signed operations to extract more granular detail on the characteristics of individual operations e.g. specific product used, loan grading, whether the promoter represents a first time counterpart, whether the operation represents some form of innovation etc.

Evaluation findings, conclusions and recommendations

EFSI

Relevance to investment needs

EFSI initiative was launched in 2015 in the context of a 15 per cent drop in investment in the EU relative to pre-crisis levels and a widening and persistent gap relative to historical trends⁴. The EU level annual investment gap⁵ has been steadily narrowing since the launch of EFSI, falling from EUR 224 billion in 2014 to EUR 123 billion in 2017. Although the overall picture has improved at a macro level, both in terms of the scale of the financing gap and financing conditions (especially for SMEs), there remain substantial and pressing investment needs. For example, infrastructure investment in 2016 was still 20 per cent below pre-crisis levels⁶. And while the SMEs sector may have seen improvements in financing conditions, available evidence suggests that access to finance remains problematic for a substantial share of the SMEs population, in particular in some Member States, and for start-up and early stage growth innovative SMEs, even in those Member States with the most developed and liquid financial markets. Ongoing EU investment support therefore, remains relevant and necessary.

The available evidence suggests also that the sectoral focus of EFSI, as outlined in the EFSI Regulation, has been highly relevant considering existing financing needs and gaps.

Effectiveness in mobilising additional investment

The EUR 37.4 billion of signed EFSI financing (as at 31st December 2017) is expected to mobilise a total investment of EUR 207.3 billion (66 per cent of the total target⁷ of EUR 315 billion, to be met by July 2018). The volume of approved EFSI financing (EUR 51.2 billion, as at 31st December 2017) is expected to mobilise EUR 256 billion of total investment (81 per cent of the target). Looking at the SMEW only, the target of total expected mobilised investments (of EUR 82.5 billion) was close to be reached (95 per cent) or already exceeded (109 per cent) as at 31st December 2017, depending on the indicator used (signed amount or approved amount respectively).

Taking the SMEW and IIW together, the current trend suggests that target for investment mobilised (as per signed operations) will be closely missed by mid-2018. Using the most recent unpublished data on *approved* EFSI financing, however, EFSI seems quasi on track to deliver the initial investment target of EUR 315bn. By 15 May 2018, EUR 57.5bn of EFSI financing had been approved and is expected to facilitate EUR 287.4bn of investments (which amounts to 91.2 per cent of the original target). In any case, the target should not be interpreted in a strict way. It is natural that the EIB, given its mandate (counter-cyclical and growth enhancing long term lender), adapts its response to changes in the economic environment. Through its sheer scale (in terms of financing channelled to projects and businesses and the resultant investment mobilised), EFSI has undoubtedly contributed to the observed reduction in the overall investment gap. EFSI investment (based on disbursements under IIW and signatures under SMEW) represents a significant share of the annual estimated investment gap (in the order of 20 per cent on an annual basis).

⁴ Historical levels were used as a reference point by the European Commission when the Investment Plan for Europe was launched (https://ec.europa.eu/commission/sites/beta-political/files/factsheet1-why_en.pdf). It should be noted that historic levels are only one benchmark and may be lower than investment levels needed to obtain certain specific goals e.g. transition to a low carbon economy

⁵ Observed levels of investment relative to historic trends, based on the ICF own analysis

⁶ EIB (2017) The EIB Investment Report 2017/2018: from recovery to sustainable growth

⁷ Note that there is no specific document (including EFSI Regulation) that would stipulate whether the progress towards the EFSI target of EUR 315 billion of total investment mobilised by mid-2018 should be interpreted as per signed operations only (common EIB's practice prior to EFSI implementation), or as per all approved operations that include the operations that have been signed as well as those that have been approved but still have not been signed. Depending on the chosen option, the difference in the achieved targets was 15 percentage points as of 31st December 2017.

Overtime and with sustained effort, greater diversification of EFSI financing has been achieved in both, geographical and sectorial terms. Having said that, EFSI financing still remains highly concentrated. At the end of 2017, three Member States⁸ (representing 34 per cent of EU GDP) accounted for 44.5 per cent of EFSI financing signed (the share of top three has declined from 46 per cent in 2016). More generally, 82 per cent of all signed EFSI financing went to the EU 15 Member States *versus* 11 per cent to the EU 13⁹. However, this distribution has been also a function of the relative size of the EU 15 in the whole EU 28 economy (93 per cent). In addition, EFSI is also a demand driven instrument. The RDI sector represented 35 per cent of total EFSI financing at the end of 2017 (as per signed operations).

The actual multiplier effect¹⁰ of EFSI is broadly in line with what had been assumed at the outset – aggregate global multiplier of 13.5 (against a target of 15). The achieved multiplier effect is a function of the risk profile of projects, risk appetite of other investors (and their willingness and capacity to co-invest) and the intensity of market failures in specific sectors and countries. Debt operations under the SMEW have typically the highest multiplier (26.6 by the end of December 2017).

Effectiveness in crowding in of private sector investment

EFSI operations signed by the end of December 2017 are expected to mobilise almost EUR 134 billion of private sector investment representing 64 per cent of the total EFSI investment mobilised and almost 40 per cent of the estimated investment gap in 2017. Equity instruments under IIW have been particularly successful in attracting private capital – mobilising over 12 euros of private financing for every euro of EFSI financing.

New Products

A range of new, riskier products have been introduced since mid-2016. Examples include direct quasi equity and risk sharing with financial intermediaries under IIW, proof of concept phase & technology transfer, social incubators, payment-by-result schemes under SMEW. In addition existing products have been modified and tailored to new type of counterparties/ beneficiaries.

Overall, the available evidence indicates no obvious gaps in the range of specific products and the high degree of relevance of those products already in place. Moreover, products are evolving to meet the changing and diverse needs of specific sectors or countries.

New delivery models and collaborations

In addition to the development of new products, the increased risk bearing capacity through the EFSI Guarantee is expected to enable the EIB and the EIF to also reach new market areas, new client types and develop new ways of engaging with existing clients. In this respect, significant progress has been made under EFSI:

- More than 80 per cent of the clients benefitting from EFSI IIW are new counterparts to the EIB;
- According to the EIF, 70-80 per cent of the deals under SMEW have been signed with new financial intermediaries. Moreover, cooperation under EFSI has extended to new types of financial intermediaries such as family offices;
- Aside from new products and new counterparts, the EIB has also developed new forms of cooperation – moved from partial to full delegation models for risk-sharing.

Finally, cooperation with NPBs/NPIs has been strongly enhanced under EFSI. At the end of December 2017, 140 operations signed under EFSI involved NPBs/NPIs, amounting to EUR 7.4 billion of EFSI financing. NPBs/NPIs are an important partner for EFSI delivery as

⁸ France, Italy and Spain respectively

⁹ Those figures do not take into account the multi country deals/ operations that were implemented in more than one Member State

¹⁰ It is to be noted that the multiplier can only be calculated at the end of the period (and at portfolio level).

their local presence and knowledge has facilitated transaction origination and enabled smaller deal sizes which was one recognised means to benefit real economy and financed-constrained beneficiaries. Cooperation and coordination with NPBIs is also an essential element of improving the EU added value of an instrument like EFSI by reducing overlaps between national schemes and EU level intervention and improving complementarity. More widely, the new delivery models (e.g. investment platforms, risk sharing models) and new collaborations have contributed to sectoral and geographical diversification of EFSI portfolio as well enabled the financing of smaller projects. Given the relatively early stage of implementation of these collaborations and delivery models, it is however not possible to analyse these more deeply in terms of their effectiveness or efficiency.

Efficiency of the governance structure

Overall, the current EFSI governance structure works well. Interviewed EIB and EIF staff as well as EFSI Managing Directors have highlighted the crucial role of EFSI's lean governance structure that is sufficiently responsive to constant changes of the markets. Moreover, an independent and credible Investment Committee is seen as critical for ensuring the legitimacy of EFSI.

The burden on project promoters was generally modest, especially with the initial contact and discussion. The appraisal procedure was considered to be difficult by a quarter of promoters interviewed, but this is not considered to represent a need for any significant change in procedures.

Scoreboard

The scoreboard is a tool used by the Investment Committee to decide whether an operation should receive an EFSI guarantee or not. In line with the regulatory requirements, the scoreboard comprises four pillars, with each pillar comprising a set of indicators and a predefined rating scale. The scoreboard provides a relevant and useful framework for decision making. The methodologies and criteria for rating individual criteria have been agreed by the EFSI Steering board in the initial EFSI Regulation. Under EFSI 2.0, a request for transparency has been addressed and the Scoreboard is to be published under EFSI 2.0.

Economic impact

The EIB reported that as of December 31st 2017, EFSI enabled to create nearly 115,000 of permanent jobs over 0.5 million of temporary ones and over 3.5 million of supported jobs. These figures do not yet capture the indirect and induced effects of EFSI on employment.

To address these issues and to provide a plausible approximation of the impacts of EFSI, the Economic Department of the EIB, in collaboration with Join Research Centre (JRC) has undertaken a modelling exercise (using RHOMOLO-EIB model). Based on the modelling, the EIB reported that EFSI operations approved since inception up to 31st December 2016, which mobilised EUR 161 billion of investment will have added 0.67 per cent to EU GDP and generated 690,000 new jobs by 2020, compared to the baseline scenario. The transparency of the key assumptions, including clear explanation of the baseline scenario and its implication for the interpretation of the results, is nonetheless expected to improve.

Coherence of EFSI with other instruments

Coherence with other EU centralised financial instruments – A high level of coherence of EFSI with other centralised financial instruments has been achieved over time. Some initial overlaps between EFSI with other EU level financial instruments offering similar financial products has been resolved through prompt action by re-focusing existing instruments towards new market segments (e.g. projects outside the EU or new thematic products in the case of InnovFin's EIB debt products) and/or developing a deal allocation policy formalising the preferential use of EFSI (e.g. CEF DI, COSME EGF).

Coherence with decentralised programmes (European Structural Investment Funds (ESIF) – Coherence was a potential issue for the financial instruments (FIs) used under ESIF, which account for 7 per cent of the total ESIF resources. There is a risk of competition between these FIs and COSME LGF (and thus indirectly EFSI). Ease of access to COSME LGF and different requirements, for instance in the case of state aid, could mean that COSME LGF tends to be preferred to the ESIF FIs by financial intermediaries. This is a recognised matter which requires further work to be addressed. Guidelines have been introduced to help Managing Authorities to combine EFSI with ESIF funding.

Additionality and EU added value

Additionality – sub-optimal investment – as previously indicated, EFSI has been effective in mobilising public and private investment to address the investment needs identified at a macro level and specifically, in the sectors defined under the EFSI Regulation and in particular by expanding the supply of finance to SMEs and mid-caps.

Additionality – market failure – By supporting investment in higher risk activity, EFSI tackles the failure of the market to provide this finance. EFSI has resulted in a five-fold increase in EIB finance for higher risk activity (Special Activities) and there is clear evidence that EFSI operations are characterised by a higher level of risk as compared to standard (non-EFSI) EIB operations. Despite the clear and evidenced crowding-in effect, there is always a risk that market intervention can crowd out market investors and although there is some indication under the IIW of a potential crowding out effect, further research would be needed to establish this with more certainty and to determine the nature and scale of any potential crowding out.

Subsidiarity – as previously mentioned, the EIB Group's cooperation with national promotional banks and other national institutions has enhanced significantly under EFSI. This has taken time (aided by the activities of the EIAH, see below) to develop but NPBs/NPIs have co-financed almost a quarter of operations (end of 2017), with particular contributions in equity financed operations (IIW) and under the SMEW, where participation increases to over 30 per cent (in terms of number of operations).

Non-financial added value – there is evidence of other added value from EFSI in terms of attracting new investors, having a demonstration effect and market testing of new products and financing models, and support and adoption of higher operational standards by financial service providers;

Opportunity costs of provisioning EFSI – the financing of EFSI required some transfer of the EU budget allocated to existing programmes; Connecting Europe Facility (CEF) and Horizon 2020 (H2020) which reduced the resources available in these programmes. As a market driven instrument, EFSI brought its own added value, but the contribution of the concerned policy-driven instruments to policy added value (e.g. in terms of responding to societal and climate challenges and addressing the cross border dimension) has mechanically been reduced. Because of targeting EFSI activity (to a certain extent) in these programme areas and its beneficiaries, the adverse policy effect has been somewhat reduced. The net impact of such transfer of resources on the added value of EFSI support however requires further research and analysis.

EU Guarantee

Overall, the approach to modelling the EFSI target rate appears to be adequate. Given the inherent lack of historic data a simple approach with a focus on broad-brush techniques which capture the main risk features of the IIW and SMEW portfolios is the right choice, and in line with industry standards.

The modelling approach exhibits several positive features. The inclusion of a systemic risk factor and the resulting correlation of default events takes into account the fact that defaults, which would trigger a loss greater than the 95 per cent Value at Risk (VaR), are unlikely to be caused by purely idiosyncratic risk factors.

The main weakness of the modelling approach used to estimate the current provisioning rate has been its sensitivity to some of the model inputs. The assumed correlation between defaults of individual operations (provided by the EIB) has a considerable

impact on the provisioning for the IIW debt portfolio, albeit most recent calculations performed by DG ECFIN seem to suggest that this sensitivity decreases when most recent data feeds into the model¹¹.

EIAH

The services offered by the EIAH were considered by beneficiaries and by NPBs/NPIs to be highly relevant. Feedback from beneficiaries suggest that Hub services have been critical in securing project development. However, little effect on capacity building of local knowledge through collaborations with NPBs/NPIs is reported by NPBs/NPIs and further action is being taken to respond to this. The Hub receives interest from private and public sector actors, but requests which are allocated substantial advisory support are largely from public authorities (79 per cent of requests). This has so far led to 12 projects being considered by EIB lending divisions (not necessarily EFSI).

Levels of resources allocated are assessed to be appropriate for the activities carried out and planned, with flexibility shown in the reallocation of funds to activity and workstreams in greatest demand or need of development. Interviewees were of the view that the governance model put in place between the European Commission and the EIB is efficient. This was true for both the framework partnership agreement (FPA) as well as yearly specific grant agreements which highlight annual priority areas for EIAH activity. Responses to requests were considered to be dealt with in a timely manner.

Activity of EIAH has not had a specific EFSI focus, and activity has focused on raising awareness and demand from Member States. This is expected to change under EFSI 2.0 with a specific mandate to support EFSI. This poses future challenges, but is not the subject of this evaluation. Externally, the Hub has a gap-funding mechanism intended to complement or cover gaps that other initiatives do not /cannot cover. The monitoring and assessment of appropriate gaps, supported by close cooperation with NPBs/NPIs, remains critical to ensuring complementarity and coherence.

The EIAH is assessed to provide EU added value in particular in Member States where technical and functional capacity gaps persist and in supporting knowledge exchange across such Member States. Since needs vary by MS it is clear that EU added value will vary according to the local TA capacity and offer in a given Member State, and the level of cooperation between EIAH and the local NPBs/NPIs. Further added value can be expected given the continuing work to develop national and local co-operations.

EIPP

Relevance is reflected in the use of the Portal and the benefits reported by both users, project promoters and potential investors. The analysis indicates a high number of visits, (100,000 unique visitors during 2016 and 2017), contacts between promoters and investors supported by events organised in several Member States. NPBs/NPIs generally considered there to be a potential role for the Portal.

The high number of visits indicates that the Portal has managed to increase transparency of investment opportunities and render these opportunities known to a high number of stakeholders. Awareness of NPBs/NPIs was high, but lower levels of awareness were reported by financial intermediaries. Survey responses suggest that the quality of investors using the Portal could be improved.

Efficiency depends on the overall number of projects uploaded and published at the end of the five year budget. Numbers of projects and hence unit costs are considered to be appropriate. Efficiency has improved over time due in part to a learning effect amongst staff reducing the time taken to screen and publish projects.

The value of the Portal to EFSI and EIAH has been limited by the lack of maturity of projects published on the Portal and the need to support the creation of a larger number of investor/project promoter matches on the EIPP portal. Externally, while there are

¹¹ The study team did not have sufficient details about these latest calculations and therefore could not validate this information

other international and national initiatives which slightly overlap with the Portal, these have been largely identified and cooperation agreements signed to ensure avoidance of duplication and that synergies are explored.

The added value of the Portal is to bring together promoters and investors that would not otherwise have been aware of their mutual interest and capacities. Currently sustainable matches between investors and investees do not happen often enough because of the limited amount of time since launch (June 2016) and possibly the limited number of investors operating on the portal.

Recommendations

EFSI

The follow-up of EFSI 1.0 with its extension to 2020 (EFSI 2.0) has meant that a number of issues associated with the design and implementation of EFSI 1.0 have already been addressed. Recommendations are therefore drafted taking into account the revised Regulation.

- **Clarify the concept of sub-optimal investment:** Given the continuing use of this concept in the Regulation, and the need to evaluate performance of EFSI in these terms, a clarification of the concept is required;
- **Clarify the definition of additionality based on a response to market failure:** The definition of additionality has been tightened under EFSI 2.0. The Regulation recognises EFSI as a market intervention: The impact of the initiative on the market for finance and in particular the effect on market failure and levels of crowding-out need to be assessed ex post against counterfactual scenarios. A limited evaluation method based on self-reporting has been used, but more rigorous method, based on experimental or quasi-experimental approaches is desirable. The feasibility of such an approach needs to be tested well before its application to ensure necessary selection and monitoring arrangements can be made. In this respect, the current efforts of the EIB Group to test such approaches for EFSI-type products (e.g. MAP and CIP SME Guarantee Facilities) are recognised, particularly with regards to the set-up of the necessary data infrastructure;
- **Enhance the approach and transparency of estimating the economic impact of EFSI:** The current operation of the Rhomolo-EIB model is recognised to be work in progress. Improvements in the transparency of the modelling assumptions (especially regarding the baseline scenario and potential crowding-out effect of EFSI), along with potential development of counterfactual scenarios, would help to provide more robust evidence base for subsequent impact assessments;
- **Targeting of financial instruments:** Ex-ante assessments and ongoing analysis of market failures and needs at a sectoral level should be strengthened to avoid any overlaps between products and to minimise any potential crowding out effects;
- **Design of KPIs:** KPIs should be designed to ensure that the pursuit of volume is not more important than meeting additionality.

EU Guarantee

- **To include the effect of default contagion:** although the current model for IIV debt operations takes into account correlation between defaults of debt operations these defaults are conditionally independent (conditioned on a realization of the stochastic systemic risk variable) and therefore does not take into account the effect of default contagion. This refers to the possibility that there can be interaction between defaults in the sense that the default of one operation influences the conditional default probability of other operations, as it has been observed during economic crises;

- **Improvement of the Monte Carlo simulation:** the current numerical implementation of the credit model for the IIW debt portfolio is based on a Monte Carlo simulation of the distribution of future losses in the debt portfolio. While Monte Carlo simulation is a standard method to approximate loss distributions, its accuracy can be improved upon by employing so called variance reduction techniques.

EIAH

- **Further improvement of awareness about the EIAH:** improve awareness of the Hub among potential beneficiaries by organising more events, enhancing the cooperation with NPBs/NPIs and stressing their potential role in promoting the Hub;
- **Further intensifying the collaboration with NPBs/NPIs:** enhance capacity building activities / cooperation with NPBs/NPIs to ensure local capacity is boosted, especially in high priority countries (countries where market gaps for advisory services and SMEs specific advisory are higher than the EU average);
- **Use of accumulated knowledge:** use the Market gap analysis study conducted in 2016 which provided a detailed overview of the TA initiatives available in the Member States and the on-going work with NPBs to work on the reduction of overlaps with TA initiatives at national level;
- **Adopt proactive approaches to increasing the number of supported projects to make them financing-ready:** This would include the EFSI 2.0 requirement to increase attention on support of EFSI-suitable projects, which have already been identified as EFSI-suitable, and possibly introduce regular reviews of new projects published on the EIPP.

EIPP

- **Increase of the quality of potential investors:** The European Commission should improve the checks run against the investors who are granted access to the Portal. More stringent criteria should be applied to avoid potential scams. Another option to prevent potential scams outside the Portal is to present the public information on the Portal (before registration) in such a way that the name of the company / project are not identifiable before registering as an investor;
- **Increasing cooperation between EIAH and EIPP:** boost the number of investor/project promoter matches on the EIPP portal by leveraging higher cooperation between EIAH and EIPP. The EIAH offer could be more clearly recommended to project promoters. This could be achieved by sending an email or message through the Portal to project promoters or by making sure that somewhere in the process of publishing their project they are signposted to EIAH;
- **Enhanced communication:** EIPP staff could query EIAH on suitable projects that currently are looking for investors and are currently being advised by EIAH, and uploading these to EIPP. This would require the agreement and cooperation of EIAH.

1 Introduction

1.1 This report

ICF and partners have been commissioned by the Directorate-General for Economic and Financial Affairs (DG ECFIN), under Framework Service Contract ECFIN-001-2017, to provide an independent evaluation of the application of Regulation 2015/1017 ('EFSI 1.0 regulation') and additional services to support the impact assessment (IA) for a potential future EU investment support instrument. Although EFSI 1.0 operates to the end of June 2018, the evaluation uses data available up to the end of 2017.

The proposal to extend the instrument (EFSI 2.0) until 2020¹², which envisages some modifications of the EFSI 1.0, has now been adopted. Although EFSI 2.0 is out of the scope of this evaluation, changes that are deemed to improve EFSI 1.0 will be taken into consideration.

This report is the Final Report of the evaluation of EFSI 1.0. It sets out the analyses and findings that have emerged to date. The Impact Assessment is the subject of separate reporting.

1.2 Objectives of the evaluation

The requirement for an independent evaluation of the EFSI Regulation is specified by the EFSI Regulation (Article 18(6)). This evaluation is required before any new proposal for a post-2020 investment support instrument can be tabled.

The evaluation has four objectives, to assess separately: (i) the EFSI programme, (ii) the use of the EU Guarantee, (iii) the European Investment Advisory Hub (EIAH) and (iv) the European Investment Project Portal (EIPP).

Each assessment will be based on the same criteria: *relevance, effectiveness, efficiency, coherence, and EU added value*. Although technically part of the assessment of EU added value, a specific and separate assessment of additionality will be provided. The evaluation should distinguish between the two investment windows: the Infrastructure and Innovation Window (IIW) and the SME Window (SMEW).

The key issues that the evaluation should focus on are described in a set of evaluation questions provided in the stand-alone Annex document.

The evaluation should draw lessons from the implementation of EFSI, the EIAH and the EIPP as the basis for recommendations on how to improve future implementation of those, and in particular how to optimise the EU Guarantee and the EIPP, and how to maximise the support provided by the EIAH.

1.3 Structure of the report

The structure of this report follows that which is required for the subsequent Staff Working Document (SWD) to be prepared by Commission Services to summarise the results of the evaluation:

- Section 2: The EFSI Regulation;
- Section 3: Methodological approach including a description of the methods and tools used in the research to provide evidence in support of the evaluation, as well as study limitations;
- Section 4: Evaluation of EFSI describing the performance against the specified evaluation criteria (relevance, effectiveness, efficiency, coherence and EU added value);

¹² European Commission, 12 December 2017. Available at: Commission and EIB Group welcome final adoption of extended and improved EFSI (EFSI 2.0). Available at: http://europa.eu/rapid/press-release_IP-17-5169_en.htm

- Section 5: Evaluation of EFSI Guarantee describing the performance against the specified evaluation criteria (relevance, effectiveness, efficiency, coherence and EU added value);
- Section 6: Evaluation of EIAH describing the performance against the specified evaluation criteria (relevance, effectiveness, efficiency, coherence and EU added value);
- Section 7: Evaluation of EIPP describing the performance against the specified evaluation criteria (relevance, effectiveness, efficiency, coherence and EU added value);
- Section 8: Conclusions and recommendations.

In addition, there is also series of Annexes. Those are consolidated in the separate stand-alone Annex document that accompanies this report and which includes:

Annex 1: Consultation Strategy;

Annex 2: Interview at scoping stage and main stage;

Annex 3: On-line survey questionnaires;

Annex 4: On-line survey results;

Annex 5: Interview topic guides;

Annex 6: Project review template;

Annex 7: Description of the modelling of the EFSI target rate;

Annex 8: Literature review - sectorial fiches;

Annex 9: Evaluation framework;

Annex 10: Summary of previous evaluation evidence;

Annex 11: ICF investment needs analysis.

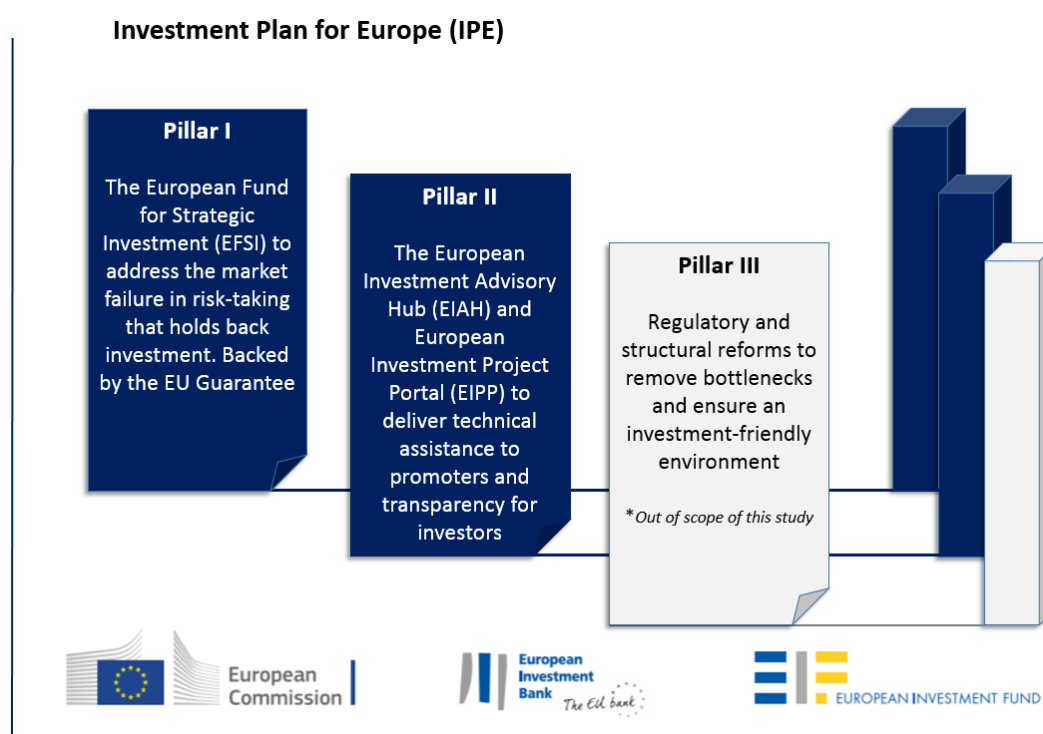
2 The EFSI Regulation

2.1 Context for EFSI - Investment Plan for Europe

To fight economic weakness lingering from the 2008 financial crisis and sovereign debt crisis, the European Commission (EC), in a partnership with the European Investment Bank Group, proposed in November 2014 the Investment Plan for Europe (IPE). The overarching goal was to kick start investment in Europe, and through that contribute to restoring EU competitiveness and consequently help boost growth and employment.

The IPE consists of three pillars (Figure 1). The first Pillar is the European Fund for Strategic Investments (EFSI) which provides support to investments, and increased access to financing for entities having up to 3 000 employees, through the combination of an EU Guarantee with EIB own resources that allows higher risk bearing capacity by the EIB. The second Pillar establishes the European Investment Advisory Hub (EIAH) that is a single point of entry for advisory services and technical assistance to identify, prepare and develop investment projects across the EU, and the European Investment Project Portal (EIPP) which intends to match project promoters with investors. The third Pillar aims at creating an environment that will be conducive for investment by eliminating regulatory barriers and stimulating critical structural reforms in the context of European investment.

Figure 1. Investment Plan for Europe



Source: ICF adapted from EIB

The proposed evaluation is directed at establishing the performance of activities launched under Pillars I and II. The third Pillar is out of scope for this evaluation.

2.2 An intervention logic describing the application of the EFSI Regulation

The rationale for EFSI is established in the Regulation¹³ as responding to the European Council conclusion that 'fostering investment and addressing market failure in Europe is a

¹³ The Regulation (EU) 2015/1017 was amended by Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub (OJ L 345, 27.12.2017, p. 34).

key policy challenge¹⁴. It is recognised that EFSI is part of the strategic response to this challenge, with complementary actions to reduce the investment gaps.

The purpose¹⁵ of EFSI is to support investments and increased access to finance for by enhancing the risk bearing capacity of the EIB via an EU Guarantee also complemented with EIB own resources. It is expected that this will mobilise investment and boost competitiveness and support the economic recovery beyond the EIB Group own capacity.

The underlying theory of change underpinning EFSI is that the ability provided by the EU Guarantee to the EIB to take on higher volumes of risk financing will lead to an increase in the access to financing in response to market failures and sub-optimal investment situations (market being unable to generate sufficient volume of investment) and in so doing will generate a substantial (EUR 315 billion) injection of investment.

To produce this effect, it is critical that EFSI does not crowd-out private and public investors, but rather addresses market failures and sub-optimal investment situations and 'crowds-in' investors in projects and investment portfolios that these investors would otherwise not have chosen. The test of 'additionality' is provided in the Regulation and stipulates: that without EFSI, the investment '...could not have been carried out in the period during the Guarantee can be used, or not to the same extent, by the EIB, the EIF or under existing Union financial instrument without EFSI support'¹⁶ (this definition needs to be distinguished from the interpretation of the EU added value criterion in the context of which additionality may be also considered). A further test of additionality is that the EFSI portfolio should have a higher risk profile than usually supported by the EIB under its normal investment operations, requiring in part the introduction of new and/or greater use of existing higher risk financing products.

The Investment Plan for Europe also comprises two other elements designed to expedite an accelerated level of investment and to support inter alia EFSI operations: the creation of the European Investment and Advisory Hub (EIAH) and the European Investment Project Portal (EIPP).

The EIAH, integrated within the EIB to draw on existing technical expertise, is designed to foster an improved pipeline of investment projects which might also receive EFSI support through additional and coordinated technical assistance (TA) which is complementary to existing TA offers. This includes providing a single point of access for promoters to technical assistance to identify, develop and test the viability of projects. The EIAH is also required to build relationships with other EU technical assistance services and with financial institutions, especially at Member State (MS) level (National Promotional Banks (NPBs) and other Institutions (NPIs)) to increase the capacity to support project promoters. To help build scale, the EIAH has a particular role in supporting, together with NPBs/NPIs, the development of Investment Platforms, which would allow the creation of special purpose vehicles for larger projects and the aggregation of smaller projects which have similar characteristics.

The EIAH will also help to identify the possibilities to crowd-in public as well as private funds, with particular interest in facilitating the use of grants from the European Structural Investment Funds (ESIF).

The EIPP is designed to showcase investment projects that are ready for investment. It was also set up for investors and promoters to facilitate the matching between available projects (EU based projects promoters) and finance (investors worldwide), addressing information and visibility barriers to the achievement of viable projects.

The final and critical step in the intervention logic is that the investments contribute to making the EU economy more innovative, competitive and consequently foster economic growth.

¹⁴Para 8 of the Regulation

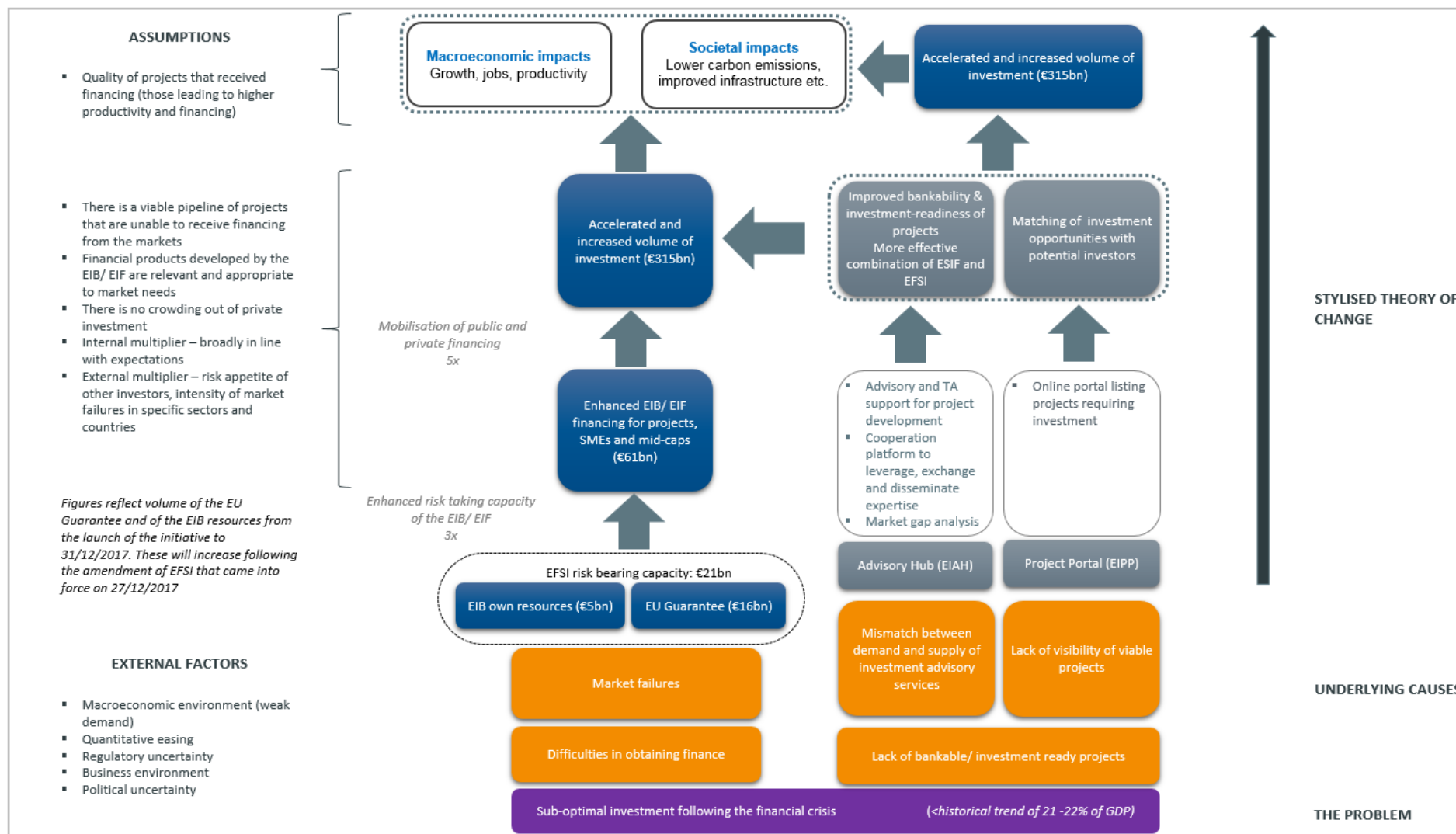
¹⁵ Article 3 of the Regulation

¹⁶ Article 5 of the Regulation

We summarise this intervention logic in Figure 2. Note that the diagram also seeks to capture the basic intervention logic in terms of the flow of inputs to outputs to outcomes and impacts:

- Inputs – comprise the EU Guarantee and EIB own resources and the funding and establishment of the EIAH /EIPP;
- Outputs – comprise the achievement of the provision of EIB group financing (the internal multiplier), appraisal and signature of projects, and the engagement and communication activities of the EIAH and the establishment of the EIPP;
- Outcomes – comprise the achievement of the external multiplier and disbursements in projects and portfolios; the establishment of project pipelines and associated TA capacity and the development of projects through the EIPP;
- Impacts – comprise the real economy impacts of growth, competitiveness, employment, and innovation and related social benefits.

Figure 2. Intervention Logic for EFSI, EIAH and the EIPP



Source: ICF

2.3 Implementation of the EFSI Regulation

The EIB Group implemented the EFSI Regulation commencing in mid-2015, initiating:

- The two investment windows (IIW and SMEW) supported by the EU Guarantee building on existing project pipelines (IIW) and responding to already identified unmet demand for finance from financial intermediaries (SMEW); and
- The set-up of the EIAH and EIPP.

By the end of 2017, the closing date for this evaluation, the implementation of EFSI Regulation had achieved:

- An agreed governance structure for EFSI ensuring its independent operation from the commercial operation of the EIB Group;
- 278 operations of value of EUR 27.4 billion were signed under the IIW, and further 328 signed operations with an investment value of EUR 10 billion came under the SMEW¹⁷. Those signed operations were expected to mobilise a total investment of EUR 207 billion (66 per cent of the total target).¹⁸ As per approved operations, EUR 256.3 billion of total investment mobilised was achieved (81 per cent of the total target) – see Table 1;
- The EIAH, with an established operational mandate agreed with international partners (cooperation agreement with the EBRD) and 23 MoU with NPBs. By the same period the EIAH supported a total of 66 beneficiaries;
- The EIPP with a total of 412 projects presented at the end of 2017.

Table 1. EFSI: State of play of implementation (31st December 2017), cumulative figures, EUR mln unless otherwise specified

	2015	2016	2017
EFSI financing - IIW (signed)	1,211	14,169	27,412
EFSI financing - IIW (approved)	5,691	22,004	39,310
EFSI financing - SMEW (signed)	1,786	7,101	9,998
EFSI financing - SMEW (approved)	4,885	8,152	11,950
Total EFSI financing (IIW + SMEW)	2,998	21,270	37,411
EFSI disbursements - IIW	215	4,125	10,175
EFSI investment mobilised (approved)	59,900	164,144	256,270
EFSI investment mobilised (signed)	29,051	126,599	207,337
Private finance mobilised (signed)	17,582	85,444	133,523
Private finance as % EFSI investment	61%	67%	64%

Source: EFSI Operational Reports for 2015-17

2.4 Extension of EFSI (EFSI 2.0)

The investment need that motivated the launch of EFSI was recognised by the EU to require a longer term response and the operational life of EFSI to be extended to the end

¹⁷ Further data is available from the EFSI Annual Operational Report: Schedule II of the EFSI Agreement, Reporting date: 31 December 2017

¹⁸ Further data is available from the EFSI Annual Operational Report: Schedule II of the EFSI Agreement, Reporting date: 31 December 2017

of the current EU programme period (end 2020, with all related signatures to be secured by end 2022). This was formally addressed in the revision to the EFSI Regulation¹⁹.

The extension of the EFSI Regulation introduced a number of changes including:

- A larger target investment, with an increase in the EU Guarantee from EUR 16 billion to EUR 26 billion (Article 11) and EIB own capital from EUR 5 billion to EUR 7.5 billion with an increase in the investment target from EUR 315 billion to at least EUR 500 billion until 2020 (Annex II – investment guidelines);
- An enhanced definition of additionality (Article 5), with an explicit requirement to reinforce the additionality justification. While Special Activities classification no longer automatically implies additionality, it remains a “strong indication” for additionality;
- A larger proportion of climate action and sustainable investment to be secured (Article 9), with a target having been set of least 40 per cent of EFSI infrastructure and innovation financing components contributing to climate action in line with the Paris Agreement; and new agriculture and bio-economy thematic objective;
- A greater focus on smaller projects with specific advice to NPBs on the use of investment platforms to bundle several small-sized projects by theme or by region in order to attract investors (Article 6) with some delegation of the appraisal, selection and monitoring of small-scale sub-projects (i.e. projects where the EFSI contribution is below EUR 3 million) to financial intermediaries or approved eligible vehicles, in particular investment platforms and national promotional banks or institutions (Article 9);
 - Increased transparency (Article 7) of the decisions of the Investment Committee (IC) including the publication of the rationale for support from the EU Guarantee and publication of the project scoreboard of indicators after the signature of each EFSI project. Further checks on an ongoing basis of the absence of any conflict of interest of IC members will also be introduced;
- Extended mission for the EIAH, including:
 - contributing actively to the objective of sectoral and geographical diversification of EFSI financing;
 - a target to conclude at least one cooperation agreement with a national promotional bank or institution per Member State or, at the request of a Member State, provide pro-active advisory support on the establishment of such bank or institution;
 - a stronger focus on establishing a local presence and leveraging local knowledge about the EFSI and assist in the transfer of knowledge to the regional and local level with a view to building-up regional and local capacity and expertise; and
 - a greater focus on climate action and circular economy projects, and digital projects.

3 Evaluation approach and methodology

This section describes the overall approach to the evaluation as well as the specific methods used to collect and analyse data. It concludes with a discussion on the limitations of the evidence base underpinning the evaluation and in light of this, an assessment of the reliability and validity of the evaluation findings.

¹⁹ The Regulation (EU) 2015/1017 was amended by Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub (OJ L 345, 27.12.2017, p. 34).

3.1 Evaluation design

The evaluation was designed to respond to a specific set of evaluation criteria (see Box 1) and questions, as articulated in the Terms of Reference. An evaluation matrix was developed during the scoping phase of the assignment to guide the choice of specific research methods as well as to provide a framework for subsequent interpretation of the evidence compiled. The evaluation matrix is presented in the Annex. It specifies:

- The questions addressed by the evaluation (these are taken from the Terms of Reference);
- The evidence required to answer each evaluation question;
- The expected information sources and methods for compiling this evidence; and
- The judgement criteria on which the conclusions will be based.

The evaluation matrix thus, incorporates multiple lines of inquiry and evidence for answering each evaluation question.

Box 1. Core evaluation criteria as set out in the Better Regulation Guidelines²⁰

Relevance: how well do the objectives of the intervention correspond to identified needs?

Effectiveness: how successful EU action has been in achieving or progressing towards its objectives?

Efficiency: the extent to which the intervention is being implemented efficiently?

Coherence: to what extent is the intervention being subject to the evaluation coherent with other interventions which have similar objectives?

EU added value: what is the additional value resulting from the EU intervention(s), compared to what could reasonably have been expected from Member States acting at national and/or regional levels?

²⁰ European Commission, Better Regulation Toolbox 47: Evaluation criteria and questions. Available at: https://ec.europa.eu/info/sites/info/files/file_import/better-regulation-toolbox-47_en_0.pdf

3.2 Methods for data collection and analysis

A variety of data sources were used to build a rich and comprehensive evidence base for the evaluation. Complementary research methods were used as a means to enhance the reliability and validity of the data collected and to provide the basis for triangulation of results (see section 3.2.9). The table below provides a high level overview of the research methods used to address each evaluation criteria. A description of how each of these methods was applied to this evaluation is provided in the sub-sections that follow.

Table 2. Overview of the research method used for the evaluation

	Relevance	Effectiveness	Efficiency	Coherence	EU added value*
Desk research	●	●	●	●	●
Literature review	●				
EFSI portfolio analysis	●	●			●
In-depth project review (IIV)					●
Review of EIAH requests	●	●			
Review of EIPP projects	●	●			
Targeted online surveys	●	●			●
Targeted interviews	●	●	●	●	●

*including additionality

● Main source of evidence ● Supplementary source of evidence

3.2.1 Desk research

Objective: To ensure a comprehensive understanding of implementation and evolution of EFSI since its start in 2015 including the wider context in which EFSI operates, as well as key issues related to the EU Guarantee, EIAH and EIPP.

Scope: The desk research undertaken as part of this evaluation involved a review of publicly available information as well as official documentation (>100 stand-alone documents) provided by the Commission, EIB and EIF. It also involved an analysis of the how the EU level investment gap²¹ has evolved in recent years and an independent peer review of the risk measurement model developed by the European Commission to determine the Guarantee Fund provisioning rate. The latter essentially entailed:

- a review of the validity of the assumptions underlying the mathematical risk measurement model;
- an assessment of the ability of the risk measurement model to capture the key risk drivers of the EFSI portfolio risk landscape and the interdependences between different risk factors in the portfolio;
- an evaluation of the risk measurement model in light of recent, continuous development of quantitative risk management methodology. For instance, the importance of extremes and extremal dependence, of systemic risk and model risk, in particular in the context of credit models.

Box 2 provides illustrative examples of the types of documents and data that were used by the study team.

²¹ i.e. the difference between investment levels based on historic trends and actual investment levels observed post crisis . This analysis is relevant because the IPE was proposed by the European Commission in November 2014 following a 15 per cent drop in investment in the EU since its peak in 2007 and in response to an investment gap estimated at EUR 430 billion in 2013 (source: European Commission, Why Does EU Need an Investment Plan, https://ec.europa.eu/commission/sites/beta-political/files/factsheet1-why_en.pdf)

Box 2. Examples of documentation/ data reviewed as part of the desk research

- Portfolio data on operations from both windows available at the EIB and EIF websites as well as provided directly by EIB/ EIF (i.e. Operational and Risk Reports, supplemented by additional data provided by EIB upon ICF request) with the cut-off point for 31st December, 2017;
- Past assessment and evaluation of EFSI produced by, inter alia, EIB, European Court of Auditors and independent consultants;
- Recent EIB and EIF Operational Plans²²;
- Unpublished/ internal documentation provided by the EIB/ EIF/ ECFIN i.e. relevant parts of the *EIB Credit Risk Guidelines*, PowerPoint presentations from the internal meetings, minutes from the IC meetings, EC-EIB communication framework on EFSI etc;
- Essential guidelines i.e. documentation on estimation of multipliers, *Key Performance Indicators/ Key Monitoring Indicators*;
- Documentation related to EIB-Rhomolo model developed by Joint Research Centre of the EC in Sevilla, including model specification and description of main assumptions;
- DG ECFIN internal documentation related to the estimation of the provisioning rate;
- EIAH bi-annual technical reports, MoUs signed between EIAH and NPBs/NPIs, statistics on EIAH requests and their outcome, statistics on EIPP portal visitors and users, as well as projects uploaded, EIAH Framework Partnership Agreement, Annual Grant Agreements, Financials of the EIAH and EIPP;
- Eurostat data on GDP and population to determine the take-up of EFSI in relative terms at a national level;
- Analysis of investment gap using Eurostat data.

3.2.2 Literature review

Objective: To examine how investment needs and financing conditions have evolved in recent years in order to determine the ongoing relevance of an instrument such as EFSI.

Scope: A review of academic and grey literature including official publications on investment needs and the scale and nature of financing gaps²³ / constraints in key sectors and areas such as infrastructure, research and innovation, SME and mid-caps etc. Reviewed material included relevant EIB publications such as EIB Investment Survey, the EIB Investment Report, EIF material on SME/ mid-caps financing, ECB SAFE survey results, OECD Scoreboard on financing of SMEs etc. Annex presents the list of reviewed publications along with the sectorial fiches where findings from the review have been incorporated.

3.2.3 Portfolio analysis

Objective: To analyse 'hard' data on the implementation of EFSI guarantee in terms of take-up (approvals, signatures, disbursements), NPB involvement, multiplier effects and investment mobilised; and to determine if EFSI operations are riskier than non-EFSI EIB operations.

Scope: Two types of analysis were conducted, namely (i) descriptive analysis of operations aggregated at window-level and (ii) comparison of risk profile of EFSI IIW operations with non-EFSI EIB operations. Each of these is described below.

²² EIB, 2017. Operational Plans. Available at: <http://www.eib.org/infocentre/publications/all/operational-plan-2017-2019.htm> and EIF, 2016. Operational Plan 2017-2019. Available: http://www.eif.org/news_centre/publications/eif_cop_2017_2019.pdf

²³ The term financing gap refers to the difference between investment needs expressed in monetary terms and the resources available to meet those investment needs

Descriptive analysis of operations by window

- The following analysis was carried out at window level:
- Sectoral distribution of EFSI financing;
- Geographic distribution of EFSI financing;
- Estimated investment mobilised;
- Share of private investment mobilised
- Number and share of operations involving NPBs;
- Number and share of operations representing non-Special Activities.

Comparison of risk ratings at portfolio level

According to Article 5.1 of the EFSI Regulation in force during the evaluation period 24 “Projects supported by the EFSI shall typically have a higher risk profile than projects supported by EIB normal operations and the EFSI portfolio shall have overall a higher risk profile than the portfolio of investments supported by the EIB under its normal investment policies before the entry into force of this Regulation”. The evaluation therefore, sought to verify the extent to which individual EFSI operations that were approved during the evaluation period had a higher risk profile as compared to non-EFSI EIB operations. To enable this analysis, the EIB provided the evaluation team with aggregate data on the weighted average loan grading of the entire IIW portfolio (broken down by product and counterpart)²⁵ and non-EFSI operations.

3.2.4 In-depth project review

3.2.4.1 Review of the sample of IIW projects

The ToR envisaged an in-depth review of minimum 40 IIW operations and 20 SMEW transactions against relevant evaluation criteria. The scope of this exercise was however, modified in agreement with the DG ECFIN during the inception phase of the assignment. It was discussed and agreed that additionality aspects warrant further exploration as part of this evaluation, not least because it is an important principle underpinning EFSI, but also because additionality of EFSI operations had previously been highlighted as an issue. For example, the ECA’s 2017 Audit Brief on EFSI²⁶ lists “additionality of EFSI to traditional EIB activities” as one of the main risks identified when preparing the audit. The 2016 evaluation conducted by EY²⁷ also expressed some concerns about “additionality”. Specifically, the evaluation states “(...) from the survey and interviews (notably NPBs), there are signals that financing projects with this risk profile (i.e. a risk profile that is higher than the projects supported by EIB normal operations) may be an additional activity for the EIB, but is not per se considered additional by the market, as other banks could have financed the project in some cases to the same extent or on the same time frame without EFSI support.” The present evaluation goes beyond the legal definition of additionality to further explore some of the issues highlighted by the EY Report (see also discussion on limitations of the methodology used in section 3.3). The methodology for in-depth project review was therefore, adapted to facilitate this analysis. The revised objectives and scope of in-depth project review are described below.

²⁴ Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015

on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments

²⁵ The analysis focused on the portfolio of IIW projects that possess loan grading. It was based on operations signed until 31 December 2017. SMEW operations were excluded from this analysis as the EIB Group regards all of its activities in the SME segment as Special Activities due to the nature and scale of the market failures in SME financing.

²⁶ ECA (2017) Audit brief: The European Fund for Strategic Investments (EFSI), October 2017

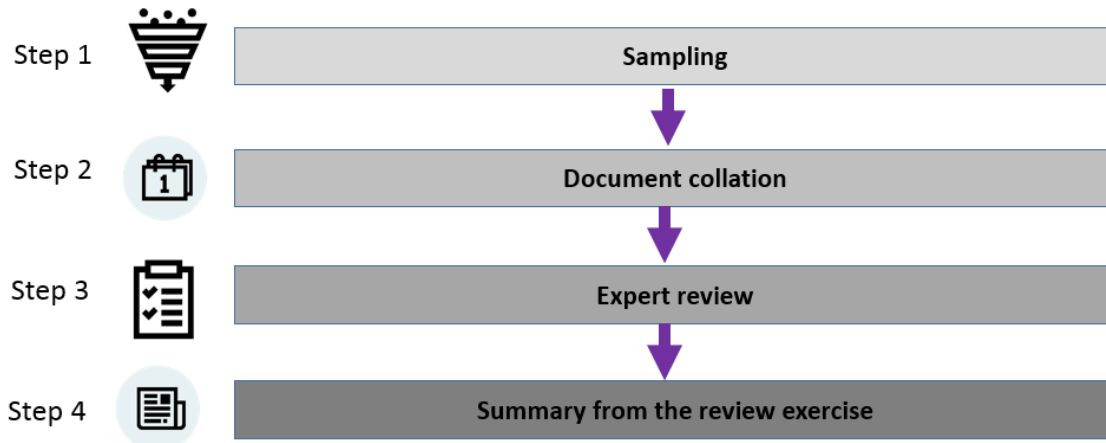
²⁷ EY (2016) Ad-hoc audit of the application of the Regulation 2015/1017 (the EFSI Regulation), Final Report, 14 November 2016

Objectives: To assess if reviewed operations could have obtained financing from the market on the same terms and conditions as the EFSI backed EIB financing.

Scope: it was agreed to focus on IIW operations as under the SMEW, the additionality of EFSI finance comprised an initial 'front loading' and 'topping-up' of existing mandates and portfolios (under COSME, Innovfin and EaSI), leading to an accelerated and higher level of investment (given the pre-EFSI shortfall in investment funds). This was followed by the development of new higher risk-sharing products delivered through the collaborations facilitated by EFSI including engagement with new counterparties.

Figure 3 illustrates the key steps of this exercise.

Figure 3. Four steps of the IIW project review analysis



Step 1: Sampling

A sample of 60 projects was drawn from the population of 278 signed operations under the IIW, as of 31st December 2017. To select 60 IIW projects, a pre-defined quota reflecting the total distribution of IIW projects by funding sub-window, sector and Member States was applied (see Box 3).

Box 3. Key characteristics of the IIW portfolio used for sampling, as of December 2017

- Characteristic 1 – funding sub-window: debt operations (90 per cent), equity operations (10 per cent)
- Characteristic 2 – sector distribution: energy (23 per cent), RDI (20 per cent), Smaller companies (19 per cent), transport (13 per cent), environment and resource efficiency (11 per cent), digital (8 per cent), social infrastructure (7 per cent);
- Characteristics 3 – geographical distribution (as per value of signed EFSI financing): the six Member States with the highest share of EFSI supported projects under IIW are: Italy (18 per cent), United Kingdom (12 per cent), Spain (10 per cent), France (9 per cent), Poland (7 per cent) and Germany (6 per cent).

In addition, the sample also included a limited number of projects (8) which are funded in part from funds allocated by ESIF, projects that relied on the use of Investment Platforms (6) and those where advisory component was involved. The sample also included a comprehensive range of multipliers and the different types of operations (direct as well as intermediated operations).

Step 2: Document collation

As the basis of the project review, complete EIB project documentation submitted to the IC was supplied by EIB for each selected project.

Step 3: Expert review

The review was conducted by experts in financing of infrastructure (transport, energy and ICT), SME/ mid-cap financing and R&D and innovation financing.

For each of the sampled projects, relevant experts reviewed the collated documentation submitted to the IC in a dedicated 'data room' located at EIB premises in London. The expert review was framed by discrete lines of inquiry which are presented in Box 4. In conducting the review, the team recognised that it cannot repeat the EIB's risk assessment of selected projects, given a number of factors including the time and asymmetry in access to relevant information. Therefore, the primary purpose of this exercise was to look for *prima facie* cases that the market failures indicated in the EIB documentation are valid, all relevant risks are captured and the financing of a project would not have been possible '...to the same extent or within the same time' by the EIB had EFSI support not been there, and more broadly in line with the EU added value dimension of additionality.

Box 4. Key lines of inquiry for the project review

- *Does the appraisal adequately capture the rationale for EFSI financing?*
- *Is there a clear case of market failure? Explain;*
- *Are there any technical, sector, market and/ or country specific risk factors that are not captured in the EIB documentation but which are relevant and material in your view? Explain;*
- *Would the same financing terms [ticket size, tenor, grade period] be available on the market? Explain;*
- *Would the market have financed this project without EIB participation at the same terms and conditions? Explain;*
- *Does the choice of EIB product look appropriate, particularly where it is an innovative product? Explain;*
- *Any other comments i.e. on the comprehensiveness of the EIB forms used*

Note: presented lines of inquiry correspond more to the broader definition of the additionality rather than the one stipulated in the Article 5 of the EFSI Regulation.

The output of the review was provided in the form of a completed template which comprised the questions set out above supplemented by experts' judgment/ explanation for their choices (see stand-alone Annex document).

Step 4: Summary from the review exercise:

The summary from the review fed into the evaluation and was produced by ICF with the assistance of thematic experts.

3.2.5 Review of EIAH requests

Objective: To analyse data on the number and characteristics of the requests handled by the EIAH, including trends over time.

Scope: This task considered all requests received up to the cut-off date of 31st December 2017 including a review of those that led to the specific provision of technical assistance, as well as those that were 'rerouted' by the EIAH to other services for various reasons, often at an early stage of the request.

The analysis aimed to capture the volume and key characteristics of requests such as:

- Origin of the requests (country, sector, private/ public, type of organization requesting);
- How they reached the EIAH (i.e. via website, expert sources);
- The nature of the requests received i.e. requests for financing / funding, request for TA plus funding, proposed cooperation;

The review also analysed trends over time.

- A sample of requests that evolved into TA were reviewed in more detail, including:
 - their origin (country, sector, private/ public, type of organization requesting);
 - whether received directly or indirectly (via a NPB);
 - channel through which recipient learnt about the EIAH services;
 - their nature (requests for financing/ funding, request for TA plus funding, proposed cooperation, etc);
 - the degree to which NPBs were involved in the request;
 - type of expertise required;
 - degree to which external consultants needed to be involved in those requests.

3.2.6 Review of EIPP projects

Objective: To analyse hard data on the use of portal by project promoters and investors.

Scope: The following data on take-up of the EIPP was analysed:

- Volume of projects published since January 2016;
- Number of investors contacting the promoters;
- Sectorial distribution of the projects, highlighting sectors with the highest and lowest numbers of published projects;
- Geographical distribution of the projects.

3.2.7 Targeted surveys

Objective: To collect evidence from a range of stakeholders (and a larger number of respondents within each group) in a standardised format to enable quantitative analysis.

Scope: A series of targeted on-line surveys were implemented as follows:

- Survey of project promoters under IIW (signed deals only);
- Survey of financial intermediaries involved under IIW (signed deals only);
- Survey of National Promotional Banks or Institutions;

- Survey of beneficiaries of EIAH assistance; and
- Survey of project promoters from the EIPP.

Further information on the online surveys is available in the Consultation Strategy and survey questionnaires presented in the standalone Annex. The survey of financial intermediaries under SMEW envisaged in ICF's initial offer was dropped in light of availability of data from earlier surveys/research and concerns regarding survey fatigue.

Dissemination of the surveys of IIW project promoters and financial intermediaries and EIAH survey were facilitated by the EIB. DG ECFIN supported the dissemination of survey of EIPP beneficiaries while ICF disseminated the survey of NPBIs.

The response rates achieved under each survey are presented in Table 3. It is possible that there was an element of survey fatigue among stakeholders which might have affected the response rates. These surveys were launched shortly after the data collection activities conducted by the EIB and the ECA as part of their evaluation and performance audit respectively.

Table 3. Surveys' response numbers and rates

Survey	Number of responses	Response rate [in %]
Survey of project promoters under IIW	90	45
Survey of financial intermediaries under IIW	20	26
Survey of National Promotional Banks	12	37
Survey of beneficiaries of EIAH assistance*	20	17
Survey of project promoters from the EIPP	61	31

As a rule of thumb, minimum 30 responses are required for quantitative analysis. Given the low number of responses to the surveys of financial intermediaries under IIW and NPBs only a qualitative analysis of the survey results (e.g. *a few/ majority/ all*) is presented. The results from the survey of project promoters under IIW and EIPP are presented in a more detailed quantitative format.

3.2.8 Targeted interviews

Objective: To explore the various aspects of the intervention such as relevance, EU added value and additionality, efficiency and coherence in further detail.

Scope: The main focus of interviews varied depending on the stakeholder type. Interviewees received a copy of the semi-structured questionnaire in advance that was then used to guide the discussion, and in some cases to follow-up with additional written responses and comments. In limited cases, where phone or face-to-face interview was not feasible, written feedback was sought.

The full set of interview guides is not available in the Annex as each and every respondent received a slightly different topic guide depending on his / her profile (e.g. focus on particular type financing operations, providing particular type of TA, etc). Yet, few generic examples have been still included in the Annex for demonstrative purpose.

Table 4 provides the breakdown of all interviews by type of stakeholder.

Table 4. Completed interviews

Profile	Count of interviews
European Commission	
European Commission, DG ECFIN	5
European Commission, DG Communication	1

Profile	Count of interviews
European Commission, DG CLIMA	1
European Commission, CEF (CEF Equity instrument)	1
European Commission, CEF (Blending call)	1
European Commission, COSME	1
European Commission, CSS	1
European Commission, EaSI	1
European Commission, Erasmus	1
European Commission, InnovFin + InnovFin - TA	1
European Commission, JASPERS - TA	1
European Commission, Financial Instruments under shared management	1
European Investment Bank Group	
European Investment Bank	12
European Investment Bank – EIAH	2
European Investment Fund	4
Other International Institutions	
EBRD	1
EFSI Governance	
EFSI Steering Board	3
Investment Committee	2
National Stakeholders	
National Promotional Banks	8
National Ministry of Economy	1
European Associations	
AECM	1
EAPB	1
ELTI	1
UEAPME	1
Council of European Municipalities and Regions	1
EIPP	
EIPP Beneficiaries	2
EIAH	
EIAH Beneficiaries	2
IIW Financial Intermediaries / Beneficiaries	
IIW Project Promoters & Financial Intermediaries	4
SMEW Financial Intermediaries	

Profile	Count of interviews
SMEW Financial Intermediaries	8
Other	
S&P	1
Total	71

Source: ICF

Note: The table includes the scoping interviews. Also, note that the number of interviews presented in this table is lower than the actual number of interviewees consulted (as per the list presented in the Annex). This is because in some cases group interviews were organised.

3.2.9 Triangulation of evidence

Triangulation is often used as a technique for enhancing the quality and credibility of mixed methods/ qualitative research. It aims to address the inherent limitations of a single data source or method, by combining multiple perspectives, theories, methods, and data sources.

Specifically, the process of triangulation contributes to:

- Deepening understanding of an issue or phenomenon by combining multiple perspectives, theories and data sources;
- Validating / corroborating findings by cross-checking data collected through different methods and from different sources; and
- Reducing bias.

Our approach to triangulation involved:

- Methods triangulation (across-method triangulation): comparing and cross-checking the consistency of findings generated by different data collection methods;
- Triangulation of sources (within method triangulation): examining the consistency of different data sources from within the same method e.g. comparing the perspectives of different stakeholders;
- Researcher triangulation: using multiple analysts to review findings; and
- Theory/perspective triangulation: examining the research findings using different theoretical lenses.

3.3 Limitations to the evaluation methodology

As required under the *Better Regulation Guideline*, the study has actual and potential limitations that were tracked as the research proceeded and outlined accordingly. The following aspects merit acknowledgment:

- **Acceleration of the study timetable** – Although already very short at the outset, the timeline for the delivery of this evaluation was shortened further compared to the initially envisaged duration with the Kick-off meeting organised on December 20th 2017 and Draft Final Report delivered on April 20th 2018. While, the team made considerable effort to accommodate the short timeline, this inevitably constrained the depth and breadth of analysis that could be undertaken. Of particular concern, in the context of a technically complex intervention such as EFSI, was the lack of time to apply a sequential and iterative approach to analysis as several tasks had to be undertaken in parallel, thus limiting the scope to develop and test propositions.
- **Stakeholder fatigue** – This evaluation was being undertaken in parallel to an EIB evaluation and ECA performance audit of EFSI, with all three exercises having a very similar focus. While the data collection phases of the ECA and EIB were completed recently, the data collection phase of the evaluation led by ICF was the last to start. It was reported independently by a number of stakeholders that substantial respondent fatigue

already existed prior to the ICF data collection phase. Some signs of it were experienced by the evaluation team – for example, in the form of a reduced response rate to the NPBI's online survey and the willingness of some stakeholders to engage in the interview programme. Although this was not detected directly, the quality of the provided feedback (i.e. via survey responses) was also at risk of deterioration.

- **Challenges in testing additionality** – there were several conceptual and methodological challenges in testing additionality at project level beyond the terms set by Art. 5.1 of the EFSI Regulation (“additional” to EIB financing). At a conceptual level, the concept of “sub-optimal investment” (one of the two key concepts underpinning the principle of additionality; the other one being “market failure”) is neither clearly articulated in any policy documentation nor commonly understood. There are different interpretations of the concept – one which is linked to market failures, and financing gaps, and a broader one linked to policy objectives (see the interpretation used by this report in Box 5,). This has implications for evaluation as the criteria for judging additionality will vary according to the concept of sub-optimal investment used. To explain further, market failure theory justifies public intervention only if it is geared towards fixing market failures and as such, the ‘acid test’ for determining additionality (with reference to market failure) is whether the market could have financed the project in the absence of the intervention on reasonable terms and within the same timeframe (as the intervention). Whereas the notion of sub-optimal investment with reference to policy objectives, does not require the existence of market failure as a pre-condition for demonstrating additionality.
- In line with the previous EY evaluation of EFSI (as well as existing evaluations of EU financial instruments) the present evaluation assesses additionality on the basis of the (narrower) market failure theory.
- This in turn creates some methodological challenges, particularly where experimental or quasi-experimental designs cannot be used, either for practical reasons (such as time and budget constraints) or technical reasons (inability to set up a reliable control group or comparison group). Evaluations have therefore, traditionally relied on self-assessments by beneficiaries to test the additionality of an intervention at project level. To this end, surveys typically include questions to determine whether the project faced any difficulties in obtaining finance and if they could have secured the full volume of required financing from alternative sources on reasonable terms and within same timeframe as the intervention that is being subject to evaluation. The present evaluation implemented surveys targeting IIW project promoters, financial intermediaries (involved in IIW intermediated operations) and NPBs with similar questions. The results of these surveys should however, be treated with caution due to the inherent risk of response bias (i.e. the respondent’s tendency to potentially over-state or even under-state²⁸ additionality to justify public intervention) and the uncertainties associated with hypothetical questions relating to possible counterfactual outcomes.

NB: To complement the analysis of additionality at project level, we have also assessed the extent to which EFSI represents a response to sub-optimal investment levels at macro and sectoral level (reflected in investment needs) and considered the change in investment in higher risk EIB operations (Special Activities) as a result of EFSI.

Box 5. The concepts of market failures and sub-optimal investment situations

Market failure refers to a situation where the market fails to efficiently allocate resources. One form of market failure occurs when viable projects or businesses are unable to obtain the necessary finance from market sources on reasonable terms (demand for excessive collateral, cost of finance being too high, too short tenor are examples of financing not being available on reasonable terms)²⁹. In literature, this

²⁸ In the specific case where public intervention takes the form of market orientated financial instruments, it is possible that a project promoter might not admit that the project could not have obtained financing from alternative sources.

²⁹ BIS (Department for Business Innovation and Skills) (2012), “SME Access to External Finance”, BIS Economics Paper 16.

form of market failure (and the resultant financing gap or financing constraint) has mainly been linked to information asymmetries between borrowers and lenders (as a result of which investors/ lenders are unable to accurately assess or price risk)³⁰, although externalities or coordination failures also do play a role in certain sectors (e.g. social projects). Lack of access to finance in turn, can lead to underinvestment or suboptimal investment as businesses or projects scale back, delay or altogether abandon their investment plans. In this sense, market failure and sub-optimal investment are not two distinct concepts; rather they are related concepts (wherein sub-optimal investment occurs as a result of market failure)

There are however, some economists³¹ who argue that public policy should support certain types of long-run strategic investments (also referred to as 'mission-oriented' investments) e.g. climate change mitigation, and that such investments require public policies that aim to shape and create markets rather than just fix market failures. In this sense, sub-optimal investment can be viewed more broadly as the difference between existing levels of investment and the level required to meet a policy or strategic objective (or set of objectives). This conceptualisation of sub-optimal investment is not exclusively linked to the existence of a market failure (although market failure could be one of the causes of sub-optimal investment).

- **Reliance on EIB/JRC modelling exercise** – The assessment of the impact of EFSI on the real economy is solely based on the analysis available from the EIB/JRC modelling exercise. Given the time and budget available for the evaluation, it was not possible to conduct an independent analysis of the macroeconomic impacts of EFSI.
- **Reliance on ECFIN L3 for analysis of the provisioning rate** – this analysis (see Section 5.2.1), which was conducted by an external expert, was based on verbal communication with DG ECFIN (L3) and the written material supplied. Due to time constraints, it was not possible to examine the code used by DG ECFIN (L3) to calculate the target rate (which is relatively complex as it comprises Excel spreadsheets and Matlab code). Any errors in the codes would affect the results of the sensitivity analysis that was performed by the external expert.

3.4 Reliability and validity of the evaluation results

Notwithstanding the above limitations, we believe that the evaluation design is strong. There are multiple lines of evidence and inquiry contributing to answering each evaluation question, mitigating the limitations associated with individual research activities. Moreover, a series of measures were undertaken to ensure validity and reliability:

- Hypothesis exploration: multiple hypotheses were tested to identify the best, most probable explanation (although time limitations reduced the scope of this activity);
- Information validation: evidence compiled from different sources was corroborated and cross-validated (triangulation);
- Stance analysis: taking account key informants' and stakeholders' backgrounds to assess how their perspective might have biased the information they provided; Understanding and making explicit the assumptions, strengths, weaknesses, limitations and gaps in analysis;
- Information synthesis: going beyond simply collecting, listing and describing distinct data elements in the interpretive process;

Hall, B H and J Lerner (2010), "The Financing of R&D and Innovation", in B H Hall and N Rosenberg (eds.), Handbook of the Economics of Innovation, Volume 1, Amsterdam: Elsevier: 609–639.

³⁰ Classic examples are the lack of finance for small enterprises or for R&D and innovation project

³¹ Mazzucato, M. (2015) From Market Fixing to Market-Creating: A new framework for economic policy

- Explanation critique the interpretive chain of reasoning and inferences drawn have been subject to 'peer' review and critical challenge by an internal QA/QC expert as well as the Commission, the EIB and the EIF.

4 Evaluation of EFSI

In this section we present the evaluation of EFSI addressing the evaluation criteria and associated evaluation judgements covering EFSI. The evaluations of the EU Guarantee, EIAH and EIPP are reported in following sections (Sections 6 to 8).

The detailed set of evaluation questions as well as the synthesis of past EFSI evaluations that we can draw upon, are provided in the separate Annex document.

4.1 Relevance

Table 5 summarises key evaluation judgements and evidence needed to assess the relevance of EFSI. These are discussed in more detail below.

Table 5. Required evaluation judgements - Relevance

Evaluation Judgement	Key evidence required
1. To what extent has EFSI addressed the relevant investment needs	<ul style="list-style-type: none"> • Desk research/ literature review on the investment gaps and market needs and the alignment of EFSI calibration to those; • Portfolio analysis (size, sector, geographical coverage, including trends over time)³²; and evidence of EIB/EIF selection/adjustments of project mix to better address market failure • Views expressed by NPBs, investment platforms, financial intermediaries, EFSI Steering Board members and relevant staff in EIB/EIF regarding changes in market needs and the focus of EFSI; • Policy makers' satisfaction and views expressed by external study experts on the current state and prospects of the relevant markets.
2. To what extent have higher risk financial products and new delivery models been introduced to address investment needs	<ul style="list-style-type: none"> • Description of higher risk debt and equity products and their take-up, by window/sub-window and their contribution to addressing the risk profile of operations; • Description of new delivery models (with ref to the EIAH)
3. Have EIB products under EFSI satisfied promoters, intermediaries and investors, especially in reducing the risk profile	<ul style="list-style-type: none"> • Views from lenders / investors / beneficiaries on what should have been offered and views on whether any significant improvement in suitability of products / delivery models introduced / planned is needed; • What barriers to accessing finance and technical assistance continue to limit investment – could EIB/EFSI have better addressed these
4. Is the scoreboard relevant (do pillars focus on the right parameters, does scoreboard adequately inform decision-making)?	<ul style="list-style-type: none"> • Review of the scoreboard design and application (does it establish market failure and rationale for EFSI); • Review of actions taken in response to ECA/EIB/E&Y recommendations;
5. Has the scoreboard satisfied stakeholders in terms of	<ul style="list-style-type: none"> • Feedback from Investment Committee members on relevance and appropriateness;

³² See EFSI orientation for indicative limits. Identify distribution end of 2016 and 2017. Identify the take-up of EFSI projects involving cohesion funds (increase would suggest further improvement in the last stage of the implementation of EFSI 1.0. Use bi-annual reports

Evaluation Judgement	Key evidence required
transparency and independence?	<ul style="list-style-type: none"> Review of minutes from the IC meetings.

4.1.1 Summary of investment needs

The EFSI initiative, financing pillar of the IPE³³, was a response to cover unmet investment needs, reflecting both an economic and political consensus. While there was no comprehensive ex-ante assessment of investment needs, gaps and market failures tailored to EFSI specifically, the evidence suggests that this was not problematic (Box 6).

Box 6. Substitutes for the tailored ex-ante assessment underpinning EFSI

While there was no specific ex-ante assessment prior to EFSI, there existed a plethora of studies which addressed the issues of unmet investment needs and market failures, and offered some indication on the magnitude of the challenge. For instance, the closest that the design of EFSI came to an ex-ante evaluation was the report issued in December 2014 by the Special Task Force on investment in the EU. This identified more than 2,000 projects with a total investment cost of EUR 1.3 trillion, of which EUR 500 billion could be realised within the period mid-2015 – mid-2018 under IIW³⁴. For the SMEW, in turn, ex-ante analysis underpinning the front-loaded products COSME, InnovFin, CCS and EaSI provided the necessary level of market intelligence for EFSI. Besides, the EIB and EIF have been conducting in-depth and regular research and monitoring of market needs and have been drawing on the local expertise of NPBIs to inform their decision-making processes.

There has been the consensus in this evaluation among the interviewees from the EFSI Steering Board, DG ECFIN, EIB and EIF about the persistent market failures and evident and substantial investment gap. The EIB and EIF highlighted that they also had a thorough understanding of specific markets stemming from their regular operations³⁵ and the reliance on existing market intelligence and ex-ante assessments, so the design of EFSI 1.0, without the need to engage in a larger scale analysis, was not problematic.

EFSI was launched to respond to falling investment levels in the EU following the financial and sovereign debt crises. And compared to the historical norm³⁶ of 21-22 per cent, the decline was marked and persisted stubbornly from 2009 onwards (see Figure 4).

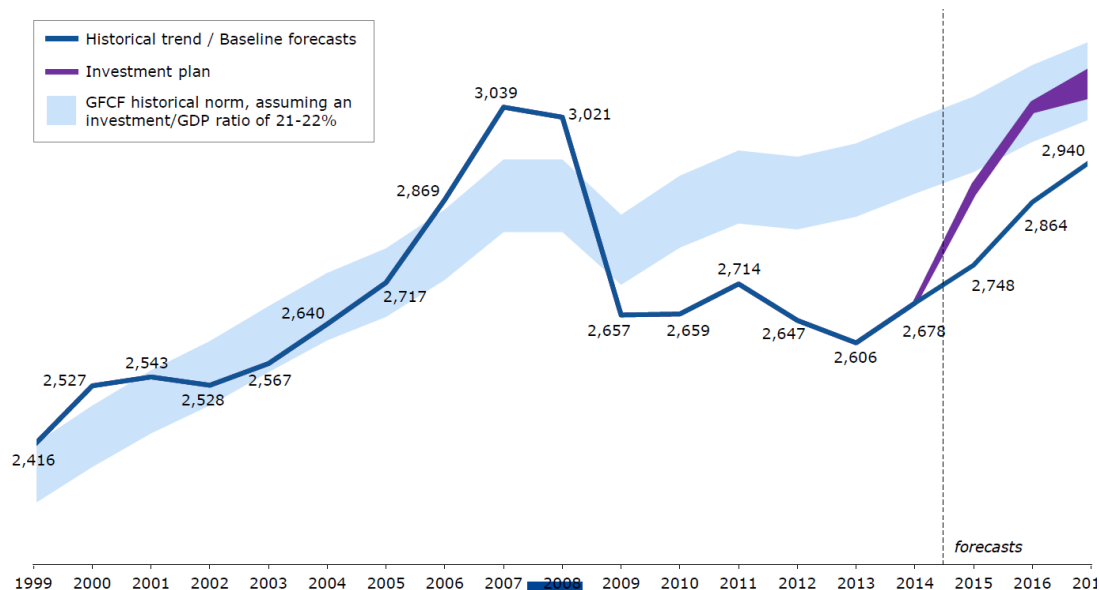
³³ The IPE sets out a role for EFSI to leverage additional investment in sectors of key importance to the EU including: (i) infrastructure (digital, transport and energy), environment and resource efficiency investments and education, research and innovation (the IIW); and (ii) investments boosting employment, in particular through funding SMEs and small mid-caps (the SMEW and the IIW)

³⁴ EIB, June 2016. Evaluation of the functioning of the European Fund for Strategic Investment. Available at: http://www.eib.org/attachments/ev/ev_evaluation_efs_en.pdf

³⁵ See research outputs from both institutions with examples of regular and detailed country/ market level assessments. Available at: <http://www.eib.org/about/economic-research/surveys-data/index.htm> and at: http://www.eif.org/news_centre/research/index.htm

³⁶ For instance, the average share of the GFCF in the EU 28 GDP over the period 1995-2008 was 21.9 per cent

Figure 4. Investment as share of the EU GDP, 1999-2017



Source: DG ECFIN, 2015

Back in 2014 the investment still failed to become an engine for recovery growth, a fact duly noted in the European Commission macroeconomic forecasts from that period³⁷. The economic and financial crisis had a particularly severe impact on the ability of many Member States to prop up investment. The ratio of government investment to GDP in the EU has declined steadily in recent years, reaching 2.7 per cent of GDP in 2016 – its lowest level in the past 20 years³⁸. Compared to 2007 level, the total investment for the EU 28 in 2014 was 15 per cent less – real estate sector (residential and non-residential) accounted for over 70 per cent of that drop³⁹.

Although an estimation of the investment needs and the investment gaps is far from being a straight-forward exercise (Box 7), there is a broad consensus about the significant scale of both in the aftermath of the crisis. The 2014 study produced by DIW Berlin⁴⁰ that relied on an econometric model to estimate an average investment gap⁴¹ pointed to 0.5 per cent of the gap for Euro-area countries over the period 1999-2002, albeit there were also a few countries with potential over-investment in specific sectors (i.e. construction), in particular Spain with the housing market blown out of proportion by a speculative boom. Yet, estimates for the post-crisis period suggested already a much greater gap. The actual investment in the Euro-area over 2010-2012 was two percentage points lower than the estimated optimal level⁴².

Box 7. Some challenges in estimating the investment gap and optimal investment level/ rate

³⁷ See for instance EC, Autumn 2014. European Economic Forecast. Available at: http://ec.europa.eu/economy_finance/publications/european_economy/2014/pdf/ee7_en.pdf

³⁸ EIB, 2017. Investment report 2017/2018. From recovery to sustainable growth. Available at: <http://www.eib.org/about/economic-research/eib-investment-report.htm>

³⁹ EC and EIB, 2015. Why does the EU need an investment plan. Available at: https://ec.europa.eu/commission/sites/beta-political/files/factsheet1-why_en.pdf

⁴⁰ DIW, 2014. DIW Economic Bulletin – Series 7. Economic Impulses in Europe.

⁴¹ Defined as gap between optimal and actual share of investment to GDP

⁴² For the details on the approach used for the estimation see Box 1 of DIW, 2014. DIW Economic Bulletin – Series 7. Economic Impulses in Europe.

Estimation at the macro level

Gros (2014), unlike very considerable majority of available research, suggests that the investment gap in Europe may be overestimated for two reasons: i) demographic changes are not considered, which lowers the potential GDP and hence the investment needs, and ii) there was overinvestment before the economic crisis which would return to 'normal' levels'. In addition, the TFP is affected by economy crisis.⁴³

Generally, there is a crucial difference between the optimal investment level and the optimal investment rate. The level of fixed capital formation as share of GDP – here the investment rate – may be very high (i.e. 48 per cent of GDP in China in 2011) but the total capital stock corresponding to the value of all past investments, adjusted for depreciation – here the investment level – may be still at comparatively (very) low level (i.e. capital stock per person in China was only 8 per cent of the US one). By analogy, the opposite may be also true i.e. a Member State may have comparatively low level of fixed capital formation as share of GDP in a given point of time, but this may be a function of a very high capital stock⁴⁴.

At sectoral level

IMF points out that optimal investment rate depends on country specific fundamentals, structural and external factors over time. In this framework, catching-up economies will show higher investment rates than those in a steady state (more developed economies)⁴⁵. Some may therefore argue that certain policy target that applies equally to a group of countries may be too generic and may ignore structural differences of the economies.

To estimate the infrastructure investment gaps for instance, World Bank has used bespoke econometric forecasting models incorporating sectoral, country and fiscal specific variables to forecast infrastructure investment needs for 50 countries, 7 sectors and 5 regions. Similar approaches have been followed by the EBRD⁴⁶ and Oxford Economics⁴⁷. Those approaches attempted to capture the 'value' of the current infrastructure stock differentiating therefore between desirable level *versus* rate of investment.

The investment needs at SME level is approached from the financial perspective. In other words, the market failure feature is perceived as key obstacle to channel funding to SME's. This approach considers country, sector and enterprise specific features affecting the borrowing/lending capacity (Wyman, 2013).⁴⁸ For instance, the EIF has come up with a composite indicator to monitor SMEs access to financial resources: ESAF – "EIF SME Access to Finance Index" with the purpose of summarising complex and multidimensional phenomenon into one dimension to estimate the need (Gvetadze et al., 2018).⁴⁹

However, against the background of an environment of imperfect information and uncertainty, there is no perfect solution to (ex-ante) assess SME finance market gaps. Moreover, an exact quantification of such gaps is impossible. Therefore, SME access to finance assessments typically use a "pragmatic" approach that combine

⁴³ Gros, D., 2014. Investment as the key to recovery in the euro area?

⁴⁴ See for instance Carnegie Endowment for International Peace, 2013. How much Investment is Optimal? Available at: <http://carnegieendowment.org/chinafinancialmarkets/52078>

⁴⁵ See for instance IMF, June 2017. Republic of Poland, Selected Issues

⁴⁶ See for instance EBRD, 2016. Rebalancing Finance and Boosting Investment. Available at: <file:///C:/Users/29508/Downloads/transition-report-2015-16-c-investment-gap.pdf>

⁴⁷ See for instance Oxford Economics, 2017. Global Infrastructure Outlook.

⁴⁸ Wyman, J., 2013. Unlocking Funding for European Investment and Growth. London: AFME Finance for Europe.

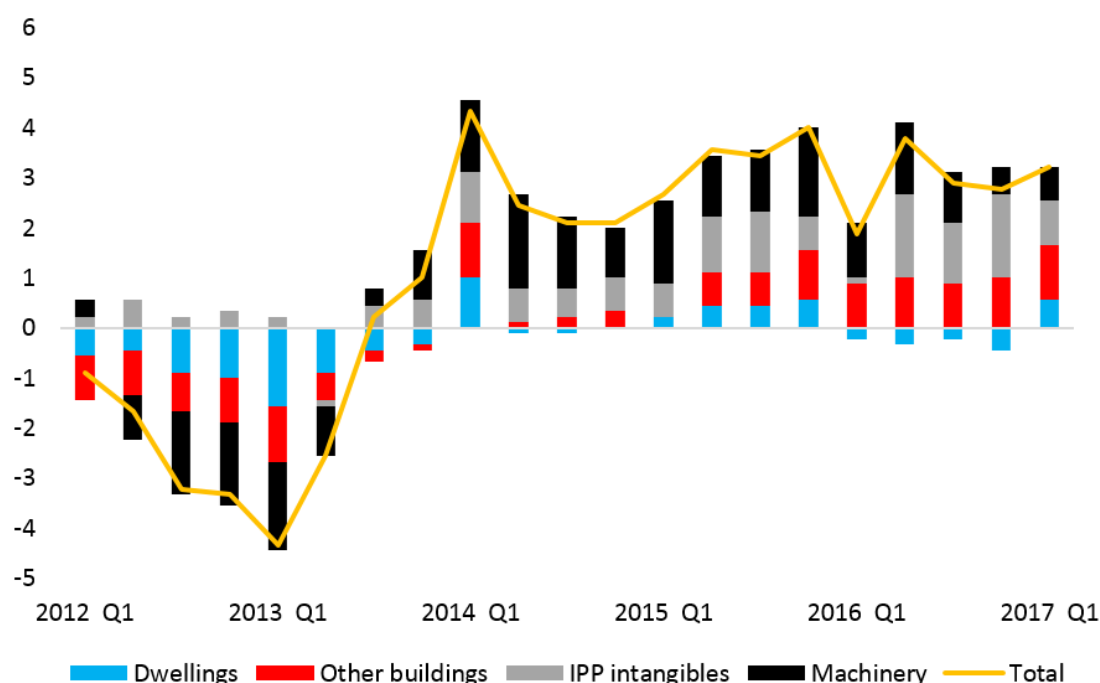
⁴⁹ Gvetadze, S., Kraemer-Eis, H., Lang, F., Prencipe, D., Signore, S. and Torfs, W., 2018. EIF SME Access to Finance Index (No. 2018/47). EIF Working Paper. Available at: http://www.eif.org/news_centre/publications/eif-wp-47.PDF

different analytical tools (see Kraemer-Eis and Lang, 2014a, who also provide an overview of approaches; Kraemer-Eis and Lang, 2014b, summarise a framework for SME access to finance market analyses and present experiences from recent assessments).⁵⁰

Since the launch of EFSI, situation has improved to some extent. Interest rate spreads have compressed, many markets now exhibit more liquidity and the investment has picked up changing the environment for public investment actors like the EIB Group which may now, depending on the sector, need to make an incremental effort to identify a suitable pipeline of projects warranting the absence of a crowding-out effect⁵¹.

Aggregate investment has been strengthening steadily throughout Europe since 2013 on the back of reviving private consumption and driven primarily by corporate sector⁵² with particularly robust spending on machinery and intangible assets (see Figure 5). The average annual rate of growth of investment has been 3.2 per cent, which is above the average annual growth rate of 2.7 per cent for the period 1995-2005⁵³.

Figure 5. Real investment growth in the EU, contribution by asset, % yoy



Source: Adapted by ICF based on the EIB elaborations using the Eurostat data

The ICF internal analysis based on the historical trends of the investment in the EU⁵⁴ shows that the investment gap in the EU has been steadily narrowing from 1.7 per cent

⁵⁰ Kraemer-Eis, H., and Lang, F. (2014a). Guidelines for SME Access to Finance Market Assessments (GAFMA). EIF Working Paper 2014/22. Available at http://www.eif.org/news_centre/publications/eif_wp_22_gafma_april14_fv.pdf. Kraemer-Eis, H., and Lang, F. (2014b). A Practical Approach to the Market Analysis Part of SME-Related Ex-Ante Assessments, in: in "European Structural and Investment Funds Journal (ESTIF)" 2014/3, Lexxion, November 2014, pp. 200-211. Available at http://www.eif.org/news_centre/research/estif_3_14_article_kraemer-eis_lang.pdf.

⁵¹ See for instance Eurodad, April 2017. Public development banks: towards a better model. Available at: <http://www.eurodad.org/files/pdf/1546743-public-development-banks-towards-a-better-model.pdf>

⁵² Real gross fixed capital formation by companies exceeded its pre-crisis level in 2016, contributing about 95 per cent of total investment growth in 2016.

⁵³ EIB, 2017. Investment report 2017/2018. From recovery to sustainable growth. Available at: <http://www.eib.org/about/economic-research/eib-investment-report.htm>

⁵⁴ Using the average investment level of 21.9 per cent of the EU GDP for the period 1995-2008 as the non-gap benchmark.

of GDP in 2014 (or EUR 223 billion) to 0.9 per cent of GDP in 2017 (or EUR 123 billion). More details on this analysis are available in the Annex document.

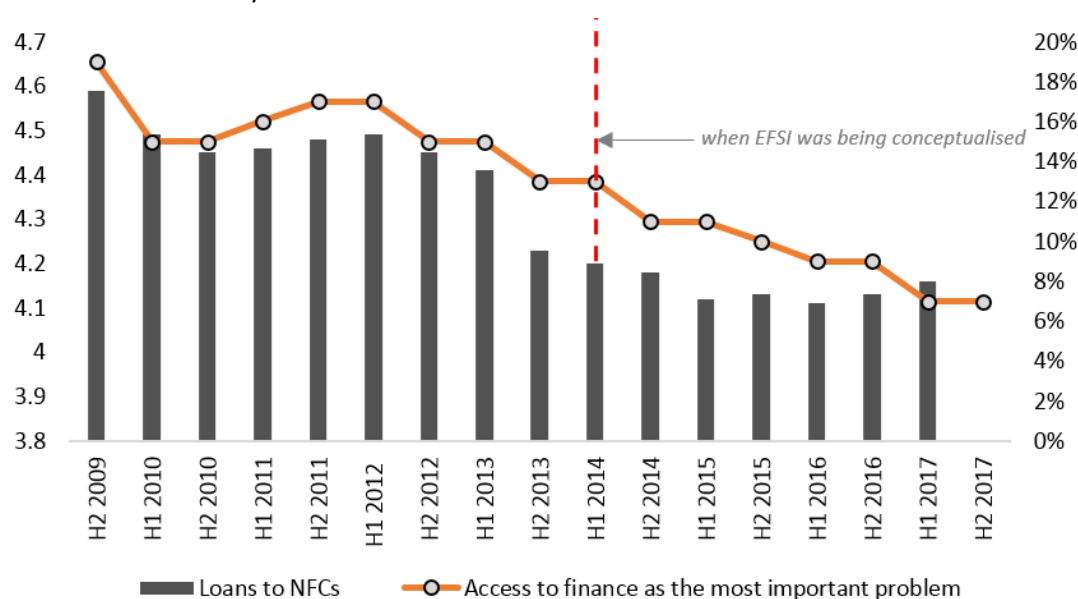
As of early 2018, the momentum in the EU and global economy remains strong as the broad-based upswing continues. While the advanced stage of the cycle may lead shortly to tightening of the monetary policies across the EU, going forward the European Commission expects the investment to grow at the robust pace, at least in 2018 and 2019⁵⁵. Yet, despite the improvement, the pressing and significant investment needs remain, also given persisting disparities among the EU Member States.

The following part of this section discusses the evolution of the investment needs in the infrastructure and for the SMEs and mid-caps respectively.

4.1.1.1 SMEs' and mid-caps investment needs

The European SMEs are dependent on bank financing (much more than those in the US for instance)⁵⁶, and in late 2014/ early 2015 the spread on large and small loans showed little sign of reduction following a rapid increase in 2011-2012⁵⁷. The ECB SAFE survey from 2014 pointed to a significant share of EU SMEs (13 per cent) indicating access to finance as their *most important problem*, with a particularly acute situation in several Member States such as Greece, Cyprus, Spain and Portugal⁵⁸. The rate of growth of the bank lending to non-financial corporations in the Euro Zone was negative from 2012 to 2015, and has broadly remained stagnant since then⁵⁹ (see Figure 6).

Figure 6. Loan to non-financial corporations in the Eurozone [in EUR bln] and the ECB SAFE responses



Source: ECB SAFE survey and EIF European Small Business Finance, June 2017

⁵⁵ DG ECFIN, 2018. Winter Economic Forecast. Available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_winter_0718_overview_en.pdf

⁵⁶ See Kraemer-Eis, H., Botsari, A., Gvetadze, S., Lang, F., and Torfs, W. (2017). European Small Business Finance Outlook : December 2017. EIF Working Paper 2017/46. EIF Research & Market Analysis. http://www.eif.org/news_centre/publications/eif-wp-46.pdf

⁵⁷ EIB, 2015. Investment and Investment Finance in Europe. Available at: <http://www.eib.org/infocentre/publications/all/investment-and-investment-finance-in-europe-2015.htm>

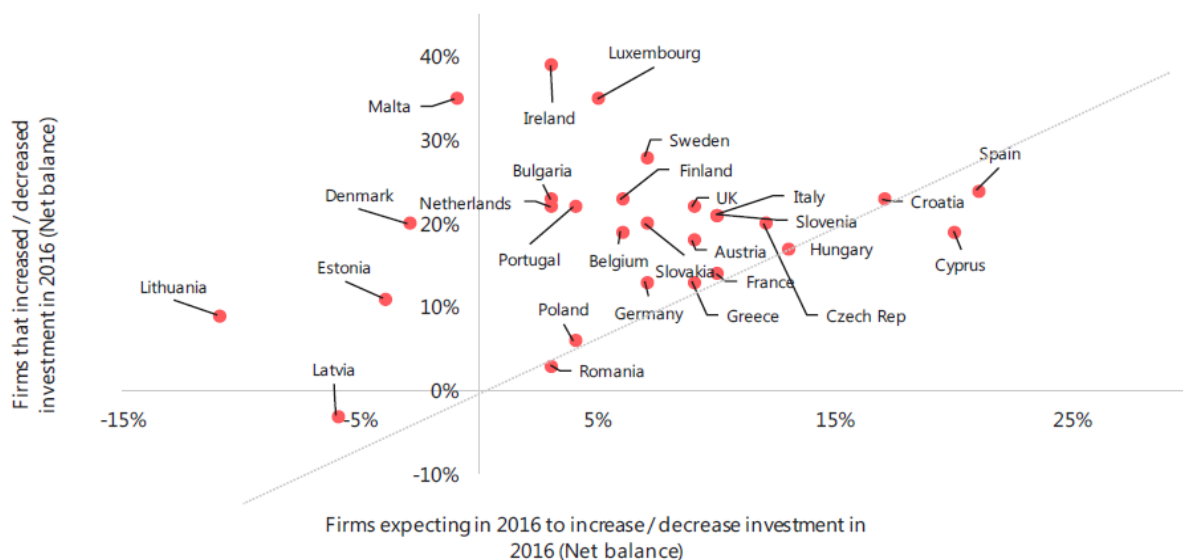
⁵⁸ ECB, 2018. Survey on the access to finance of enterprises (SAFE). Available at: https://www.ecb.europa.eu/stats/ecb_surveys/safe/html/index.en.html

⁵⁹ EIF, December 2016. European Small Business Finance Outlook. Available at: http://www.eif.org/news_centre/publications/eif_wp_37_esbfo_dec16_final.pdf

While after the crisis the affordable debt financing was generally easier to access for mid-caps than SMEs, the former ones were suffering from insufficient equity capital that held back their growth and ability to compete, innovate and become Europe's new multinationals. This was mainly due to the fragmentation and home bias of EU equity markets as there were still over 20 individual stock exchanges as of 2015⁶⁰. The cyclical aspects brought by the crisis only amplified those difficulties.

Nonetheless, the last three years have seen a marked improvement in the SMEs' access to finance, even though starting from a very challenging point. The latest ECB SAFE survey from October 2017 indicates now that only 7 per cent of SMEs in the EU 28⁶¹ perceive access to finance as *the most important problem*, down from 13 per cent in 2014 and 19 per cent in 2009 (see again Figure 6).⁶² In the large majority of EU countries firms expected an expansion of investment in 2016, rather than a reduction (Figure 7), albeit SMEs are still much less optimistic than mid-caps and large enterprises according to the EIB Investment Survey (IS)⁶³. The EIB IS also reports that 7 per cent of firms in the EU can be considered as being external finance constrained, though marked differences across the countries exist (18 per cent in Greece versus 5 per cent in Sweden).⁶⁴

Figure 7. Correlation of expected versus realised investment



Source: EIB IS 2016 and EIB IS 2017

In addition, nearly all interviews conducted as part of this study pointed out to a marked improvement in financing conditions across the EU over the last 3 years. In terms of very specific perspective from the project promoters who received financing under EFSI IIW (many of which are mid-caps), the results from the survey conducted as part of this study pointed to somehow less clear-cut amelioration – while 36 per cent stated that the access to higher risk finance has become *easier/ much easier* since 2015 (against 18 per cent that reckoned that it became *more difficult/ much more difficult*), 46 per cent of

⁶⁰ Financial Times, 11 March 2015. EU needs more equity finance, less debt. Available at: <https://www.ft.com/content/dc73228a-b1e8-11e4-b380-00144feab7de>

⁶¹ Although very substantial differences between the Member States still persist

⁶² ECB, 2018. Survey on the access to finance of enterprises (SAFE). Available at: https://www.ecb.europa.eu/stats/ecb_surveys/safe/html/index.en.html

⁶³ EIB, 2017. EIB Investment Survey. Available at: <http://www.eib.org/about/economic-research/eibis>

⁶⁴ This is the proportion of firms dissatisfied with the amount of finance obtained, sought finance but did not receive it, did not seek finance because they thought borrowing costs were too high or they would be turned down. See EIB, November 2017. EIB IS – Results at glance. Available at: <http://eibis.eib.org/eibis-2017>

them stated that the access to higher risk finance in their respective sectors has not changed.

And yet, the picture is arguably more complex. While the discussed ECB SAFE results show that the access to finance is no longer *the most important problem* for most SMEs, this does not mean it has ceased to be an important issue. Already mentioned EIB IS from 2017 reported that the availability of finance is seen as a barrier to investment by more than 40 per cent of all firms (and 46 per cent for SMEs specifically) – the situation that practically has not changed from 2016. The ECB SAFE results also reveal that even though the proportion of SMEs that report access to finance to be a highly important issue⁶⁵ has declined, it is still above 25 per cent. In addition, collateral requirements still represent a considerable issue. The EU SMEs which used external finance in the last financial year (2017) were most dissatisfied with the related collateral requirements.⁶⁶

More generally, while SMEs (and mid-caps), *en masse*, may have seen improvements in terms of available finance, the literature review that included also the EIF publications⁶⁷, available data and interview insights still point to segments where access remains very problematic, even in those Member States with the most developed financial markets. Start-up and early stage growth innovative SMEs with insufficient track record⁶⁸, limited or no collateral⁶⁹ and/or financing history⁷⁰, and SMEs looking for investing in intangible assets, may still face (very) substantial constraints. More generally, the clear pattern across sectors is that the investment needs and access to finance still differs very markedly among EU countries, a characteristic that is also partly in line with the level of development of financial markets that could facilitate investment. For example, Member States from the CEE Region have substantially lower access to equity financing offered by VC funds than those from the EU 15⁷¹.

4.1.1.2 Investment needs in infrastructure

The EIB Competitiveness Report first issued in 2014, and then updated in 2016⁷², was an important basis for the discussion on EFSI. The initial version of the report pointed to a continued decline in infrastructure investment, with both government and private investment falling in parallel since 2011. The updated version provided an estimate on the total annual investment gap in ICT (EUR 60 billion), energy (EUR 100 billion), environment and resource efficiency (EUR 90 billion), R&D (EUR 130 billion) and the transport sector (EUR 80 billion).

In terms of the infrastructure investment, the improvement has been less evident than for the SMEs. While existing estimates suggest that the infrastructure investment ceased to decline in 2015 and most likely in 2016⁷³, the investment gap across all key EFSI

⁶⁵ Rating it 7 or higher on a scale of 10 for the SAFE survey item Q0b. Pressingness of problems that the firm is facing.

⁶⁶ See EIB, November 2017. EIB IS – Results at glance. Available at: <http://eibis.eib.org/eibis-2017>

⁶⁷ See an extensive EIF research on SMEs access to finance Available at: http://www.eif.org/news_centre/publications/all/index.htm

⁶⁸ See for instance LSE, 2017. Investing for Prosperity. Available at: <http://www.lse.ac.uk/researchAndExpertise/units/growthCommission/documents/pdf/LSEGC-Report.pdf>

⁶⁹ EIB study from 2017 [*Loan characteristics, firm preferences and investment: evidence from a unique experiment*] found that firms would pay significant higher interest rates for lower collateral requirements.

⁷⁰ Kraemer-Eis, H., Botsari, A., Gvetadze, S., Lang, F., and Torfs, W. (2017). European Small Business Finance Outlook : December 2017. EIF Working Paper 2017/46. EIF Research & Market Analysis. http://www.eif.org/news_centre/publications/eif-wp-46.pdf

⁷¹ World Economic Forum, 2017. Global Competitiveness Report 2016-2017. Available at: http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf

⁷² EIB, 2016. Restoring EU Competitiveness. Available at: http://www.eib.org/attachments/efs/restoring_eu_competitiveness_en.pdf

⁷³ EIB, 2017. Economic Investment Report. Available at: http://www.eib.org/attachments/efs/economic_investment_report_2017_en.pdf

sectors is evident. It is assumed that circa 50 per cent of infrastructure investment takes place at the sub-national level. Yet, the EIB IS from 2017 revealed that 34 per cent of the EU municipalities still perceive the current infrastructure investment below their actual needs.

Moreover, in 2016 the infrastructure investment was still 20 per cent below the rates prior to the crisis. As indicated by the EIB, '*...the key driver of the decline in infrastructure investment activities is a broad-based retreat of the government sector from its infrastructure activities. At the core of this is a shift in public outlays from gross fixed capital formation towards current expenditure*⁷⁴. There is a general consensus that the current level is below what is required to sustain economic growth and well-being in the EU although the EIB also admits that '*...the lack of detailed data makes it difficult, however, to determine what type of infrastructure investment is needed most and where*⁷⁵.

For instance, in ICT/ Digital infrastructure sector (i.e. broadband network), projects in rural areas have been facing the most severe problems to acquire external financing. This is typically even further amplified by the lower density of population, the absence of the backbone connection and relatively small size of the project (i.e. <EUR 10 million as a rule of thumb). In energy sector investment in nuclear energy, given the huge upfront costs, very long-term horizon of investment and potential for material changes in the prospect environmental policies has been also typically very challenging. There are also number of examples in other sectors including social infrastructure, modern rail networks or sustainable public transport infrastructure in the metropolitan areas in the EU where despite of stark needs, the investment has been still falling short.

4.1.2 The extent to which EFSI has addressed the investment needs

As of 31st December 2017, a total of EUR 37.4 billion of financing was signed under both EFSI windows expecting to mobilise an approximate EUR 207.3 billion of total investment⁷⁶. More specifically, under IIW there were 278 signed operations that received EUR 27.4 billion of EFSI financing (as per signed operations) resulting in EUR 131.4 billion of expected total investment mobilised. The respective figures under SMEW are 328 deals, with an aggregate amount of EUR 10 billion of signed EFSI financing, and a further EUR 75.9 billion of expected total investment mobilised.

Table 6. EFSI headline figures

	Number of operations/ deals	Signed amount [EUR bn]	Investment mobilised as of end 2017 [EUR bn]
IIW	278	27.4	131.4
SMEW	328	10	75.9
Grand total	606	37.4	207.3

Source: EIB 2017 Year-end Operational Report

Overall, with over EUR 207 billion of total investment expected to be mobilised (by signed projects, as at 31st December 2017), EFSI achieved 66 per cent of the target of EUR 315 billion set for mid-2018. The total investment mobilised, as per all *approved* operations, so including also those that still were not signed at that point of time, was

⁷⁴ EIB, 2017. Investment report 2017/2018. From recovery to sustainable growth. Available at: <http://www.eib.org/about/economic-research/eib-investment-report.htm>

⁷⁵ EIB, 2017. Investment Report 2017/2018. From recovery to sustainable growth. Available at: <http://www.eib.org/about/economic-research/eib-investment-report.htm>

⁷⁶ EFSI, 2018. Year-end Operational Report 2017.

EUR 256.8 billion (81 per cent of the target)⁷⁷. At the windows' level, the performance under SMEW has been stronger than under IIW.

As of now, it seems unlikely that EFSI will reach the aggregate target by mid-2018 (as per signed operations), while the amount of approved operations would probably be close to the target (as of May 15th, EUR 57.5 billion of approved financing has been expected to mobilise EUR 287.4 billion of total investment i.e. 91.2 per cent of the original target)⁷⁸. On the other hand, it is natural that the EIB, given its mandate (counter-cyclical and growth enhancing long term lender), adapts its response to changes in the economic environment. Advanced stage of economic cycle in the EU seems to suggest more selective approach to investment financing given relatively good conditions that prevails in some Member States.

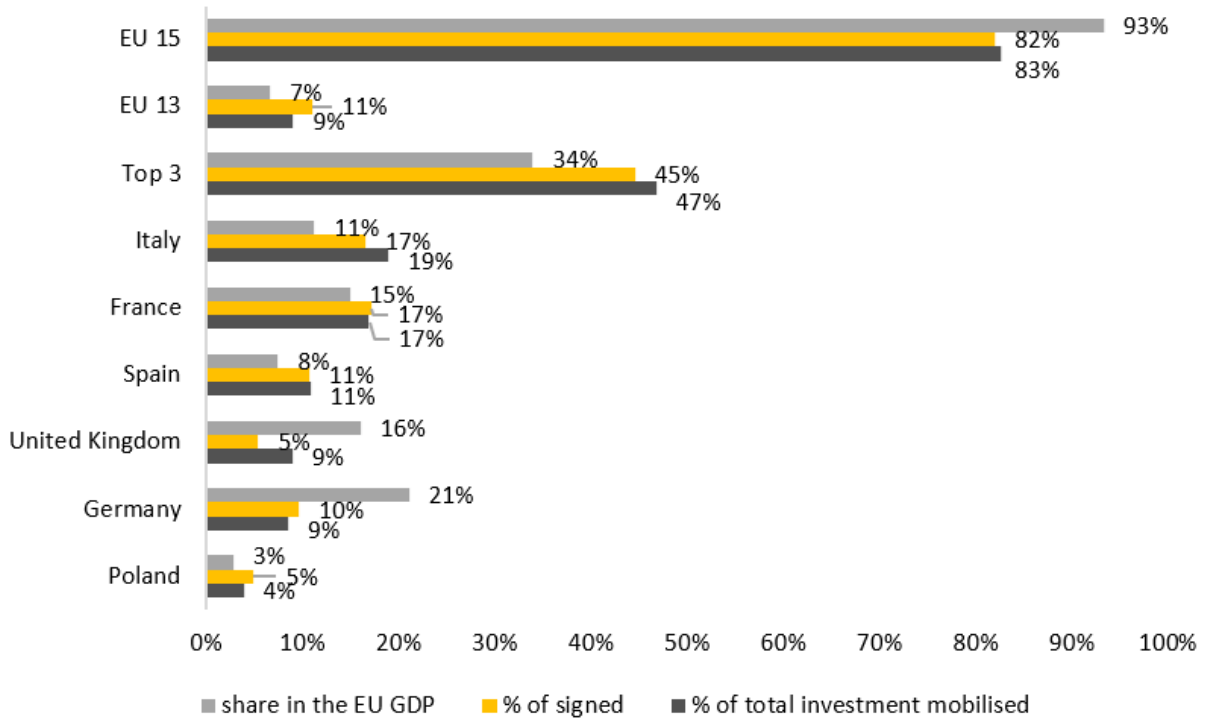
The geographical distribution of the EFSI financing has been uneven from the outset with all previous assessments and evaluations typically pointing out the high concentration of EFSI funding in the EU 15 countries. And indeed, as of 31st December 2017, France, Italy and Spain attracted 17.2, 16.6 and 10.7 per cent of the total amount of signed financing so far. More generally, EU 15 Member States account for around four fifths of all EFSI financing (as per amount of signed financing) under both windows. Yet, this distribution may come as a smaller surprise when those figures are compared to corresponding shares in the total EU 28 GDP - EU 15 stands for 93 per cent of the total EU 28 output with remaining 7 per cent of the EU 28 GDP is generated by the EU 13⁷⁹. In other words, the amount of EFSI financing benefiting both blocks correspond typically fairly well with their respective shares in the EU GDP, although it may still not be the case for the individual Member States i.e. share of the mentioned Top 3 Member States in the total amount of signed financing was 44.5 per cent, while their combined share in the EU 28 GDP was 34 per cent. Besides, EFSI is a demand driven instrument and the concentration can also arise simply as a function of the market demand.

⁷⁷ More generally, there is no specific document (including EFSI Regulation) that would stipulate whether the progress towards the EFSI target of EUR 315 billion of total investment mobilised by mid-2018 should be interpreted as per *signed* operations only (common EIB's practice prior to EFSI implementation), or as per *all approved* operations that include the operations that have been signed as well as those that have been approved but still have not been signed. Depending on the chosen option, the difference in the achieved target was 15 percentage points as of 31st December 2017.

⁷⁸ Based on EIB unpublished data

⁷⁹ Based on the Eurostat data for the GDP at market prices as of 2016. Available at: <http://ec.europa.eu/eurostat/web/national-accounts/data/main-tables>

Figure 8. EFSI signed financing, total investment mobilised and share in the EU GDP – geographical distribution (both windows)



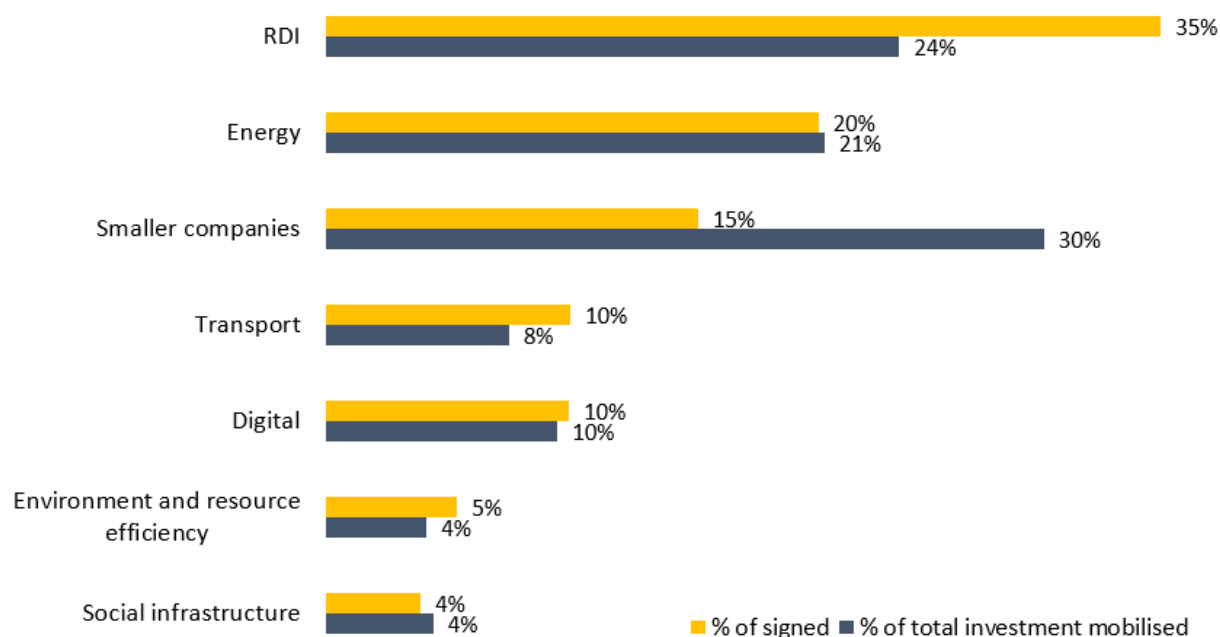
Source: ICF own calculation based on the EIB 2017 Year-end Operational Report and the Eurostat data

Note: Figure does not take into account the multi-country and regional EU project

In terms of sectoral distribution, projects in the RDI sector (for both windows)⁸⁰ received around one third of the total financing deployed under EFSI as of end 2017, unchanged from the level of financing observed at the end of 2016. There are, however, relatively marked variations in terms of how EFSI financing induces total investment mobilised across the sectors with EFSI financing channelled into SMEs leveraging proportionally highest overall investment (Figure 9).

⁸⁰ Sectors defined as per Article 9 of the EFSI Regulation

Figure 9. EFSI signed financing and total investment mobilised – sectorial distribution (both windows)



Source: EIB 2017 Year-end Operational Report

The remaining discussion under this section focuses on the geographical and sectoral distribution separately for both, the IIW and SMEW.

4.1.2.1 Innovation and Infrastructure Window

In principle, EFSI has no specific sector or geographic allocations and investment is driven by the availability of investment projects, in turn promoted through technical assistance (Hub and Portal and associated co-operations). Nevertheless, the EFSI's investment guidelines require that '*excessive sectoral and geographical concentration is avoided*⁸¹ and the EFSI Strategic Orientation sets the limits for such concentrations under IIW⁸².

- Investment should reach all 28 Member States;
- The share of investment in any three Member States should not exceed 45 per cent of the EFSI portfolio at the end of the investment period;
- An indicative concentration limit of 30 per cent of the IIW portfolio for operations in any one sector.

Equivalent requirements for a balanced geographical spread of investment apply to the SMEW⁸³.

Distribution by Member States

As of 31st December 2017, 27 Member States had *directly* benefited from the EFSI programme. Hungary was part of the regional projects, though it did not have any project(s) of its own under IIW.

⁸¹ Annex II to the EFSI Regulation, Section 8.

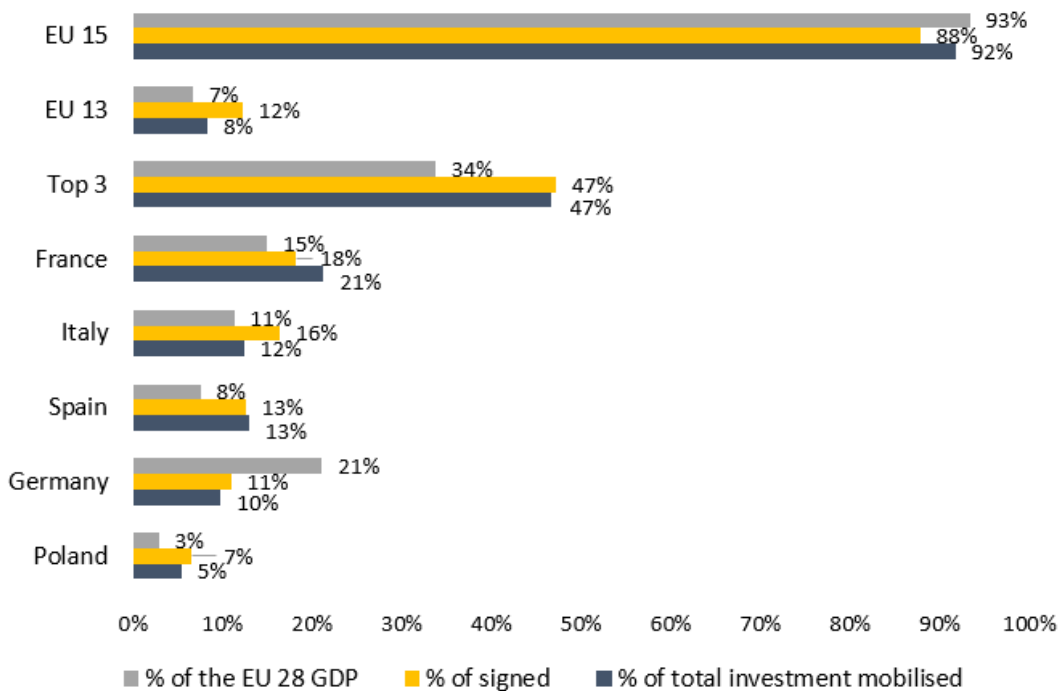
⁸² For IIW: (i) investment should reach all 28 MS, (ii) the share of investment in any three Member States should not exceed 45 per cent of the EFSI portfolio, (iii) an indicative concentration limit of 30 per cent of the IIW portfolio for operations in any one sector. For SMEW: the EIF should aim at reaching all the EU Member States and achieve a satisfactory geographical diversification among them.

⁸³ For SMEW: the EIF should aim at reaching all the EU Member States and achieve a satisfactory geographical diversification among them.

France on its own attracted most of the EFSI financing under IIW. The value of signed projects stood at EUR 4.9 billion which in turn mobilised about EUR 25 billion of the total investment. Those accounted for 18 per cent of the total signed amount under IIW and 21 per cent of the total investment mobilised respectively. Two other Member States that attracted the highest financing (in terms of signed and total investment mobilised) were Italy and Spain (see Figure 10). Collectively, these three Member States have benefited from 47 per cent of the total EFSI portfolio financing that was expected to generate 47 per cent of the total investment mobilised.⁸⁴ The picture has changed slightly since 2016 - the aforementioned top three countries accounted for 45 per cent of the total EFSI financing signed under IIW in 2016.

As of 31st December 2017, 88 per cent of total EFSI financing under IIW (in terms signed EFSI financing) was allocated to projects based in the EU 15. The share of the EU 13 (in terms of signed EFSI financing) rose from 9 per cent at the end of 2016 to 12 per cent at the end of 2017. This exceeds the share of the EU 13 GDP in the total EU output (7 per cent as of 2016). Again, these figures may also possibly reflect a greater prevalence of market failures and sub-optimal investments in the EU 13 Member States, as well as some increased need for the investment financing that can be usually observed among the converging economies.

Figure 10. EFSI signed financing and total investment mobilised – geographical distribution (IIW)



Source: EIB 2017 Year-end Operational Report and the Eurostat data

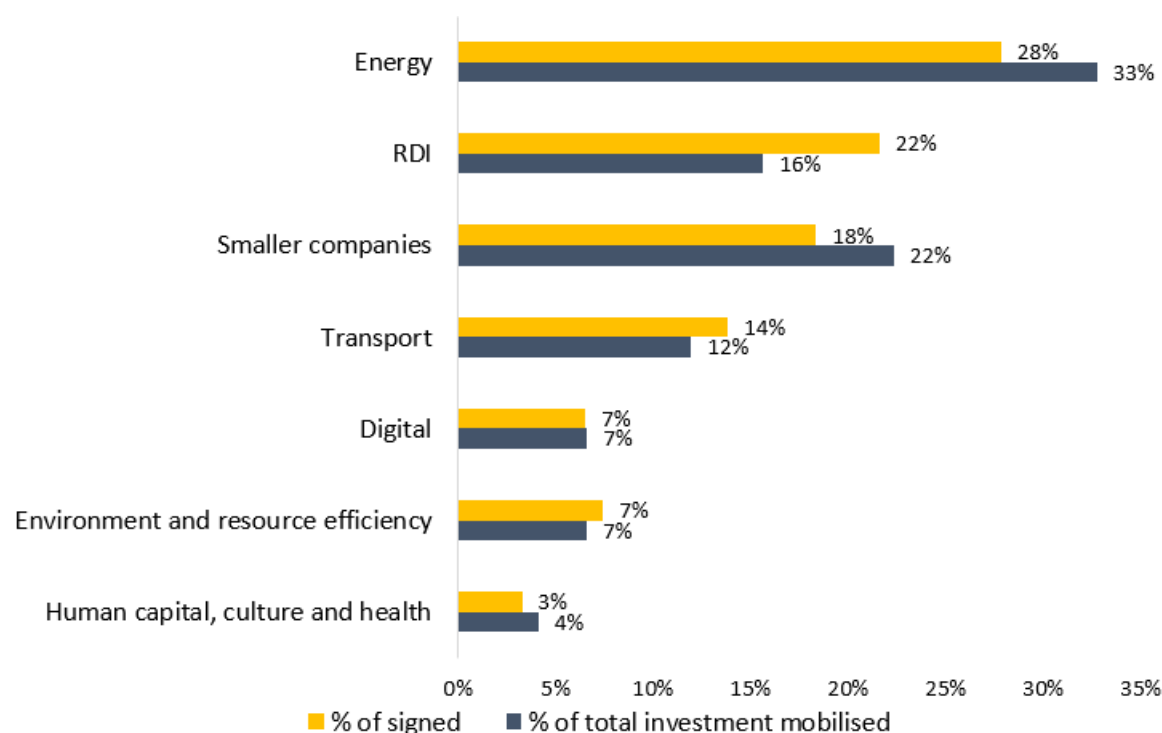
There are number of factors behind the lower take up of EFSI, including: limited pipeline of available projects in some of the EU 13 Member States, relative size of eligible EFSI projects that may have exceeded the typical size of viable projects in smaller countries, or the availability of some alternative financing, such as other EU funding schemes that may be perceived as more favourable than EFSI financing (i.e. because of the availability of grant components). The actual size of the EU 13 economies relative to overall EU 28 GDP constitutes another reason. Some of those aspects have been addressed by EFSI 2.0.

⁸⁴ That figures does not take into account the multi-country projects

Distribution by sectors

As of 31 December 2017, operations signed under the IIW spanned over seven EFSI sectors⁸⁵. Of these, energy was prevalent, accounting for 28 per cent of total EFSI financing, in terms of signed operations, (and 33 per cent of total investment mobilised), thereby not exceeding the indicative 30 per cent sector concentration limit laid down in EFSI's Strategic Orientation⁸⁶. This is a substantial adjustment compared to mid-2016 where 46 per cent of signed operations were from the energy sector. Figure 11 below shows the differences in EFSI signed amounts and total investment mobilised per sector.

Figure 11. EFSI signed financing and total investment mobilised – sectors distribution (IIW)



Source: EIB 2017 Year-end Operational Report

Findings from the survey of the NPBI, most⁸⁷ of the interviews, notably those conducted with NPBI, the EFSI Steering Board, the EIB and the EIF, and results from the public consultations indicate that EFSI has reached all of the relevant sectors given the scope of EFSI stemming from the Regulation.

To date, the social infrastructure sector has attracted the least investment under EFSI (in terms of signed and total investment mobilised). In that regard, the European Parliament expressed concerns about social investment levels under EFSI, which still appear to be very limited⁸⁸. Yet, this sector has been traditionally supported by the public sector and existing evidence suggests that there is a limited number of viable projects (of sufficient size), for instance in the education and training sectors that would be attractive enough

⁸⁵ Sectors defined as per Article 9 of the EFSI Regulation

⁸⁶ EIB, June 2016. Evaluation of the functioning of the European Fund for Strategic Investment. Available at: http://www.eib.org/attachments/ev/ev_evaluation_efsi_en.pdf

⁸⁷ For instance, NPB in Croatia pointed to the 'tourism sector' as the one that was missing initially. Though, the sector was incorporated later on under EFSI's scope

⁸⁸ European Parliament, 2016. Opinion of the CESA on the proposal for the amendment of EFSI Regulation. Available at: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-594.189+04+DOC+PDF+V0//EN&language=EN>

for private investors⁸⁹. When viable these projects often are backed by public authorities which typically lowers their risk and makes them less relevant for EFSI guarantee support. Additionally, the social sector has potentially weaker administrative capacity and limited experience to build up the pipeline independently. In this context, the role of the EIAH is crucial. Also, EU or national non-EFSI sources of funding may be available in these sectors in many Member States.

4.1.2.2 Small and Medium Size Enterprises Window

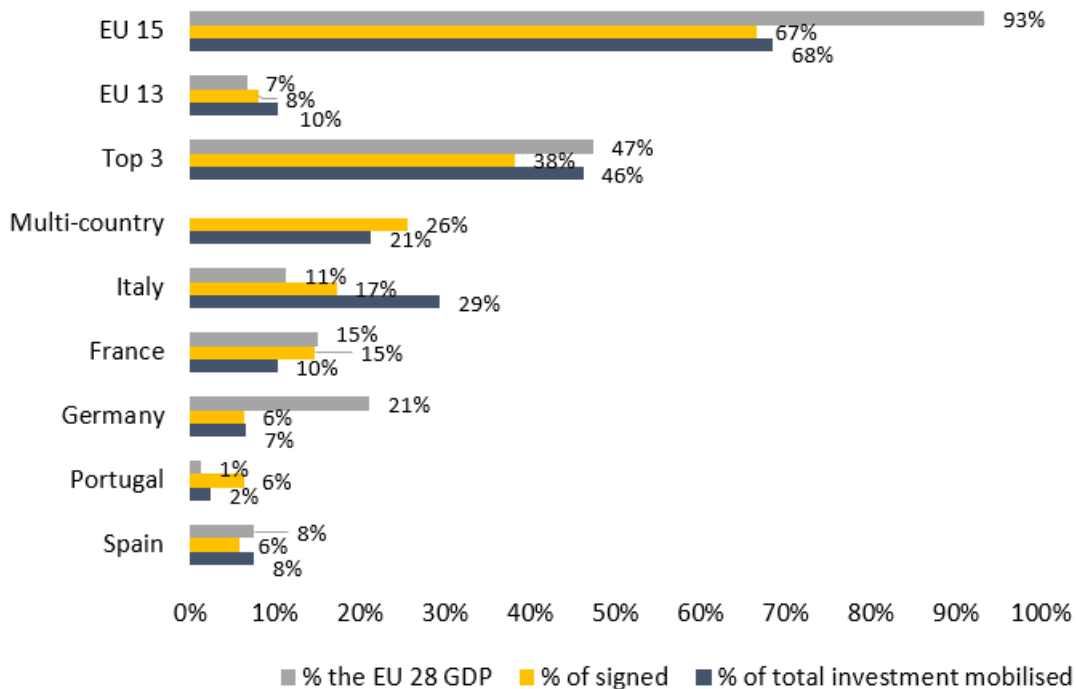
Unlike the IIW, there is no limit for sectorial distribution under SMEW. This is because financing under this window is de facto channelled by financial intermediaries and, consequently, the EIF would not be able to exercise a similar level of control as the EIB and IIW. In addition, and like for the IIW, funding under SMEW is also demand driven.

There are also no specific limits on the extent of geographical distribution. The latest EFSI Orientation, however, emphasises that ‘...for the SMEW, the EIF will aim at reaching all the EU Member States and also at achieving a satisfactory geographical diversification among them’⁹⁰.

Distribution by Member States

Under SMEW, Italy, France and Germany attracted the highest share of EFSI financing (in terms of signed deals) with 17, 14 and 6 per cent of total SMEW portfolio respectively (Figure 12). Multi-country operations, where a financial intermediary supported final beneficiaries in more than one country (as part of a given deal), stood for one quarter of the overall signed amount. As for the share of the EU 13, this rose from 6 per cent to 8 per cent (in terms of EFSI signed financing) between late 2016 and 2017. And similarly to the IIW, when the proportion of the EFSI financing (in terms of the signed deals) is compared to the shares of the EU 13 and EU 15 in the total EU 28, it cannot be concluded that the EU 13 are underserved, leaving aside factors such as intensity of the demand and prevalence of market failures and suboptimal investment.

Figure 12. EFSI signed financing and total investment mobilised – geographical distribution (SMEW)



⁸⁹ See for instance ICF study on feasibility of Investment Platforms in Education and Training from 2016 for DG EAC, European Commission.

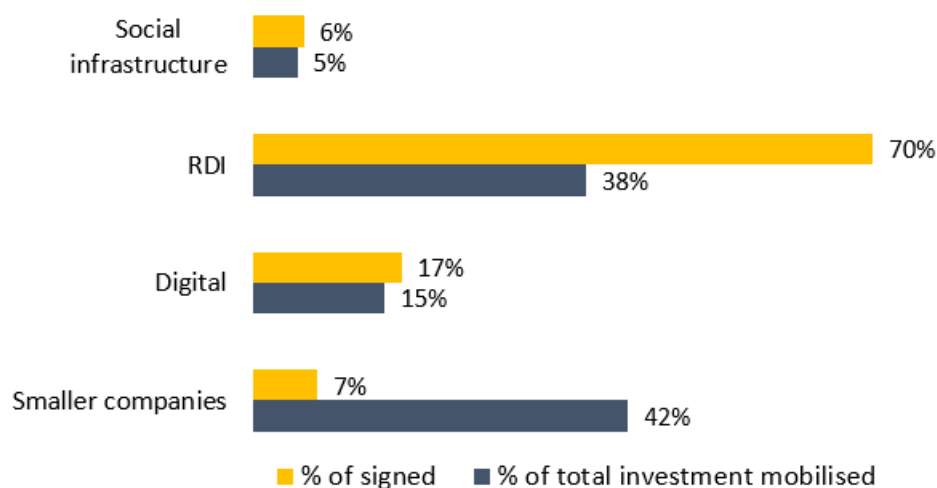
⁹⁰ EIB, June 2017. EFSI Strategic Orientation – update of June 2017.

Source: EIB 2017 Year-end Operational Report and the Eurostat data

Distribution by sectors

Distribution under SMEW has been more even. The RDI, Digital and 'Smaller companies' sectors accounted for 70 per cent, 17, and 7 per cent of EFSI (signed) financing respectively⁹¹.

Figure 13. EFSI signed financing and total investment mobilised – sectors distribution (SMEW)



Source: EIB 2017 Year-end Operational Report

4.1.3 Higher risk financial products under EFSI

The following section discusses the introduction and the use of the new financial products under both windows.

4.1.3.1 Innovation and Infrastructure Window

In order to allow for higher risk positions to be taken as a means to mobilise investment under EFSI, it was recognised by EIB that increased use of higher risk financial products (of which some would be newly introduced under the EFSI guarantee) would be required and that the volume of investment in 'Special Activities'⁹² would need to increase significantly. In particular through the use of equity-type (i.e. Quasi-Equity) products and risk sharing with financial intermediaries.

Indeed, existing evidence suggests that EFSI triggered both the development of new, specifically-tailored products⁹³, as well as the enhancement of existing products that had been used prior to EFSI, albeit not used as frequently and/or with some different features. The scale of those changes has been substantial, in particular from around mid-2016 onwards.

Figure 14 illustrates which products were introduced specifically for EFSI. It also shows the approximate volumes of EFSI financing that were signed *via* a given product, as well as the specific time when the first signature was achieved using a given product.

⁹¹ EIF, 2017. EIF contribution to EFSI. Available at: http://www.eif.org/what_we_do/efsi/how_does{EIF_contribute/index.htm

⁹² Operations with loan grade D- or below

⁹³ For example, the introduction of the European Growth Finance Facility (EGFF) to provide venture debt to increase the level of investment beyond that previously used under the Innovation Midcap Growth facility

Figure 14. EIB products under IIW – catering to EFSI

Main type	Product	Estimated volumes based on 2016/17 data [signatures]	First signature under EFSI
Equity	Equity Fund	EUR 1.3 bn	May 2016
Equity	Quasi Equity	EUR 1 bn	:
Equity	ABS Mezzanine	EUR 0.7 bn	August 2016
Equity	Layered Funds Mezzanine	:	August 2016
Equity	Captive Funds/ Investment Platforms	EUR 1 bn	April 2016
Debt	Linked Risk Sharing with guarantee rate >50%	EUR 0.5 bn	March 2016
Debt	De-Linked Risk Sharing with guarantee rate >50%	EUR 1.2 bn	June 2016
Debt	Linked Risk Sharing with guarantee rate <=50%	EUR 0.7 bn	December 2016
Debt	Infrastructure Aggregation Platform	:	:
Debt	Corporate hybrid bond	EUR 0.5	December 2016
Debt	De-Linked Risk Sharing with guarantee rate <=50%	:	July 2017
Debt	Co-finance at Project Mezzanine	:	:
Debt	ABS Senior	:	:
Debt	Layered funds Senior	:	:
Debt	MBILs (e.g. loans for SMEs, mid-caps, PSEs)	:	:
Debt	Co-finance @ Project Senior	:	:

Legend	
New EIB product (launched under EFSI)	
Classic EIB product enhanced under EFSI	
Classic EIB product	

Source: EIB (2016) Evaluation updated and augmented by ICF based on inputs from the EIB equity and debt team provided in April 2018

Note: ':' – missing data

In brief, six new products were introduced under EFSI and a further six have been enhanced. Examples of new products include:

- Corporate Hybrid Bonds, which are focused on low-risk utilities;
- Infrastructure Aggregation Platform, that is being implemented;
- ABS Mezzanine, that has enabled EIB to support lower quality rated beneficiaries; and
- Captive Funds and Investment Platforms which specifically target NPBIs; and
- Venture Debt - EGFF (European Growth Finance Facility) - EFSI has allowed the creation and rapid expansion of this instrument which meets a specific market need for midcaps and has made the EIB the largest venture debt provider in Europe.

Development of these new products has also involved both the EC and NPBIs⁹⁴. It is relevant to note that not all Member States have NPBs and that NPBs in different Member States have different roles. That said, NPBs have an important role to play and their active role can make an important difference when it comes to channelling EU financing.

While comparatively high risk Quasi-Equity products had existed for a short time before EFSI under InnovFin⁹⁵, the EIB noted that it had used them only occasionally before that time. This position changed markedly with the introduction of EFSI, allowing the Bank to reach sectors that can generate high social impacts. Regarding equity-type products more generally, EIB data indeed suggests a marked ramp-up in the use of Quasi-Equity (mainly Venture Debt and Corporate Risk Sharing). While the multiplier for equity operations under IIW has declined substantially over 2017, the absolute number of equity-type operations increased from 22 to 70 between 2016 and 2017.

Table 7. Increase in the number of equity type operations under IIW

Time	External multiplier	Number of equity operations	Number of equity operations with multiplier ≥ 15	operations with external multiplier ≥ 15 as % of the total EFSI financing ⁹⁶ for equity operations
End-2016	22.93	22	11	70%
End-2017	14.00	70	17	40%

Source: EIB Operational Report, end of 2017.

Under EFSI 1.0, the EIB has not taken the first loss pieces in debt portfolios (while *de facto* this could be argued for the equity participation funds where the Bank involves in *pari-pasu*). The Bank notes that these tranches have typically an unbalanced risk/return profile and (if the originator is a third party) some potential to create perverse incentives such as excessive risk taking by third parties. The major issue of achieving the appropriate pricing of considerably higher risk that such a position would involve was also noted by the European Commission. It is therefore argued by the Bank that this form of financing is typically only provided as a public policy measure (i.e. grant or subsidy), where the public benefit outweighs the financial cost while its Statutes explicitly forbid the EIB to provide grants or subsidies to projects.

At the more granular level, products should be also ideally tailored to specific counterparties. For example, in the context of collaboration with NPBIs, the Captive Funds or the Investment Platform (though delivery model, they can be also perceived as products), where the NPB owns or is closely related to the fund management, is seen by

⁹⁴ EIB, June 2016. Evaluation of the functioning of the European Fund for Strategic Investment. Available at: http://www.eib.org/attachments/ev/ev_evaluation_efs_i_en.pdf

⁹⁵ The quasi-equity concept was initially developed under InnovFin

⁹⁶ As per signed operations

the Bank as important in terms of volume (around EUR 1 billion signed in 2016 and 2017) and potential to generate high multipliers (circa 17 as of end 2017). Yet, the survey results showed also that majority of NPBs which responded⁹⁷ still have not been involved in the development/ implementation of the Investment Platforms. There is also some anecdotal evidence gathered from the interviews with two NPBs⁹⁸ that there is still some scope to increase the understanding about the concept of the Investment Platform.

The issue of uneven geographical distribution of EFSI funds, which has been highlighted by past evaluations of EFSI 1.0, also raises the question as to whether new products and/or products with enhanced/tailored features can be potentially relevant to boost take-up of EFSI in the EU 13. While the Corporate Hybrid Bonds product, which target low-risk utility companies, has been indicated by the EIB as an example of a product that suits largely only low-risk jurisdictions (and hence mainly some strongest economies in the EU 15), there seems to be no specific product(s) that would be exclusively well tailored to some individual Member States within the EU 13 which for instance may exhibit some higher risk but at the same time do not offer the same investment opportunities i.e. because of less sophisticated financial ecosystem.

While inferring the role of new and enhanced products introduced under EFSI, one caveat remains. A greater number of new, higher risk financial products should not be an aim of the EFSI *per se*. This is because financial intermediaries/ project promoters require time to familiarise themselves with the available offers and generally value the continuity of the available products⁹⁹. It is not the number of financial products made available which matters most to potential intermediaries/ project promoters, but whether products are well-tailored to their respective needs.

Overall though, the scale of the changes brought about by EFSI in terms of the availability of new products and enhancement of existing products has been very substantial, in particular from mid-2016 onwards. For some products (i.e. Corporate Hybrid Bonds and Infrastructure Aggregation Platforms) it is still too early to assess their relevance in the market. However, the available evidence indicates no obvious gaps in the range of specific products on offer that the market requires; it also confirms the high degree of relevance of those products already in place.

This section will be further substantiated by the results from the interviews with the financial intermediaries and project promoters under IIW.

4.1.3.2 Small and Medium Enterprises Window

Unlike under IIW where early on it was recognised that operations may require modified or entirely new type of products, the SMEW has capitalised on existing delivery models set-up under InnovFin, COSME and RCR allowing the necessary time to design modified or new products. This was indeed confirmed by the EIF.

Since 2016, there have been the following additions to the EIF's products' portfolio including, *inter alia*¹⁰⁰:

- Uncapped guarantees for riskier (subordinated) loans to innovative SMEs and small mid-caps;
- Capped guarantees for the EU Programme for Employment and Social Innovation ("EaSI");
- Investment Platforms (those can be also seen as delivery mode).¹⁰¹

⁹⁷ 7 out of 12

⁹⁸ One group interview and one interview with single representative of an NPB

⁹⁹ Firm observation made by the EIF staff during two independent interviews

¹⁰⁰ See also EIB, June 2016. Evaluation of the functioning of the European Fund for Strategic Investment.

Available at: http://www.eib.org/attachments/ev/ev_evaluation_efs_i_en.pdf

¹⁰¹ At the time of writing this report, there were three Investment Platforms under SMEW: (1) EFSI Thematic IP for Italian SMEs; (2) NPI EFSI Multi-country IP for SMEs through securitisation; (3) ITAtech EFSI Thematic IP for Technology Transfer in Italy; 2 transactions signed as of early 2018

From 2017 until now there has been an ongoing discussion between the EIF and the European Commission about the use securitization under EFSI to deploy the risk mezzanine tranches (below BBB). As of December 31st 2017, no securitized products were backed under EFSI. This may change in 2018.

- Besides, as in the case of the IIW and the EIB, the EIF has been also enhancing some of the existing products or simply applying them for a different type of transactions/ beneficiaries. Examples provided by the EIF include:
- Increased coverage of business angel financing (i.e. prior to EFSI the coverage included 7 MS, this changed to the whole EU);
- Engagement at the proof of concept phase & technology transfer (i.e. since 2016 the EIF can fund proof of concept going to TRL 3);
- Support of social sector through equity products targeting intermediaries linked to incubators, accelerators and that provide incubation services to social enterprises, investments in business angels funds or co-investments alongside business angels targeting social enterprises and payment-by-result investment schemes;
- Creation of a dedicated window called "Future Stars" under RCR equity (to invest up to 100 per cent in one single fund).

4.1.4 New delivery models / collaborations

In addition to the development of new products, the increased risk bearing capacity through the EFSI Guarantee is expected to enable the EIB and the EIF to also reach new market areas, new client types and develop new ways of engaging with existing client types¹⁰². In this respect, significant progress has been made under EFSI notably by equity-type products both for new delivery models and collaboration with NPBs:

More than 80 per cent of the clients benefitting from EFSI IIW are new counterparts to the EIB¹⁰³.

According to the EIF, 70-80 per cent of the deals under SMEW have been signed with new financial intermediaries. Moreover, cooperation under EFSI has extended to new types of financial intermediaries such as family offices.

- Aside from new products and new counterparts, the EIB has also developed new forms of cooperation – moved from partial to full delegation models for risk-sharing¹⁰⁴. One of the SMEW financial intermediaries interviewed, indicated that the EIF's full delegation model offers significant comparative advantage as compared to similar national schemes (guarantees for SME financing) as it helps speed up lending to SMEs;
- Finally, cooperation with National Promotional Banks and Institutions (NPBIs) has been strongly enhanced under EFSI. At the end of December 2017, 141 operations signed under EFSI involved NPB/NPIs, amounting to EUR 7.4 billion of EFSI financing - Table 18. These operations are expected to mobilise almost EUR 40 billion of financing for infrastructure and SME projects. NPBI are an important partner for EFSI delivery as their local presence and knowledge has facilitated transaction origination (particularly, investment platforms – see box below) and enabled smaller deal sizes. Cooperation and coordination with NPBI is also an essential element of improving the EU added value of an instrument like EFSI by

¹⁰² EFSI Steering Board (2017) EFSI Strategic Orientations, June 2017

¹⁰³ EFSI Stakeholders' consultation Summary report, 8 December 2017

¹⁰⁴ In risk-sharing operations, the EIB assumes the risk on underlying transactions in order to support the origination of an EFSI eligible new portfolio of loans. In partial delegation models, EIB retains the right to approve/reject any addition to the portfolio. In full delegation models, EIB delegates to the FI the selection of the loans based on pre-defined criteria.

reducing overlaps between national schemes and EU level intervention and improving complementarity.

Table 8. Operations co-financed with NPBs

		Number	Signed amount (EUR m)	Financing mobilised (EUR m)
IIW	Debt	28	3,965	14,350
	Equity	11	747	14,524
	Total	39	4,711	28,874
SMEW	Debt	52	1,899	8,447
	Equity	49	783	1,468
	Total	101	2,682	9,915
Aggregate	Debt	80	5,864	22,797
	Equity	60	1,530	15,992
	Total	140	7,393	38,790

Source: EFSI Year-end operational report, December 2017

Box 8. Investment platforms under EFSI

Investment platforms are co-investment arrangements structured with a view to catalysing investments in a set of projects (as opposed to individual projects). Investment platforms are a means to aggregate investment projects, reduce transaction and information costs and provide for more efficient risk allocation between various investors.

Investment platforms are particularly suited to addressing the difficulties encountered by smaller projects or less developed regions by:

pooling smaller or local investment projects, which would by themselves be too small to benefit,

making bundled projects accessible to new investor groups, for example pension funds or institutional investors that are less familiar with the EU market.

Investment platforms can be special purpose vehicles, managed accounts, contract-based co-financing or risk sharing arrangements or arrangements established by any other means by which entities channel a financial contribution in order to finance a number of investment projects.

As of December 2017, 33 investment platforms had been signed or approved mainly under the IIW, but also three under the SMEW. 15 are equity operations while 18 are debt operations.

These platforms represent nearly EUR 4 billion of EFSI financing and more than EUR 29 billion of expected investments mobilised.

A majority of investment platforms to date have been set up for energy and environmental projects, smaller infrastructure projects, affordable and social housing, as well as financing of SMEs and innovative midcaps. They generally are single-country investment platforms with a thematic focus. The first platforms approved and signed were in Italy, France and Spain, but further diversification can be seen with examples in Finland, Greece, Poland, Germany and the Netherlands. A couple of examples, such as the Connecting Europe Facility Broadband Fund, will cover EU-28.

The majority of these investment platforms (22 out of 33) involve NPBs.

Cooperation between the EIB Group and NPBs under EFSI mainly takes four forms:

- *Co-investment at project level* e.g. EIB equity participation in an investment fund (Italia Venture Fund I) alongside Invitalia Spa, the national agency for inward investment, promotion and enterprise development. The Fund will co-invest in innovative start-ups and small and medium-sized enterprises in Italy;
- *Intermediated financing* where the EIB Group provides loans or guarantees to NPBs for them to extend financing to SMEs and Midcaps e.g. NPBs form a major share of the beneficiaries of the EFSI SMEW products in the form of capped and uncapped guarantees ; EFSI backed EIB loan to the Bulgarian Development Bank ("BDB"), the Bulgarian state-owned national promotional bank for on-lending to smaller companies (min. 70 per cent) and Mid-caps (max. 30 per cent);
- *Risk-sharing instruments* which offer a mechanism to Financial Intermediaries (FIs) including NPBs to reduce their exposure to given sectors, counterparts or client segments. E.g. the EIB has signed a risk sharing operation with the Croatian NPB (HBOR whereby the EFSI guarantee will cover up to 50% of credit risk associated with a portfolio of existing corporate loans outstanding on HBOR's balance sheet. As a condition and with the resources made available by the guarantee, HBOR will grant new loans to mid-caps and other eligible promoters;
- *Collaborative investment platforms* which involve joint cooperation among the EIB Group, several NPBs and potentially other IFIs. E.g. through the EIF-NPI Securitisation Initiative (ENSI) - a cooperation and risk sharing platform with several NPIs - EIF aims at providing more funding to SMEs by revitalizing the SME Securitisation market while catalysing resources from the private sector. The ENSI partner institutions are EIF, the EIB, the EBRD, bpifrance (FR), British Business Bank (BBB, UK), Cassa Depositi e Prestiti (CDP, IT), Kreditanstalt für Wiederaufbau (KfW, DE), Instituição Financeira de Desenvolvimento (IFD, PT), Instituto de Crédito Oficial (ICO, ES) and Malta Development Bank Working Group (MT). Responses received to the online survey of NPBs suggest that almost all respondents are planning to deepen their cooperation with the EIB Group as a result of EFSI, which can only be seen as a good sign. Most see investment platforms as a key area for developing future cooperation, although some also cited risk sharing arrangements and counter-guarantees for SME financing.

Most NPBs – particularly those from new Member States - also indicated that the EIB financing under EFSI had encouraged an expansion in the capacity of their organisation to deliver investment in their respective countries, primarily by increasing the number and scale of co-investment opportunities available to them.

The NPBs involved in investment platforms indicated their main benefits to be as follows:

- They are a flexible tool that allows funding sectors/ beneficiaries that would not otherwise have access to similar levels or terms of financing (thus, demonstrating additionality);
- They provide efficiency gain, streamlined management;
- They allow an easier approach to combine financing with other EU funds, financing instruments and national support.

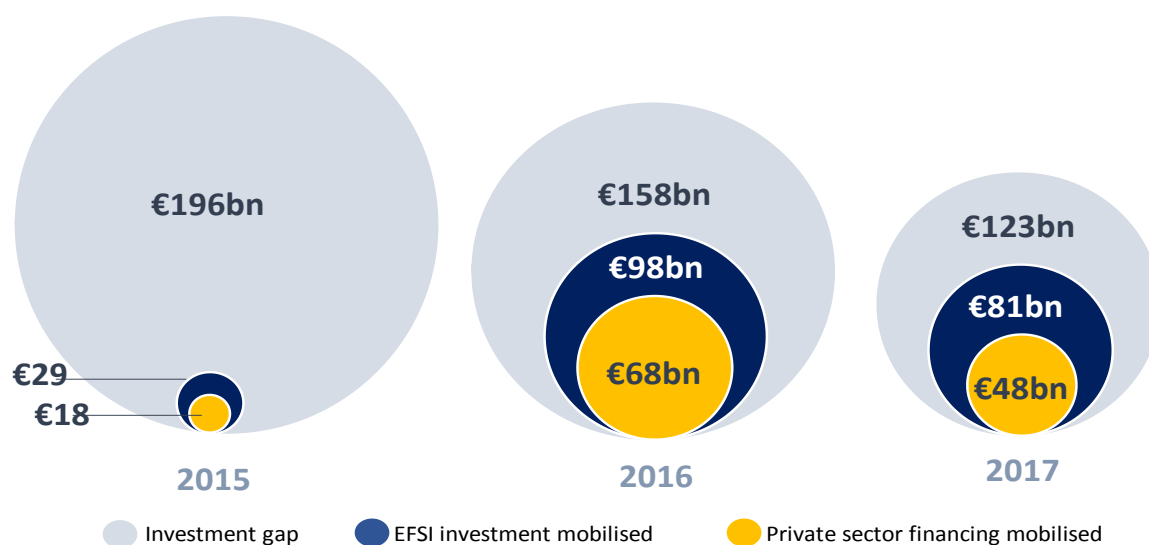
More widely, the new delivery models (e.g. investment platforms, risk sharing models) and new collaborations have contributed to sectoral and geographical diversification of EFSI portfolio, as well as enabled the financing of smaller projects. Given the relatively early stage of implementation of these collaborations and delivery models, it is however not possible to analyse these more deeply in terms of their effectiveness or efficiency.

4.1.5 Crowding-in private investors

The decline in investment in the EU over the period 2007-2013 was the *raison d'être* for establishing EFSI. One of the key objectives of EFSI therefore, is to stimulate investment, and where possible, maximise private sector investment. Publicly funded instruments such as EFSI are expected to unlock private sector investment by lowering the gap between what private investors may consider economically viable and unviable, or the premium required to compensate for excess risk (or perceived risk). The volume of private sector financed is therefore, a KPI for EFSI that is regularly monitored and reported by the EIB. EFSI operations signed by the end of December 2017 are expected to mobilise almost EUR 134 billion of private sector investment, representing 64 per cent of the total EFSI investment mobilised and almost 40 per cent of the estimated investment gap in 2017 (Figure 15). Equity instruments under IIW have been particularly successful in attracting private capital – mobilising over 12 euros of private financing for every euro of EFSI financing (Table 9).

The figures reported here however, do not take into account any potential crowding-out effect of EFSI. The discussion under the additionality section (drawing from the surveyed/ interviewed project promoters) shows that a portion of IIW projects claimed to have had access to alternative sources of financing (under same terms and conditions, though a portion only to partial financing), mainly from the market. It is therefore possible that EFSI may have crowded out private sector investors in some cases. It was not possible to determine the scale of crowding out effect within the short timetable and broad scope of the present evaluation, but this is an issue that may warrant further attention or research.

Figure 15. Private finance mobilised by EFSI as a share of total investment mobilised by EFSI and EU investment gap



Source: based on data sourced from year end operational reports for 2015, 2016 and 2017. Investment gap calculated by ICF in relation to historical trends (see section 4.1 for further detail on methodology)

Table 9. EFSI financing signed and investment mobilised as of December 2017 (EUR billion)

		EFSI financing signed	Private finance mobilised*	Investment mobilised*	Private sector share of investment mobilised	Private finance mobilised per euro of EFSI financing	Investment mobilised per euro of EFSI financing
IIW	Debt	24,133	42,296	81,678	52%	1.8	3.4
	Equity	3,279	39,851	49,719	80%	12.2	15.2

		EFSI financing signed	Private finance mobilised*	Investment mobilised*	Private sector share of investment mobilised	Private finance mobilised per euro of EFSI financing	Investment mobilised per euro of EFSI financing
	Total	27,412	82,148	131,397	63%	3.0	4.8
SME W	Debt	5,973	33,562	48,508	69%	5.6	8.1
	Equity	4,026	17,814	27,432	65%	4.4	6.8
	Total	9,998	51,375	75,940	68%	5.1	7.6
EFSI total	Debt	30,106	75,858	130,186	58%	2.5	4.3
	Equity	7,304	57,665	77,151	75%	7.9	10.6
	Total	37,411	133,523	207,337	64%	3.6	5.5

*These are estimates based on signed volumes. Source: EFSI Year End Operational Report, December 2017

4.1.6 Relevance of scoreboard

The scoreboard is a framework presenting the results of the appraisal of eligible operations under the IIW, providing assessment and a basis which is supplemented by additional information in documentary form, for decision of the use of the EU Guarantee by the Investment Committee (IC).

The scoreboard (Figure 16) comprises four pillars, each of which deals with a particular aspect of the case for investment¹⁰⁵. The EFSI Regulation specifies that *the scoreboard [...] shall be used by the Investment Committee with a view to ensuring an independent and transparent assessment of the possible use of the EU guarantee*¹⁰⁶.

Figure 16. Scoreboard of indicators

Scoreboard of indicators				
Pillar name	Pillar 1	Pillar 2	Pillar 3	Pillar 4
	Contribution to EFSI policy objectives	Quality and soundness of the projects	Technical and financial contribution	Complementary indicators
Indicators	Contribution to EFSI objectives Key policy objectives	Growth Promoter capabilities Sustainability Employment	Financial Contribution Financial Facilitation EIB Contribution and Advice	Project specific indicators Country-specific macroeconomic indicators Country-specific sector indicators

Source: ICF, adapted from EIB (2016)

The scoreboard was introduced to meet a request by the European Parliament that initially saw it as a tool that would allow to prioritise projects. The Parliament had assumed that there would be a substantial number of competing projects eligible for financing. To date, however, this has not been the case and the number of projects, considered on the basis of eligibility and additionality criteria, has been accommodated in view of the availability of the guarantee.

¹⁰⁵ Supplementing Regulation (EU) 2015/1017 on the establishment of scoreboard indicators for the application of the EU Guarantee provides details on scoreboard indicators which are set out in the Annex to this Regulation

¹⁰⁶ EFSI Regulation, 2015. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R1017&from=EN>

Overall, three members of the IC that took part in the interview programme were of the view that the scoreboard does constitute a relatively good framework for decision-making. The design of the scoreboard that comprises four pillars was found as appropriate.

In parallel, they pointed to the overall high relevance of the EIB documentation presented to the IC and cited also the particular value of the IC portal, which has enabled rapid exchanges of views between IC members who are asked to assess any given project.

4.2 Effectiveness

Table 10 summarises key evaluation judgements to be addressed to evaluate the effectiveness of EFSI and related evidence needed on the extent that EFSI investment represents additional investment activity attributable to EFSI (and the level of private investment crowded in); the effectiveness of new collaborations; and EFSI's impact on the real economy. This is discussed below.

Table 10. Required evaluation judgements - Effectiveness

Evaluation Judgement	Key evidence required
<ol style="list-style-type: none"> 1. Has EFSI achieved the target multiplier effect and associated levels of investment¹⁰⁷ 2. Has access to finance increased in areas defined in Article 9.2 3. Is EFSI likely to achieve EUR 500¹⁰⁸ billion of mobilized investment by 2020 	<ul style="list-style-type: none"> • Portfolio analysis of projects financed via SMEW and IIW including analysis of multipliers, volume of signed deals and actual disbursements over the time and against the targets • Change in total EIB/EIF lending / investing compared to earlier periods • Use of scoreboard scores - Pillar 1
<ol style="list-style-type: none"> 4. Effectiveness of new collaborations – especially NPBs/NPIs – in stimulating project pipelines in target sectors and crowding-in of private lenders / investors 	<ul style="list-style-type: none"> • Perceived effectiveness of new collaborations stimulated by EFSI • Feedback from key stakeholders
<ol style="list-style-type: none"> 5. (Expected) impact of EFSI funded projects on the real economy 	<ul style="list-style-type: none"> • Review of approvals, signatures, disbursements and expected time of actual investment • Review of Effective Rate of Return (ERR) in the scoreboard • Review of employment (KPI) • EIB/Joint Research Centre (JRC) Seville modelling output
<ol style="list-style-type: none"> 6. Effectiveness of the scoreboard in aiding project design / appraisal and decision-making 	<ul style="list-style-type: none"> • Desk review: Adequacy to Regulation terms and EFSI eligibility/additionality factors • Feedback from IC members • Extent of implementation of ECA/EIB/E&Y recommendations and impacts • Feedback from sector experts when using the

¹⁰⁷ The EFSI Regulation entered into force on 4 July 2015. The target of EUR 315 billion of investments is linked to operations approved, signed or entered into force within the first three years from this date (i.e. by 04/07/2018) http://www.eib.org/attachments/strategies/efsi_steering_board_efsi_strategic_orientation_en.pdf

¹⁰⁸ This is the target set by the amended EFSI Regulation (December 2017) and foreseen to be achieved by 2020.

Evaluation Judgement	Key evidence required
	scoreboard for project review

4.2.1 The effectiveness in inducing additional investments

4.2.1.1 Multipliers achieved by window and associated level of investment

The expected scale of investment impacts was estimated on the basis of a combination of internal (financing) and external (investment) multipliers. The product of both values gives a global multiplier. Box 9 outlines the details on the initial discussion and underlying principles for the calculation.

Box 9. EFSI's multipliers

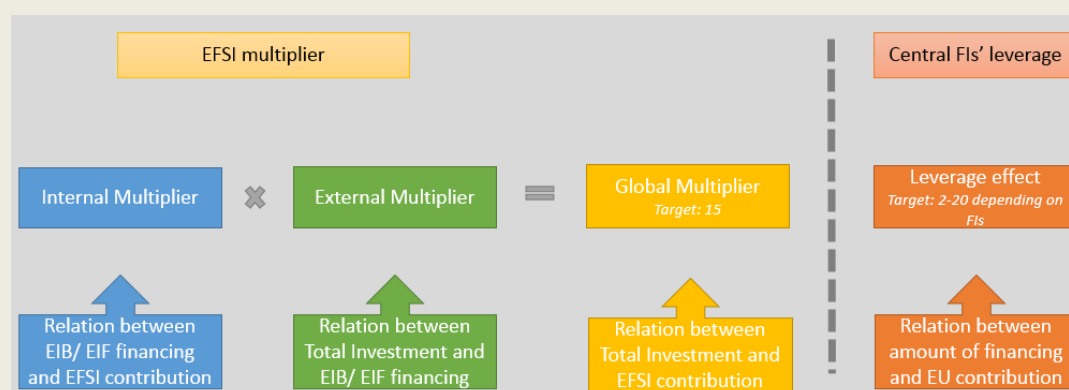
EFSI and centrally managed financial instruments follow the same methodology to calculate the multiplier and the leverage effect respectively.

For centrally managed financial instruments, article 223 Rules of Application Leverage effect (Article 140 of the Financial Regulation) states that "(...) the leverage effect of Union funds shall be equal to amount of finance to eligible final recipients divided by the amount of the Union contribution. (...)" This definition implies that all sources of finance flowing into a project are considered as being attracted as a result of the EU contribution.

Similarly for EFSI, the global multiplier is understood as the relation between the underlying EFSI support and the amount of total investment that is expected to be generated by such financing (i.e. the total project cost for investment). Although the EFSI multiplier methodology, nor the EFSI Regulation, does not make the assumption that all sources of finance flowing into a project are attracted as a result of the EFSI guarantee (though it being a great incentive), the methodology is used as the best indication of total investment mobilised (irrespective of the actual circumstances underlying the mobilisation) – with some adjustments e.g. with regards to other EU co-financing (e.g. EU grant-financing, EU financial instruments or ESIF grants or financial instruments including related national co-financing) which shall not be taken into account in the calculation of the multiplier.

The global multiplier is made of two components: (i) the internal multiplier on the one hand; i.e. the relation between the underlying EFSI guarantee and the amount of EIB/EIF financing under EFSI and (ii) the external multiplier on the other hand, i.e. the relation between the EIB/EIF financing under EFSI and the amount of total investment.

Figure: Methodologies to calculate the multiplier / leverage effect of EFSI / central FIs



Some stakeholders had expressed initial doubts as to whether the expected aggregate *EFSI multiplier* of 1:15 for IIW and SMEW investments was feasible (see Bruegel, 2014¹⁰⁹. EPC, 2015¹¹⁰, The Economist, 2014)¹¹¹.

¹⁰⁹ Bruegel, 8 December 2014. The Achilles' heel of Juncker's investment plan. Available at: <http://bruegel.org/2014/12/the-achilles-heel-of-junckers-investment-plan/>

Yet, the target aggregate multiplier was not higher than those achieved for comparable operations in the recent past. The EIB multiplier for the period 2012-13 was oscillating around 1:18 while the multiplier for the COSME programme (SME-financing) reported by the Commission stood at around 1:20¹¹².

The final global *EFISI multiplier* will only be possible to identify at the portfolio level and at the end of the EFSI mandate (mid-2018 for EFSI 1.0, and end 2020 for EFSI 2.0¹¹³). However, current levels of achievement of the target (over 80 per cent of 315 billion under the initial EFSI Regulation) provide a good indicator for future achievement.

The ECA¹¹⁴ highlighted the risk how EU multiplier / leverage methodologies, by design, might over-state the impact of the EFSI / EU contribution (they assume there would have been no investment at all in the absence of EFSI / EU contribution) and recommended for the EU to align its methodology with that suggested by the OECD, which for instance considers that for a guarantee provided on a loan, only the guaranteed loan needs to be taken into account when calculating the multiplier. Yet, the Commission's reply to ECA noted, inter alia, that the OECD methodology concerns the measurements of the amount mobilised from the private sector by official development finance and pointed also to some risk of overstatement. It also acknowledged that for the reporting period starting from 2015 it will ensure an improved consistency in the methodology across instruments and product types.

Data on the actual multipliers achieved by specific deals / operations are available, inter alia, in regular Operational Reports produced by the EIB and EIF, which can help track progress against the targeted level of mobilised investment of EUR 315 billion (Table 11). This aspect has been also analysed by the ongoing internal EIB evaluation and ECA audit.

As of 31st December 2017, the global multiplier aggregated for both windows was 13.5. This is below the expected one of 15, though not far off. It is also lower than the level reported by the end of 2016 (15.2)¹¹⁵, though still higher than the level reported as of the end of 2015 (13.2).

Table 11. Average multipliers at aggregate & window level, and for all type of products

	Type	Multiplier
Aggregate	Hybrid	15.2
	Equity	11.4
	Debt	15.2
	Aggregate	13.5
IIW	Hybrid	15.2
	Equity	13.9
	Debt	11.7
	Aggregate	12.7
Σ ∩ ∪ ∞	Equity	8.6

¹¹⁰ EPC, 20 march 2015. Growth for Europe – is the Juncker Plan the answer? Available at: http://www.epc.eu/documents/uploads/pub_5420_growth_for_europe_-_is_the_juncker_plan_the_answer.pdf

¹¹¹ The Economist, Europe's Great Alchemist. Available at: <https://www.economist.com/news/europe/21635053-jean-claude-junckers-kick-start-economy-rests-some-magical-thinking-europes-great>

¹¹² European Commission, 2015. The European Fund for Strategic Investment. Available at: https://era.gv.at/object/news/1589/attach/20150113_efs_i_qa_en.pdf

¹¹³ European Commission, 2017. Final adoption of improved and extended EFSI. Available at: http://europa.eu/rapid/press-release_IP-17-5169_en.htm

¹¹⁴ Special Report No 19/2016, paragraph 70. And OPINION No 2/2016, paragraphs 47-51

¹¹⁵ EIB 2017 Year-end Operational Report

Type	Multiplier
Debt	26.6
Aggregate	15.2

Source: EIB 2017 Year-end Operational Report

The debt operations under the SMEW exhibited the highest multiplier, significantly above those for IIW debt operations. And indeed, EIF's debt-type operations typically induce a higher multiplier than those for EIB given their nature. In its mid-term evaluation from 2016, EY reported that the reason for this was partly the fact that: *'...majority of IIW signed operations were projects that were already in preparation before EFSI was established and are mainly investment loans with a multiplier that is expected to be lower than those of operations benefitting from new products. Thus, with the development and roll-out of new products, the IIW will be better equipped to reach its investment target'*¹¹⁶. Yet, the multiplier for debt operations under IIW at the end of 2016 (12) was still very close to the one reported by the end of 2017 (11.7).

The figures overleaf present multiplier levels for the top five countries and sectors under both windows.

Overall, the level of multipliers seems to be broadly in line with what had been anticipated at the outset of the EFSI. Fundamentally, and as clearly highlighted by the EIB Board of Directors in their response to the EFSI evaluation completed by the EIB in 2016, *'...there is often a trade-off between the multiplier achieved and the role of EFSI in supporting risky operations. A low multiplier cannot be an exclusion criterion for EFSI'*¹¹⁷. As such, there are many examples where, for some highly socially beneficial projects, private investors may be reluctant to participate, mainly owing to uncertain financial returns. Further, while some less risky projects may be more attractive for investors, especially at a time of ample liquidity and search for a reasonable rate of return, the additionality of such projects may be potentially lower. The multiplier might thus have unintended consequences. Therefore, although multipliers are one of the Key Monitoring Indicators, they should be interpreted in the broader context.

¹¹⁶ EY, 2016. Independent evaluation of EFSI. Available at: https://ec.europa.eu/commission/publications/independent-evaluation-investment-plan_en

¹¹⁷ EIB, June 2016. Evaluation of the functioning of the European Fund for Strategic Investment. Available at: http://www.eib.org/attachments/ev/ev_evaluation_efs_en.pdf

Figure A: Multiplier level per country (top 5) under SMEW

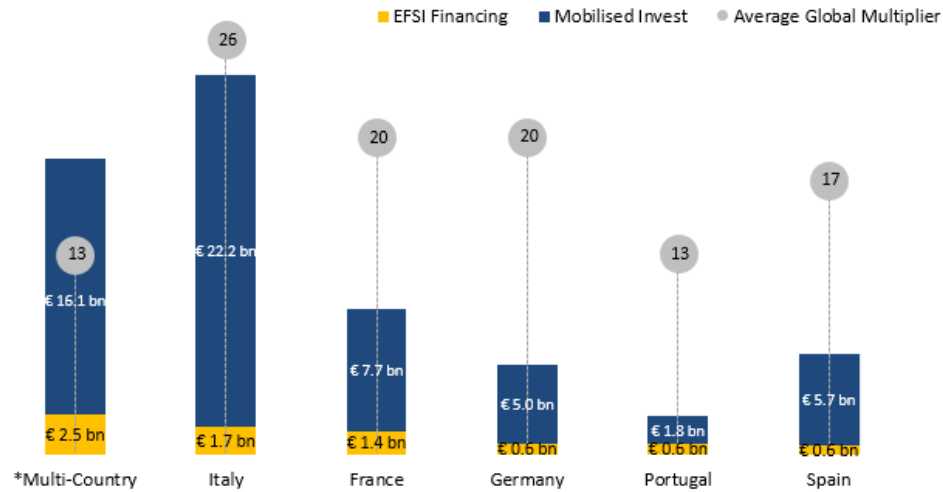


Figure B: Multiplier level per country (top 5) under IIW

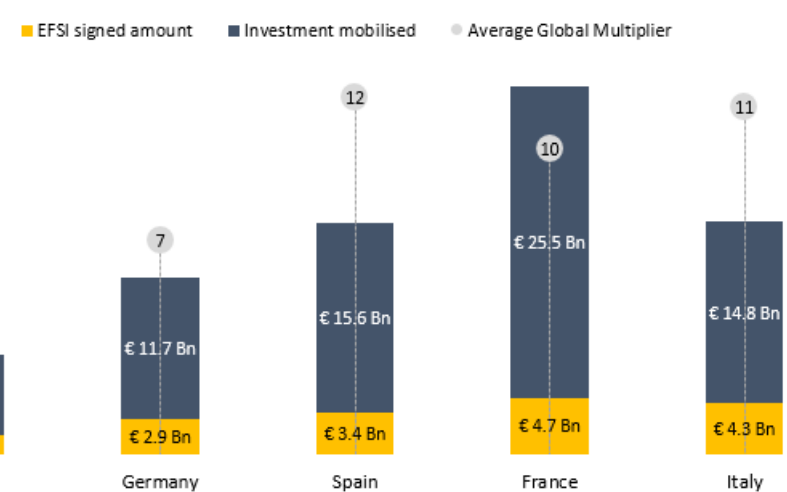
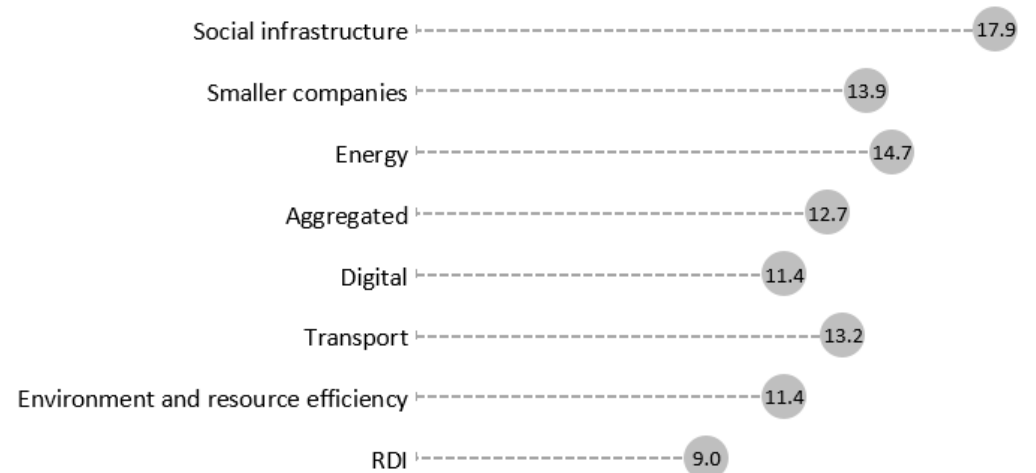


Figure C: Multiplier level per sector under SMEW



Figure D: Multiplier level per sector under IIW



Note: the level of multipliers for MS does not factor in the projects based in more than one country

4.2.2 Effectiveness of new collaborations, especially NPBs/NPIs

This has been covered under Section 4.1.4.

4.2.3 Expected impacts on the real economy

As of 31st December 2017, signed EFSI operations stood at EUR 37.4 billion, which is expected to mobilise EUR 207 billion of investment. Yet, actual disbursements stood at EUR 10.1 billion under IIW while EUR 10 billion were signed under SMEW respectively. EFSI translates into jobs and economic growth only when actual monies reach the real economy. Therefore, given that considerable amount of the anticipated envelope of IIW remain undisbursed, it is rather early to capture the full impact of EFSI, including its effect on the key variables such as employment and the economic growth.

Nonetheless, considerable effort has been made by the European Commission and the EIB Group to estimate the potential macroeconomic impact of EFSI. Direct jobs created/sustained' (Key Monitoring Indicator - KMI-4) is one of six KMIs against which the performance of EFSI is regularly monitored¹¹⁸. The EIB reported that as of December 31st 2017, EFSI enabled to create nearly 115,000 of permanent jobs over 0.5 million of temporary ones and over 3.5 million of supported jobs. Given the separate concepts of each type of jobs created (see Table 12 and its footnote), an aggregation of figures would be misleading.

Table 12. Forecast number of direct jobs created

	Permanent employment	Temporary employment	Jobs supported
IIW	114,593	568,482	2,090,117
SMEW	:	:	1,513,424

Source: EIB Operational Report end 2017

Note 1: (i) *temporary employment* – jobs created to implemented a given project i.e. construction phase of a project; it is measured in person years (ii) *permanent employment* – jobs of long-term character that are anticipated to last beyond the project implementation phase; it is measured in FTE (iii) *jobs supported* – jobs created as a result of multi-beneficiary intermediates loans, risk-sharing structures and funds and other than infrastructure and non-SMEs funds; direct jobs supported are measured based on the information provided by financial intermediaries at the inclusion

The figures above do not however, capture the indirect and induced effects of EFSI on employment. Moreover, existing KMI and Key Performance Indicators (KPIs) do not capture the impact of EFSI on economic growth. To address these issues and to provide a plausible approximation of the impacts of EFSI, the Economic Department of the EIB, in collaboration with Join Research Centre (JRC) has undertaken a modelling exercise (using RHOMOLO-EIB model).

Box 10 outlines briefly the key properties of the model. In general, it has been assumed that the realized projects affect the EU economy through two main channels, an investment effect and a structural effect¹¹⁹ (see Figure 17). The short-term investment effect reflects higher demand for goods and services as the investments take place in a region, especially during the implementation and construction phase when the financing reaches the real economy. The longer-term structural effect of the completed investments reflects the effect on the structure and competitiveness of the economy, such as a better transport network which can provide cheaper imports and exports, or

¹¹⁸ EIB, 2015. Key Performance Indicators. Available at: http://www.eib.org/attachments/strategies/efsi_steering_board_kpi_kmi_methodology_en.pdf

¹¹⁹ Those are captured via five channels: (i) transport infrastructure, (ii) non-transport infrastructure, (iii) human capital, (iv) industry and services, and (v) research and development

greater availability of research facilities which can lead to productivity enhancing technologies.

Box 10. Rhomolo-EIB Model

Rhomolo-EIB model an augmented version of the well-established Rhomolo model belongs to the family of Computable General Equilibrium (CGE) models. CGE type models are a common tool for addressing ex-ante and complex impact assessment of programmes or policies that are still not implemented. For instance, it has been widely used for the assessment of Cohesion policies.

The relative advantage of Rhomolo-EIB is that it allows to simulate the effects of investment activities (short-term investment effect), as well as the structural effect of investments (long-term structural effect) by taking into account the spatial and sectoral interlinkages of a specific investment activity.

The model relies on a micro-founded neoclassical equilibrium framework where supply and demand are balanced through a system of relative prices and behavioural functions. Policy-driven scenario ("shocks") are introduced as deviations from a benchmark equilibrium state of the economy affecting the optimal supply and demand behaviours of all the agents in the economy. All equations are solved simultaneously thus resulting in reallocation of goods and factors consistent with the new price system in a new counterfactual equilibrium. Policy appraisal is based on comparison between the counterfactual and the benchmark equilibrium.

The model draws on the publically available data including Eurostat and AMECO databases, as well as inter-regional trade flow matrix provided by PBL following the methodology.

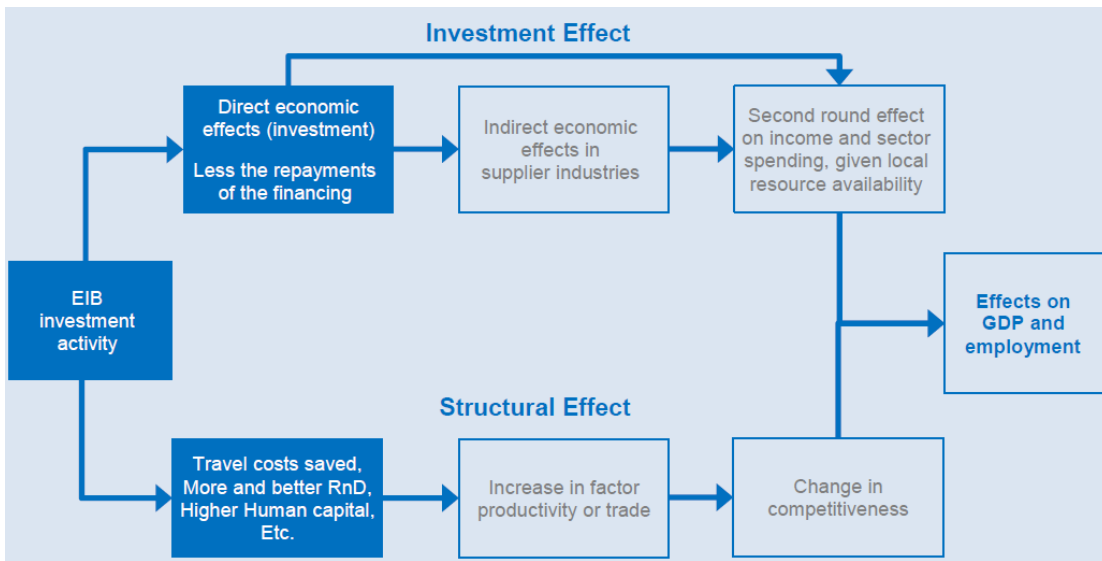
The Rhomolo model has been subject to thorough discussions¹²⁰ and regular reviews by the Review Board of academics and practitioners to assess it and to provide recommendations for further improvements. The most recent review took place in November 2017.

A limitation of the model is that it does not capture the impact of advisory activities and knowledge work of the EIB Group.

Source: EIB, 2018. Assessing the macroeconomic impact of the EIB Group, version from April 2018

¹²⁰ See for instance Mercenier, J et al, 2016. JRC Technical Reports – Rhomolo v2 Model Description. Available at: https://ec.europa.eu/jrc/sites/jrcsh/files/rhomolo_technical_description.pdf and Barbero J. et al, 2018. Rhomolo v3 A flexible Modelling Framework Technical Reports, European Commission. DG Joint Research Centre.

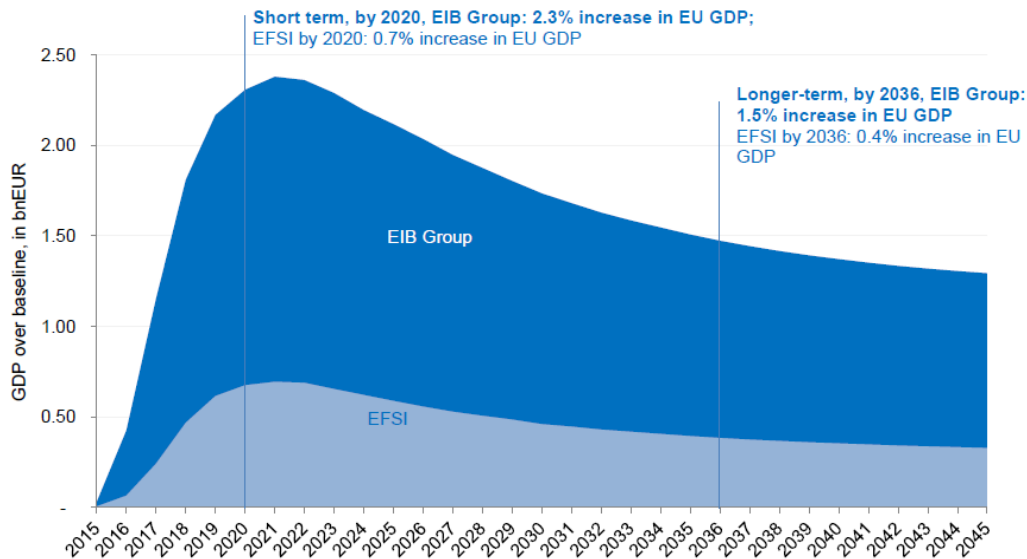
Figure 17. Impact of the EIB operations on the EU economy



Source: EIB, 2018. Assessing the macroeconomic impact of the EIB Group, version from April 2018

The EIB reported that EFSI operations approved since inception up to 31st December 2016 that mobilised EUR 161 billion of investment, and will have added 0.67 per cent to EU GDP and generate 690,000 new jobs by 2020, compared to the baseline scenario (see Figure 18). The EIB and JRC are currently in the process of running an updated calculations covering all approvals up to 31st of December 2017, consistent with the cut-off date for this evaluation. However, the results are expected to be available only in early June when this evaluation will be already completed¹²¹.

Figure 18. Impact of EFSI and the EIB Group more widely, on the EU GDP and employment



Source: EIB, 2018. Assessing the macroeconomic impact of the EIB Group, version from April 2018

The results are provided at an aggregate EU 28 level¹²². Yet, the latest note describing the model provided by the EIB at the time of writing this report (and available publically

¹²¹ As informed by the EIB Economic Department in mid-April

¹²² EIB indicates that although results are also available at a country level, regional (NUTS 2 level) and sectorial level (11 sectors). Yet, it also points out that the disaggregation of results at this level could easily lead to their

soon), does also discuss some more disaggregated results for certain group of countries or specific sectors with clear caveats and limitations highlighted. These results have been also subject to the sensitivity analysis¹²³.

Any large and complex model like Rhomolo-EIB inevitably relies on stylised description of the economy and number of assumptions. There are major advantages but also considerable limitations of virtually each modelling approach, and therefore results should be considered as general indications rather than precise answers to extremely complex problems. The scope of this evaluation does not include the assessment of the robustness of the Rhomolo-EIB model in estimating the EFSI's impacts. Nonetheless, given the criticality of its results, it is fundamental to ensure maximum transparency about the modelling exercise itself, including all essential assumptions that underpin it.

The study team has been provided access to a relatively detailed note¹²⁴ produced by the EIB that outlines the approach to modelling of EFSI impacts and key assumptions, as well as direct clarifications related to some key assumptions including an estimation of indirect effects at the sector level, source of financing used for investment, and crucially, the baseline scenario that was assumed to derive the net impact of EFSI.

While it has been understood by the study team that more detailed information on the key assumptions used for the Rhomolo-EIB model will be published shortly, at this stage there seems to be still some scope for improvement. This relates particularly to the clear and transparent definition of the baseline scenario. In other words, what could have plausibly happened, had EFSI not been implemented? Answer to this question is of fundamental importance in estimating the size of net impacts attributable to EFSI, because it is reasonable to assume that in the absence of EFSI, there could have been some other EU policy intervention(s) that would seek to prop-up investment in the EU.

Currently, it is understood that the baseline for the EIB (not EFSI specifically) is assumed by the "steady-state", as per 2013. This implies that in the long-run and without structural shifts, variables will tend converge to this assumed "steady-state", as per 2013. In addition, as indicated in the note: *'...the baseline assumes a counterfactual world without the EIB supported investments, and also without the borrowing for such investments*. Those could be a subject of debate for few reasons.

Firstly, the implication of such assumption is that the unemployment level (and also the structure of the economy) of that year (2013), which was still characterised by number of Member States economies being in the recession or only at very early stage of recovery, may not necessarily represent the 'natural levels' for all EU 28 Member States. The EIB has acknowledged this issues¹²⁵.

Secondly, and in reference to the assumption that had EFSI not been deployed the alternative would have been *'...the world without the EIB supported investments, and also without the borrowing for such investments'*, the exercise could benefit from the *actual* counterfactual exercise that would take into account other alternative and plausible policy intervention(s) had EFSI not been implemented¹²⁶. This is now not the case and

misinterpretation due to the complex interlinkages and the effects of many investments spanning very often beyond a single sector, region and Member State.

¹²³ Described in Section 5 and Annex of the EIB, April 2018. Assessing the macro-economic impact of the EIB Group.

¹²⁴ EIB, 2018. Assessing the macroeconomic impact of the EIB Group, version from April 2018

¹²⁵ EIB admits that it would be advantageous to use longer term average but points out to the scarcity of data at the sectoral-regional level that make this adjustment complicated.

¹²⁶ Such exercise would need to be also supported by the EC i.e. by providing some indication on alternative scenarios. In addition, not all policy interventions can be broken down in terms of jobs and employment (transfers, climate action etc.) and a direct comparison would need to be carefully assessed in a different setting. In addition, there would be some trade-off between substantiating the baseline considerations modelling and communication of results in a clear manner. The EIB informed also that it is currently working on the sensitivity analysis that will accompany the next round of results.

introduction of this considerations could have substantial impact on the results from the model.

Besides, while it seems at this stage technically and methodologically very challenging to augment the model so that it would take into account potential crowding-out effect of EFSI, it is important that this feature is clearly spell-out while communicating the results.

Overall, although there seems to be a scope for improvement in terms of the transparency behind key assumptions, the joint effort of the EIB and JRC in attempting to capture the effects of EFSI operations, by definition very challenging and complex exercise, should be fully recognised and appreciated.

4.2.4 Effective use of the scoreboard

- This section should be read in conjunction with the discussion on the relevance of the scoreboard (Section 4.1.6). As pointed out in the context of the relevance of the scoreboard, this has been perceived by IC members as a relevant decision making framework. Nonetheless, IC made some suggestion on the improvements of the effectiveness of it and related processes. More specifically, Pillar 2 and 3 rely on the following ranking: *marginal/ acceptable/ good/ excellent* in the case of 2nd Pillar and *low/ moderate/ significant/ high* for the 3rd Pillar. One IC member expressed the opinion that there is still no full clarity about the concrete methodology that is used by the EIB to derive particular ranking¹²⁷.
- Going beyond the use of the scoreboard, the three interviewed IC members also pointed unanimously to one particular element that would substantially inform their analysis and judgment: Although this goes beyond the definition of additionality (as per Article 5 of the Regulation), the EIB project documentation has been found to be often missing the sufficient evidence on the actual effort that was made by a project promoter to identify alternative sources of financing and, if such an effort has been made, specific reference to the terms likely to be offered by alternative sources.
- Past assessment of EFSI, including the ECA's Report on the Extension of EFSI¹²⁸, argued for more transparency, i.e. publication of the scoreboards for the EFSI operations as soon as they are signed. An increase in the level of transparency brought by EFSI 2.0, which envisages the publication of the scoreboard after the signature of the project as well as publication of the rationale of the IC decisions (from March 2018 onwards), have been much welcomed.

The study experts who reviewed the documentation for the sample of 60 projects under IIW noted also that in some cases the country-specific and sector-specific indicators were not included under Pillar 4 and Economic Rate of Return (ERR) was also not available in some instances. Although in the latter case, the Scoreboard Regulation indicates that ERR is calculated '*...when possible*¹²⁹'. Occasional absence of both has not been, however, viewed by experts as having a material impact on the effectiveness of the scoreboard.

4.3 Efficiency

Table 13 summarises the evaluation judgements and related evidence required to evaluate EFSI against the efficiency criterion.

Table 13. Required evaluation judgements - Efficiency

Evaluation Judgement	Key evidence required
----------------------	-----------------------

¹²⁷ The EIB has informed that the 3PA methodology (scoreboard) was presented to the IC members during a special induction session and questions raised by IC members were addressed. Following the introduction of the threshold process with the extension of the EFSI Regulation in December 2017, IC members asked for more detailed information on the underlying analysis and a more detailed presentation took place (after the interview with IC members)

¹²⁸ ECA, November 2016. EFSI, an early proposal to extend and expand.

¹²⁹ See Annex to the Scoreboard Regulation

Evaluation Judgement	Key evidence required
<p>1. Has the operation of the governance structures been efficient - enabling clear/consistent and timely decision-making on loans/investments</p>	<ul style="list-style-type: none"> • Descriptive overview of the current governance structure and modus operandi of its specific components • Desk review of relevant reports and documentation to explore whether any issue around EFSI's governance exist • Feedback on the efficiency of the current structure from representatives from their main components covering, inter alia, clarity on roles and responsibilities, procedures to manage potential conflict of interest/ ensuring independence, lines of communication • Feedback on the efficiency of the current structure from relevant external stakeholders i.e. European Commission covering, inter alia, clarity on roles and responsibilities, procedures to manage potential conflict of interest/ ensuring independence, lines of communication • Feedback from financial intermediaries and clients on the time and costs associated with engaging with EFSI • Portfolio analysis (i.e statistics on time elapsed between first contact/disbursement, approval and signature, number of projects approved per quarter, etc.) • Suggestions for improvement i.e. how to speed-up due diligence/ approval process.
<p>2. Has the use of EFSI related communication activities engaged key stakeholders efficiently</p>	<ul style="list-style-type: none"> • Desk review of key promotional activities/ outputs undertaken by the EIB Group/EC to promote EFSI; • Analysis of any internal analytical data/ analytical materials related to media coverage and consumption of EFSI related content; • Feedback from key stakeholders on communication aspects.

4.3.1 Operation of EFSI governance structures

The EFSI governance structure is composed of a Steering Board, an Investment Committee (IC) and a Managing Director¹³⁰ and Deputy Managing Director.

The potential use of the EU Guarantee, leading to the EIB investments, is examined and evaluated by the Investment Committee. The latter is composed of a Managing Director and eight independent experts with experience in one or more key EFSI-related sectors. The normal EIB/EIF appraisal processes remain in place, but in the case of the IIW the Investment Committee decides on the availability of the EU Guarantee on the basis of a four-pillar examination (the scoreboard and supplementary information), while availability of the EU Guarantee to SMEW products is decided by the EFSI Steering Board and Managing Director after consultation of the Investment Committee.

Overall, gathered evidence suggests that the current EFSI governance structure works well. As such, no major issues have been identified. This is largely in line with the

¹³⁰ EIB, 2017. EFSI Governance. Available at: <http://www.eib.org/efsi/governance/index.htm>

findings of the past EIB¹³¹ and EY¹³² evaluations. Although the 2016 ECA report called for more transparency and some streamlining, it did not suggest the major weaknesses exist¹³³.

Stakeholders being a part of the governance structure themselves such as Managing Directors of EFSI, three members of the IC, three members of the EFSI Steering Board as well as representatives from the EIB and EIF, expressed positive views as regards EFSI's governance structure and efficiency. Interviewed external stakeholders generally did not have specific comments nor suggestions for improvements for the governance structure of EFSI.

The governance structure effectively mimics closely those of the EIB. According to the EIB and members of the EFSI Steering Board, this constitutes an important contributing factor to EFSI's efficiency. In the same vein, interviewed EIB and EIF staff as well as EFSI Managing Directors have highlighted the crucial role of EFSI's lean governance structure that is sufficiently responsive to constant changes of the markets.

It was generally agreed that IC is important for the legitimacy and credibility of EFSI's governance, and for establishing itself as a trustworthy panel of experts. Table 14 below summarises information from monthly IC meetings that took place between March 2016 and January 2018. Quorum reported at the meetings was always full (9). Three members of IC stated that proceedings generally take place in a candid and open atmosphere, allowing them to exercise full independence. Between March 2016 and January 2018, IC assessed a total of 294 EFSI project proposals, of which only four were rejected, approximately 1 per cent of all proposals).

Table 14. Summary of monthly IC meetings, March 2016 – January 2018

Total number of EFSI proposals assessed	Number of proposals where IC decision was unanimous	Number of proposals where IC decision was by majority	Number of proposals with no information on the proportion of votes ¹³⁴	Number of proposals rejected	Number of Conflict of Interests reported
294	129	20	143	4	13

Source: Copy of minutes provided by the EIB

Furthermore, projects supported through EFSI follow typical EIB's project cycle. Figure 19 shows some evolution of the average time that elapses between the approval of the project and its signature for the current IIW portfolio. Although this data needs to be interpreted with caution¹³⁵, the average time (in weeks) between approval and signature of a project has been falling over time, despite an increase in the volume of projects being appraised by the EIB. This may be also a consequence of some efficiency gains following the inception of EFSI (e.g. use of delegated approvals) and substantial increase in the number of EIB staff, in particular on the equity side of operations, mainly as a result of the introduction of a number of new products reach out to new client groups.

¹³¹ EIB, 2016. EIB independent evaluation report: EFSI on track to mobilise private capital. Available at: <http://www.eib.org/infocentre/press/releases/all/2016/2016-225-eib-independent-evaluation-report-efsi-on-track-to-mobilise-private-capital.htm>

¹³² EY, 2016. Independent evaluation of EFSI. Available at: https://ec.europa.eu/commission/publications/independent-evaluation-investment-plan_en

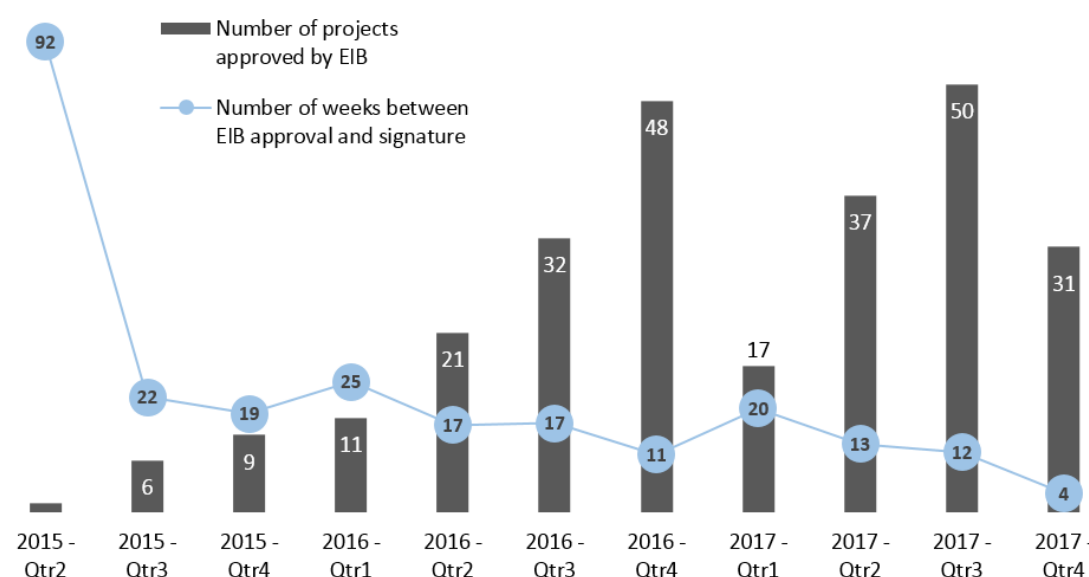
¹³³ ECA, November 2016. EFSI, an early proposal to extend and expand.

¹³⁴ The minutes documents from the period between June 2016 and March 2017 do not provide the indication whether a given proposal was approved unanimously or by majority

¹³⁵ Generally, EFSI operations under IIW are typically more complex than standard EIB operations. Certain projects may require additional time and resources, and the time elapsed between approval and signature is also a function of how efficient is a given project promoter's who seeks financing.

Comparable figures for SMEW deals implemented by the EIF indicate a very stable pattern. The average duration (in weeks) between the approval and signature was 12.5, 13.5 and 11.5 weeks in 2015, 2016 and 2017 respectively¹³⁶.

Figure 19. Evaluation of time elapsed between approvals and signature, IIW



Source: Based on the EIB data of 264 signed operations, as of 31st December 2017.

Past evaluations pointed to the lines of communication. More specifically, IC did not provide feedback to the EIB operational staff. The EIB informed, however, that this had been addressed and that there is currently a feedback meeting led by the Managing Director (MD, chair of the IC) after each IC meeting so that staff can benefit from lessons learned and improve its performance in project preparation. MD advisors regularly meet project teams. The EFSI Secretariat also provides information when requested by project teams and makes minutes of the IC available to all EIB staff. This is further relayed at information sessions with EIB loan officers and in dedicated internal EFSI guidance.

The IC members are also not informed as to whether (or not) a project was approved by the EIB Board¹³⁷. Interviewed members of the IC also pointed to the absence of feedback from the EIB on the status of projects that have already been approved and are being implemented. This was regarded as a potentially missed opportunity for IC members to learn from their decisions. According to the EIB, the IC members receive after each Board updated information on projects as well as all the regular reports on EFSI implementation and on specific matters such as SMEs, funds, programme loans (and this is reported in IC meetings, as recorded in the minutes). This points at important progresses made on information-sharing between EIB services and the IC.

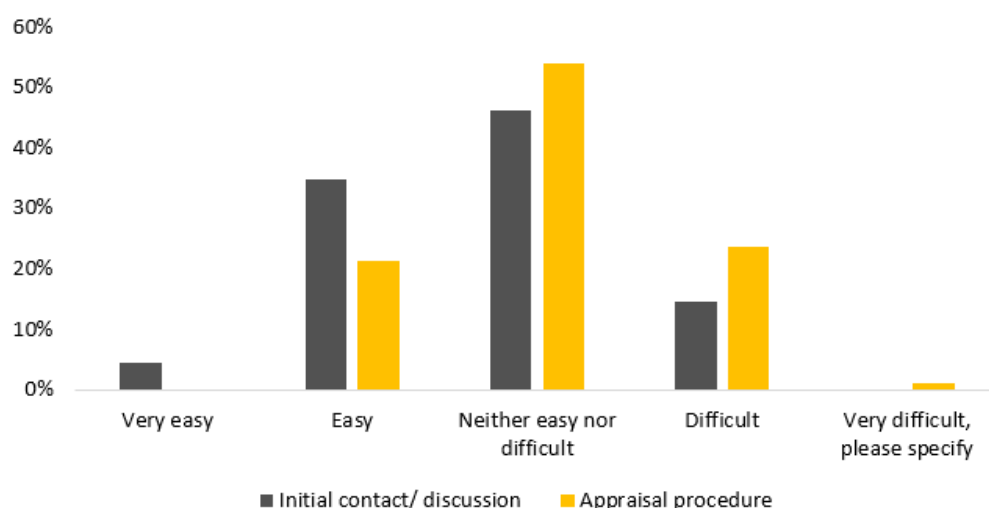
Views of the financial intermediaries and project promoters on the efficiency of the initial contact/ discussions and further appraisal process¹³⁸ gathered through the survey data may be also considered as some proxy for the efficiency of the governance structure itself. Project promoters under IIW generally found the appraisal procedure more difficult than initial contact/discussions, but this may reflect their inherently different nature. While 15 per cent of project promoters saw the initial contact/discussions difficult, that share increases to 24 per cent for the appraisal procedure (Figure 20).

¹³⁶ Based on EIF reported figures, as of 31 December 2017

¹³⁷ EY, 2016. Independent evaluation of EFSI. Available at: https://ec.europa.eu/commission/publications/independent-evaluation-investment-plan_en

¹³⁸ Note that it in practice the distinction between the initial contact / discussion and appraisal procedure is not clear cut and there is no cutting date or specific application required.

Figure 20. Project promoters under IIW on EFSI initial contact and appraisal procedure



Source: Survey of IIW project promoters, N=89

The additional qualitative comments from the IIW project promoters provided via the survey showed some pattern. Administrative requirements and paper work is sometimes seen as excessive and at the same time the efficiency of the appraisal process is seen as highly dependent on the dedication and pragmatism of the EIB staff. The latter were often acknowledged as excellent.

Financial intermediaries that responded to the other survey about their satisfaction with the whole process leading to the confirmation of the deal were overwhelmingly happy with this process.

4.3.2 The use of communication activities to engage stakeholders efficiently

Due to the time constraint, this study drew on relatively limited evidence on the communication activities that have been supporting the implementation of EFSI. Nonetheless, the current analysis does not seem to suggest that any major scope for the improvement in the communication activities supporting EFSI would be required.

From the outset, the communication about EFSI has been shared between EIB Group and the European Commission. The key stakeholders include the EIB and EC Presidents and their respective Cabinets, the team of EC Vice-President Katainen¹³⁹, and the EIB and EC communication teams including Spokesperson Services in the Commission and the DG Communication corporate communication team that was brought in the process in 2016. At the operational level, the details of the communication activities related to EFSI are agreed between EC and EIB's communication teams during daily exchanges as well as regular monthly meetings.

There is no official master strategy paper that would outline one single approach/ main channels/ audiences and specific communication activities that support the implementation of EFSI across the different Commission departments and bodies involved. The gathered feedback from the interview with the relevant EC's Spokesperson does not suggest, however, that this has been problematic and some internal documents that guide overall approach (i.e. used by the EIB) exist¹⁴⁰. To the contrary, the lack of formalised rules have apparently allowed to avoid another layer of bureaucracy and provided the required flexibility. More broadly, other interviewed stakeholders (representatives of the EFSI Steering Board, DG ECFIN and EIB staff) who commented specifically on the aspect related to the communication activities supporting EFSI view them as good and adequate. In addition, in terms of the communication between NPBs/

¹³⁹ European Commission Vice President for Jobs, Growth, Investment and Competitiveness

¹⁴⁰ The study team did not review this or similar documentation

NPIs and the EIB, there was no indication from any of the interviewed NPBs that would suggest any problematic issues.

Box 11 illustrates some examples of specific communication activities undertaken by the EC and EIB. Quite often, those focus on the Investment Plan for Europe rather than EFSI specifically.

Box 11. Example of main communication activities supporting EFSI/ Investment Plan for Europe

- *Signing events* – organised at the day of contract signature with EFSI beneficiary, either in Brussels or in Luxembourg. Those events aim at supporting the dissemination of concrete examples of EFSI support. They may be accompanied by the joint press release (EIB/EC/beneficiary) and are typically supported by the activities in the social media (particularly in the country of project beneficiary);
- *Case studies* – produced in collaboration with the EIB Group, those may have a form of short (up to 3 minutes) video productions demonstrating concrete examples of EFSI's supported projects and tangible benefits;
- *Press visits* – organised for small group of journalists (typically those who are based in a given Member State rather than Brussels' correspondents) to visit the actual investment site that benefited from EFSI;
- *Visits to EIB Headquarters in Luxembourg or EIB Permanent Representation in Brussels*: organised upon EIB's initiative or upon request by various groups of stakeholders, including students, entrepreneurs, policy-makers as well as other interested parties.
- *Local seminars* – organised by the national EIB and EC representative office in local language;
- *Fact sheets* – overview of the current state of play provided on the EIB¹⁴¹/ EIF/ EC¹⁴² websites;
- *Dissemination via social media* – including content in various forms i.e. videos, infographics and text.

Media coverage of the communication activities supporting EFSI, and more broadly Investment Plan for Europe, are subject to regular monitoring i.e. in the form of monthly reports on social media and press produced by the Commission and the EIB respectively. The EC internal monitoring analysis that covered 2017 provided to the study team suggests that *the Investment Plan for Europe* was mentioned in 99 media items across 19 Member States. The extension of EFSI to mid-2020 was a single most frequently covered aspect.

So far there has been no specific evaluation/ assessment that would concentrate solely on the communication of EFSI, or Investment Plan for Europe more broadly. The past evaluations that devoted fairly limited attention to this aspect stressed the need for enhanced communication on the EFSI to rise its awareness, in particular at the local level. This was also admitted by the Commission itself.¹⁴³ The interviewed Spokesperson from the European Commission expressed the view that while raising awareness is still needed, this does not seem to be a priority anymore: *there seems to be a broad*

¹⁴¹ See EIB, 2018. EFSI. Available at: <http://www.eib.org/efsi/> and EIF, 2018. EFSI. Available at: http://www.eif.org/what_we_do/efsi/

¹⁴² European Commission, 2018. Investment Plan for Europe. Available at: https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan_en

¹⁴³ EC, 2016. Communication from the Commission to the European Parliament, the Council, The European Social and Economic Committee and the Committee of the Regions

acceptance of what the Juncker Plan is and how does it operate, a very different situation compared to early 2015. Now the focus is definitely on finding more concrete examples of type of projects that could inspire new potential beneficiaries in a specific Member State or sector'. Given that EFSI has recently been extended, there would presumably a benefit to undertake a more systematic review and evaluation of the communication activities and underlying approaches that have supported EFSI since its inception, whether in-house or externally.

4.4 Coherence

Table 15 summarises the evaluation judgments necessary to assess the coherence of EFSI. These are discussed below.

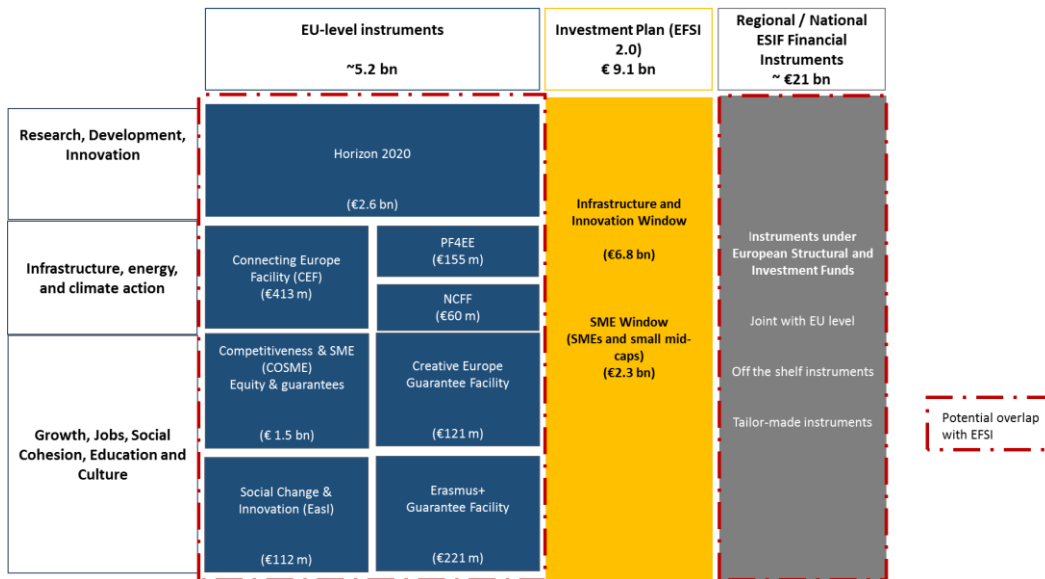
Table 15. Required evaluation judgements - Coherence

Evaluation Judgement	Key evidence required
1. Has the coherence of EFSI with other EU Programmes been adequate	<ul style="list-style-type: none"> • Review of the sector and geographic coverage by MS of EU programmes (CEF, COSME, H2020 and ESIF) and the areas of potential coherence (i.e. complementarity/ duplication/ contradiction) based on funding / eligibility criteria • Desk review of reports reviewing issues of coherence between EFSI and other EU interventions • Feedback from desk officers responsible for EU programmes (i.e. CEF, COSME, H2020, ESIF)
2. Have the actions under the EFSI Regulation generated synergies in contributing to the objectives of Investment Plan for Europe	<ul style="list-style-type: none"> • Role of EIAH and EIPP in generating new collaborations and project pipelines leading to EFSI investment • Role of EIAH and EIPP in supporting the sectoral and geographic contributions

4.4.1 Coherence with other EU Programmes

The implementation of EFSI has to be coherent with seven other EU programmes, covering different policy areas, under which centrally managed financial instruments have been set up as well as the instruments set up under European Structural and Investment Funds. Figure 21 maps the main programmes and instruments. This mapping differentiates between the EU programmes with centralised management and EFSI delivered through decentralised (shared) management. More detailed mapping of EU centrally managed financial instruments for internal action is available in Table 16 and Annex document.

Figure 21. EU programmes and portfolio of financial instruments



Source: ICF own mapping

Table 16. Overview of EU Programmes and instruments (Centralised management)

Programme	Policy Area	Type of Financial Instrument	Instrument Description	Basic Act	DG in charge	Implementing Body	Final Recipients
InnovFin	Research, Development and Innovation	Equity Instruments	InnovFin Equity (H2020) - Risk finance for investing in R&I - Leadership in CIT - Microfinance and social entrepreneurship	Reg. N° 1291/2013; 1290/2013	RTD	EIF	Innovative SMEs & Small Midcaps
InnovFin	Research, Development and Innovation	Guarantee Instruments	InnovFin SME Guarantee (H2020)	Reg. (EU) N° 1291/ 2013; 1290/ 2013	RTD	EIF	Innovative SMEs & Small Midcaps
InnovFin	Research, Development and Innovation	Risk Sharing Instruments	InnovFin Large Projects - InnovFin MidCap Growth Finance - InnovFin MidCap - Guarantee (H2020) (InnovFin Debt)	Reg. (EU) N° 1291/ 2013; 1290/ 2013	RTD	EIB	Large firms, large & medium Midcaps, Research Institutes
CEF	Infrastructure, energy, and climate action	Equity Instruments	CEF Equity	Reg. (EU) N° 1316/2013	CNECT	Direct Management	Telecom Operators
CEF	Infrastructure, energy, and climate action	Risk Sharing Instruments	Risk Sharing debt instruments (CEF DI)	Reg. (EU) N° 1316/ 2013	MOVE ENER CNECT	EIB	Infrastructure Projects
LIFE	Infrastructure, energy, and climate action	Guarantee Instruments	Private Finance for Energy Efficiency (PF4EE)	Reg. (EU) N° 1293/ 2013	CLIMA	EIB	Private individuals, associations SMEs
LIFE	Infrastructure, energy, and climate action	Risk Sharing Instruments	Natural Capital Finance Facility (NCFE)	Reg. (EU) N° 1293/ 2013	ENV CLIMA	EIB	Infrastructure Projects

Programme	Policy Area	Type of Financial Instrument	Instrument Description	Basic Act	DG in charge	Implementing Body	Final Recipients
COSME	Growth, Jobs, Social Cohesion, Education and Culture	Equity Instruments	Equity Facility for Growth (EFG COSME)	Reg. (EU) N° 1287/2013	GROW	EIF	SMEs
COSME	Growth, Jobs, Social Cohesion, Education and Culture	Guarantee Instruments	Loan Guarantee Facility (LGF - COSME)	Reg. (EU) N° 1287/ 2013	GROW	EIF	SMEs
CCSG - Creative Europe Programme	Growth, Jobs, Social Cohesion, Education and Culture	Guarantee Instruments	Cultural and Creative Sectors Guarantee Facility (CCS GF)	Reg. (EU) N° 1295/ 2013	CNECT	EIF	SMEs
EaSI	Growth, Jobs, Social Cohesion, Education and Culture	Equity Instruments	EaSI CBI (Capacity Building Instrument)	Reg. (EU) N° 1296/2013	EMPL	EIF	Financial Intermediaries
EaSI	Growth, Jobs, Social Cohesion, Education and Culture	Guarantee Instruments	EaSI Guarantee Facility	Reg. (EU) N ° 1296/ 2013	EMPL	EIF	Micro- enterprises/ Households/ Social Enterprises
Erasmus+	Growth, Jobs, Social Cohesion, Education and Culture	Guarantee Instruments	Student Loan Guarantee Facility (Erasmus +)	Reg. (EU) N° 1288/ 2013	EAC	EIF	Master Students

4.4.1.2 EU level (Centralised) instruments

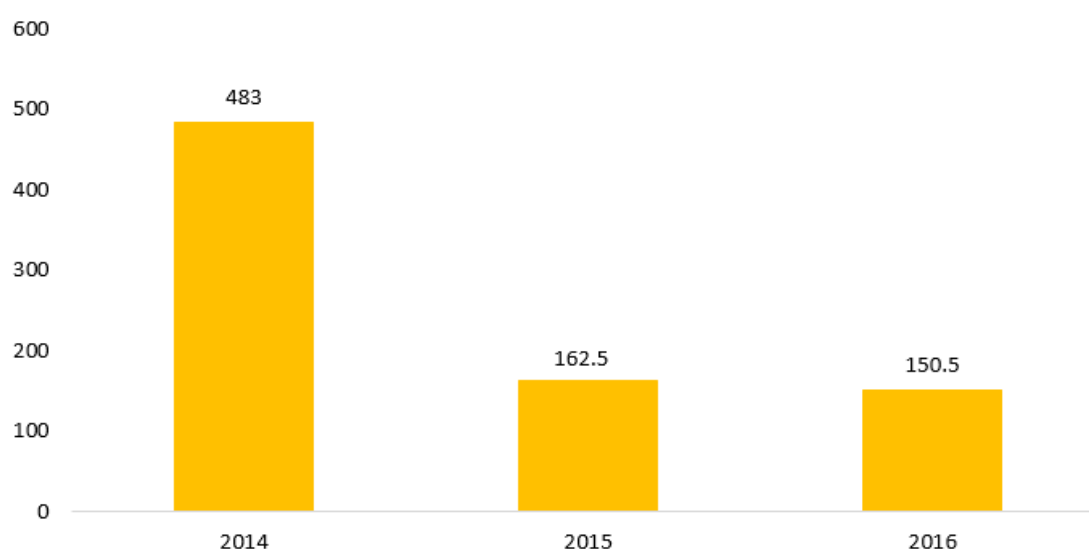
The extent of coherence has been evaluated separately for the two investment windows, based on a review of relevant programme documentation and discussions with the respective DGs and with EIB/EIF.

IIW

Under the IIW, overlaps between EFSI and the largest financial instruments (EIB's InnovFin debt products and CEF debt instrument) were identified as a problem after the EFSI launch, caused by the broad eligibility criteria associated with EFSI. This in turn led to some 'cannibalising' of these existing instruments by EFSI.

The "overlapping" effect of EFSI is best illustrated in the declining trends of commitments made under EIB's InnovFin products after the launch of EFSI (see Figure 22). In particular, the InnovFin Large Projects had very similar eligibility criteria to the EFSI IIW debt financing. Similarly, the InnovFin Mid-Cap Guarantee had an equivalent product offering as EFSI's Risk Sharing.

Figure 22. Annual commitments made under EIB's InnovFin products



Source: Art. 140.8 reports: EC (2017) Commission Staff Working Document SWD(2017), EC (2016) Commission Staff Working Document SWD(2016) 335 and EC (2015) Commission Staff Working Document SWD(2015) 206 final

Note: covers InnovFin Large Projects, InnovFin MidCap Growth Finance and InnovFin MidCap Guarantee

To solve the issue, it was agreed to refocus InnovFin's deployment in light of this new context. Equity-type operations under InnovFin Midcap Growth Finance have been transferred to EFSI with the European Growth Finance Facility. New InnovFin facilities were subsequently designed, with minimal potential overlap with EFSI, targeted at research organisation and public entities, or target regions which are currently undeserved by InnovFin operations, in particular in Associated Countries and less innovative EU countries)¹⁴⁴.

Overlaps with CEF were also identified. The mid-term evaluation of CEF highlighted that most operations eligible under the CEF debt instrument (DI) are also eligible under EFSI and quotes the cases of several important energy and transport projects that were initially envisaged to be supported by the CEF DI but which were eventually financed under EFSI (including Grand Contournement Ouest de Strasbourg (A355), A6 Wiesloch in

¹⁴⁴ 2017, EC, Interim Evaluation of the Horizon 2020, Staff Working Document, available at: [https://ec.europa.eu/research/evaluations/pdf/archive/h2020_evaluations/swd\(2017\)221-interim_evaluation-h2020.pdf#view=fit&pagemode=none](https://ec.europa.eu/research/evaluations/pdf/archive/h2020_evaluations/swd(2017)221-interim_evaluation-h2020.pdf#view=fit&pagemode=none)

transport and the Transgaz "BRUA" Gas Interconnection Project, Italian-France electricity interconnector in energy).

Specific guidance by the CEF DI Steering Committee thus had to be developed and implemented to set out a deal allocation policy (establishing Principles in September 2015 and "Revised policy guidance regarding complementarity of the CEF DI with EFSI" in July 2017). The key decision was that CEF DI should primarily target projects which are not eligible under EFSI because of: their geographical location outside the EU; transport sector projects falling under the Cleaner Transport Facility umbrella; projects supporting TEN-T horizontal priorities or operations in support of innovative companies pursuing projects fostering the decarbonisation of transport, energy efficiency, or digital and technological innovation¹⁴⁵.

In this new context where EFSI could absorb part of the CEF DI project pipeline, steps were taken to reallocate the CEF DI "released" budget. DG MOVE launched the CEF Blending Call, implemented by INEA, in February 2017¹⁴⁶, with two cut-off dates for the submission of proposals, namely 14 July 2017 (first cut-off date) and 12 April 2018 (revised second cut-off date). The aim was to foster the take-up of CEF grants in combination with other financing sources, including EFSI, mobilising private capital in favour of projects aligned with TEN-T priorities. The budget for the blending call comes from the redeployment of EUR 1 billion (later increased to EUR 1.35 billion) of CEF budget initially reserved for financial instruments.

No other issue of overlaps (nor scope for synergies) have been reported, during interviews with EC programme managers, in relation to the more specialist pilot financing instruments (e.g. the PF4EE instruments whose aim is to help financial intermediaries launch new types of energy efficiency loans). Their specific and policy-driven focus makes the risk of overlap small.

Following the introduction of EFSI there were also some examples of synergies whereby EU-level instruments took a more junior position compared to EFSI. An example is the planned financial close of CEF Broadband Fund which is a layered fund in which the first loss piece will be covered by CEF; the mezzanine tranche by EFSI, and the more senior tranche by other investors (including NPBs, EIB and maybe private investors)¹⁴⁷;

SMEW

Under the SMEW, and the use of guarantee facilities, EFSI has, by design, always been coherent with existing financial instruments. This is due to the fact that EFSI has been used first to frontload and then top-up the existing financial instruments (as described with reference to the analysis of additionality).

Essentially through frontloading, EFSI allowed the financial instruments, especially COSME LGF and InnovFin SMEG, to overcome budget constraints and to be rolled out more quickly. Through top-ups (by providing a permanent contribution to the EU Instruments, on a second loss basis vis-à-vis the EU Contribution), it allowed the FIS (COSME LGF, InnovFin SMEG and EaSI G) to expand.

In the case of the existing student loan guarantee facility it is likely that national loan schemes or intermediaries may seek EU support in the context of the EFSI rather than through the centrally managed financial instrument. There had already been evidence of attraction reported under EFSI 1.0, without translating itself into actual projects being

¹⁴⁵ 2018, EC, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the mid-term evaluation of the Connecting Europe Facility (CEF), Staff Working Document, available at: <https://ec.europa.eu/transport/sites/transport/files/legislation/swd-2018-0044-mid-term-evaluation-cef-ia-part2.pdf>

¹⁴⁶ <https://ec.europa.eu/inea/en/connecting-europe-facility/cef-transport/apply-funding/2017-cef-transport-blending-map-call>

¹⁴⁷ Interview with CEF programme managers

financed¹⁴⁸. The attraction is likely to become stronger with EFSI 2.0 under which a much broader student loan scheme is envisaged.

On the equity side, synergies are high with InnovFin Equity in which EFSI participates. In essence, over the course of 2016, there has been new risk sharing arrangements in place¹⁴⁹ and under the umbrella of the EFSI Early Stage Window, InnovFin Equity is now used as a first loss piece below EFSI guarantee and EIF own resources, with the dual benefit, according to the EIF, of increasing the scale of the instrument (from EUR 490 million to approximately €1 billion) and its risk taking ability (e.g. now financing operations w.r.t. proof of concept and technology transfer). InnovFin Equity continues to exist as such, notably to finance operations outside the geographical scope of EFSI.

Initial overlaps have been reported between the new Expansion and Growth Window under the EFSI Equity instrument and the COSME EFG as these two instruments largely have the same investment focus. Logically, the choice has been made to allocate prospective operations to the Expansion and Growth Window under the EFSI Equity instrument since it has greater resources and can offer more favourable conditions (e.g. EFSI can invest up to 50 per cent in a fund while COSME EFG is limited to 25 per cent). Operating the equity facility under EFSI as opposed to under COSME also has the advantage of being less fragmented when firms need equity financing to go beyond the SME stage. While waiting for the next programming period, COSME EFG has been re-focused mostly for deals in COSME participating countries outside the EU28 which cannot be covered by EFSI. In terms of observed synergies, both facilities supported the pan-European VC Fund-of-funds Programme¹⁵⁰.

Summary

Coherence of EFSI has by definition been high from day one with guarantee facilities under the SMEW. The launch of EFSI has however been disruptive for certain other EU level financial instruments which have to redeploy for part of their pipeline (as illustrated for example with the case of InnovFin's EIB debt products). Prompt action was however undertaken to resolve the competition issues, by re-focusing the existing instruments towards new segments (e.g. InnovFin's EIB debt products), releasing budget for blending purposes (e.g. CEF blending call) and/or developing a deal allocation policy formalising the preferential use of EFSI (e.g. CEF DI, COSME EGF). This point should be addressed for future instruments under the next MFF.

4.4.1.3 Shared management (Decentralised) programmes

Competition issues / overlaps only with ESIF FIs

The ESIF programmes are mainly implemented through grants (allocations to FIs stand at 7 per cent according to the ESIF Operational Programmes 2014-2020¹⁵¹). ESIF grants and EFSI are different forms of support and serve different purposes (ESIF grants covering a viability gap whereas EFSI covers a financing gap). As such, the coherence issues between ESIF grants and EFSI can only stem from lack of synergies (missed opportunities for combinations in case that would be needed) and not from competition issues or overlaps.

Coherence issues between ESIF financial instruments and the centrally managed financial instruments financed topped up under EFSI SMEW raises different observations. They typically serve the same purpose, increasing access to finance for SMEs. As a result they may target similar (if not the same) companies in the same regions. In this context,

¹⁴⁸ ICF, 2017. -Evaluation of the Student Loan Guarantee Facility. Available at: <https://ec.europa.eu/assets/eac/erasmus-plus/eval/icf-volume2-student-loan.pdf>

¹⁴⁹ 2016 Art. 140.8 report

¹⁵⁰ 2017, Technopolis, Interim Evaluation of the COSME Programme, Annex A to the final report, EC, available at: <http://ec.europa.eu/DocsRoom/documents/28084>

¹⁵¹ 2016, Altus Framework Consortium, "The use of new provisions during the programming phase of the European Structural and Investment funds" – Final Report .

overlaps are reported e.g. between ESIF FIs and COSME LGF (the recent mid-term evaluation of COSME¹⁵² highlighted competition issues between ESIF FIs and COSME LGF). Since SME support via ESIF financial instruments is often provided at sub-market terms, ESIF is seen as being associated with more burdensome and longer compliance procedures with the State Aid law, while being subject to a more complex regulatory overlay. In contrast, EU level financial instruments (topped up by EFSI), by providing market based financing, does not constitute State aid. In this context, intermediaries have a preference for EU level financial instruments, with implications for planned spend under ESIF. This matter has already been recognized but is an area where design arrangements still need to be developed building on existing 2016 guidelines¹⁵³.

Scope for more synergies via combinations

This evaluation has also identified the scope for increasing synergies between ESIF and EFSI. The existing guidelines from 2016, on complementarity of EFSI with resources under shared management programmes identified scope at both individual project level and at the financial instrument level.

At the project level, combining ESIF grants with EFSI would typically be needed for risky revenue generating projects that cannot sustain 'purely commercial' financing terms or finance the project development assistance they need while being in line with a policy priority, i.e. projects where the financial returns are too low and/or the risk profile too high despite the high economic, environmental or social benefits. It is also possible to provide two distinct sources of financing with ESIF financial instruments and with EFSI.¹⁵⁴

Combining different forms of EU support has always been possible even in past programming periods, provided that Managing Authorities (MAs) ensured there was no double financing. The number of operations combining EFSI with ESIF resources or other EU instruments however remains limited with 26 operations being signed under the IIW by end 2017.

This low level reflects the fact the ESIF grants are naturally more frequently combined with conventional lending as opposed to financing provided with support from EU level financial instruments / EFSI given that the ESIF grant lowers in general the risk profile of projects (whose primary aims are economic and territorial cohesion).

Beyond the project level, the guidance also identifies potential for combination at financial instrument / investment platform level as combination at financial instrument / investment platform level can be an effective tool to fund a number of smaller or local investment opportunities, which by themselves, would be too small to benefit from EFSI. There is a first but only example, of an EFSI supported investment platform combining support from ESIF resources, i.e. Nord-Pas de Calais¹⁵⁵. This suggests this combination option may be somewhat complex.

One difficulty in pursuing a combination of ESIF and EFSI is related to the fact that EFSI was established when the other instruments and their legal frameworks were already in place, for example with differences as regards timing for investments and eligibility criteria. EFSI – ESIF combinations were not foreseen ex-ante and requires specific rules to be introduced as add-ons which, while facilitating combination, adds to complexity.

¹⁵² 2017, Technopolis, Interim Evaluation of the COSME Programme, Annex A to the final report, EC, available at: <http://ec.europa.eu/DocsRoom/documents/28084>

¹⁵³ http://ec.europa.eu/regional_policy/en/funding/financial-instruments/

¹⁵⁴ Permitted under EFSI regulation (Article 9(7))

¹⁵⁵ Described in European Parliament, 2016. Research for REGI committee - maximisation of synergies between European Structural and Investment Funds and other EU instruments to attain Europe 2020 goals. Directorate General for Internal Policies, Policy Department B: Structural and Cohesion Policies Regional Development. [Online] available here: [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/585872/IPOL_STU\(2016\)585872_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/585872/IPOL_STU(2016)585872_EN.pdf) [Accessed 26 March 2018].

Some key changes foreseen in the Omnibus proposal¹⁵⁶ are summarised in the Box 12.

Box 12. New ESIF-EFSI synergies in the new CPR regulation according to the Omnibus proposal (not yet in force)

The new implementation option in the CPR highlights the aim to attract additional private resources and set thresholds for ESIF participation: ESIF must not exceed 25 *per cent* of the total support provided to final recipients (i.e. minimum leverage of 4), except in less developed regions where - if justified - ESIF can go up to 40 per cent.

It will also remove some barriers preventing synergies. For instance, it will allow for the possibility to subordinate ESIF to EFSI in guarantee instruments, where needed and justified (new CPR Article 39a (12)).

It also addresses the fact that EIB funding with EFSI support cannot count as national co-financing of ESIF programmes (whereas EIB financing without EFSI support can) by allowing the ESIF co-financing rate to be of up to 100% via new Article 39a (13).

4.4.2 Internal coherence of EFSI Regulation with Investment Plan for Europe

EFSI comprises the provision of funding but is supported by technical assistance to the investment community and to project promoters. Technical assistance is provided by the EIAH, and the EIPP is intended to act complementary to this. The operations of these three activities as defined by the EFSI Regulation are expected to be coordinated and to act in a complementary manner.

Our assessment of EIAH and EIPP activities as presented in section 6 and section 7 below suggest that active management between the three activities has improved after a ramp up phase, however there is still scope for further improving the complementarity and mutual support between the activities.

There are a number of contextual factors that should be taken into account when assessing complementarity between EIAH, EIPP and EFSI financial products.

First, complementarity between EIPP and EIAH is lacking due to a limited amount of 'investable' projects being uploaded to EIPP¹⁵⁷, or EIPP projects being too early in their development.

Second, targeting EIAH activities on identifying EFSI projects may be difficult because EIAH is a service driven by demand focusing on early technical assistance. The project appraisal for lending is a separate process carried out by different EIB services hence this poses a natural barrier which may be surpassed by enhanced dialogue and coordination between EIB services.

EIAH has limited control on the split between sectors, although more or less the same sectors as per the EFSI regulation are covered. Since there are no quotas under EFSI 2.0 either on the coverage of sectors or countries EIAH does not pay particular attention to this aspect during implementation. There is, however, more pressure to contribute to the sectorial and geographical diversification of EFSI; this is because EFSI 2.0 foresees a closer link between EIAH and the EFSI guarantee.

In order to develop a project an idea has to be put forward, be designed and navigate regulation before reaching the point of being considered as an investable project. The project cycle hence cuts across the various IPE Pillars (for instance EIB operational lending divisions in Pillar 1). The Hub is in Pillar 2 and it addresses technical assistance

¹⁵⁶ Proposal for an "Omnibus Regulation" (COM (2016) 605), on which the EP is planning to vote on the 03 July 2018. See: [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2016/0282A\(COD\)&l=en#keyEvents](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2016/0282A(COD)&l=en#keyEvents)

¹⁵⁷ The results of the survey (response rate around 25%) indicate that around 2% of the projects from the Portal received financing after having been published on the Portal.

needs and a lack of visibility as part of this pillar. The concept that the Hub will devote itself to EFSI can be hence challenging.

4.5 EU Added Value

Table 17 summarises the evaluation judgements to be addressed to assess the EU added value of EFSI. These are discussed below.

Table 17. Required evaluation judgements – EU Added Value

Evaluation Judgement	Key evidence required
Additionality of EFSI operations	
1. Has EFSI financed riskier operations as compared to non-EFSI EIB operations	<ul style="list-style-type: none"> Review of IIW operations / loan grading / loan tenor Review of new SMEW portfolios
2. To what extent have EFSI operations addressed market failures	<ul style="list-style-type: none"> Review of the risk profile of selected projects / funds and associated additionality Views from IIW beneficiaries and EIF intermediaries on whether alternative financing from other sources to the same extent/ within the same time would have been available had EFSI been absent Extent of crowding-in of lenders / investors and possible displacement (crowding-out)
EU added value of EFSI	
3. Financial added value of EFSI: Has EFSI provided added value to Member States in meeting their investment needs (subsidiarity test)	<ul style="list-style-type: none"> Views provided by NPBs, project promoters and EIB/EIF Views of EFSI beneficiaries on scope for EFSI operations to have been supported by MS / private sector
4. Non-financial added value: Has there been other non-financial sources of EU added value	
Added value of EU funds (opportunity cost of provisioning EFSI)	
5. Has EFSI provided added value compared to the alternative use of EU funds	<ul style="list-style-type: none"> Review of use of EU programmes (CEF, H2020) since EFSI (examining changes in scale and focus)

4.5.1 Additionality at the level of EFSI operations

4.5.1.1 The concept of additionality as defined in the EFSI Regulation and adopted for the purpose of this evaluation

Article 5.1 of the EFSI 1.0 Regulation¹⁵⁸ defines additionally as “operations which address **market failures or sub-optimal investment situations** and which **could not have**

¹⁵⁸ Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments

been carried out in the period during which the EU guarantee can be used, or not to the same extent, by the EIB, the EIF or under existing Union financial instruments without EFSI support". The Regulation also states that "EFSI financing shall be considered to provide additionality to a project if they carry a risk corresponding to EIB "special activity" (i.e. loan grade of D- or below) and, where it is non-special activity, where the financing demonstrates otherwise additionality.

For the purposes of this evaluation, the additionality of EFSI operations is first assessed with reference to the above regulatory definition and, subsequently, with reference to market failure theory. Section 3 on methodology further explains the rationale for this approach and the limitations of the methodology adopted.

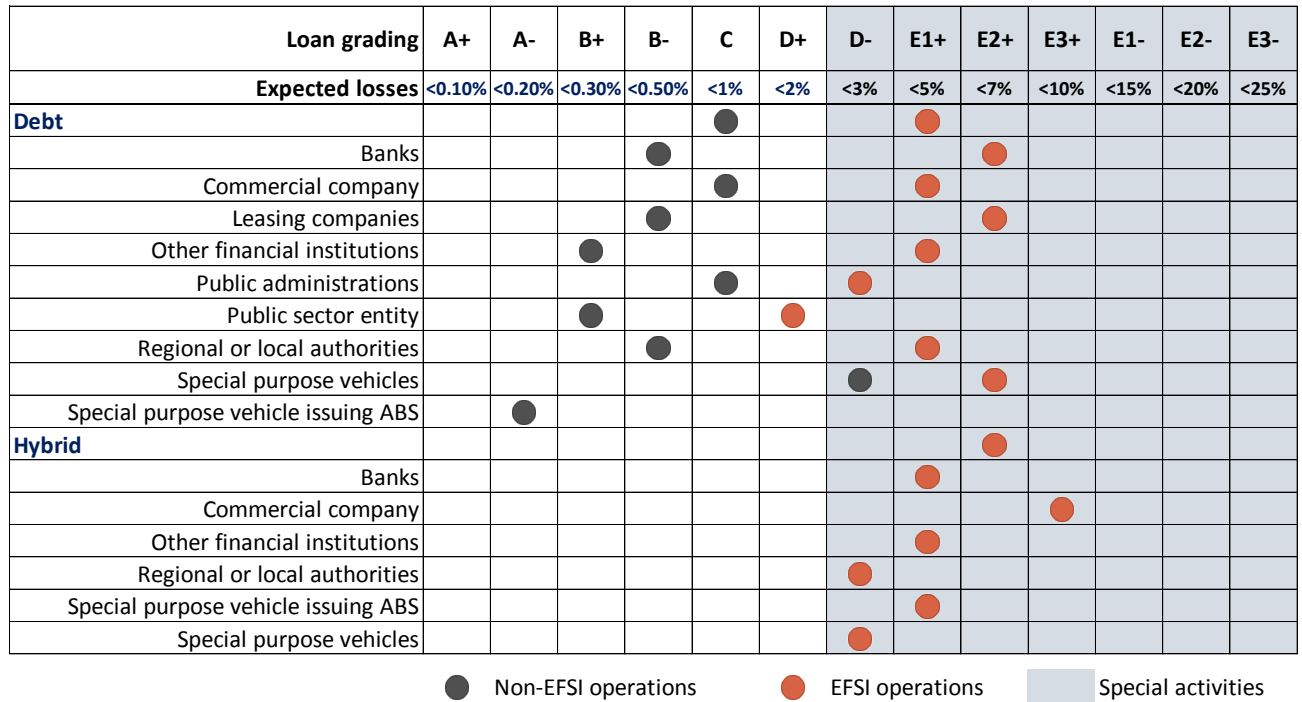
4.5.1.2 Evidence on additionality of EFSI-backed operations

Given the above regulatory definition of additionality, the evaluation team sought to (a) examine if all EFSI operations that were approved during the evaluation period were indeed special activities and, (b) compare the profile of a sample of EFSI with non-EFSI operations to determine the extent to which the former cohort differs from the latter in terms of risk profile, underlying market failures being addressed and financing structures. It was however, not possible to conduct this latter analysis due to the non-availability of access to documentation relating to non-EFSI EIB operations for confidentiality reasons.

The evaluation team was, however, provided with aggregate data on the weighted average loan grading of EFSI and non-EFSI EIB operations (signed operations as of December 2017) to enable a comparison of the risk profile of these two types of operations. This data - illustrated in Figure 23 - shows that the loan grading of an EFSI operation typically ranges between D+ and E3+ with a weighted average grading of E1+ for debt operations and E2+ for hybrid operations. The weighted average grading of a standard EIB operation is C. It can be gleaned from this data that EFSI operations typically have a higher risk profile as compared to non-EFSI operations. However, not all EFSI operations are classified as special activities. Specifically, a share of debt operations signed with public sector entities are not special activities as they have a loan grading of D+ (or above). According to the 2017 year end operational report for EFSI, seven debt operations under the IIW (totalling EUR 850 million of EFSI financing) were not classified as special activities. It should be noted that these operations were explicitly presented as non-special activities to the Investment Committee for approval on the basis of market failure arguments, as allowed by the Regulation¹⁵⁹.

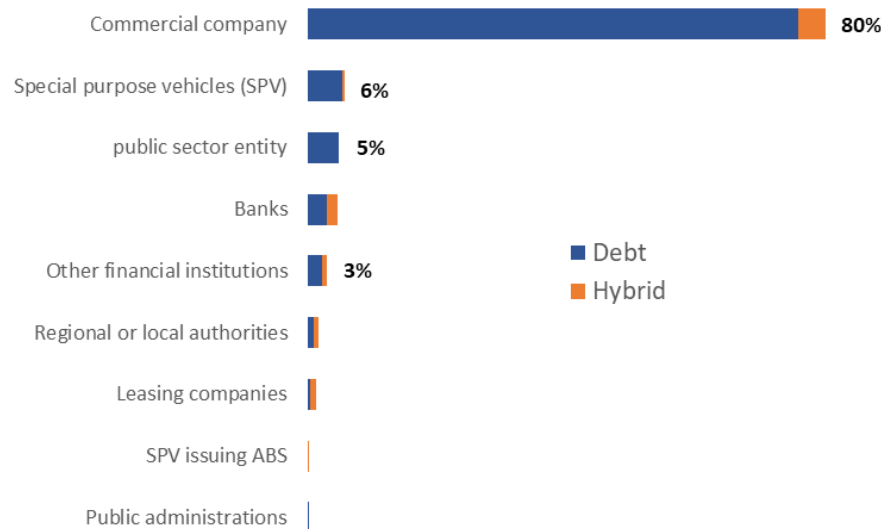
¹⁵⁹ Note that non-special activities are still eligible under EFSI if duly justified

Figure 23. EFSI operations are characterised by a higher level of risk as compared to standard (non-EFSI) EIB operations



Source: Based on data provided by the EIB. The above figure shows the weighted average loan grading equivalent of EFSI and non-EFSI operations by type of counterpart. Data as of 31 December 2017. There are no hybrid non-EFSI operations.

Figure 24. The vast majority of EFSI exposures are to commercial companies which typically have a lower recovery rate compared to public sector borrowers



Source: Based on data provided by the EIB. The above figure shows share of EFSI exposures by counterpart. Total exposures (signatures) as of 31 December 2017 = €23.572 billion

The evaluation team also examined the share of special activities (EFSI-related and other) in the EIB’s lending activity. Publicly available statistics show that special activities have increased both in absolute and relative terms since the launch of EFSI – Figure 25. The volume of special activities has increased in absolute terms by almost five fold, from

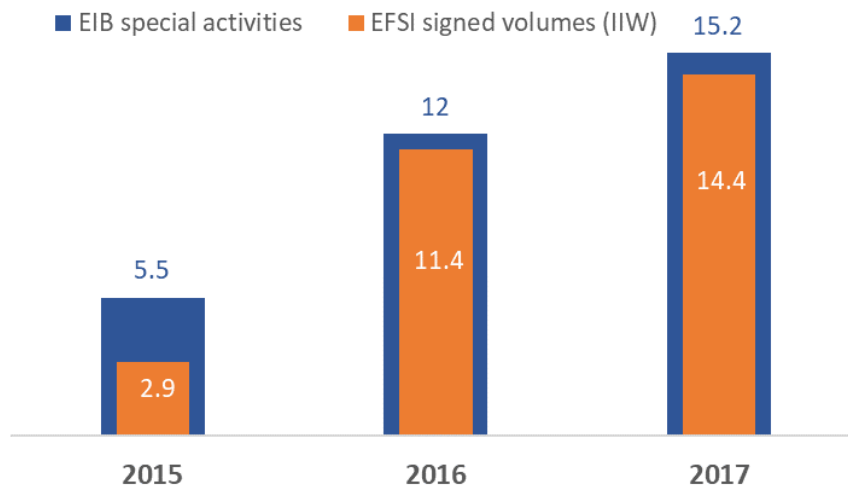
EUR 3.2 billion in 2014 to EUR 15.2 billion in 2017; and has increased in relative terms from 5 per cent to 25 per cent of the EIB's total lending activities in the EU over the same period. Following this, EFSI now represents virtually all of the EIB's special activities (Figure 26).

Figure 25. There has been an almost five-fold increase in the EIB's special activities between 2014 and 2017



Source: Based on data compiled from EIB operational plans for various years. Figures in billion euros. The above data represents the EIB's lending activity within the EU based on signatures.

Figure 26. EFSI now accounts for the vast majority of the EIB's special activities



Source: Based on data compiled from EIB operational plans for various years (EIB special activities) and EFSI operational reports (EFSI signed volumes)

Notwithstanding the above data, several stakeholders (including all of the three interviewed EFSI Investment Committee members and some NPBs interviewed in the context of this evaluation, as well as the ECA, European Parliament and think tanks such as Bruegel) have questioned whether special activity status is sufficient evidence to satisfy additionality. EIB informed that, in practice and since the inception of EFSI, the EFSI Investment Committee never considered this as having sufficient weight in and by

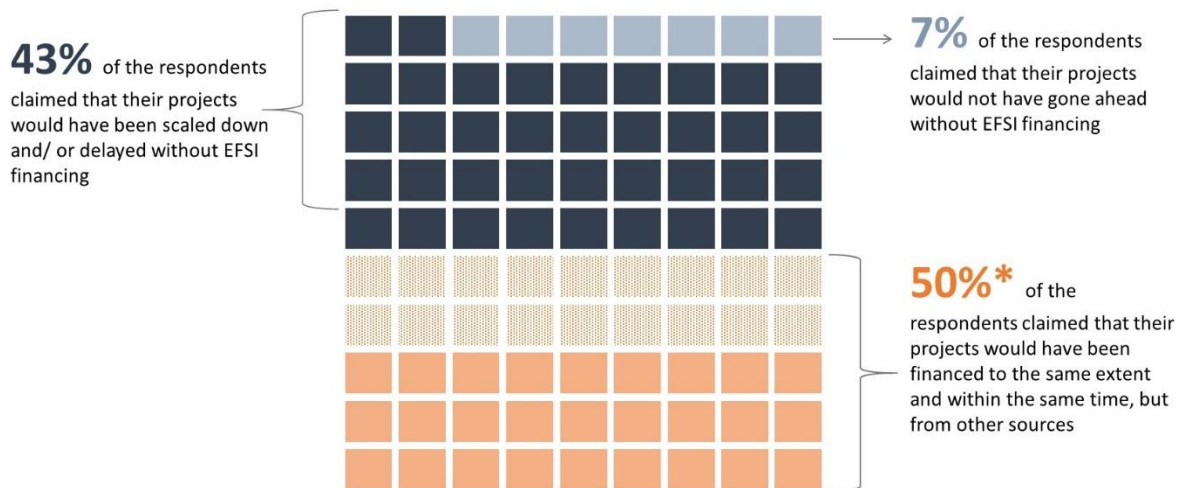
itself to approve operations to receive the EFSI guarantee, requesting additional grounds to satisfy other eligibility and additionality criteria. Going beyond the interpretation of additionality as per the Regulation, the evaluation however, also examined the extent to which EFSI operations were addressing market failures. Box 5 in section 3.3 further explains our approach and the limitations of this approach.

Infrastructure & Innovation Window (IIW)

Several pieces of evidence were used to analyse the additionality (specifically, the market failures aspect) of the IIW operations. The online surveys of project promoters and financial intermediaries supported through IIW included a set of related questions involving self-assessment of additionality aspects by the respondents.

Half the IIW project promoters (45 out of 90) who responded to the survey claim that their project would not have gone ahead to the same extent and within the same timeframe without EFSI financing. Just over half of these respondents were private companies, almost one in three were public sector entities and five were SPVs. Of this cohort, 44 per cent reported facing difficulties in obtaining finance, mostly in terms of the maturity of financing available from alternative sources not being suitable, or the volume of available financing being insufficient to meet their needs.

Figure 27. Half of the project promoters who responded claim their project would not have gone ahead to the same extent and timescale without EFSI financing



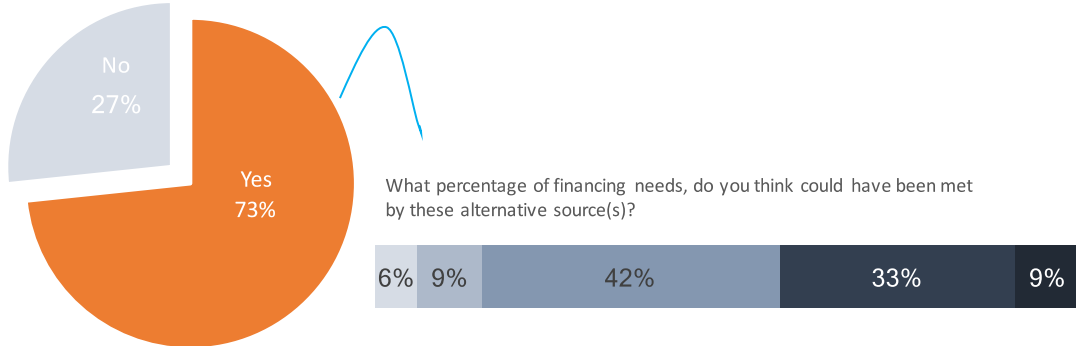
Source: ICF survey of IIW project promoters (N=90);

*19 out of the 45 respondents (40 per cent) however, would have been able to obtain only partial financing from alternative sources of finance

Of these 45 respondents, 33 (or 76 per cent) indicated that they could have accessed at least a part of their financing needs from alternative sources (Figure 28). However, the vast majority (91 per cent) of these respondents indicated that these alternative sources could not have fully met their financing needs.

Figure 28. Although three quarters of the project promoters claiming additionality had access to alternative sources of finance, the majority could have only partially met their financing needs through these alternative sources

If EIB financing had not been available, were there other similar alternative sources of financing for your projects that you could have realistically relied on?

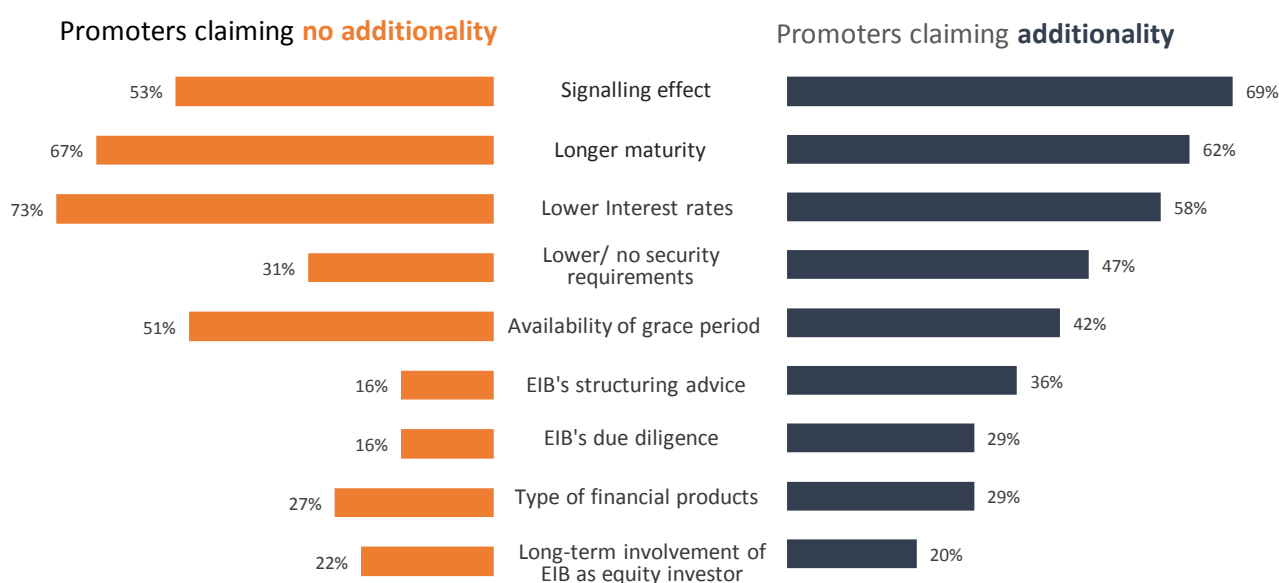


Source: ICF survey of IIW project promoters (N=45). The 33 respondents who indicated having access to alternative sources of financing were asked a follow-up question relating to percentage of financing needs that could be met through these alternative sources

The remaining 45 respondents - who claimed that their project would have gone ahead to the same extent and within the same timeframe even without EFSI financing - indicated that they had access to alternative sources of finance (on the same terms and conditions as EFSI financing) mostly from other banks or FIs, but some also had access to the capital markets and a couple of them could have obtained alternative financing from NPBs. Around 40 per cent of those claiming no additionality (19 out of 45) would, however, only have been able to obtain partial financing from these alternative sources. This then raises the question how these projects could have gone ahead to the same extent and within the same timeframe without EFSI financing. It is possible that these respondents had access to own responses or there was an element of response bias in the answer to the previous question (project promoters not wanting to admit that their project would not have gone ahead or been delayed or scaled back in absence of EFSI financing) or the question was not properly understood. Given these uncertainties, these findings should be treated with caution.

Especially so, since a large proportion of both cohorts of respondents claim that lower interest rates and longer maturity represent 'significant' or 'very significant' elements of the EIB's comparative advantage vis a vis other sources (Figure 29).

Figure 29. EIB's comparative advantage vis-à-vis other sources



Source: ICF survey of IIW project promoters (N=90)

Similar questions were asked of the financial intermediaries (FIs) benefitting from EFSI support under the IIW. Overall, most of the FIs attached a high importance to the availability of EIB financing under EFSI in their decision to go ahead with their projects. For equity transactions, the participation of EIB reportedly contributed to/ accelerated fund raising by catalysing investment from other sources. For debt transactions, the EFSI guarantee was crucial in some cases (for example in the absence of a state guarantee and to assist with diversifying the funding sources available to the financial intermediary and increase FI lending volumes to SMEs and midcaps).

Interviews with project sponsors under the IIW found that the long-term funding offered by EIB/EFSI, as well as the available volume that could be quickly mobilised, were regarded as two key beneficial aspects that helped to overcome the market failures and/or sub-optimal conditions facing sponsors. This was especially true for infrastructure projects. Elsewhere, in one industrial RDI project, the combination of an amortising loan with a small grace period helped overcome short-term debt issues, although it was the addition of EIB as a lender to the company that had provided a quality stamp to the market, helping facilitate future fund-raising.

To supplement the evidence collected via surveys and interviews, ICF experts also conducted in-depth reviews of 60 IIW projects to, inter alia, review the market failure rationale for these projects. In the judgement of ICF experts, the market failure rationale for EFSI investment was frequently (circa 60 per cent of all IC documentation reviewed) not "well established"¹⁶⁰ in the project documentation presented to the Investment Committee¹⁶¹, particularly in the case of infrastructure and utility projects. For several SME and mid cap financing projects reviewed, the existence of market failure was assumed in the IC documentation. An analysis of specific characteristics / segments of businesses affected by market failures was absent. The experts would have expected to

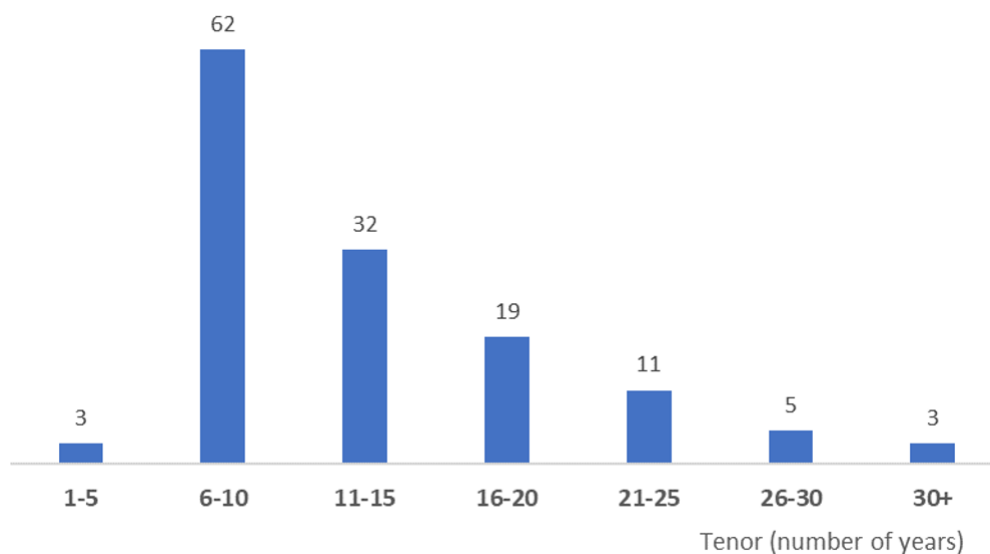
¹⁶⁰ The experts chose between 3 possible assessments: 'well established', 'established but on the basis of limited evidence', and 'incomplete and questionable'. In 22 per cent of the cases (i.e total 60 projects reviewed) it was judged to be "incomplete and questionable". In further 44 per cent of the cases, the experts believed that market failure rationale was "established but on the basis of limited evidence". In 34 per cent of the cases, the experts believed the rationale was 'well established'.

¹⁶¹ It was pointed out by the EIB that the project documentation provided to the IC evolved over the time, also based on the IC feedback

see more detailed information and evidence from the EIB on market failures affecting individual projects. The expert assessment echoes the views expressed by one of the investment committee member’s interviewed. In the member’s view it would be helpful if the EIB could provide information on whether the project promoter had approached the market for financing and the outcome of their efforts in order to genuinely establish a market failure. It should however, be noted that EFSI is not a long term ‘lender of last resort’, there is no requirement for a ‘financial procurement’ process as evidence of absence of alternative sources of financing. Indeed if this were the case, it could send the wrong signal to the market about the project (i.e. that the project financed by EFSI is unable to secure financing from alternative sources).

Investment Committee members interviewed in the context of this evaluation indicated that the length of the tenor was most frequently and, at times, unconvincingly provided as a justification for additionality by the EIB (it was argued by the EIB that there was additionality of EFSI financing, since the same tenor could not be obtained by the project promoter from alternative sources). It was not possible to test this perception within the scope of this evaluation due to time and data constraints. EFSI operations are EIB operations and they must adhere in full to EIB Credit Risk Guidelines. A dedicated department within the EIB assesses all loan terms and conditions (including tenor) in accordance with such guidelines. Data on loan tenor was compiled by the evaluation team for half (135 out of 271) IIW operations signed (Figure 30). While a significant number of EFSI operations are of a long-term nature, it is not possible to judge whether this is unusual, especially given the role of EIB as a long-term investor. The weighted average tenor of the 135 operations for which data is available is 15 years. 50 operations have a tenor of 15 years or longer.

Figure 30. Length of tenor - IIW



Source: EIB Operational Report

The sample based project review undertaken by ICF experts suggests that in addition to tenor, the size of EIB loan was also provided (albeit less frequently than tenor length) as a justification for additionality. In other words, the overall magnitude / value of a project investment was presented as a ‘market failure’ in some cases (i.e. the same volume of financing could not be obtained from an alternative source). Experts noted the absence of information on alternative project structures that could be available to the project (i.e. splitting the investment into smaller pieces, which would help with assessing the importance of the size of the loan in determining additionality). It is, however, possible that alternative project structures were considered, but just not documented in the documentation presented to the Investment Committee.

More widely, some stakeholders interviewed provided anecdotal evidence of crowding out of commercial investors and the NPB in Germany (by providing concrete examples), as well as the cannibalising effect of EFSI on existing EU instruments such as the Connecting Europe Facility (CEF). Following its launch in 2015, EFSI has had a substitution effect on the CEF debt instrument (DI), due to an overlap in eligibility between the two instruments, the greater flexibility given to EFSI compared to CEF regarding the terms and conditions of financing that can be offered, and the high political priority to deliver tangible results for the EFSI¹⁶². This substitution between the CEF and EFSI budgetary guarantee has obviously limited the additionality of the two instruments. In another instance, an EIF project officer responsible for a particular EU mandate noted with regards to the interaction of EU instruments with EFSI that “*we try to be complementary and not cannibalise each other*”, citing the organisation of joint due diligence as one method of examining the role that each instrument can play for project sponsors.

Small and Medium Size Enterprises Window

Two funding approaches – topping-up and front-loading – have enabled the EIF to cover both aspects of EFSI additionality. For example, operations that could not have been carried out, either to the same extent benefitted from topping-up or in the same timeframe without EFSI benefitted from front-loading:

- *Front-loading* - There was unmet demand for SME financing in 2014, but limited volumes were available under existing mandates (such as COSME and InnovFin guarantee products) due to the EU’s annual budgeting process. The EIF was able to front-load these mandates with EFSI finance and thus was able to sign an increase in the annual budget for 2015 as well as the annual budgets for the years 2016 to 2020.
- *Top-up (doing more)* - The initial plan was that the EFSI guarantee would be reduced every year from annual budgetary appropriation from the EC under COSME and InnovFin. However, due to high demand, the EFSI guarantee was not released; instead it was used to top-up the mandates.

Before EFSI, the annual volume of financing available via COSME was in the order of EUR 100 million and circa EUR 150 million via InnovFin. Front-loading enabled the EIF to add EUR 500 million to COSME and EUR 750 million to InnovFin in 2015, thus the additional finance reached the real economy more quickly. Due to topping up, COSME was increased from 0.9 billion to 1.45 billion. The InnovFin guarantee product was increased by EUR 880 million.

There are, however, separate considerations associated with the effectiveness of the finance used under the various mandates, which has implications for the ultimate additionality of EIF finance provided under EFSI, measured at the level of business recipients. In other words, the additionality of SMEW measured in terms of the additionality of finance to business depends on the delivery of the individual mandates.

The ECA, in its 2017 special report on EU-funded loan guarantee instruments¹⁶³, states that a substantial share of beneficiaries were businesses having access to commercial loans and therefore not in need of a loan guaranteed by the EU. Out of a sample of 96 businesses covering the two instruments, the ECA found that only 40 per cent of the loans were provided to businesses that would otherwise have struggled to obtain financing from a commercial lender. Moreover, under the InnovFin SME Guarantee (SMEG) facility, the ECA observed that only 35 per cent of the innovative businesses included in the sample would have struggled to obtain a commercial loan without the EU

¹⁶² European Commission (2018) SWD(2018) 44 final PART ½ - mid-term evaluation of the Connecting Europe Facility

¹⁶³ ECA (2017) EU-funded loan guarantee instruments: positive results but better targeting of beneficiaries and coordination with national schemes needed. The report covered: InnovFin SME Guarantee Facility for research- and innovation-driven companies and the COSME Loan Guarantee Facility

guarantee. However, even among this subgroup of innovative businesses, some had access to venture capital investment or could have obtained a commercial loan by providing personal guarantees (although it should be noted that the requirement of a personal guarantee might dissuade businesses from borrowing to invest or act as a barrier for innovative businesses). The ECA's special report calls on the Commission to improve targeting of the loan guarantee instruments on "viable businesses lacking access to finance".

This may, however, not paint the entire picture of the benefit to SMEs from the intervention through InnovFin and COSME guarantees: as mentioned by the EC in the same ECA report, the loan guarantee instruments have been designed to also support SMEs that do have access to financing, but on stricter conditions in terms of collateral required, loan periods and/or interest rate. Without the guarantee, the projects would often not be pursued by SMEs or not to the same extent, resulting in a sub-optimal investment situation. Therefore the concept of additionality also needs to account for the improvements in the financing conditions achieved thanks to EFSI (i.e. lower interest rates than the ones available in the markets and reduced collateral obligations).

Moreover, a recent evaluation of Horizon 2020 financial instruments¹⁶⁴, provides a positive assessment of additionality of SMEG. It reports that the SMEG provides additionality of:

- scale - with intermediaries under the SMEG increasing loan volumes; and
- scope - new risky market segments are being covered thanks to the SMEG facility.

The evaluation concludes that *"Notwithstanding concerns among some banks, the fact that there has been such a high take-up of the SMEG indicates that it is proving to be a very successful intervention in helping banks to provide finance to riskier businesses. From a business perspective, there is strong evidence that this product largely benefits firms that would otherwise not have received the debt finance they require to innovate, or only on a much smaller scale and on less favourable conditions. For example, the guarantees free up assets that would otherwise have to be used to provide collateral to receive a bank loan."* The evidence on which the above conclusion is based is, however, not clearly set out in the report.

The results of an online survey of beneficiaries of COSME's Loan Guarantee Facility (LGF), undertaken in the context of the interim evaluation of the COSME programme¹⁶⁵, provide further evidence of the additionality of the programme:

- 39 per cent of the respondents (112 out of 289) indicated that COSME-supported financing was the only option available to them. Furthermore, 24 per cent of respondents (65 individuals) indicated that, even though they did have other options available, they preferred the option that included the EU-COSME guarantee, as the available options would not have covered the full required amount;
- 37 per cent indicated that they preferred the option that included the EU-COSME guarantee, though other sources of finance were available to them that would cover all or part of their required amount. The survey did not ask for a reason behind this choice, although it may well be due to the better conditions (such as a free guarantee) offered by financing supported by an EU-COSME guarantee.

Interviews with project sponsors under the SMEW indicates that EFSI has allowed financial intermediaries (banks, guarantors, equity funds) to either:

- expand their current offer i.e. scaling up the level of finance to SMEs in any given sector;

¹⁶⁴ CSES (2017) Interim Evaluation of Horizon 2020's Financial Instruments

¹⁶⁵ Technopolis (2017) Interim Evaluation of the COSME Programme, Annex A to the Final report: Access to Finance thematic area report

- target riskier segments of the SME/ mid-cap sector;
- offer finance on better terms e.g. reduced collateral requirements, better rates.

One financial intermediary explained how the unconditional guarantee provided by the EIF under EFSI is essential for achieving capital relief. Moreover the free guarantee and reduced/ no collateral helps reach SMEs/mid-caps that would otherwise not be able to access finance on affordable terms.

In two cases, the interviewees were adamant that the contribution of EIF/EFSI had enabled a guarantee to be established or extended; in case of PE/ VC fund, the interview noted that EFSI was “very critical” to securing the first close of their fund, as well as helping to drive the deal forward. Further, in the latter case, the extent of the EIF restructuring (e.g. to the carried interest and the ‘waterfall’ payments) helped to persuade around four new investors to come on board. In other case, EFSI participation enabled the fund to reach target size within the initial deadline.

4.5.2 Added value of EFSI

Concept of EU added value

Under the principle of subsidiarity (Article 5 Treaty on European Union), and in areas of non-exclusive competence, the EU should only act when the objectives can be better achieved by Union action rather than action by the Member States.


The sources and nature of this additional value vary from intervention to intervention. European added value may result from delivering legal and market certainty, coordination gains, economies of scale, multiplier effects, complementarities, demonstration and catalytic effects, capacity building and European integration.






In the context of the EU budget the Commission staff working documents (SEC(2011) 867 final and SWD(2015) 124 final) recommend that the EU added value test is performed on the basis of the following three criteria:

- Effectiveness: where EU action is the only way to get results to create missing links, avoid fragmentation, and realise the potential of a border-free Europe;
- Efficiency: where the EU offers better value for money, because externalities can be addressed, resources or expertise can be pooled, an action can be better coordinated;
- Synergy: where EU action is necessary to complement, stimulate, and leverage action to reduce disparities, raise standards, and create synergies.

Assessment of EU added value

Table 18. Types of added value and judgments

Types of added value	Judgement
Financial added value	
Financial (subsidiarity)	<div style="text-align: center; margin-bottom: 10px;">  </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>+ Increasing collaboration</p> </div> <div style="width: 45%;"> <p>- Need for increased efforts not to crowd out investors for large debt projects under IIW or regional / national promotional structures under SMEW</p> </div> </div>
Non-financial added value	

Policy added value		+ Shift in the debate from austerity to investment - Lacking some policy dimension given market driven nature of the instrument (climate, territorial cohesion)
Cross border dimension		+ Contribution to development of internal market for venture capital + Pan-EU investment platforms - Only 1 cross border project financed under IIW
Signalling effect		+ Strong European seal of approval
Demonstration effect, market development, critical mass		+ Increasing access to higher risk finance + Adaptation of product mix
Knowledge sharing, standard setting and harmonisation		+ Recognised role in diffusion of best practices + Increasing role with development of new collaborations

Financial added value (subsidiarity)

At its launch, it was envisaged and officially announced that EFSI and Member States /NPBIs would pool resources, with various Member States¹⁶⁶ contributing approximately EUR 42 billion. However, mainly for political reasons (related to the need to avoid perception of Europeanisation of national funding in the absence of national windows), the pooling of resources did not happen at EFSI level. Instead NPBIs are gradually contributing at the level of individual projects and investment platforms.

The share of operations co-financed with NPBIs, as of end 2017, is 20 per cent by amount, 23 per cent by number of operations. NPBIs from both EU15 and EU13 are involved in this co-financing. The share is higher for equity products (especially in terms of number of operations, 32 per cent against 19 per cent for debt products) and for the SMEW (31 per cent in terms of number of operations against 14 per cent for the IWW). This is in line with feedback from interviews (with associations of investors, financial intermediaries and NPBs) which assessed the complementarity as better and the EU added value of EFSI as higher in these areas.

Innovation and Infrastructure Window

Under the IIW, as already reported under previous evaluations¹⁶⁷, a few cases of crowding out, including of NPBIs/RPBIs, have been reported, especially for larger projects in the debt segment. NPBIs are involved in lower share of operations as of end 2017, compared to the years before (40 per cent in 2015, 15 per cent in 2016, 9 per cent in

¹⁶⁶ Germany (EUR 8 billion through KfW); Spain (EUR 1.5 billion through Instituto de Crédito Oficial); France (EUR 8 billion through Caisse des Dépôts and Bpifrance); Italy (EUR 8 billion via Cassa Depositi e Prestiti); Luxembourg (EUR 80 million via Société Nationale de Crédit et d'Investissement); Poland (EUR 8 billion via Bank Gospodarstwa Krajowego); Slovakia (EUR 400 million through Slovenský Investičný Holding and Slovenská Zručná a Rozvojová Banka); Bulgaria (EUR 100 million through the Bulgarian Development Bank); UK (£6 billion (c. EUR 8.5 billion)).

¹⁶⁷ E&Y evaluation was notably indicating that "NPBs experience some competition with EFSI on bigger projects, particularly for debt products. There are not that many big projects and banks are keen to finance them".

2017, in terms of number of operations). And it was also repeated in interviews for this evaluation that NPBIs/RPBIs and EIB do not necessarily share the same view as regards to the risk taken by the EIB under EFSI (since higher risk according to own EIB internal policy¹⁶⁸ does not necessarily mean higher risk for standard or NPB practice in project financing).

In this context, there were calls for EFSI to aim more systematically at crowding-in NPBIs/RPBIs or take more subordinated positions in co-investments with NPBIs/RPBIs (which will be possible only within the boundaries set by EFSI's provisioning rate). The need to set up a complaint mechanism to address potential crowding out cases was also mentioned¹⁶⁹.

Co-investments also happen at the level of investment platforms (see Section 4.1.4). Several respondents to our NPB survey highlighted that they saw investment platforms as an easier approach to combine financing notably with national support.

Small and Medium Size Enterprises Window

Under the SMEW type of instruments, there is a long-standing history of involving NPBIs in the delivery chain. Notably some NPBs act as financial intermediaries implementing SME financial instruments managed by the EIF. The general view from stakeholders is that the EU level financial instruments add to national resources in key areas where Member States resources alone would not be capable of addressing financing gaps. Participating financial intermediaries generally highlight that the EU support is key for them to go ahead with their plans¹⁷⁰.

Certain areas for improvements were however raised in discussion to aim that EU schemes further minimise the crowding out of existing national schemes. One such idea was that in the case an NPBI is already running a similar programme (open to all financial players), the EU could focus on counter-guarantees of that scheme (instead of providing direct guarantees to some financial players). Certain EU level associations and COSME LGF intermediaries repeatedly report that acting otherwise could lead to a crowding out of the national promotional instruments and structures¹⁷¹. Benefits of this approach are claimed to include: ensuring a higher leverage effect and lower risk volume for the EU, covering the whole market and creating higher additionality from the support provided (through working with NPBIs which, because of their intrinsic promotional mission, perform better than private players when it comes to targeting those in need according to a recent ECA report¹⁷²).

Policy added value

One main source of EU added value for EFSI was mobilising financing to address market failure and/or sub-optimal investment at macro and sectoral level (see Section 4.1.1). The other key asset of EFSI versus traditional EU grant instruments, and one core rationale for the increasing use of financial instruments such as EFSI, is its revolving nature: its capacity not only to be cost-efficient and generate return for the EU budget but also its cyclical re-investable nature, where the same volume of funds can support various projects over time. Additionally, there is widespread recognition that EFSI shifted

¹⁶⁸ According to EFSI investment guidelines, EIB's standard assessment, rules and procedures apply to EIB operations under EFSI.

¹⁶⁹ The EIB Group has its complaints mechanism, but this is not EFSI-specific. http://www.eif.org/news_centre/publications/Complaints_Mechanism_Policy.htm. It was clarified within the context of this evaluation that any concrete allegations can be raised with EFSI SB.

¹⁷⁰ 2017, EC, Interim Evaluation of the Horizon 2020, Staff Working Document, available at: [https://ec.europa.eu/research/evaluations/pdf/archive/h2020_evaluations/swd\(2017\)221-interim_evaluation-h2020.pdf#view=fit&pagemode=none](https://ec.europa.eu/research/evaluations/pdf/archive/h2020_evaluations/swd(2017)221-interim_evaluation-h2020.pdf#view=fit&pagemode=none)

¹⁷¹ 2017, Technopolis, Interim Evaluation of the COSME Programme, Annex A to the final report, EC, available at: <http://ec.europa.eu/DocsRoom/documents/28084>

¹⁷² Special Report 20/2017

debate and focus from austerity to investment and this was seen as a major achievement.

However, since EFSI is not a policy-driven but a market-driven instrument, one key issue that has been raised has been the insufficient support of EFSI funded projects for the EU's long-term climate goals. This is notably reflected in an apparent concentration of investment in EFSI's portfolio on projects, which despite being EFSI eligible and often being given high scores when assessed against EU policy objectives (as per pillar 1 of the scoreboard), induce consumption of fossil fuels both in the transport (motorways and airports) and energy sector¹⁷³. In response to that, EFSI 2.0 (Article 9) ambitions for a larger proportion of sustainable projects, not by setting specific eligibility or exclusion criteria but by giving an indicative target, set at a minimum 40 per cent of EFSI infrastructure and innovation projects to contributing to climate action in line with the Paris Agreement. EFSI investment guidelines (not the regulation per se) also explicitly limit support to motorways to specific cases¹⁷⁴.

Another aspect reflecting EFSI's market driven nature is the skewed use of EFSI across Member States (see Section 4.1.2).

Cross border dimension

There has been only one cross-border project financed under EFSI as of end 2017 in the IIW while in light of the importance of such investments for Europe, this could be an important source of EU added value (as it the case under EU programmes such as CEF). The situation could improve under EFSI 2.0 which adds in the definition of additionality (Article 5) that projects that consist of physical infrastructure, including e-infrastructure, linking two or more Member States¹⁷⁵ or of the extension of such infrastructure or services linked to such infrastructure from one Member State to one or more Member States are strong indications of additionality.

Beyond the project level however, another channel for EFSI to address the cross border dimension is to encourage the set-up of multi country/ pan EU investment platforms (four examples so far including the Connecting Europe Facility Broadband Fund and the Marguerite Fund II) as well as investment platforms involving collaboration among NPBs from different Member States (three cases so far)

In addition, the role of EFSI in overcoming market fragmentation in areas such as venture capital investment is well recognised and is one of the added value of EU level equity instruments¹⁷⁶. For instance, EFSI contributed to the Pan-European VC funds-of-funds (up to EUR 100 million), together with Horizon 2020's InnovFin Equity scheme (up to EUR 200 million) and COSME EFG (up to EUR 100 million)¹⁷⁷

¹⁷³ CAN Europe & all, 2016. The best laid plans: Why the Investment Plan for Europe does not drive the sustainable energy transition. Available at: <http://www.foeeurope.org/best-laid-plans-investment-europe-sustainable-transition-280916> and FT, 2017. EU president's scheme to stimulate investment needs adjustments before it expands. Available at: <https://www.ft.com/content/90712920-138b-11e7-b0c1-37e417ee6c76>

¹⁷⁴ Exceptions would be made "in cohesion countries, in less developed regions or in cross-border transport projects or if it is necessary to upgrade, maintain or improve road safety, develop intelligent transportation system (ITS) devices, guarantee the integrity and standards of existing motorways on the trans-European transport network, in particular safe parking areas, alternative clean fuels stations and electric charging systems, or contribute to the completion of the trans-European transport network by 2030"

¹⁷⁵ Note the distinction between the cross-border activities in the sense of Art. 8 (b) of the EFSI Regulation (EU with/in non-EU entities or states) and the new point under Art.5.1(e) of EFSI 2.0 on (e)infrastructure (or related services) linking two or more Member States as a strong indication of additionality

¹⁷⁶ 2017, Technopolis, Interim Evaluation of the COSME Programme, Annex A to the final report, EC, available at: <http://ec.europa.eu/DocsRoom/documents/28084>

¹⁷⁷ 2017, Technopolis, Interim Evaluation of the COSME Programme, Annex A to the final report, EC, available at: <http://ec.europa.eu/DocsRoom/documents/28084>

Signaling effect

One source of EU added value for EU level instruments which is often quoted is that they contribute to bringing investors on board through stamp of approval, especially since these are implemented by the EIB and the EIF, whose experience in implementing EU financing schemes is unmatched. 69% of the respondents to ICF IIW project promoters (as well as interviewees) agreed that the signal from EIB participation to other potential investors about the attractiveness of the project is a substantial or very substantial comparative advantage. There was also evidence that EFSI contributed to bringing new and new type of investors (see Section 4.1.4).

Demonstration effect, market development, critical mass

EFSI can play its role in demonstrating the viability or attractiveness of certain asset classes or sectors. For instance, InnovFin SMEG intermediaries recently confirm increasing loan volumes and new riskier market segments being covered¹⁷⁸. In addition, via investment platforms, EFSI can help to pull in together smaller size projects and that otherwise would have been too small for investors¹⁷⁹. Respondents to ICF NPB survey confirmed that they saw the investment platforms as a flexible tool that allows funding sectors/ beneficiaries that would not otherwise have access to similar levels or terms of financing. With the recent launch of new products including social incubators, payment-by-result schemes, EFSI is also expected to raise the profile of the social and education sectors (see Section 4.1.3).

In the survey addressed to NPBs, several respondents – particularly NPBs from new Member States and crisis affected countries – claimed that EFSI had made a significant contribution to increasing access to higher risk finance in their countries. The section on higher risk financial products (see Section 4.1.3) also clearly demonstrates that efforts new products have been developed or existing products enhanced over the course of EFSI to allow for those higher risk positions to be taken.

Knowledge sharing, capacity building, standard setting and harmonisation

The role in the dissemination of best practices and promotion of harmonisation and standards at industry level of the EIB, and especially of the EIF in relation to the venture capital and securitisation market, is widely recognized¹⁸⁰. Another example coming from EaSI is the fact that as a condition to receive the EaSI Financial Instrument, non-bank microcredit providers have to sign up to the code while banks have to endorse the European Code of Good Conduct for Microcredit Provision (ECoGC) which sets out good practice guidelines for microcredit providers¹⁸¹.

Under, thanks to new forms of collaboration with the NPBs (see Section 4.1.4), this source of EU added value should increase even further.

4.5.3 Added value of EU Funds (opportunity cost of provisioning EFSI)

The creation of the EFSI and the need to provision the Guarantee Fund (initially with a 50 per cent target rate) had an opportunity cost. It meant that the planned budgets for Horizon 2020 and CEF, as well as the budgetary flexibility in the 2014-2020 MFF, have been reduced, as follows¹⁸²:

¹⁷⁸ 2017, CSES, Interim evaluation of Horizon 2020's Financial Instruments, EC, available at : https://ec.europa.eu/research/evaluations/pdf/archive/other_reports_studies_and_documents/interim_evaluation_of_horizon_2020's_financial_instruments.pdf

¹⁷⁹ See for instance ICF study on feasibility of Investment Platforms in Education and Training from 2016 for DG EAC, European Commission.

¹⁸⁰ 2017, Technopolis, Interim Evaluation of the COSME Programme, Annex A to the final report, EC, available at: <http://ec.europa.eu/DocsRoom/documents/28084>

¹⁸¹ European Commission. (2017). Performance Monitoring Report of the European Union Programme for Employment and Social Innovation (EaSI) 2015-2016.

¹⁸² <http://www.consilium.europa.eu/en/press/press-releases/2015/06/25/council-adopts-efsi-regulation/>

- EUR 5 billion from redeployments of grant budget: EUR 2.8 billion from CEF grants¹⁸³ and EUR 2.2 billion from Horizon 2020;
- EUR 3 billion funding from unused margins.

These changes to the initial EU budget allocation were examined and accepted through a legislative process. A priori this would suggest that all parties involved in decision making, after intense negotiations¹⁸⁴, agreed that the new use of funds would have higher EU added value than the initial allocation.

The main lines of argument in support of the change are linked to the form of EU support under EFSI. Budgetary guarantees as implemented under EFSI entails a higher multiplier effect than grants. EFSI is meant to mobilise additional public and private funding in the range of 1:15 while grants are typically not meant to do so, except when strategically used for blending purposes. In addition, the use of a budgetary guarantee that includes a contingent liability (provisioning lower than 100 per cent) translates into higher volumes of EU support being available for a given budgetary cost. Related to this, the ECA highlighted how the budgetary cost could have been lower had the provisioning rate been set at 35 per cent rather than 50 per cent (although it also needs to be recognised that the more costly approach in terms of budget had the advantage of lowering the risks linked to contingent liability).

The types of projects supported under EFSI are of a different nature than those which would have been supported with CEF and H2020 grants – which are policy-driven instruments rather than the market driven nature of EFSI.

CEF contributed EUR 2.3 billion from its grant budget, taking into account the reallocation of EUR 500 million from CEF financial instruments to grants. Eligibility criteria for CEF grants are set out in the CEF regulation and in the sector-specific guidelines and that are included in the list of priority investments called 'Projects of Common Interest' (PCIs). CEF eligibility criteria for grants place an emphasis on cross-border projects (understood as projects implemented by two or more Member States¹⁸⁵), which is one key potential source of EU added value and is not a criteria for decision making in the market-driven EFSI. CEF also has a greater focus on supporting climate action targets.

The effect of scaling back the CEF financial instrument by EUR 500 million is limited – CEF debt instrument projects are eligible for EFSI funding. Energy and transport sectors have benefited substantially from support under EFSI IIW (42 per cent of EFSI IIW signed amount as of end 2017). Still, the nature of projects supported has been different under EFSI given its larger scope.

For H2020, the projects that would have been supported would have been more likely to be directed towards fundamental / early-stage research compared with EFSI market driven innovation projects financed under IIW and via the topping up of SMEW. EFSI financed R&I projects are more likely to resemble a specific type of H2020 R&I projects, namely those under the second Priority/pillar Industrial Leadership of H2020 (making up 22 per cent of H2020 funding according to Corda data as of 1st January 2017)¹⁸⁶. Projects

¹⁸³ In parallel, it was agreed that €500 million of CEF-transport financial instruments would be redeployed for CEF-transport grants, thereby reducing the burden on CEF grant budget.

¹⁸⁴ For an overview of the debates, see for instance:

<https://www.politico.eu/article/meps-fight-to-defend-research-funding/>

<http://www.europarl.europa.eu/news/en/press-room/20150420IPR42732/strategic-investment-fund-committees-back-juncker-plan-but-not-programme-cuts>

<http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A8-2015-0139&language=EN>

¹⁸⁵ Note the distinction between cross-border activities in the sense of Art. 8 (b) of the EFSI Regulation (EU with/in non-EU entities or states) and the new point under Art.5.1(e) of EFSI 2.0 on (e)infrastructure (or related services) linking two or more Member States as a strong indication of additionally

¹⁸⁶ 2017, EC, Interim Evaluation of the Horizon 2020, Staff Working Document, available at: [https://ec.europa.eu/research/evaluations/pdf/archive/h2020_evaluations/swd\(2017\)221-interim_evaluation-h2020.pdf#view=fit&pagemode=none](https://ec.europa.eu/research/evaluations/pdf/archive/h2020_evaluations/swd(2017)221-interim_evaluation-h2020.pdf#view=fit&pagemode=none)

falling under the other H2020 priorities, notably Excellent Research (37 per cent of funding) and Societal Challenges (36 per cent), are on the contrary not likely to receive EFSI funding. H2020 also has a much broader geographical coverage than EFSI. The 27 countries covered by H2020, which are not EU Member States¹⁸⁷, cannot get support from EFSI (unless they participate in cross-border projects involving at least one EU Member States).

To conclude, EFSI brought its added value as a market driven instrument, mobilising private capital, but with some loss of policy EU added value from the reallocation of the initial EU budget. Since EFSI is not a policy-driven instrument, it cannot be expected to have the same policy impact than CEF and H2020 (e.g. in terms of responding to societal and climate challenges and addressing the cross border dimension – see also 4.5.2). To some extent, EFSI activities has aimed to target some of the beneficiaries/objectives of these specific programmes, to minimise possible negative effect from the perspective of policy added value. The net impact of the transfer of EU resources to EFSI on the overall added value of EU support would however require further research and analysis, which would need to consider all aspects such as absorption rates, sector/field distribution, financial return and impacts on the ground on research, employment or the economy.

¹⁸⁷ Albania, Algeria, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Egypt, Georgia, Iceland, Israel, Jordan, Kosovo, Lebanon, Libya, Liechtenstein, Moldova, Montenegro, Morocco, Norway, Palestine, Serbia, Switzerland, Syria, FYR Macedonia, Tunisia, Turkey, Ukraine

5 Evaluation of the EU Guarantee

5.1 Relevance

The evaluation judgment required in respect of the relevance of the Guarantee is summarised in the table below.

Table 19. Required evaluation judgements - Relevance

Evaluation Judgement	Key evidence required
1. Has the EU Guarantee been used in the most appropriate way in response to investment needs – is the allocation between windows optimal	<ul style="list-style-type: none"> • Analysis of the levels of investment mobilised • Consideration of the use of the Guarantee in meeting investment needs under the two windows

The EU Guarantee is the cornerstone of the EFSI instrument. The Guarantee, by providing for a higher risk bearing capacity of EIB operations, permits additional financing for use by the IIW and SMEW. This additional finance is reflected in the internal multiplier, and then used to mobilise additional investment, the external multiplier. The relevance depends on how far the financing raised has enabled an increased volume of investment to be undertaken reflected in the size of the multipliers, and the risk associated with the investment. The analysis of multipliers achieved compared to target presented under Section 4.1.2 confirms this relevance.

The relevance of the EU Guarantee was further enhanced by the change in the initial allocation between windows and shift of EUR 500 million from the IIW to SMEW that was confirmed in 2016, which reflected the observed relative market absorption under the two windows. EUR 500 million was also the maximum amount that was possible to reallocate under the EFSI Regulation (EFSI 1.0) binding until the end of 2017.

The analysis of the EIB financing and investment levels mobilised by the EU guarantee, used to meet investment needs under the two windows confirms its relevance.

5.2 Effectiveness

The evaluation judgement on the effectiveness of the Guarantee is summarised in the Table below.

Table 20. Required evaluation judgements - Effectiveness

Evaluation Judgement	Key evidence required
1. Is the provisioning rate appropriate for current and future investment levels	<ul style="list-style-type: none"> • Assessment of the adequacy of the size of the EU Guarantee and the provisioning rate • Review of the annual EU budget flows for the EU Guarantee

5.2.1 Appropriateness of the provisioning rate given current and future investment

The target rate (or provisioning rate¹⁸⁸) is the percentage of the EU Guarantee that is required to be held as a buffer in the Guarantee Fund against potential future losses on the portfolio of debt and equity investments provided by EIB/EIF under both EFSI windows. Any potential losses will only materialise over time as operations commence and complete and the provision will need to remain in place for the length of time that operations remain active.

¹⁸⁸ Term used interchangeably in this report

At the commencement of EFSI in 2015 an initial target rate was estimated by the EIB based on an initial set of assumptions on the pipeline of plausible projects and its internal risk model. Key parameters defining likely portfolios (e.g. rating distribution, size, and amortization periods) were decided upon in discussion between the EC and the EIB and resulted in a target rate of 50 per cent, i.e. a provisioning of the Guarantee Fund with some EUR 8 billion for the operation of EFSI 1.0.

The provisioning rate was revised in 2016 by DG ECFIN (Unit L3 and Unit L2) on the basis of updated assumptions on EFSI operations, refinements of the original risk model from 2015 and a re-evaluation of the key parameters defining portfolios to better reflect details of the portfolios actually approved / signed, data from some existing disbursements and a refinement of the modelling of revenue cash flows from EFSI operations. The analysis suggested a reduction in the provisioning rate to 35 per cent¹⁸⁹ 190.

There are quarterly updates on the risk profile of portfolios (only for IIW) provided by the EIB Group but the actual target rate is reviewed only once a year. The conclusions are made publicly available through the Annual Report on the Management of the Guarantee Fund presented to the European Parliament each May¹⁹¹.

As part of this evaluation, the estimation of the target rate was evaluated by an independent expert supported by ICF. A brief description of the model used to derive the target rate is outlined in Box 13.

Box 13. Overview of the modelling of the EFSI target rate

The EFSI target rate corresponds to the sum of the provisioning for each sub window (debt and equity) of IIW and SMEW when considered as a percentage of the entire EU guarantee. For each sub window the amount to be provisioned is determined separately. Thereby the following methodology is employed:

- The provisioning rate for the IIW and the SMEW equity portfolios is based on the historical performance of similar equity investments together with certain assumptions about funding costs, reflows and foreign currency variations.
- The provisioning rate for the SMEW debt portfolio is based on the expected loss of the portfolio supported by EFSI.
- The provisioning rate for the IIW debt portfolio is based on the 95% Value-at-Risk (VaR) of the portfolio.

The provisioning rate for the IIW debt portfolio is based on an in-house credit portfolio model created by DG ECFIN. This model belongs to the class of stochastic threshold models and concludes that an operation has defaulted once the risk associated with the operation has exceeded a certain threshold. In the case of the present model the risk of each operation is determined as the sum of an idiosyncratic stochastic risk factor (unique to the operation) and a systemic stochastic risk factor (common to all operations). The inclusion of the systemic risk factor leads to a dependence structure, which correlates the defaults of individual operations.

Taking into account recovery rates and the amortization of operations over time and the sharing of risk-related revenues between EFSI and the EIB the distribution of all future losses of the portfolio over the lifetime of the EFSI initiative is calculated as a

¹⁸⁹ EC, 2016. Proposal amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016SC0297&from=EN>

¹⁹⁰ The European Court of Auditors found the adjusted target plausible, but it also warned about the trade-off – more efficient assets' management under EFSI Guarantee Fund versus increased risk of insufficient provisioning.

¹⁹¹ See for instance: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017DC0326&from=EN>

function of the aforementioned risk factors and several parameters. The 95% Value-at-Risk (VaR) of the portfolio is then calculated from this loss distribution.

All model inputs are provided by the EIB, with the vast majority of parameters being supplied by the EIB.

A detailed description of the modelling of the EFSI target rate can be found in Annex 6.

Overall, the approach to modelling the EFSI target rate is assessed to be adequate. Given the inherent lack of historic data the choice of a simple approach to modelling with a focus on broad-brush techniques which capture the main risk features of the IIW and SMEW portfolios was correct, and in line with industry standards. At the same time certain aspects of the modelling, partly brought to light by the sensitivity analysis described below, call for care when relying on the model to determine the EFSI target rate.

The modelling approach exhibits several positive features. The inclusion of a systemic risk factor and the resulting correlation of default events takes into account the fact that defaults, which would trigger a loss greater than the 95 per cent value at risk (VaR), are unlikely to be caused by purely idiosyncratic risk factors. The modelling of risk-related revenues and risk-sharing agreements should further help to arrive at a realistic provisioning rate for the IIW debt portfolio.

It also appears that all model inputs that were determined by EFSI have been chosen in a conservative manner. The target rate is based on the distribution of *all* future losses over the lifetime of the EFSI initiative even though the EU Guarantee is revolving. The current credit rating of the IIW debt portfolio is better than the current assumption of an equal split between Ba1 and Ba2 operations. The impact of risk-related revenues on the IIW debt portfolio is capped.

Even though the expected loss of a portfolio is usually an optimistic risk measure, its choice to estimate the risk of the SMEW debt portfolio can be considered conservative given legal arrangements which essentially limit the exposure of EFSI to the expected loss amount (given that the first loss piece is taken by the EU financial instruments). As a result, the expected loss is actually close to the maximum loss of the debt portfolio that can be sustained by EFSI.

The main weakness of the modelling approach is its sensitivity to some of the model inputs. As the analysis below illustrates, the assumed credit rating of the IIW debt portfolio and the assumed correlation between defaults of individual operations (both provided by the EIB) have an impact on the provisioning for the IIW debt portfolio. This underlines the importance that all parameter choices have to be made with great care and in a conservative manner.

The choice of Value-at-Risk (VaR) as a risk measure for the IIW debt portfolio is a common one but does not take into account the severity of losses that exceed the VaR, i.e. the right tail of the loss distribution is ignored. The VaR figure could be complemented with another risk measure to obtain some insights into the adequacy of the provisioning rate in a perfect storm scenario.

The evaluation also applied a sensitivity analysis with respect to key assumptions underlying the estimation of the target rate. A brief overview on how this task was conducted is illustrated in the Box 14.

Box 14. Sensitivity analysis of the key assumptions

To obtain insights into the stability of the target rate with respect to changes in certain key parameters we analysed the sensitivity of the IIW debt provisioning rate with respect to changes in:

the correlation between defaults of individual debt operations and
the credit rating of the debt portfolio

First, the IIW debt sub-window provisioning rate was recomputed under the exact same assumptions on input parameters that were made by DG ECFIN for the 2016 analysis which resulted in a 38 per cent provisioning rate. This parameter set is referred to as the base case. Then, all other things kept equal, one of the two key parameters was changed in the manner listed in the two tables below and the IIW debt provisioning rate was recomputed. The results represent the effect small changes in input parameters have on the IIW debt provisioning rate and emphasise the importance of choosing these parameters correctly.

Table 21. Correlation analysis

Correlation (ρ)	-5%	base case (bc)	+5%	+10%
IIW debt provisioning rate	26%	38%	53%	65%

Table 21 summarizes the results from the correlation analysis. It shows that, all other things being equal, an increase in the correlation between defaults of just 5 percent leads to an increase in the IIW debt provisioning rate of 15 percent. Similarly, a further increase in the correlation between defaults of 5 percent leads to a further increase in the IIW debt provisioning rate of 12 percent. The sensitivity is similarly high when the correlation between defaults is decreased by 5 percent, in which case the provisioning rate decreases by 12 percent.

Table 22. Credit rating analysis

Portfolio (50:50)	Baa3:Ba1	base case (bc)	Ba2:Ba3
IIW debt provisioning rate	16%	38%	70%

Table 22 summarizes the results from the credit rating analysis. It shows that, all other things being equal, a worsening in the credit rating of the debt portfolio to an equal split between Ba2 and Ba3 operations leads to an increase in the IIW debt provisioning rate of 32 percent. Similarly, an improvement in the credit rating of the debt portfolio to an equal split between Baa3 and Ba1 operations leads to a decrease in the IIW debt provisioning rate of 22 percent.

There is also the uncertainty associated with a number of exogenous factors that may affect the performance of EFSI-supported operations e.g. persistence/ abridgment of market failures; changes in demand for EFSI financing vis a vis financing *via* other EU programmes; changes in relevant policies (i.e. tapering of QE); changes in the macro-environment (i.e. increase/ decline in economic activity in the EU); political risks, etc.

The sensitivity of the estimated target rate to input parameters and exogenous factors require that the rate is reviewed regularly, at least once year in line with required publication.

The current approach is assessed to be effective in setting the correct target rate.

Section 8.2 presents some recommendations to improve the estimation of the target rate.

5.3 Efficiency

The evaluation judgements in relation to the efficient use of the EU Guarantee are set out in Table 23 and discussed below.

Table 23. Required evaluation judgments - efficiency

Evaluation Judgement	Key evidence required
1. Is the monitoring of contingent liabilities at the level of the portfolio adequate	<ul style="list-style-type: none"> Review of risk monitoring processes applying under IIW and SMEW
2. Is the EU Guarantee and the EIB resources appropriately sized <ul style="list-style-type: none"> a) Assessment of capacity to absorb funds at higher volumes and at higher risk from larger Guarantee b) Assessment of impact on the EIB credit rating of larger contribution 	<ul style="list-style-type: none"> Review of investments needs in light of substantially expanded volume of financing Impact on portfolio risks of extended financing and feasibility of expanded investment Views on the likely reaction of financial markets to a substantial increase of the EIB contribution and effect on EIB credit rating

5.3.1 Risk monitoring

The principle behind the initial risk estimation related to the EIB operations (and therefore the EFSI operations under IIW as well) are outlined in the three specific documents: *EU Credit Risk Guidelines*, *Non-EU Credit Risk Guidelines* and *Equity Risk Guidelines*. In turn, the risk monitoring activities that kick in once the risk assessment process leading to the signature of the project is completed are defined in the *Financial Monitoring Guidelines and Procedures* document. Equivalent guideline documents for risk assessment and monitoring, and for equity and guarantee deals specifically, are used by the EIF¹⁹².

Even though the Bank is not subject of the prudential supervision, it has aimed at complying with relevant best banking practice (BBP) including Capital Requirement Directive ('CRD') and Regulation 2013 ('CRR') which constitute the EU implementation of the Basel Committee on Banking Supervision's Basel III document.

Although it is too early to form any conclusions based on this fact, there was no default on EFSI deal/ operation as of 31st December 2017. The details on the IIW and SMEW portfolios are presented separately below.

5.3.1.1 Risk monitoring under IIW

While the initial risk assessment (prior to the signature of an operation) is done by the relevant experts from the EIB's Operations Directorate working on the specific deal as well as Risk Management Directorate that validates this initial assessment, the actual monitoring of the credit risk (post signature) is conducted by the EIB's Transaction Monitoring and Restructuring (TMR) Directorate.

The existing guidelines and the EIB practice do not distinguish for the credit risk monitoring activities of EFSI operations *versus* non-EFSI operations¹⁹³ - both are

¹⁹² Primarily, General Policy Guidelines-Independent Option and Monitoring, Surveillance Procedure Manual, Equity Risk Policy Guidelines, Valuation of EIF's Portfolio Guarantees under IFRS, and others

¹⁹³ NB: the same applies to the risk assessment at the outset (prior to the signature of the operation) where the assessment does not distinguish between EFSI and non-EFSI operation.

identical¹⁹⁴. What defines the monitoring practice is the credit risk profile of an underlying counterpart/operation.

The EIB informed that the level of detail of internal credit risk review/monitoring is a function of how risky a given counterpart/ operation is and of the amount of exposure towards this counterpart/ operation. The internal rating of a counterpart/ slotting of a project finance operation is updated at least on an annual basis and/or in case of significant credit event.

The risk monitoring practice is therefore tailored depending on the internal loan grading¹⁹⁵/ internal credit rating of an operation and whether it is standard or structured operation, and so on. The information provided by the borrower/ guarantor are typically audited externally.

In addition, for the risk monitoring purposes of projects that have potential to underperform, the EIB has a process to put under specific *Watch Lists* those operations that have exhibited an important deterioration in the credit quality and EIB has dedicated to monitor those operations. These lists are updated on the monthly basis. As of 31st December 2017, there was one equity type operation under IIW on the *Watch List*¹⁹⁶.

The EIB reports to the EFSI Steering Board on the risk profile of whole portfolio on a quarterly basis. The risk exposure and monitoring activities related to EFSI have been also a subject of the external audit from the ECA. There are no material changes envisaged in terms of the risk monitoring activities of IIW operations under EFSI 2.0.

The S&P currently perceives the EIB's risk management and monitoring practices as robust, a factor that contributes positively to its external credit rating of AAA.

5.3.1.2 Risk monitoring under SMEW

Similarly to EIB, EIF is also largely agnostic in terms of whether a given deal is supported under EFSI, or not. Monitoring procedures will typically not differ depending on the mandate.

The key parties responsible for the risk monitoring of equity and guarantee deals respectively are relevant front office teams dealing with the counterparty directly and Operations Risk Management Division.

In addition, specific type and the frequency of information/ data sought are formalised in relevant guideline documents like in case of operations supported under IIW, and the level of monitoring intensity and depth is also a function of the risk profile of a deal.

Similarly to the IIW, the *Watch List* for equity type deals exists with mix of quantitative and qualitative criteria determining the inclusion of a given deal on the list. As of 31st December 2017, there was no EFSI deal included on it. The equivalent of the *Watch List* for guarantee deals under SMEW is the list of deals with negative outlook put under review.

In terms of reporting by the financial intermediaries to EIF, this is typically done on the quarterly basis. There are also external audit reports produced on the annual basis. The reporting standards for equity deals are in line with the *Invest Europe Investor Reporting Guidelines*¹⁹⁷. Those related to the guarantee deals are stipulated in the individual contract between the EIF and the counterparty.

¹⁹⁴ See for instance EIB, 2016. Risk Management Disclosure Report. Available at: http://www.eib.org/attachments/general/reports/eib_group_risk_management_disclosure_report_2016_en.pdf

¹⁹⁵ For debt type operation

¹⁹⁶ Based on the information available in the Annual Risk Profile Report, December 31st 2017.

¹⁹⁷ Invest Europe, 2018. Invest Europe Investor reporting Guidelines. Available at: <https://www.investeurope.eu/about-us/professional-standards/investor-reporting/>

5.3.2 Appropriate size of the EU Guarantee and EIB contribution

5.3.2.1 Appropriate size of the EU Guarantee

To the knowledge of the study team, the size of the EU Guarantee (of EUR 16 billion until 31 December 2017) was determined pragmatically, through the discussions between the European Commission and the EIB Group, by what was affordable and what investment it might mobilise, when combined with the EIB Group resources, in a three year period.

Leaving aside the matter of affordability to the EU budget and the opportunity costs of allocating fewer funds to other EU activities, and assuming the EIB contribution remained constant, the appropriate size of the EU Guarantee is determined by the need for investment as reflected in 'bankable' operations that pass the additionality test, considering at the same time the impact on provisioning rate.

The 'rule of thumb' estimates of internal and external multipliers envisaged that for every EUR 1 billion of the EU Guarantee, EUR 15 billion of investment can be mobilised given the ability to leverage sufficiently initial EIB Group and EU resources through the financial market and then further capacity to attract external investment, whether public (i.e. other EU funding programmes) or private.

The analysis presented under section 4.1.2 shows that the level of multipliers and investment mobilised has been broadly in line with what had been assumed at the outset of EFSI. Demand for investment finance has been relatively high under the SMEW reflected in the re-allocation of EUR 500 million from IIW to SMEW. Overall, the level of additional investment mobilised is in line with the expected effect of the Guarantee

The completed interviews with key stakeholders, the available data, desk reviews, and portfolio analysis also indicate that the EU Guarantee is appropriately sized for the period mid-2015 – 31st December 2017.

5.4 Coherence

Coherence is evaluated for EFSI as a whole, see section 4.4.

5.5 EU Added Value

The evaluation judgements to be considered when evaluating the EU added value of the EU Guarantee are summarised in Table 24 and discussed below.

Table 24. Required evaluation judgements – EU added value

Evaluation Judgement	Key evidence required
1. What impact has the EU Guarantee had on the risk bearing capacity of EIB	<ul style="list-style-type: none"> Change in risk bearing capacity as a result of the EU Guarantee – proxied by the change in funding of Special Activities
2. What might be the potential consequences of discontinuing the EU Guarantee on the EIB risk-bearing capacity	<ul style="list-style-type: none"> Feedback from EIB/EIF, financial intermediaries and final beneficiaries

5.5.1 Effects of the EU Guarantee on the EIB risk bearing capacity

The benefit of the EU Guarantee for the EIB Group has been the ability to increase its risk bearing capacity in line with its wider market positioning. The simplest approximation of this impact is the change in the volume of investment made in Special Activities since the commencement of EFSI.

As shown in Figure 25 and discussed under section 4.5.1, special activities have increased both in absolute and relative terms since the launch of EFSI. More specifically, the volume of special activities has increased in absolute terms by almost five fold, from EUR 3.2 billion in 2014 to EUR 15.2 billion in 2017; and has also rose in relative terms

from 5 per cent to a quarter of the EIB's total lending activities in the EU over the same period.

As discussed under section 5.3.2.1, the EU Guarantee allowed also the EIB to ramp up the volume of more risky operations without material impact on its creditworthiness. This in turn contributes to the fact that the EIB has preserved its AAA rating – the prerequisite to continue the access to competitively priced capital.

6 Evaluation of the EIAH

The evidence in this section is based on interviews, surveys and desk research. For the Efficiency section only high level data was received, and no detailed breakdown of costing was provided, which resulted in a more limited analysis than initially foreseen.

Role of EIAH services in accomplishment of its mandate

The objective of the EIAH is to provide advisory support to investment projects when such a support is not available through an already existing technical assistance (TA) offer at EU level (complementarity principle). The mandate of EIAH is to provide advisory support for investment projects throughout the projects' life cycle, including in the phases of identification, preparation, development and implementation of projects. It was designed as a single point of entry for questions related to technical assistance at EU level, catering for both project promoters and public authorities. Among the services that EIAH should provide include:

- Supporting project promoters in developing their projects so they are more capable and compliant with investment eligibility criteria;
- Using local knowledge to enable EFSI support across the EU;
- Enabling peer-to-peer exchanges to a platform, as well as knowhow sharing on project development; and
- Offering advice for the development of investment platforms.¹⁹⁸

In addition to the project specific work and capacity building activities, the EIAH staff also work on raising awareness, market analysis, developing networks and collaborations to advance the projects it is working on in line with the requirements of the regulations. Most of these activities are conducted over the phone or by emails, but sometimes they are conducted through events, missions and meeting¹⁹⁹. Some requests that are not project-specific are also received from different Commission DGs. The EIAH in consultation with EC and based on criteria jointly developed with the EC assesses whether these requests fit in with the current mandate of the Hub, since some tend to be "horizontal policy priorities"²⁰⁰.

At a practical level the Hub operates in four delivery-oriented work streams:

- **First work stream – the work around communication and awareness raising, including the development of requests coming from the website.** At the moment, only a small percentage of successful requests are derived from the website sourcing mainly due to a lack of maturity of the requests received through the website.
- **Second work stream – the work around requests coming via expert sources such as consultancies, NPBs/NPIs, individual experts, EIB and EC.** These requests have a greater chance of being channelled through to EIB managed or other support mechanisms, as they have undergone some form of "pre-screening" already.
- **Third work stream – the work around development of local presence.** This part of the work focusses on capacity building at the local level, such as supporting individual NPBs/NPIs or fostering exchange between groups of NPBs/NPIs.
- **Fourth work stream – the work around market development.** This stream includes queries and requests which are not identifiable projects, but include the development of market ideas that could lead to the development of a project.

¹⁹⁸ EU, 2015. REGULATION (EU) 2015/1017 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments

¹⁹⁹ EIAH, July-December 2017. BI-ANNUAL TECHNICAL REPORT

²⁰⁰ EIAH, 2017. EIAH's Principles and Process for working with/for DGs within the European Commission

Investment platforms and work on some of the horizontal policy priorities (noted above) including studies aiming at developing a project pipeline in some specific sector fit this sort of category.

As part of the EFSI 2.0 changes, the following enhancements are being made to EIAH operation:

- Further tailored-made assistance on the ground
- Promote and structure platforms and viable projects in all regions of the EU²⁰¹
- Tighter cooperation with the NPBs/NPIs

6.1 Relevance

The evaluation judgements that were considered when evaluating the relevance of the EIAH are summarised in Table 25.

Table 25. Required evaluation judgements for EIAH – Relevance

Evaluation Judgement	Key evidence required
1. Have EIAH services developed in accordance with its mandate (Article 14 of EFSI Regulation)	<ul style="list-style-type: none"> • Review of the activities taken place • Feedback from EIB/EIF operational teams and beneficiaries i.e. NPBs/ NPIs and project promotors • Review of the origin (private/public investors, country), type and nature of requests received by EIAH, including EFSI ones • Breakdown of EFSI related requests by sector coverage origin, and type of services provided by EIAH

6.1.1 Assessment of relevance criterion

The initial rationale behind the EIAH was to build up a **demand driven instrument** and hence the initial emphasis on the website sourced proposal system. Interviewees confirmed that EIAH supports the objective of generating investment in Europe through a demand driven approach. Needs were identified by a task force established by the European Council in 2013²⁰², however no ex-ante impact assessment was undertaken.

While the EIAH is not a tool focusing on EFSI exclusively, it can provide advisory services to project promoters eligible for EFSI. Projects don't need to be EFSI ready to receive support (e.g. EIAH might channel funds from other EIB group instruments/products or is able to support non-EFSI/EIB projects). The updated framework partnership agreement between the EU and the EIB group, however, underlines an increased emphasis on EIAH to support the EFSI projects pipeline, whenever possible and relevant. This change to the partnership agreement is a reflection of the EFSI 2.0 regulation. The EIAH Biannual Technical report now provides an overview of the number EFSI projects supported (see section 6.2 on effectiveness of EIAH below).

Overall, our assessment is that the Hub addresses a number of needs, and can therefore be considered broadly relevant to its target groups and legal mandate.

Our analysis indicates that EIAH services ensure the accomplishment of the EIAH mandate, since the EIAH provides technical assistance for project promoters in those cases when such a support is not available through an existing TA offer at EU level. Thus,

²⁰¹ <http://www.eppgroup.eu/press-release/EFSI-2.0-to-mobilise-%E2%82%AC500-billion-for-investment-in-EU>

²⁰² EIB. SPECIAL TASK FORCE (MEMBER STATES, COMMISSION, EIB) ON INVESTMENT IN THE EU, Available at: http://www.eib.org/attachments/efsi_special_task_force_report_on_investment_in_the_eu_en.pdf

it contributes to facilitating the origination of investment projects in the EU (the main task of EIAH).

However, more could be done to improve awareness and subsequent take-up of Hub services, as indicated by the interviewees from the Hub. Awareness issues were also raised in the survey of IIW Project Promoters, with 77% (n=68 out of 88) of project promoters saying they were not aware of the EIAH. Peer-to-peer exchanges could also be enhanced through the organisation of more frequent events where networking is facilitated.

Needs assessment for TA support for projects

Considering the identification of needs, during 2016 and 2017 a two phase market gap analysis on the identification of current market needs for TA was carried out by PwC for the EIB. The first phase conducted in 2016 focused on the general market gap analysis, while the second one focused on the SME sector in 2017. The objective of the study was to assess the current situation concerning project advisory activities for investments and gaps in the technical and functional capacity at EU level. The study under Phase I concluded that the lack of supply is not the dominant problem at EU level, and that other issues tend to be more dominant:

- Availability issues - public and private sector capacity limitations and barriers to the delivery of cross-border services;
- Access issues - identification of advisory needs for projects, mobilization of advisory services, and unwillingness to use private providers;
- Affordability issues - no budgeting in the project for advisory services or cash flow problems;
- Awareness issues - some relevant available services are not known to potential beneficiaries.

At Member State level, the study (the general market gap analysis) identified the following with the greatest needs: Bulgaria, Croatia, Hungary, Lithuania, Latvia, Poland, Romania, Slovenia, and Slovakia. Markets for advisory services are not very developed in these countries, and public administrations have less know-how and capacity to advise on the development of projects, especially larger ones. The countries identified with the lowest needs were Austria, Sweden, United Kingdom, Luxembourg, the Netherlands and Denmark. These countries have fewer barriers to investments, hence a lower need of advisory services.

The bottlenecks in project development identified in the case of high priority countries, those with the greatest needs, in Phase I capable of being addressed by means of advisory services are:

- the size and complexity of infrastructure projects;
- challenges associated with some sectors - for instance Environment and Resource Efficiency is a sector that tends to pose problems due to its fast pace of technological change and the small size of projects that sometimes cannot justify the transaction costs of financing; and,
- under-development of local advisory services because of a strong reliance on EU programmes that provide technical assistance and other forms of support at reduced cost.²⁰³

Services for project preparation, financial structuring and capacity building are especially needed and require development.

Under the Phase II study, as previously mentioned, the analysis was focused on SME advisory services.

²⁰³ PwC. Market Gap Analysis for Advisory Services under the European Investment Advisory Hub, Synopsis

Countries were split according to their needs for SME advisory services, in the following way (high priority are the countries where SMEs have higher needs than other groups of Member States for all categories of advisory services, medium priority- countries that present needs for some of the categories defined in the study and low priority- those countries that have advisory services above the EU average):

- high priority countries: Bulgaria, Croatia, Czech Republic, Greece, Hungary, Italy, Malta, Portugal and Slovakia;
- medium priority countries: Cyprus, Estonia, Latvia, Lithuania, Poland, Romania, Slovenia and Spain;
- low priority countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, the Netherlands, Sweden and the United Kingdom.

Phase II confirmed the results of the Phase I of the study, in as much as the lack of supply is not the main issue slowing down the uptake of advisory services for SMEs; all MS have some provision of advisory services for each category of advisory services. Lack of awareness of the various advisory services on offer, aversion to relying on external service providers and an unwillingness to pay for such services appear to be more pressing issues rather than the level of supply of advisory services.

Supporting project promoters in developing projects

The findings in this subsection are based on the survey of Hub beneficiaries (response rate of 18 per cent) and interviews with Hub beneficiaries²⁰⁴. The following qualitative findings emerged from the analysis of the evidence:

- The majority of EIAH beneficiary survey respondents' contacted the Hub to ask for assistance with a one-off project, especially for assistance with project design / preparation, support with structuring project(s) to improve their ability to access finance and implementation and management of Financial Instruments
- Most EIAH beneficiary survey respondents' stated that, among users of technical assistance, the services of the EIAH are moderately or well known
- The opinions were almost equally split between respondents who think they could have obtained similar support from an organization in their country and those who disagree; it is hence impossible to draw a conclusion on the relevance of the Hub basing the judgement on the currently available data from the survey
- The majority of EIAH beneficiary survey respondents' and interviewees consider that the Hub fully met their needs or met their most important needs. Likewise, they considered that the level of EIAH expertise is high or very high and expressed satisfaction with the services of the Hub. All Hub beneficiaries interviewed were appreciative of the Hub's service. They reported that the professional level of experts was outstanding; the Hub answered all their needs in a timely manner and the Hub's support was essential for the progress of their projects.

Using local knowledge to enable support across EU

As also underlined in the EFSI 2.0 Regulation, local knowledge is to be leveraged by the Hub and the cooperation with NPBs/NPIs is seen as critical to achieving this. There are a number of mechanisms to build such partnerships:

- **The main institutional mechanism involves signing a memorandum of understanding (MoU) between the EIAH and the NPB/NPI.** There are different levels of cooperation in the Memoranda: level 1, 2 and 3. If level 3 is reached, it means that the NPB/NPI delivers Technical assistance on behalf of the EIAH

²⁰⁴ It should be noted that the survey was not sent out to all the EIAH beneficiaries due to time constraints (some requests are originated through intermediaries).

- **Networking actions are also in place with the NPBs/NPIs.** This can be bilateral, for instance through visits, or multilateral: for instance through events for sharing experience or the annual EIAH Day- a day when various NPBs and EIAH meet and share experiences

MOUs (level 1 and 2) have been signed with 23 NPBs/NPIs so far - as of December 2017 (see Figure 31). 5 per cent of the requests received by EIAH originate from these NPBs²⁰⁵.

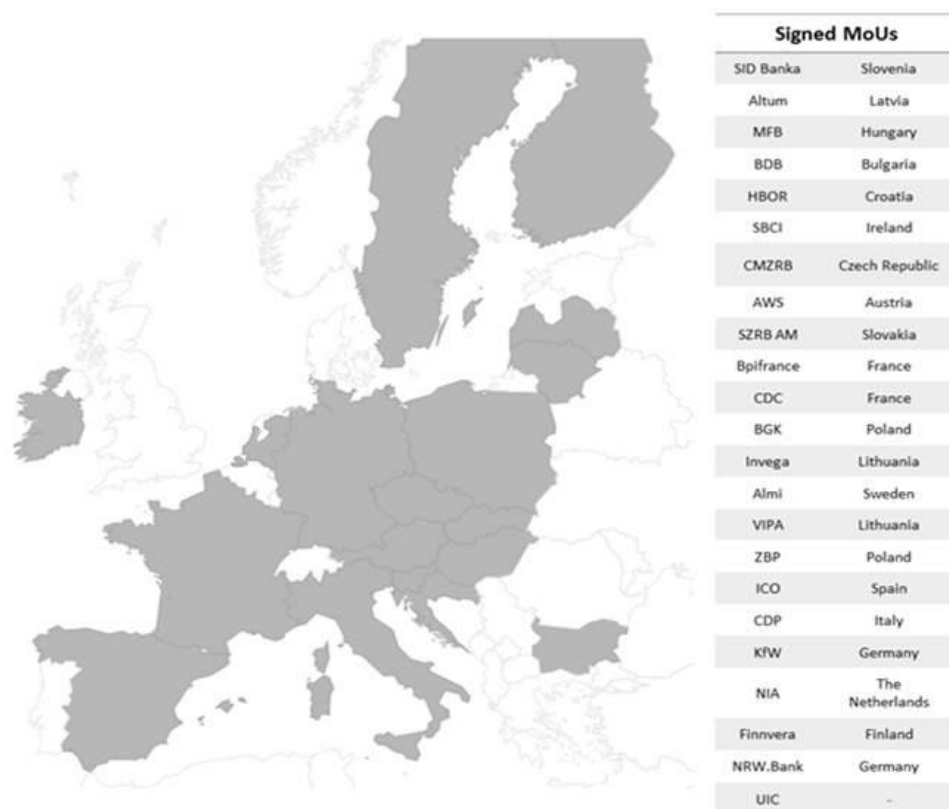
The survey of NPBs provided some interesting findings on the cooperation with the Hub, too. As expected, most NPBs/NPIs collaborated with the Hub. The bulk of the collaboration was in the area of joint awareness rising and events, followed by capacity building to provide local services. The survey results suggest that EIAH has not led to the creation of new services in NPBs to date (most NPBs stated EIAH did not enable them to create new services). The situation is mutual, since NPBs had a limited contribution to the development of services by the EIAH in their respective country. When this was the case, the information provided regarded investment needs in the country and existing providers of technical assistance services. This suggests that there is room for increased cooperation between the Hub and NPBs/NPIs.

A call for Proposals launched in December 2017 for the Delivery of local investment advisory services by National Promotional Banks (NPBs) aimed to (1) increase the scope of cooperation with individual NPBs and (2) address the issue of deeper level 3 cooperation. The cooperation mechanism in the Call included activities such as delivery of investment advisory services at local level, establishment or developing organisational capacity; and knowledge transfer for developing a local advisory capacity.

According to interviewees, this objective was met by identifying NPBs who were interested in strengthening cooperation as those who responded to the call for proposals.

²⁰⁵ Interview with the Ecfm and EIAH, July-December 2017. BI-ANNUAL TECHNICAL REPORT

Figure 31. List of memoranda of understanding (MoUs) signed by the EIB/ EIAH with 23 NPBs before December 2017



Source: EIAH

Cooperation between EIAH and other institutions operating at EU level to ensure better coverage of EIAH's services is encouraged by the EFSI Regulation. The current partnership between the EIAH and the European Bank for Reconstruction and Development (EBRD) is one example. EBRD has been providing SME support for 20 years and in 2017 an agreement was reached with the EIB to provide joint support for three countries (Romania, Greece, Bulgaria), which provides business advice to SMEs. The cooperation is in its early stages, and in the view of interviewees is developing smoothly, after some challenges related to signing the agreement between EBRD and EIB were overcome²⁰⁶. In an interview with representatives from the European Association of Craft, Small and Medium-Sized Enterprises it was suggested that so far SMEs haven't witnessed any impact from the Hub (the comment regarded the SME sector in general).

Enabling peer-to-peer exchanges as well as knowhow sharing

The EIAH Days event is one of the main events that facilitates peer-to-peer exchanges and knowledge sharing between the EIB group and NPBs, as well as amongst NPBs. It is organised every year and it gives NPBs the opportunity to discuss ideas with each other and EIAH. In 2017 NPBs had the opportunity to participate in an interactive workshop. They discussed how to work together in a better way, while leveraging the services of the Hub. Challenges and opportunities were also shared by participants in the workshop. EIAH roadshow events in individual countries also provide an opportunity for networking and knowhow sharing²⁰⁷.

²⁰⁶ Mostly related to needed harmonisation of due diligence and partnering rules between the EU, EIB and EBRD

²⁰⁷ EIAH, July-December 2017. BI-ANNUAL TECHNICAL REPORT

Offering advice for the development of investment platforms

The Hub is currently involved in the support of several investment platforms (15 at the moment)²⁰⁸ including

- Smart-cities investment platform in Slovakia and Hungary;
- EU "Smart Finance for Smart Buildings" (SFSB) initiative under the "Clean Energy for All Europeans" package;
- URBIS (urban advisory platform); and
- other energy efficiency platforms.

The Hub often collaborates with other parts of the EIB such as the Financial Instruments Advisory Division and the European PPP Expertise Centre (EPEC) (also part of the EIB advisory services division).

This [extended] team has been working with Slovenská Záručná a Rozvojová Banka, Asset Management (SZRB AM) to define the steps necessary to develop a smart-city platform in Slovakia (SZRB AM is a Slovak promotional institution).

It is also developing activities for the SFSB. It is providing assistance for the identification of any eligible urban projects that are in line with relevant local strategies.

6.2 Effectiveness

The evaluation judgements in relation to the effectiveness of the EIAH are set out in Table 26.

Table 26. Required evaluation judgements for EIAH – Effectiveness

Evaluation Judgement	Evidence Required
<p>1. Has EIAH been effective in addressing its mandate, with particular respect to sectors that received the support and the effectiveness of this support</p> <p>Extent to which: EIAH beneficiaries are from private and public sector</p> <ul style="list-style-type: none"> - EIAH provides capacity building and support to NPB/NPI from MS with less developed markets - EIAH assistance is provided across all sectors listed in Article 9(2) - Stakeholders who are not currently using EIAH services are aware of the offer/EIAH support 	<ul style="list-style-type: none"> • Review of the origin (private/public investors, country), type and nature of requests received by EIAH, including EFSI ones • Share of projects (by sector / MS) that have come through / or been advised / benefitted in material way • Feedback on collaboration from NPBs, promoters • Review of stakeholder awareness of EIAH services

6.2.1 Assessment of effectiveness criterion

The direct effectiveness of the EIAH services can be assessed in terms of the **volume of investment activity supported by the EIAH and the associated take-up of**

²⁰⁸ According to an internal briefing from ECFIN / EIB

services, supported by feedback form the relevant promoters on the content and quality of services provided.

Evidence indicates that the level of investment supported by the Hub so far has been fairly good²⁰⁹, but there is a clear room for improvement by boosting support to develop investable projects.

The EIAH operates indirectly to develop and align with existing technical services and to bring synergy and cooperation between providers. This should result in an increase in the institutional capacity boosted by the cooperation between EIAH and the Structural Reform Support Service of the European Commission (SRSS was created to support the structural reform programmes under the European Semester and provides assistance on request), to support and bring forward investment prospects and to strengthen project pipelines, especially in emerging sectors and investment markets.

Regarding NPBs/NPIs and the capacity building effects, the feedback received through the surveys and interviews shows that they are limited at the moment. Very few NPBs indicated in the survey that capacity building to provide local services is part of their cooperation with the Hub. Only one NPB indicated that they were able to provide new services to projects as a result of their collaboration with the Hub. The NPBs interviewed haven't indicated any capacity building effect as a result of their cooperation with the Hub either. Situations vary in each Member State and one NPB explained that advisory services are already well-established in their country, hence there is no need to build further capacity. Another explained that their focus is on SMEs, whereas EIAH brings more added value to larger projects, pinpointing to a mismatch between the scopes of activity of the two. This is because, as previously mentioned, the NPBs' developments are very different from one country to the other and the way the EIAH is supposed to interact is de facto is also different.

6.2.2 Origin and type of requests

The requests received by the Hub were split into two types of categories: (1) origin: private or public sector, (2) and type: proposed cooperation, request for technical assistance, general information, request for funding and request for both funding and technical assistance.

As of end December 2017, considering the **origin of requests** the number of requests treated²¹⁰ can be divided in the following way: 59 per cent (N=337) from private sector, 37 per cent (N=208) from the public sector and 4 per cent (N=27) in a different category. With regard to the origin of the allocated requests²¹¹, 15 per cent (N=10) were from the private sector, 79 per cent (N=52) from the public sector and 6 per cent (N=4) had a different origin.

The **key areas of requests for EIAH** support are transport, energy and urban/rural development (as per number of requests treated). This is partly explained by the high demand in the transport and energy sectors. The requests in the transport sector were high also due to call for proposals (CEF Blending) launched under the Connecting Europe Facility. Human capital, culture and health, agriculture and telecommunications and digital appeared to be sectors less well represented. The Hub stated that actions are being taken to motivate further requests from these underrepresented sectors. This is because although the Hub is demand driven and there are no quotas per sector, under EFSI 2.0 it is expected that the Hub will contribute to the sectorial and geographical diversification of the EFSI. For the digital sector the Hub is conducting a mapping of

²⁰⁹ So far, 11 potential EFSI operations and 13 projects were forwarded to lending divisions in the EIB, out of 59 allocated project proposals.

²¹⁰ "Requests treated" represent hereafter the total number of requests received which await additional information from the promoters or have been closed after in general having been provided with light advice or signposted to other services within the Bank or to other EIAH partners.

²¹¹ "Allocated requests" represent hereafter the requests that have been granted support through the allocation of EIAH resources either from EIB or via external sources of expertise.

support both in the bank and at national level. In the field of social infrastructure the Hub is considering using workshops.

By **types of requests**, EIAH treated 8 per cent (N=45) requests for proposed cooperation, 16 per cent (N=91) requests for technical assistance only, 16 per cent (N=91) requests for general information, 25 per cent (N=149) requests for funding and 34 per cent (N=196) requests for both funding and technical assistance.

Regarding the **split by Member State**, the countries with the highest number of requests allocated were Bulgaria (six), Belgium (five), Poland (five), France (four) and Romania (four). For the number of requests received and treated, the highest number was from Italy (47), France (45), Bulgaria (39) and Spain (34)²¹².

6.2.3 Investment activity supported by EIAH, and potential EFSI related activity

With regard to the **volume of investment activity** supported by EIAH, 22 per cent of the allocated projects (13 out of 59) have so far been forwarded to the lending divisions of EIB. These projects were the most promising investable propositions. The vast majority of these projects were in the public sector (12 projects). Health, transport, telecommunications and digital, and urban / rural development were the sectors with the highest amount of projects. France, Italy, Netherlands and Luxembourg are the countries where the bulk of these projects were developed.

On top of the 13 assignments previously mentioned as investable propositions, 11 EIAH assignment proposals have been identified as potential EFSI operations.

6.2.4 Effectiveness of cooperation with the local level, and EIAH's capacity building activities

With regard to the relation with NPBs and the development of their capacity, interviewees (from ECFIN and the Hub team) were satisfied with the progress made to advance the relation with NPBs. However, there is scope for further level 3 cooperation to be signed or responses to the call for expression of interest published in December 2017 as noted previously. The overall objective of a current call for proposals is to enhance the level of advisory services provided at local level. Shortcomings regarding the mobilisation of financing will also be addressed through the provision of advisory services supporting project promoters in developing quality and sustainable projects. The specific objective of the call is the selection of proposals from NPBs that would deliver local advisory services, with support from EIAH²¹³. This would enable more NPBs to deliver technical assistance on behalf of their Member State and the Hub. Interviewees from the Hub mentioned that the Call allows the Hub to build their understanding of how to help each NPBs in their own particular circumstances.

Interviews revealed that the level of cooperation between NPBs and EIAH depends on individual demand. NPBs tend to be very different in terms of services they offer, sectors covered, technical assistance capacity and interest in collaboration with the Hub.

The nature of the collaboration through MoUs with the NPBs interviewed covered knowledge / best practices sharing, national local point of contact and information dissemination. Some NPBs indicated that there is a need for the Hub services in their countries, but that it is too early to comment on the success of the cooperation with the Hub.

6.2.5 Effectiveness of peer-to-peer exchanges as well as knowhow sharing

See above section on relevance of EIAH

6.2.6 Effectiveness of advice for the development of investment platforms

See above section on relevance of EIAH

²¹² EIAH, July-December 2017. BI-ANNUAL TECHNICAL REPORT

²¹³ EIAH, 2017. CALL FOR PROPOSALS Delivery of local investment advisory services by National Promotional Banks (NPBs)

6.3 Efficiency

The evaluation judgements in relation to the effectiveness of the EIAH are set out in Table 27.

Table 27. Required evaluation judgements for EIAH – Efficiency

Evaluation Judgement	Key evidence required
<p>1. Have resources been adequate to meet expected need:</p> <p>Extent to which</p> <ul style="list-style-type: none"> • EIAH activities are considered to be well-staffed and resourced • EIAH spending is in line with EIAH financial planning • Challenges to effectiveness of EIAH activities could be overcome with extended financial resources <p>Any room for improvement that can be identified with regards to :</p> <ul style="list-style-type: none"> • Unit costs for offering individual types of assistance/service • Targeting resources towards demand, or communication activities towards specific underrepresented countries or sectors • Recovery of costs via fees charged by EIAH 	<ul style="list-style-type: none"> • Comparison of resourcing/costs for each process and activity against demand for that activity/type of service for EIAHH • Process mapping of key activities pursued by EIAH and processes underlying each activity • Mapping of average hrs/days spent by EIAH staff and other EIB staff on each main process • Review of spending trajectory at aggregate level against overall annual budget of EUR 26.6 million.
<p>2. Is the technical assistance considered to be efficient in stimulating / generating pipeline w.r.t. to:</p> <ul style="list-style-type: none"> • Efficiency of the governance structure • Efficiency of the communication in promoting EIAH services 	<ul style="list-style-type: none"> • Comparison of resourcing/costs for each process and activity against demand for that activity/type of service for EIAHH/EIPP; • Feedback of key stakeholders on the EIAH governance model; • Feedback from users of the EIAH on any direct and/or indirect (time) costs and quality of advice/support • Review of the key communication activities and analysis of any data giving an indication on the awareness level.

Assessment of efficiency

Our assessment of EIAH efficiency is solely based on feedback gathered from interviews and an assessment of the committed budget against the achieved results discussed above in our section on effectiveness.

During the ramp up phase, EIAH development and set up costs had a committed budget of around EUR 230,000, a total of 2 per cent of the entire budget committed for the first two years of EIAH operation (EUR 10.8 million). Around 36 per cent of the budget for the same period were committed to the EIAH support / operation team, and the remainder was committed to funding advisory support in priority areas identified in the 2015 EIAH grant agreement.

Interviews suggest that after a ramp up phase throughout 2015 and 2016, EIAH underspent their allocated budget. Since then, there has been an effort to balance out unused budget during the ramp up phase by reallocating money to the current phase of operation of the Hub. Overall allocated resources have been appropriate to the needs of the Hub.

Although currently the resources committed are adequate this could change in the near future if interest in and workload of the EIAH picks up. An indication of this is the sharp rise in spend on support consultancy in the 2017 grant agreement which covers the period January 2017 – December 2019.

6.3.1 Efficiency of resource use

As regards adequacy of resources against the various workstreams of EIAH outlined above, the assistance to project promoters is currently taking up around 60 per cent of resources available, whilst local activities and local support represent around 20 per cent of resources available.

Overall adequacy of resources will depend on the extent that EIAH needs to build its local presence, the extent to which demand for EIAH will change in the future, and the extent to which EIAH will be asked to create demand opposed to only responding to demand. Data provided by EIB suggest a larger proportion of available resources is to be committed to “Providing advice on the establishment of investment platforms” and “Leveraging local knowledge to facilitate EFSI support across the Union” in 2017 when compared to 2016, suggesting an adequate re-balancing of resource commitments against EIAH workstream.

Table 28. Staff resources committed by year and EIAH workstream

EIAH work stream	Average number of FTE in 2015 / % of overall resources spent in 2015	Average number of FTE in 2016 / % of overall resources spent in 2016	Average number of FTE in 2017 / % of overall resources spent in 2017
Provision of communication and awareness raising activity, including a single point of entry for technical assistance for authorities and project promoters	5 (27%)	6 (25%)	8 (16%)
Assisting project promoters, where appropriate, in developing their projects so that they fulfil the eligibility criteria set out in the EFSI 2.0 regulation	11 (62%)	12 (50%)	29 (58%)
Leveraging local knowledge to facilitate EFSI support across the Union	-	2 (8%)	5 (10%)
Providing a platform for peer-to-peer exchange and sharing of know-how regarding project development	1 (5%)	2 (8%)	2 (4%)
Providing advice on the establishment of investment platforms	2 (5%)	2 (8%)	6 (12%)

Source: EIB

Apart from staffing costs, EIAH further committed EUR 7 million for NPBs collaborations starting with the 2016 grant agreement, and EUR 4.5 million for the SME advisory programme delivered jointly with the EBRD starting with the 2016 grant agreement. Overall, this leads to an increase of resources committed to the workstream “leveraging local knowledge...”, which is adequate given our review of EIAH effectiveness and relevance above.

6.3.2 Efficiency of governance model

In general, interviewees were of the view that the governance model put in place between the European Commission and the EIB is efficient. This was true for both the framework partnership agreement (FPA) between EU and the EIB, which puts in writing the expected activities, fee structure and contribution to labour implementation costs, as well as yearly specific grant agreements which highlight annual priority areas for EIAH activity. The Coordination Committee that includes representatives from EC (ECFIN, REGIO, RTD), and the EIB (ASD and PJ) is also facilitating coordination aspects.

Contributing to overall efficiency of the governance model are the fortnightly meetings between ECFIN and EIAH, which help in discussing day to day aspects of EIAH operation.

The results of the EIAH beneficiary survey showed that the governance model is efficient and it doesn't put any burden on EIAH beneficiaries. Most of the respondents said that the service they received was from EIAH staff. Moreover, the majority of respondents stated that the speed of response and answers when interacting with the Hub was fast or very fast.

6.3.3 Efficiency of the communication activities in promoting the EIAH activities

Table 28 indicates the cost estimates for workstream one which is the only cost data made available specifically for communication activities, and thus no breakdown of costs for communication activities is available.

6.4 Coherence

The evaluation judgements in relation to the coherence of the EIAH are set out in Table 29.

Table 29. Required evaluation judgements for EIAH – Coherence

Evaluation Judgement	Key evidence Required
1. Internal coherence of technical assistance with EFSI – does it drive / advise the pipeline in response to EIB/EIF priorities/needs	<ul style="list-style-type: none"> • Role of technical assistance in securing the project pipeline and distribution, including EFSI operations • Links of EIAH with NPBs (do they communicate/share priorities) • Links with other technical assistance activities in the EU
2. Coherence of EIAH with the existing TA initiatives	<ul style="list-style-type: none"> • Identify other existing TA initiatives and review their mission statement, service offer and target groups (in terms of targeted entities and projects); • Feedback from managers of such initiatives; • Comparison of the extent of overlap and potential displacement effect that EIAH might have on such other TA initiatives extent of potential / existing synergies and overlaps.

6.4.1 Assessment of internal coherence

In terms of overall design and operation of the Investment Plan, the coherence of approach between EIB/EIF management of EFSI and the operation of the EIAH (and EIPP) is especially important in addressing the weaknesses in project pipelines of the IIV that would otherwise reduce the impact of EFSI.

Our analysis indicates that so far EIAH could strengthen its support for the identification of projects for the EFSI pipeline. In addition to EIAH team's direct work, other EIB services also contribute; actually, the handover of 20 projects for EFSI was facilitated in 2017 and 15 IPs are under preparation with the support of the EIAH. This support will probably further improve under EFSI 2.0, where emphasis is placed on this objective.

The EFSI 2.0 regulation mandates the EIAH to help support the identification of projects for the EFSI pipeline. However, identifying EFSI only projects is difficult for two reasons. Firstly, because EIAH is a service driven by demand, as previously mentioned. EIAH has limited control on the split between sectors, although more or less the same sectors as per the EFSI regulation are covered. Since there are no quotas under EFSI 2.0 either on the coverage of sectors or countries EIAH need not pay particular attention to this aspect during implementation. There is, however, more pressure to contribute to the sectorial and geographical diversification of EFSI; this is because EFSI 2.0 foresees a closer link between EIAH and the EFSI guarantee.

Secondly, any project appraisal for lending is the responsibility of operation and lending teams in the EIB. In order to develop a project an idea has to be put forward, be designed and navigate regulations before reaching the point of being considered as an investable project. The Hub addresses these technical assistance needs as part of the pillar 2 activity (and is dependent on pillar three activity having already removed barriers or constraints).

The project appraisal forms part of the next stage i.e. part of Pillar 1 (EFSI) activity. The assessment of whether a project is suitable for EFSI support or not is therefore one element which is considered *after* normal lending routes have been considered and thus there is a natural Chinese wall between the Hub and EFSI assessment. The concept that the Hub will devote itself to EFSI can be hence challenging.

As regards the internal coherence within the EIB advisory services offers, the Hub is allocating resources (staff) or tasks to a specialised advisory department within the EIB such as ELENA, InnovFin Advisory or Decentralised Financial Instruments Advisory (DFIA). This pooling system of expert resources seems to be an efficient scheme that could be further expanded and streamlined in the future.

6.4.2 Assessment of external coherence

There are a range of existing TA initiatives associated with EU programmes and certain MS activities (often associated with NPBs, with the EU and with the private sector) which have potential to overlap or offer synergies with EIAH's mandate, and it is therefore important to continue to emphasize that the Hub is a gap-funding mechanism intended to complement or cover gaps that other initiatives do not /cannot cover.

Our analysis indicates that there are services provided by other organisations that are similar to a certain extent to the ones of the Hub. Efforts have been initiated by the Hub to cooperate with NPBs and SRSS at the European Commission which is one area where complementarity is required. While positive examples of results of such cooperation have started to emerge (detailed in the next paragraphs), it is too early to judge their effectiveness. In light of this, EIAH should keep an eye on ensuring complementarity with similar organisations including the private sector.

Interviews with the EC [ECFIN] pointed at the fact that the Hub was created mainly for project development support and implementation, which makes it different from other technical assistance mechanisms. However, for instance, many NPBs support investments, so the EIAH and NPBs activities are related. While the services should be complementary, full complementarity cannot be guaranteed by the Hub, since there are

many such services available in Member States. This can be due to the fact that initiatives are moving fast or it can be due to a lack of awareness (the issue can be addressed, for instance, by cooperating much closer with NPBs who should be informed on these initiatives at local level). Regarding the cooperation with NPBs, interviewees indicated that in the cases when the NPBs work in the same area, the Hub makes active efforts to reduce duplication and find ways of cooperating.

Concerning private sector initiatives, the EIAH is aware that there are consultancies across the EU that might be providing similar services. In order to avoid any unintended crowding-out effects of the private sector the EIAH is constantly monitoring these offers to reduce the risk of crowd-out by substituting other standard services. Crowding-out effects might need to be further investigated in future evaluations.

The EIAH is currently collaborating on a regular basis with SRSS.. The cooperation started due to some initial overlap between EIAH and SRSS. For instance, the Romanian government had asked both the EIAH and SRSS for support for the creation of the NPB. Now SRSS is supporting this initiative with a feasibility study and EIAH may take over implementation of the TA at a later stage. Whilst there is now coordination in place, potential overlap with SRSS needs to be monitored.

Other forms of cooperation include the Agreement with EBRD and cooperation with TA services of managing authorities under ESIF.

6.5 EU Added Value

The evaluation judgements in relation to the EU Added Value of the EIAH are set out in Table 30 Table 30.

Table 30. Required evaluation judgements for EIAH – EU Added Value

Evaluation Judgement	Key evidence Required
1. Has EIAH helped to develop MS project development capacity in terms of bringing in new partners and expanding the skills and investment capacities of intermediaries	<ul style="list-style-type: none"> • Review of the existing market needs • Review of the EIAH services provided • Feedback from promoters / intermediaries • Feedback from the management of the EIAH

6.5.1 Assessment of EU Added Value provided by the EIAH

The added value of the EIAH is the contribution it can make to build the capacity of MS to develop TA services and project pipelines (including investment services). In addition, it offers promoters with sufficient technical, financial and legal services and provides access to a greater range of investment sources. This in turn should result in improved services and investment capacity that assist other EU programmes.

Our assessment indicates that the EIAH provided EU added value in particular in Member States where technical and functional capacity gaps persist (see section 6.1.16.1 and 6.1.3) and in supporting knowledge exchange across such Member States. From our discussion of the local needs above, it is clear that EU added value will vary according to the local TA capacity and offer in a given Member State, and the level of cooperation between EIAH and the local NPB.

Potential examples of EU added value provided include a Smart-cities investment platform in Slovakia²¹⁴, and the EU "Smart Finance for Smart Buildings" (SFSB) initiative under the "Clean Energy for All Europeans" package, which aims to leverage a total of

²¹⁴ <http://www.eib.org/infocentre/press/releases/all/2018/2018-014-the-eib-has-provided-eur-8-2bn-in-lending-to-slovakia-since-its-establishment.htm>

EUR 20 billion of public and private finance until 2020²¹⁵. URBIS is another noteworthy initiative: a new urban investment advisory platform part of the European Investment Advisory Hub. Its objective is to offer advisory support to urban authorities in fostering urban investment projects, programmes and platforms

URBIS is set up to provide advisory support to urban authorities to facilitate, accelerate and unlock urban investment projects, programmes and platforms. URBIS has been developed in partnership by the European Commission (DG REGIO) and the EIB in the context of the EU One Stop Shop for Cities and in support of the ambitions defined in the EU

Our discussion on external coherence above also suggests that there are a number of challenges to providing EU added value, which importantly include potential overlap with other EU level initiatives (such as SRSS), and the potential to crowd-out private TA providers.

²¹⁵ https://ec.europa.eu/commission/sites/beta-political/files/smart-finance-smart-buildings-investment-facility_en.pdf

7 Evaluation of the EIPP

The evidence in this section is based on interviews, surveys and desk research. Our assessment of efficiency is limited by the high-level nature of evidence provided. No detailed costing and staffing data has been made available.

Role of EIPP in light of its mandate

The EIPP has been created on the basis of Regulation (EU) 2015/1017 In addition, the Commission Implementing Decisions²¹⁶

The annex of the Decision specifies that the Portal is a platform of investment projects whose role is to promote projects to potential investors around the world. The main goal of the platform is to catalyse and speed up the development and materialization of projects, hence provide support to the real economy. This would consequently support an increase in employment and economic growth. According to Article 15 of the EFSI Regulation, the main purpose of EIPP is to ensure projects have more visibility to investors.

The rationale behind the creation of the Portal was to ensure enhanced transparency around EU investment opportunities. Through the portal, private and public project promoters can present their projects, hence boosting their visibility.

A need to facilitate the contact between investors and project promoters was identified at EU level. More specifically, the Special Task Force on Investment identified the need for a pipeline of EU investment projects inspired by a UK initiative to ensure more transparency related to investment opportunities. The lack of transparency represented a barrier to investment in the EU, in particular following the 2008 financial crisis.

7.1 Relevance

The evaluation judgements in relation to the relevance of the EIPP are set out in Table 31Table 31.

Table 31. Required evaluation judgements for EIPP – Relevance

Evaluation Judgement	Key evidence Required
1. The role of the EIPP in light of its mandate (Article 15 of the EFSI Regulation)	<ul style="list-style-type: none"> • Review of key statistics including unique visitors of the portal; • Feedback from project promoters.

7.1.1 Assessment of EIPP relevance

Relevance is reflected in the use of the Portal and the **benefits** reported by both users, project promoters and potential investors. As a relatively new instrument, a particular issue will be the marketing and communication of the services offered to the investment community.

The analysis indicates that due to the high number of visits, contacts between promoters and investors and events organised in several Member States the Portal is answering in general to the need for more transparency of investment opportunities in the EU. EIPP acts as a platform that increases the visibility of projects to investors in line with its mandate. The Portal responds to the needs of project promoters – aspect detailed in the last part of this sub-section. The geographical spread of the services is good and covers 28 Member States.

²¹⁶ Decision (EU) 2016/1942 of 4 November 2016 [OJ L 299, 5.11.2016, p. 86], as amended by Commission Implementing Decision (EU) 2017/919 of 29 May 2017 [OJ L 139, 30.5.2017, p. 78; - repealing Implementing Decision (EU) 2015/1214.

Concerning visits to the portal, up to the 31 December 2017 included there have been almost 100,000 cumulative visits to the portal. This is cumulative data covering the number of unique visitors in the period between 1st of July 2016 and 31 December 2017. The weekly numbers varied between around 500 and 2000 visits over 2016 and 2017. The Member States with the highest number of visits were Belgium, 11 per cent, followed by Spain, UK, Italy, and Greece at 7 per cent. Data suggests that among the countries that visit the website more often are those that have more published projects²¹⁷.

Contacts between investors and project promoters amounted to more than 1,200 starting with June 2016 until end of December 2017. However, the survey of EIPP project promoters highlights some potential issues with the quality of investors. This suggests that the quality standards investors are vetted against should be improved. However, this situation could also be caused by a different type of situation, namely the fact that some contacts are also made by people not registered on the EIPP portal as investors. They see the name of the organisation, find companies' contact details online and contact the promoters outside the portal and its registration procedures. Out of 47 survey respondents who indicated they had been contacted by investors, 13 indicated that they felt that those who approached them were either disingenuous or had dishonest intentions.

Communication is essential for relevance. Raising awareness is of particular salience in the case of a recently new developed portal. Different efforts were channelled towards communication activities:

- The number of **events attended or organised**. EIPP participated in 92 events and meetings where potential stakeholders (project promoters and investors) were present over the last two years. The presence at events consisted either in a speaking slot or a stand / booth. The majority of events and meetings by far took place in Belgium (29 meetings and 12 events). In Germany, Italy, Estonia, Ireland, Poland and Spain relatively more events than in other countries were organised (six in Germany and four in the rest of the countries). EIPP attended at least one event in the majority of Member States;
- During events, **promotional materials** were distributed to participants raising awareness about the portal. Promotional leaflets were developed in different EU languages. The leaflets provide information on how the portal could be useful for different categories of stakeholders, eligibility criteria of projects and relevant sectors covered. The EIPP project booklet presents detailed examples of projects in different sectors;
- Videos- different videos about EIPP were developed and are visible on the EIPP homepage or on the European Commission's page. Some examples are the EIPP tutorial video, EIPP video with VP Katainen and EIPP matchmaking event testimonials.

Following-up on feedback received from project promoters during the various events/meeting and through the on-line surveys, the Portal is organising more match making events and e-pitching to increase the projects' visibility towards investors and their chances of receiving financing.

Most of the NPBs surveyed stated that they are aware of the opportunities and services provided by the Portal. Their high level of awareness constitutes a good starting point for an increase in awareness at local level among potential project promoters and investors. Very few NPBs stated that they do not consider there is a need for a tool such as the EIPP in facilitating visibility for investment projects and /or project development and deal making. A few other NPBs were not sure there is a need for a tool such as the Portal, suggesting that there is room to create further awareness

²¹⁷ EIPP.(2017). EIPP KPIs & KMLs

of the opportunities brought about by the Portal. NPBs mentioned the following limitations of the Portal in its current form:

- Limited awareness of the existence of the tool; and
- More suitable for smaller projects.

The limited awareness surrounding the Portal was also confirmed by the survey of IIW financial intermediaries. Most IIW financial intermediaries were not aware or had very limited awareness of the Portal. This explains to a certain extent why only very few IIW financial intermediaries had used the Portal.

7.2 Effectiveness

The evaluation judgements in relation to the effectiveness of the EIPP are set out in Table 32.

Table 32. Required evaluation judgements for EIPP – Effectiveness

Evaluation Judgement	Key evidence Required
1. Fulfilment of its mandate by the EIPP	<ul style="list-style-type: none"> • Review of key statistics including unique visitors of the portal including share of uploaded projects that have been implemented; • Feedback from project promoters.

7.2.1 Assessment of EIPP effectiveness

EIPP effectiveness partly depends on how well it accelerates the financing of EU based investable projects. To this end, it is important that the work of the Portal is aligned with the interests and priorities established by EFSI and the EIAH in terms of **particular market gaps by sector/country or types of investor, requiring good communication and co-operation. It should be noted, however, that EIPP is an independent stream and is not an incubator for EFSI.**

Evidence indicates that the number of visits to the portal is high, which shows that the Portal has managed to increase transparency of investment opportunities and render these opportunities known to a high number of stakeholders. However, survey responses indicate one area of concern relates to the quality of investors operating through the portal. It was suggested that this can be improved as discussed in our section on relevance above. The evidence regarding whether the projects published on the Portal received investment after being contacted by investors through the portal is mixed. The survey of project promoters indicated that the proportion of EIPP projects having received investment was below initial expectations²¹⁸.

Follow up interviews with project promoters who did not respond to the survey identified 18 projects (8 per cent of published projects) as having secured or partially secured financing after being published on the EIPP (around 26% of project promoters that were contacted for a follow-up). Most of the projects were in the sectors of Social infrastructure & Other and Energy Union, split across different Member States. Two success stories emerged as a result of the follow-up calls²¹⁹. It is difficult to assess whether the financing was the result of investors finding out about the project from the Portal or other circumstantial factors.

ECFIN is reporting portal results against a set of five key performance indicators:

- KPI1: Number of projects received for publication

²¹⁸ Initially, through the survey only 2 project promoters indicated that they received financing.

²¹⁹ Two projects were identified as success stories (the information considering the amount of financing received was only made available for these two projects). One of the projects raised approximately 5.5 Million Euros, while the other 2.25 Million Euros.

- KPI2: Number of organisations having submitted projects for publication on the EIPP
- KPI3: Average screening time
- KPI4: Screening statistics
- KPI5: Number of events attended/organised

Furthermore, ECFIN is reporting portal activities against five monitoring indicators:

- KMI1: Number of projects published
- KMI2a: Financing secured / KMI2b: Number of jobs created
- KMI3: Number of contacts between investors and project promoters
- KMI4: Number of visitors to the EIPP website (Public Portal) / project fiches
- KMI 5: Screening stage

The goal of both these sets of indicators is to allow for the fair and effective management of the EIPP activities, and to monitor EIPP operation. Some of these indicators have been discussed in the section above on relevance. They are relevant to both sections, but will not be described in this subsection to avoid repetitions.

Further feedback from project promoters surveyed is summarised in the Box 15.

Box 15. Feedback from EIPP project promoters on how EIPP could be improved

- Attract more investors
- Attract investors from underrepresented sectors, such as electricity and gas transport
- Be more investor friendly and add for instance the investment requirement specific to every project
- Review quality and seriousness of investors operating on the portal, and filter out registered users with dishonest intentions.
- Channel communication between investors and project promoters through the portal
- Give project promoters the option to contact investors
- EIPP should organise some form of pro-active matching events
- Offer advisory on how to structure projects and find investors (potentially delivered through EIAH)
- Provide easier way of updating contact or project information

Regarding the number of projects, 409 have been submitted of which 238 projects have been published by the end of December 2017. The projects cover different sectors. Out of the 238 projects, 46 are in the field of Digital Economy, 51 in Energy, 60 in Transport, 47 in Social Infrastructure, Tourism, 26 in Resource & Environment and 8 in Financing for SMEs and Mid-caps (some projects fit in more than one sector). The highest number of projects was hence in Energy, Transport and Social Infrastructure. Most projects including SMEs were classified by project promoters in a different category than the SMEs one. These sectors correspond to those under the EFSI mandate, which should support projects with strategic investments completing the internal market in transport, energy interconnections and digital infrastructure, underpinning the development of the energy sector in line with the Energy Union or fostering investments in the social sector^{220, 221}.

²²⁰ EIPP.(2017). EIPP KPIs & KMIs

²²¹ EIPP.(2017).State of play & projects

In regard to the geographical spread of the projects, published projects cover all Member States. However, some countries have published considerably more projects than other. Greece is the country with the highest number of published projects, namely 58, followed by Italy with 23, Spain with 16 and Bulgaria with 14. Countries which have been affected more considerably by the financial crisis seem to be among the most active ones.

The profile of organisations having submitted the project is balanced in the favour of private organisations, with 322 projects received from private organisations (80 per cent) and 87 from public project promoters. The company size also varied, most of the organisation that indicated their status being SMEs (257, more than 80 per cent), Mid-Cap (36) and a few large companies (16).

The screening time has been following a decreasing trend, except for the last semester of 2015. It was measured in such a way that it covers the pre-screening and screening for both published and rejected projects. Between the first semester of 2016 and the second semester of 2017 the screening average time has dwindled from 40 days to 35 days (a decrease of 12 per cent). The decrease in the pre-screening time has been even more considerable, from 36 to 23 days (a decrease of 36%) in the same period.

Published projects exceed considerably the number of rejected projects. For instance, at the end of December 2017, out of the total number of projects 58 per cent were published projects, 23 per cent rejected, 15 per cent ongoing and 3 per cent withdrawn projects²²².

7.3 Efficiency

The assessment of efficiency has been limited by the lack of data on EIPP cost breakdown or budget spent. Whilst some views on EIPP efficiency were shared by interviewees and some spending data was available at aggregate level, a detailed evaluation of EIPP efficiency has not been possible.

The evaluation judgements in relation to the efficiency of the EIPP are set out in Table 33.

Table 33. Required evaluation judgements for EIPP – Efficiency

Evaluation Judgement	Key evidence Required
<p>1. Appropriate scale and use of financial resources in light of EIPP's mandate</p> <ul style="list-style-type: none"> • Use of financial planning and monitoring based on mapping of key processes • Effect of higher/lower resources 	<ul style="list-style-type: none"> • Review of key statistics including resources allocated to main tasks versus value added • Review of key communication activities • Feedback from project promoters
<p>2. Efficiency of communication methods to promote the EIPP</p> <ul style="list-style-type: none"> • Is their good use of targeting / market research and user feedback 	

7.3.1 Assessment of EIPP efficiency

Taking into account only feedback from interviews conducted, efficiency of EIPP has been improving since its launch in 2016.

²²² EIPP (2017). EIPP KPIs & KMLs

The initial overall budget allocated to EIPP is EUR 2.2 million over 5 years, this breaks down into costs for portal development, maintenance and adaptation of the website, communication activities, as well as labour costs on project screening.

A fee-based system was introduced to avoid frivolous project submissions, these have now been removed. Interviewees believed that the removal of this fee has led to a reduction of the administrative burden involved in publishing projects on EIPP, and is encouraging more potential project promoters to use the Portal.

EIPP budget breakdown was provided for IT development and Communication + Project screening separately. The table below presents costs per project uploaded, and project published, using a) the statistics received by ECFIN as of December 2017, and b) for the entire 5 year duration of the budget, assuming similar average annual numbers of project uploads and publication.

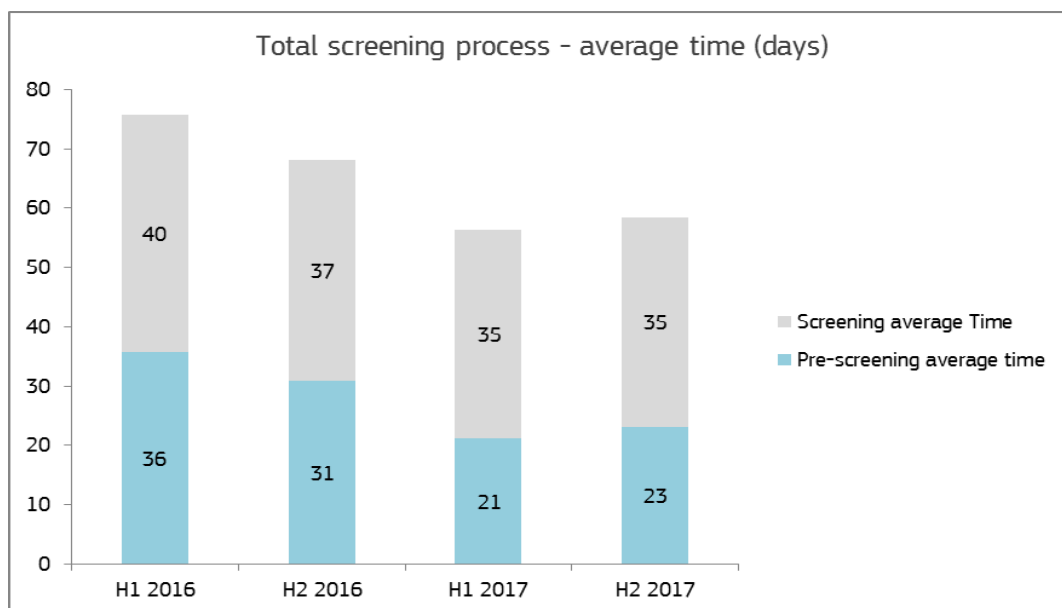
Table 34. EIPP cost breakdown per work stream

	IT development	Communication & screening
Total costs (ECFIN staff and external costs)	EUR 1,269,448	EUR 1,006,249
per project received (409 projects uploaded)	EUR 3,104	EUR 2,460
per project published (238 as of December 2017)	EUR 5,334	EUR 4,228
per project received assuming 204 projects per year * 5 = 1,020)	EUR 1,245	EUR 987
per project published assuming 119 projects per year * 5 = 595)	EUR 2,134	EUR 1,691

This clearly shows that resource efficiency will depend on the overall number of projects uploaded and published at the end of the five year budget, and a larger number of published projects will improve efficiency on a unit cost basis. Efficiency on a unit cost basis can further be improved by increasing the number of projects uploaded that will eventually be published.

Process efficiency has increased over time, likely a function of a learning effect amongst staff undertaking project screening (see Figure 32 below).

Figure 32. Total screening time of projects uploaded to EIPP, 2016 - 2017



Source: EIPP (2017). EIPP KPIs & KMIs

7.4 Coherence

The evaluation judgements in relation to the coherence of the EIPP are set out in Table 35.

Table 35. Required evaluation judgements for EIPP – Coherence

Evaluation Judgement	Key evidence Required
1. Coherence of the EIPP with EFSI and EIAH as well as other existing similar TA initiatives at EU and national levels	<ul style="list-style-type: none"> • Feedback from the management and beneficiaries; • Review of the key EIPP documentation; • Desk research on other comparable initiatives.

7.4.1 Assessment of internal and external coherence of the EIPP

Internal coherence depends on the opportunity to develop synergies and to complement the work of EFSI and the EIAH. This has been considered to some extent under effectiveness. Our assessment here considers the scope to establish lessons for future operation.

Currently, internal coherence between EIPP and EIAH is lacking, however this is possibly due to²²³ EIPP projects being too early in their development. Hence a first step to improve internal coherence would be to support the creation of a larger number of investor/project promoter matches on the EIPP portal. There was some feedback from EIPP project promoters responding to the survey suggesting that the EIAH offer should be more clearly advertised to project promoters whose project has successfully gone through the EIPP screening process. This could be done e.g. by sending such project promoters an introductory email once their project has been successfully vetted, or by improving information on EIAH available on the EIPP website. The improvement of the information about EIAH on the EIPP would constitute

²²³ The results of the survey (response rate around 31 %) indicate that around 2% of the projects from the Portal received financing after having been published on the Portal. At the same time, 18 projects confirmed having received partial/full financing after their publication on the EIPP, although this was not necessarily due to the EIPP.

a more appealing presentation of EIAH to project promoters, encouraging those who might need the Hub's support to get in touch with the Hub.

Last, another way of improving internal coherence might be for the EIPP staff to query EIAH colleagues on suitable projects that currently are looking for investors and are currently being advised by EIAH, and uploading these to EIPP. This would require the agreement and cooperation of EIAH colleagues.

External coherence refers to the work of the Portal in identifying similar EU and MS initiatives and developing agreements to mutual cooperation. While there are initiatives which slightly overlap with the Portal, these have been identified and cooperation agreements were signed to ensure synergies are explored. It is important to continue with this approach to explore these synergies as much as possible.

As regards external coherence, there are some similar initiatives to the Hub at EU level:

- Global Infrastructure Hub;
- SIF-Source (for public infrastructure projects);
- EuroQuity (managed by bpifrance mainly for SMEs);
- a number of other national or regional project portals / initiatives.

The Global Infrastructure Hub is an international initiative powered by the G20. Its goal is to boost the quality and flow of government infrastructure projects. A variety of market resources are shared on the website, one of them being a project pipeline including investment ready projects. It is different from EIPP, since only governments can upload their projects to the platform (not open to the private sector)²²⁴.

SIF is a non-profit foundation situated in Geneva. It manages the development of SOURCE, a global initiative bringing together Multilateral Development Banks and Private-public Partners. SOURCE provides support for the preparation of projects (improvement of infrastructure project bankability, boosting technical capacities and management risk skills etc)²²⁵.

Euroquity is a service created by Bpifrance. Its goal is to bring together companies and development partners. It is present in Europe and Africa²²⁶.

At the moment it appears that the above-mentioned initiatives are complementary to the Portal, hence that there is room for cooperation with these initiatives to explore any existing synergies (except a couple of them with whom agreements were already signed).

A Cooperation Agreement was already signed with the Global Infrastructure Hub. The cooperation mechanisms includes: EIPP adding Global Infrastructure Hub in the list of partners on its website, identifying those projects that could win from being part of the GIPP, while the GIPP will direct EU-based projects to EIPP and disseminate information about EIPP to its clients and partners²²⁷.

Another Cooperation Agreement was signed with SIF. Both parties will mention the other as partners on their websites, forward to each other projects they consider could benefit from access to the other party, and cooperate / speak on the occasion of events, among other²²⁸.

A Cooperation Agreement was signed with EuroQuity/Bpifrance, which entails the exchange projects for publication on the respective platforms. The collaboration will

²²⁴ <https://www.gihub.org/>, Accessed 20/03/2018

²²⁵ <https://public.sif-source.org/>, Accessed 20/03/2018

²²⁶ <https://www.euroquity.com/en/home>, Accessed 20/03/2018

²²⁷ EIPP, GIPP. (2017). EIPP- Global Infrastructure Hub COOPERATION ARRANGEMENTS

²²⁸ EIPP, SIF. (2017). EIPP- SIF COOPERATION ARRANGEMENTS

also entail a closer technical cooperation between the two platforms, as well as joint promotional initiatives and events organisation and/or participation.

The research team approached some of the Portal’s partners (Bpifrance, Startups Belgium and the Global Infrastructure Fund) to gather feedback on their cooperation with the Portal. The only responsive organisation was Bpifrance. The organisation was very positive concerning the partnership with the Portal, albeit in its early stages, since it helps EU companies gain visibility and attract more investors. The collaboration with the Portal includes support from Bpifrance for the Portal’s digital (e-pitching) and face to face matchmaking events

7.5 EU Added Value

The evaluation judgements in relation to the EU added value of the EIPP are set out in Table 36.

Table 36. Required evaluation judgements for EIPP – Added value

Evaluation Judgement	Key evidence Required
1. The extent to which the EIPP enhanced the visibility of projects and helped to identify investees not otherwise aware of the project	<ul style="list-style-type: none"> • Feedback from the management and beneficiaries; • Review of the key statistics i.e. number of unique visitors; • Desk research on other comparable initiatives.

7.5.1 Assessment of EU added value of EIPP

The potential added value of the Portal is to bring together promoters and investors that would not otherwise have been aware of their mutual interest and capacities.

Our assessment indicates that the EIPP is in a early stage to be able to truly assess its EU added value. Currently sustainable matches between investors and investees do not happen often enough, which seems to be a result of two factors: (i) the portal only having been launched in June 2016 and hence not enough time might have passed for some projects to identify investors and vice versa, and (ii) the quality of investors operating on the portal (ensuring as much as possible that the potential for spamming or even scams attempts is restrained).

To improve the added value, the EIPP should undertake further efforts to screen investors operating on the portal, and engage in outreach activities towards potential investors (this could be done in a joint effort with EIAH or other TA services), with the cooperation of EIAH.

The portal will also have to keep the inflow of new projects at a reasonable level, to be able to attract larger numbers of credible potential investors. Diversity in terms of sector and scale of projects was mentioned by some of the interviewees as lacking, hence this aspect could also be improved.

8 Conclusions and recommendations

The following section presents a summary of the key conclusions (Section 8.1) and recommendations (Section 8.2) from this evaluation, acknowledging at the same time that some improvements have already been incorporated in the revised EFSI Regulation (EFSI 2.0).

8.1 Conclusions

8.1.1 EFSI

Relevance

- EFSI is designed to address the investment need created by the loss of investment volumes following the incomplete recovery from the 2008 crisis and the failure to match historic investment trends. The volumes of investment mobilised under EFSI are, based on ICF own analysis of investment need, of sufficient scale to make a significant contribution (in the order of 20 per cent) to these investment needs;
- As a market driven instrument, dependent on responses from project promoters and financial intermediaries, there is a risk that its relevance to some Member States is reduced initially at least by the lack of national capacities to respond. The analysis of signatures by Member State reveals some concentration in those MS with well-developed institutional capacities, though this is also a function of the size of economies of those Member States;
- The relevance of EFSI is also indicated by the introduction of new higher risk products reflecting the objective of taking on higher risk investments. Review of the range of products used under EFSI reveals a substantial evolution of products under both windows, especially since 2016;
- The relevance of the Scoreboard used under the IIW to appraise and describe projects was considered with members of the IC who considered it a useful framework. Although not used to prioritise projects, it allows a consistent approach to project presentation and to summarise appraisal conclusions.

Effectiveness

- The expectation was that EFSI, through various multiplier effects, could mobilise in the order of EUR 315 billion of investment in the three years between mid-2015 and mid-2018. Based on reported investment mobilised to the cut-off date of this evaluation (31st December 2017) EUR 207 billion has been mobilised by achieved signatures corresponding to 66 per cent of the target (and EUR 256 billion as per approved operations corresponding to 81 per cent of the target²²⁹). Extrapolating this trend a further 6 months with the completion of EFSI 1.0 in mid-2018, then mobilised investment from signatures could be some EUR 250 billion (80 per cent of target). Only the SMEW would then have met its target (already 95 per cent as at 31st December 2017). The interpretation of the target should be done with considerable caution though, also given the counter-cyclical role of the Bank and the current stage of the economic cycle in many of the EU Member States.
- The actual multiplier effect of EFSI is broadly in line with what had been assessed at the outset – aggregate global multiplier achieved as of 31st December 2017 was 13.5 against a target of 15 (while it was above target for the SMEW, i.e. 18.6);

²²⁹ Unpublished data provided by the EIB suggests that by mid-May EUR 57.5 billion of approved financing was expected to mobilise 287.4 billion of total investment.

- The intention of EFSI is to maximise, where possible, the mobilisation of private sector investment. Some 64 per cent of investment mobilised is from the private sector. There is no independent reporting of how far private investors would have committed investment funds in any case (albeit perhaps to less riskier operations, or even in non-EU territories) as this indicator is not foreseen under the EFSI Regulation. However, it is possible to know how far EFSI has mobilised the total volume of private sector investment;
- The effectiveness of EFSI can also be considered in terms of the ability to generate new collaborations with financial intermediaries as the basis of promoting project pipelines. New delivery models (e.g. investment platforms, risk sharing models) and new collaborations have been established. These have contributed to the sectoral and geographical diversification of the EFSI portfolio as well enabled the financing of smaller projects, indicative of a more pro-active approach to generating the project pipeline in future years;
- The economic impact of EFSI has been assessed using the Rhomolo-EIB economic model developed by EIB and the JRC. Based on the modelling, the EIB reported that EFSI operations approved since the EFSI inception up to 31st December 2016, which mobilised EUR 161 billion of investment will have added 0.67 per cent to EU GDP and generated 690,000 new jobs by 2020, compared to the baseline scenario. The model hinges on number of crucial assumptions of which transparency is expected to improve compared to the current level;
- The increase in economic growth experienced in 2017, and which is assumed to continue (at least over the next year), has lowered investment needs to which EFSI as a market driven, counter cyclical instrument would be expected to respond. Investment needs (based on a comparison with historic trends) fell in 2017 compared to 2016 by 22 per cent, suggestive of a sensitivity of the initiative to macro-economic conditions.

Efficiency

- Governance structures for EFSI are well defined. Evidence from interviews with EIB and independent IC representatives suggests that the current EFSI governance structure works well. No major issues have been identified. This is consistent with the findings of the past EIB and EY evaluations. Although the 2016 ECA report called for more transparency and some streamlining, it did not suggest that major weaknesses exist. The planned publication of the Scoreboard improves transparency. Some early recommendations for better communication between the EIB services and the IC have been implemented. Better feedback on the details of projects after final close was an identified area for some improvement;
- The efficiency of procedures and the time taken appear consistent with the tasks required to be undertaken;
- The burden on project promoters was generally modest, especially during the initial contact/discussions on a proposal. The appraisal procedure was considered to be difficult by a quarter of promoters interviewed, but this is not considered to represent a need for any significant change in procedures.

Coherence

- Centralised programmes – A high level of coherence of EFSI with other centralised programmes has been achieved and adjusted over time. Some initial disruption by EFSI under IIW to other EU level financial instruments by offering similar financial products has been resolved through prompt action to address the competition issues by re-focusing existing instruments towards new market segments (e.g. projects outside the EU or new thematic products in the

case of InnovFin's EIB debt products) and/or developing a deal allocation policy formalising the preferential use of EFSI (e.g. CEF DI, COSME EGF);

- Decentralised programmes (European Structural Investment Funds (ESIF) – Coherence was a potential issue for the financial instruments (FIs) used under ESIF, which account for 7 per cent of total ESIF resources. There is a risk of competition between these FIs and COSME LGF (and thus indirectly EFSI). Ease of access to COSME LGF and different requirements, for instance in the case of state aid, could mean that COSME LGF tends to be preferred to the ESIF FIs by financial intermediaries. This is a recognised matter which still needs to be addressed. Guidelines have been introduced to help Managing Authorities to combine EFSI with ESIF funding.

EU Added Value

- **Additionality – sub-optimal investment** – the high effectiveness of EFSI in mobilising public and private investment has addressed investment needs, in the sectors defined under the EFSI Regulation and by expanding the support provided to SMEs. Some incipient sensitivity of EFSI to the scale of investment needs suggests that EFSI has played a macroeconomic role as a counter-cyclical initiative;
- **Additionality – market failure** – EFSI by expanding the resources to invest in higher risk investment activity tackles the failure of the market to provide this finance. Compared to EIB finance for higher risk activity (Special Activities) prior to EFSI, there has been a five-fold increase in investment and clear evidence that EFSI operations are characterised by a higher level of risk as compared to standard (non-EFSI) EIB operations. There is always a risk that market intervention can crowd out market investors and although there is limited evidence under the IIW that some crowding out has occurred, further research would be beneficial to carry out an assessment of such evidence;
- **Subsidiarity** – EFSI is promoting the participation of national promotional banks and other national institutions in EFSI and to help coordinate Member State use of EFSI. This has taken time (aided by the activities of the EIAH, see below) to develop but NPBs/NPIs have co-financed almost a quarter of operations (by the end of 2017), with particular contributions in equity financed operations (IIW) and under the SMEW, where participation increases to almost 50 per cent (as per EFSI signed amount);
- **Non-financial added value** – there is evidence of other added value from EFSI in terms of attracting new investors, providing demonstrations and market testing of new products and financing models, and support and adoption of higher operational standards by financial service providers;
- **Opportunity costs of provisioning EFSI** – the financing of EFSI required some reallocation of the EU budget from existing programmes i.e. CEF and H2020 which increased the resources for a market driven instrument while leading to reduced resources in those policy driven programmes. However, because of EFSI activity being partially focused on these programme areas the adverse policy effect has been somewhat reduced. The impact of such transfer of resources on the added value of EFSI support requires further research and analysis.

8.1.2 EU Guarantee

Relevance

- The EU Guarantee is highly relevant permitting the additional financing to be used, the fact reflected, inter alia, in the global multiplier of 13.5 (for both windows) achieved by the end of 2017.

Effectiveness

- The approach to modelling the EFSI target rate appears to be broadly adequate and in line with industry standards. Some further developments of the model may be considered in course of the time;
- The assessment of the estimation of the current target rate showed that the target rate is highly sensitive to the assumption related to the correlation of defaults between individual debt operations.

Efficiency

- The evidence analysed as part of this study clearly indicated that the size of the EU Guarantee under EFSI 1.0 was appropriate.

8.1.3 EIAH

Relevance/effectiveness

- Overall, our assessment is that the Hub addresses a number of needs, and can therefore be considered broadly relevant to its target groups and legal mandate.
- Our analysis indicates that EIAH services ensure the accomplishment of the EIAH mandate, since the EIAH provides technical assistance for project promoters in those cases when such a support is not available through an existing TA offer at EU level. Thus, it contributes to facilitating the origination of investment projects in the EU (the main task of EIAH);
- However, more could be done to improve awareness and subsequent take-up of Hub services, as indicated by the interviewees from the Hub. Awareness issues were also raised in the survey of IIW Project Promoters.

Efficiency

- Although currently the resources committed are adequate this could change in the near future if interest in and workload of the EIAH picks up. An indication of this is the sharp rise in spend on support consultancy in the 2017 grant agreement which covers the period January 2017 – December 2019.

Coherence

- The EFSI 2.0 regulation mandates the EIAH to help support the identification of projects for the EFSI pipeline. However, identifying EFSI only projects is challenging for two reasons. Firstly, because EIAH is a service driven by demand and EIAH has limited control on the split between sectors. Secondly, because the project appraisal process for EFSI is led by the operational lending services within the EIB which poses a natural barrier which would, among other, require further dialogue and close coordination. Finally, in order to develop a project an idea has to be put forward, be designed and navigate regulations before reaching the point of being considered as an investable project.
- As regards the internal coherence within the EIB advisory services offers, the Hub is allocating resources (staff) or tasks to a specialised advisory department within the EIB such as ELENA, InnovFin Advisory or Decentralised Financial Instruments Advisory (DFIA). This pooling system of expert resources seems to be an efficient scheme that could be further expanded and streamlined in the future;
- Regarding external coherence, our analysis indicates that there are services provided by other organisations that are similar to a certain extent to the ones of the Hub. Efforts have been initiated by the Hub to cooperate with NPBs and the European Commission's Structural Reform Support Service (SRSS) which is one area where complementarity is required. While positive examples of results of such cooperation have started to emerge, it is too early to judge their effectiveness.

EU added value

- The added value of the EIAH is the contribution it can make to build the capacity of MS to develop TA services and project pipelines (including investment services). In addition, it offers promoters with sufficient technical, financial and legal services and provides access to a greater range of advisory sources;
- Our assessment indicates that the EIAH provided EU added value in particular in Member States where technical and functional capacity gaps persist (see section 6.5) and in supporting knowledge exchange across such Member States. From our discussion of the local needs above, it is clear that EU added value will vary according to the local TA capacity and offer in a given Member State, and the level of cooperation between EIAH and the local NPB.

8.1.4 EIPP

Relevance

- Relevance is reflected in the use of the Portal and the benefits reported by both users, project promoters and potential investors. The analysis indicates a high number of visits, contacts between promoters and investors supported by events organised in several Member States. NPBs/NPIs generally considered there to be a potential role for the Portal.

Effectiveness

- The high number of visits (100,000 unique visitors during 2016 and 2017) indicates that the Portal has managed to increase transparency of investment opportunities and render these opportunities known to a high number of stakeholders. Awareness of NPBs/NPIs was high, but lower levels of awareness were reported by financial intermediaries. Survey responses suggest that the quality of investors using the Portal could be improved.

Efficiency

- Efficiency depends on the overall number of projects uploaded and published at the end of the five year budget. Numbers of projects and hence unit costs are considered to be appropriate. Efficiency has improved over time due in part to a learning effect amongst staff reducing the time taken to screen and publish projects.

Coherence

- The value of the Portal to EFSI and EIAH has been limited by the lack of maturity of projects published on the Portal and the need to support the creation of a larger number of investor/project promoter matches on the EIPP. Externally, while there are other international and national initiatives which slightly overlap with the Portal, these have been largely identified and cooperation agreements signed to ensure avoidance of duplication and that synergies are explored.

Added value

- The added value of the Portal is to bring together promoters and investors that would not otherwise have been aware of their mutual interest and capacities. Currently sustainable matches between investors and investees do not happen often enough because of the limited amount of time since launch (June 2016) and possibly the limited number of investors operating on the portal.

8.2 Recommendations

8.2.1 EFSI

The follow-up of EFSI 1.0 with its extension to 2020 (EFSI 2.0) has meant that a number of issues associated with the design and implementation of EFSI 1.0 have already been addressed. Recommendations are therefore drafted taking into account the revised Regulation.

- **Clarify the concept of sub-optimal investment:** Given the continuing use of this concept in the Regulation, and the need to evaluate performance of EFSI in these terms, a clarification of the concept is required;
- **Clarify the definition of additionality based on a response to market failure:** The definition of additionality has been tightened under EFSI 2.0. The Regulation recognises EFSI as a market intervention: The impact of the initiative on the market for finance and in particular the effect on market failure and possible crowding-out need to be assessed ex post against counterfactual scenarios. A limited evaluation method based on self-reporting has been used, but a more rigorous method, based on experimental or quasi-experimental approaches is desirable. The feasibility of such an approach needs to be tested well before its application to ensure necessary selection and monitoring arrangements can be made. In this respect, the current efforts of the EIB Group to test such approaches for EFSI-type products (e.g. MAP and CIP SME Guarantee Facilities) are recognised, particularly with regards to the set-up of the necessary data infrastructure;
- **Enhance the approach and transparency of estimating the economic impact of EFSI:** The current operation of the Rhomolo-EIB model is recognised to be work in progress. Improvements in the transparency of the modelling assumptions (especially regarding the baseline scenario), along with potential development of counterfactual scenarios, would help to provide more robust evidence base for subsequent impact assessments;
- **Targeting of financial instruments:** Ex-ante assessments and ongoing analysis of market failures and needs at a sectoral level should be strengthened to avoid any overlaps between products and to minimise any potential crowding out effects;
- **Design of KPIs:** KPIs should be designed to ensure that the pursuit of volume is not more important than meeting additionality.

8.2.2 EU Guarantee

- **To include the effect of default contagion:** although the current model for IIW debt operations takes into account correlation between defaults of debt operations these defaults are conditionally independent (conditioned on a realization of the stochastic systemic risk variable) and therefore does not take into account the effect of default contagion. This refers to the possibility that there can be interaction between defaults in the sense that the default of one operation influences the conditional default probability of other operations, as it has been observed during economic crises;
- **Improvement of the Monte Carlo simulation:** the current numerical implementation of the credit model for the IIW debt portfolio is based on a Monte Carlo simulation of the distribution of future losses in the debt portfolio. While Monte Carlo simulation is a standard method to approximate loss distributions, its accuracy can be improved upon by employing so called variance reduction techniques.

8.2.3 EIAH

- **Further improvement of awareness about the EIAH:** improve awareness of the Hub among potential beneficiaries by organising more events, enhancing the cooperation with NPBs/NPIs and stressing their potential role in promoting the Hub;
- **Further intensifying the collaboration with NPBs/NPIs:** enhance capacity building activities / cooperation with NPBs/NPIs to ensure local capacity is boosted, especially in high priority countries (countries where market gaps for advisory services and SMEs specific advisory are higher than the EU average);
- **Use of accumulated knowledge:** use the Market gap analysis study conducted in 2016 which provided a detailed overview of the TA initiatives available in the Member States and the on-going work with NPBs to work on the reduction of overlaps with TA initiatives at national level;
- **Adopt proactive approaches to increasing the number of supported projects to make them financing-ready:** This would include the EFSI 2.0 requirement to increase attention on support of EFSI-suitable projects, which have already been identified as EFSI-suitable, and possibly introduce regular reviews of new projects published on the EIPP.

8.2.4 EIPP

- **Increase of the quality of potential investors:** The European Commission should improve the checks run against the investors who are granted access to the Portal. More stringent criteria should be applied to avoid potential scams. Another option to prevent potential scams done outside the Portal is to present the public information on the Portal (before registration) in such a way that the name of the company / project are not identifiable before registering as an investor;
- **Increasing cooperation between EIAH and EIPP:** boost the number of investor/project promoter matches on the EIPP portal by leveraging higher cooperation between EIAH and EIPP. The EIAH offer could be more clearly recommended to project promoters. This could be achieved by sending an email or message through the Portal to project promoters or by making sure that somewhere in the process of publishing their project they are signposted to EIAH;
- **Enhanced communication:** EIPP staff could query EIAH on suitable projects that currently are looking for investors and are currently being advised by EIAH, and uploading these to EIPP. This would require the agreement and cooperation of EIAH.

