



Investment Plan for Europe

Delivering on the European Fund for Strategic Investments (EFSI)

RESULTS AND BEST PRACTICE EXAMPLES FROM EFSI IMPLEMENTATION

SOFIA – 18 December 2018

EFSI – Deliveries

1 Survey	EIB Group Survey on Investment activities in Bulgaria
2 State of Play	EFSI in Bulgaria – State of play
3 Eligibility	EFSI – Project Selection
4 Opportunities	EFSI in Bulgaria - Opportunities
5 EFSI	EFSI in the EU

Investment Activities

- **Investment profile** - Public investment supported by EU funds high, while private investment is remain stagnant. Low share of firms investing 64% - below EU average (87%);
- **Investment outlook** - Large firms and those in manufacturing likely to invest more, albeit marginally from current levels;
- **Investment activity** - Focus on replacement of machinery and equipment (35%) and capacity expansion (29%). From total investment, 11% is for energy efficiency improvements (9% for EU);
- **Investment priorities** – Capacity expansion and machinery and equipment replacement. Low share of firms, prioritizing the development of new product, processes and services;
- **Investment Gap** - Share of state of the art machinery and equipment below the EU average (24% vs 45%). Lower shares of investments in intangible assets (14% below the EU average) – R&D, employee training, software. 1/5 firms innovate;
- **Firm performance** – Productivity remains significantly lower. compared to the EU average

❑ <http://www.eib.org/en/infocentre/publications/all/econ-eibis-2018-bulgaria.htm>

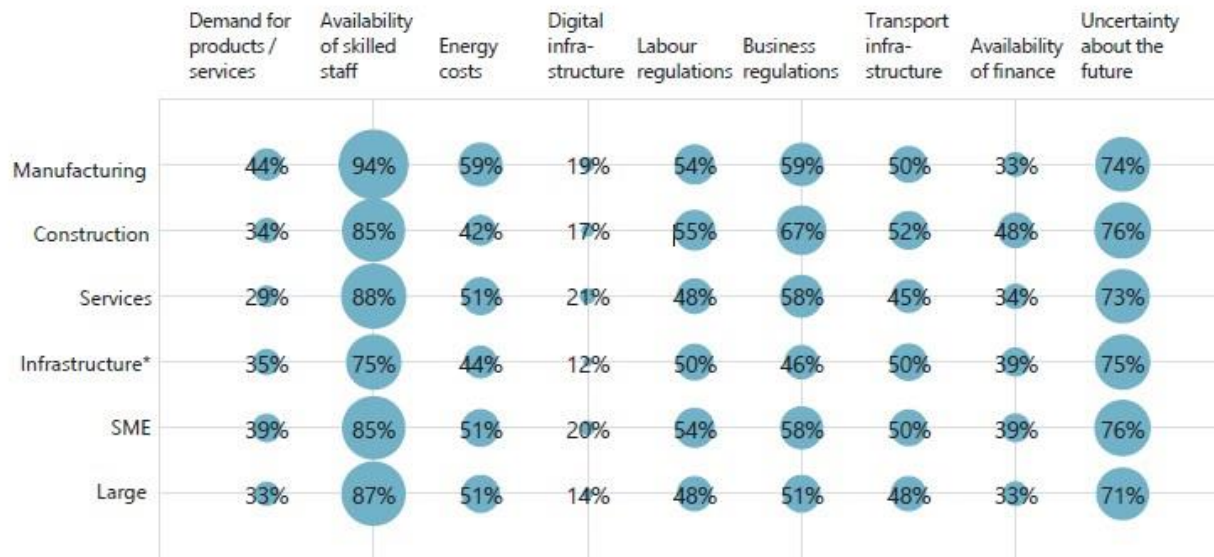
Investment Finance

- ✓ Firms rely on internal funding to finance their investment – 75%
- ✓ Bank loans are the most common source of external finance (35%), followed by overdraft (37%) and leasing (10%).
- ✓ Improved access to finance for Bulgarian firms – amount, cost, maturity, collateral.
- ✓ Dissatisfaction with collateral requirements are least satisfactory elements of external finance for firms in construction sector.
- ✓ Use of equity finance and bonds is negligible.

Investment Barriers

- **Uncertainty about the future** – concern for the EU as a whole.
- **Availability of skilled staff** – biggest mismatch for employees with lower to intermediate skills in the construction and services sector.

LONG TERM BARRIERS BY SECTOR AND SIZE



Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

Q. Thinking about your investment activities in Bulgaria, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

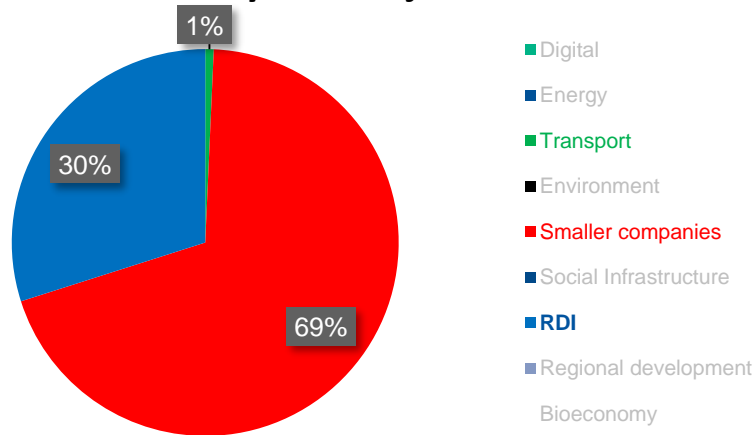
*Low base size for Infrastructure firms (n = 27)

EIB Group Survey on Investment and Investment

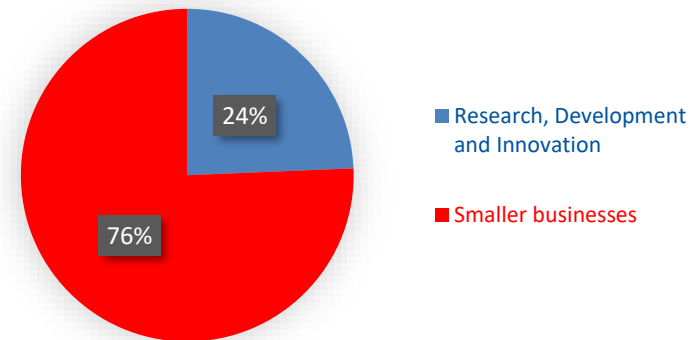
EFSI in Bulgaria – State of the Play

- **16 transactions** approved - 12 via banks and 4 direct lending.
- EIB Group EFSI financing approved operations **EUR 419 m.**
- Total expected mobilized investment ca. **EUR 1.83 billion.**

EIB GROUP - EFSI INVESTMENT MOBILISED
by EFSI Objective



EFSI SMEW Bulgaria by Sectors (Mobilised)



EFSI has an impact – lower interest rates, longer tenors, and reduced collateral requirements, game changer for the thin lending market!

EFSI selected operations

Targeting strategic investment by public and private entities

**How are projects selected?**

To benefit from EFSI support need to go through the standard EIB due diligence and approval process, as well as the validation by the EFSI Investment Committee to decide whether they are eligible for backing under the EU guarantee.

In particular, the EFSI projects need to be:

- Commercially sound, economically and technically viable
- Financially viable and mature enough to be bankable
- Contributing to EU objectives - and to sustainable growth and employment
- Underpin EFSI objectives: Eligible under EU priority objectives (sectors, impact, etc.)
- Match the eligible sectors
- Covering EU28 countries or cross-border operations.

Direct investments via EIB office in Sofia or in Luxembourg.

- Large-scale projects (loans of EUR 7.5m or more).
- Loans to medium-sized companies (Mid-Caps).
- Quasi-equity products.



50% →

EIB project investment cost

Max. EIB loan

Intermediated Loans

- **Small and medium-scale projects** via partners / intermediary banks or national promotional banks.
- The lending criteria is established commonly between the EIB and the financial intermediary.

The project consists of the construction of a new port facility in the vicinity of the Port of Varna for the storage, handling and export of grain, vegetable oils and sunflower meals in the area of **Beloslav (Bulgaria)**.



AGRIA GRAIN PORT TERMINAL

FOOD PRODUCTION MODERNISATION



The operation concerns investments in expansion, upgrading and modernisation of Maspex group's food and drinks production and storage facilities. The investments will be implemented in or in the vicinity of existing factories located in Lowicz, Lublin, Tychy, and Olsztynek (Poland), Valenii de Munte, Giurgiu and Vatra Dornei (Romania), and **Velingrad (Bulgaria)**.

EIB Group figures As of 11/12/2018

EFSI investment by sector*



Smaller companies
33%



RDI
22%



Energy
19%



Digital
11%



Transport
7%



Social
Infrastructure
4%



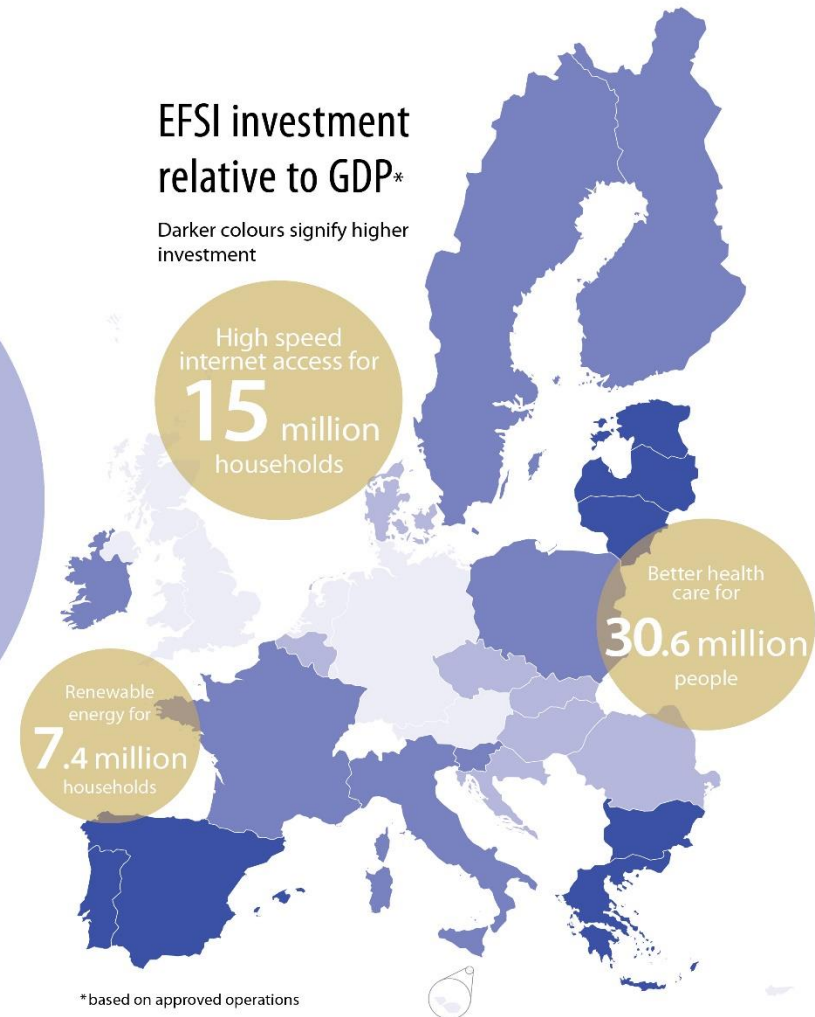
Environment and
resource efficiency
4%



Target by 2020 **EUR 500bn**

EFSI investment relative to GDP*

Darker colours signify higher investment



*based on approved operations

Investment gaps remain significant

Annual investment gaps through 2030

EU 27, EUR bn per year	Investment Gap	Range
Innovation	160	150 - 170
R&D	110	
Broadband and digitalisation	50	
Energy*	155	145 - 165
Generation and grids	17	
Energy efficiency	138	
Sustainable Infrastructure	88	85 - 90
Water supply, sanitation, solid waste	7	
Social and affordable housing	6	
Education	8	
Health	17	
Mobility	50	
Total, EUR bn per year	403	380 - 425
Total, % of the EU GDP (2018e)	3%	

* Before increase of the EU 2030 targets agreed in June 2018

Thank you!

