



# Investments, Challenges and Opportunities for EU Support

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PLOVDIV – 23 April 2019

# EFSI – Deliveries



## 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

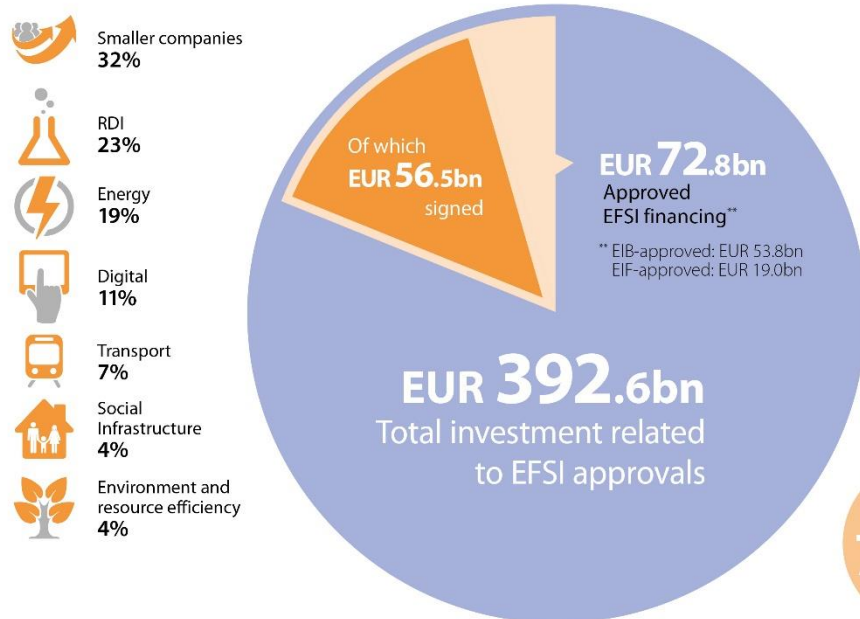
- ✓ Firms rely on internal funding to finance their investment – 75%.
- ✓ Bank loans are the most common source of external finance (35%), followed by overdraft (37%) and leasing (10%).
- ✓ Improved access to finance for Bulgarian firms – amount, cost, maturity, collateral.
- ✓ Dissatisfaction with collateral 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.

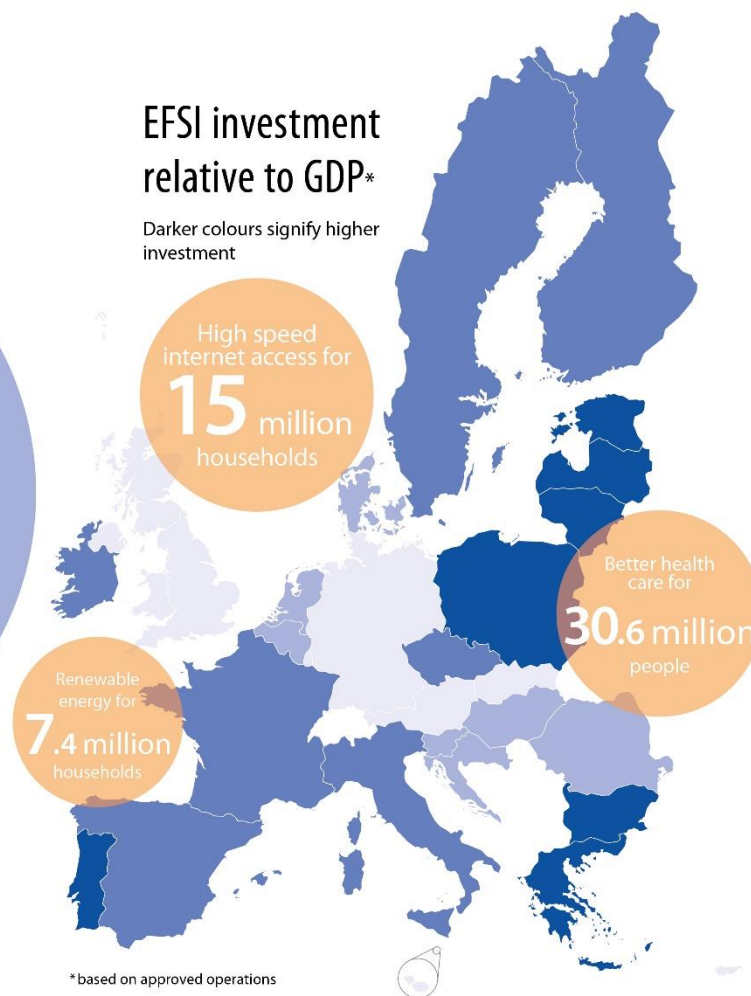
## EIB Group figures As of 09/04/2019

### EFSI investment by sector\*

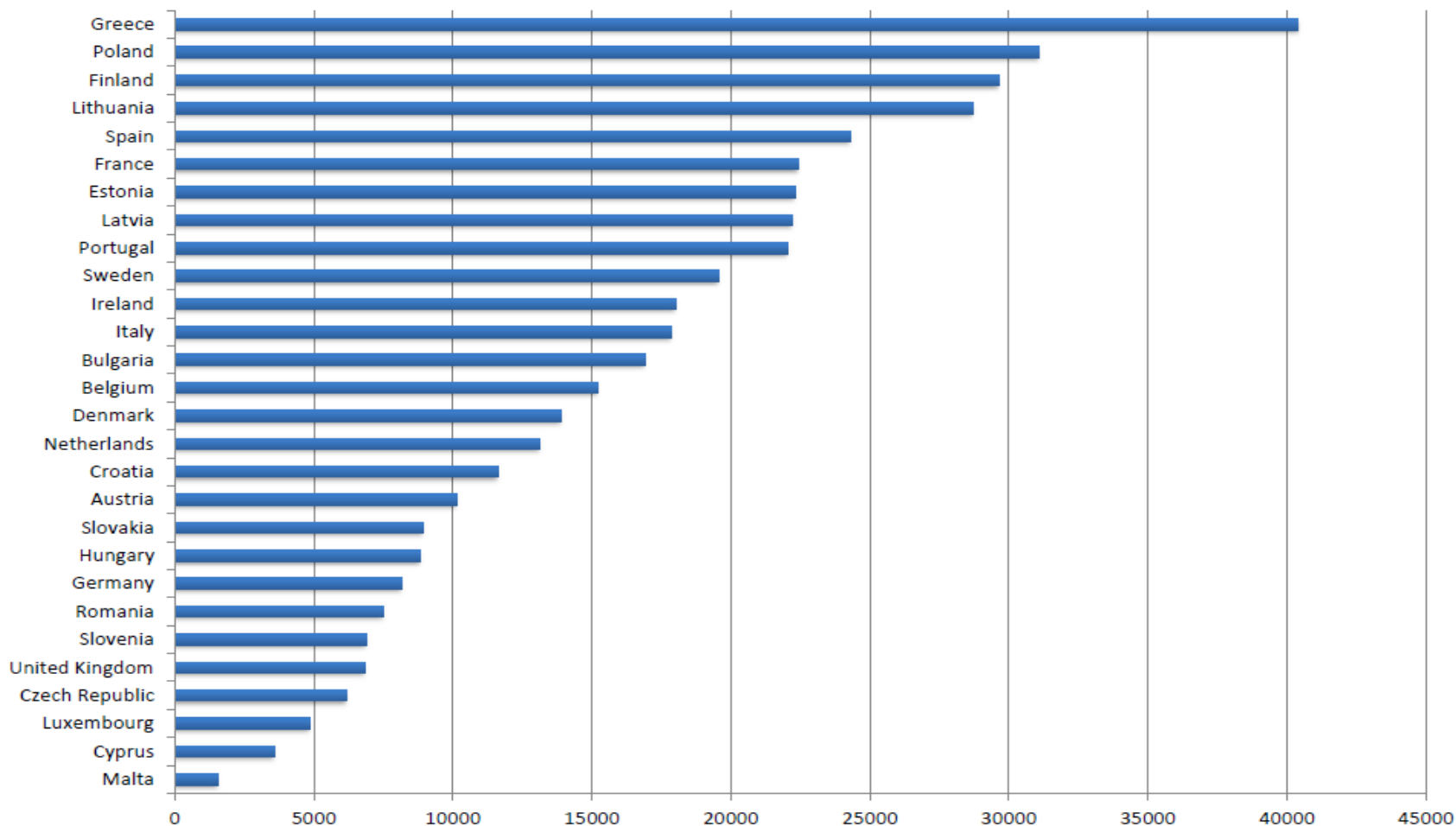


### EFSI investment relative to GDP\*

Darker colours signify higher investment



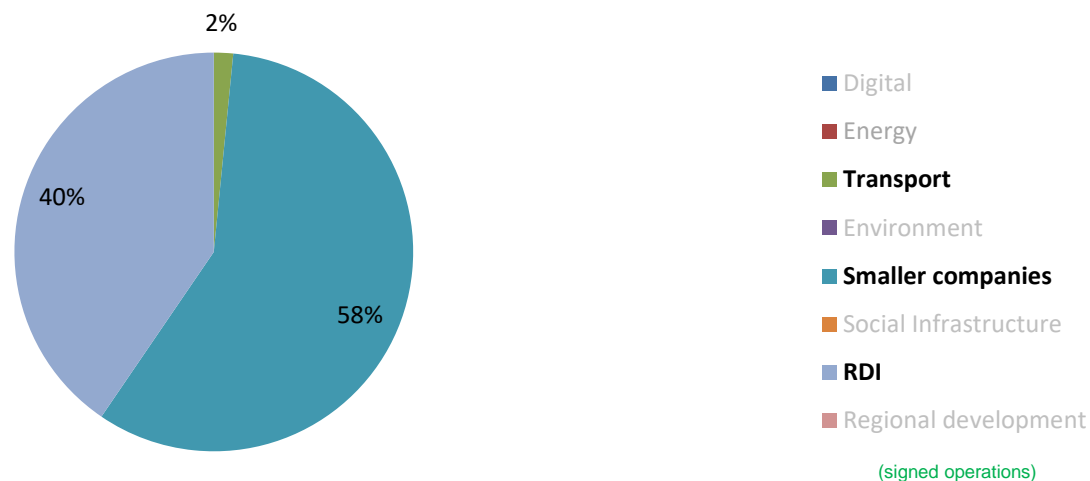
## IIW - Investments related to EFSI approved per EURm of GDP



Disclaimer: Data based on estimates at approval. GDP figures are extracted from the AMECO database (November 2018 figures). Multi-country figures are not represented.

- **20 transactions** approved - 14 via banks and 6 direct lending.
- EIB Group EFSI financing approved operations **EUR 456 m.**
- Total expected mobilized investment ca. **EUR 2.4 billion.**

### EFSI INVESTMENT MOBILISED - by EFSI Objective



EFSI has an impact – lower interest rates 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.

➔ The operations concerned shall be consistent with Union policies and support any of the following general objectives:

**(a) research, development and innovation:** projects that are in line with Horizon 2020, education and training, health, demonstration projects, research infrastructure

**(b) development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, and the 2020, 2030 and 2050 climate and energy frameworks:** renewable energy, energy efficiency and energy savings, development and modernization of energy infrastructure

**(c) development of transport infrastructures, and equipment and innovative technologies for transport**

**(d) financial support through the EIF and the EIB to entities having up to 3 000 employees, with a particular focus on SMEs and small mid-cap companies:** *(Financing support through local partner banks and institutions)*

**(e) development and deployment of information and communication technologies:** digital content & services, broadband networks

**(f) environment and resource efficiency**

**(g) human capital, culture and health.**

## Direct investments

- 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.

- ❑ Advisory Support
- ❑ Channelling investment opportunities

## Advisory

### European Investment Advisory Hub

- Launched in September 2015 as part of the Investment Plan for Europe, the EIAH is a tool to strengthen Europe's investment environment and improve the **quality of investment projects**.
- Sector specific studies, project preparation and capacity building for public and private sector clients.

## Investment

- Public and private clients/promoters, PPP.
- Investment platforms for municipal infrastructure, energy efficiency, innovation.
- Intermediated finance for SME support via financial and non-financial institutions
- EFSI/ESIF combination for individual projects and financial instruments.
- VC funds.
- Government role is strategic and goes beyond project promotion.

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## The InvestEU Programme:

The EFSI successor instrument to support investments in the next MFF

# Investment gaps remain significant

## Annual investment gaps through 2030

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

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

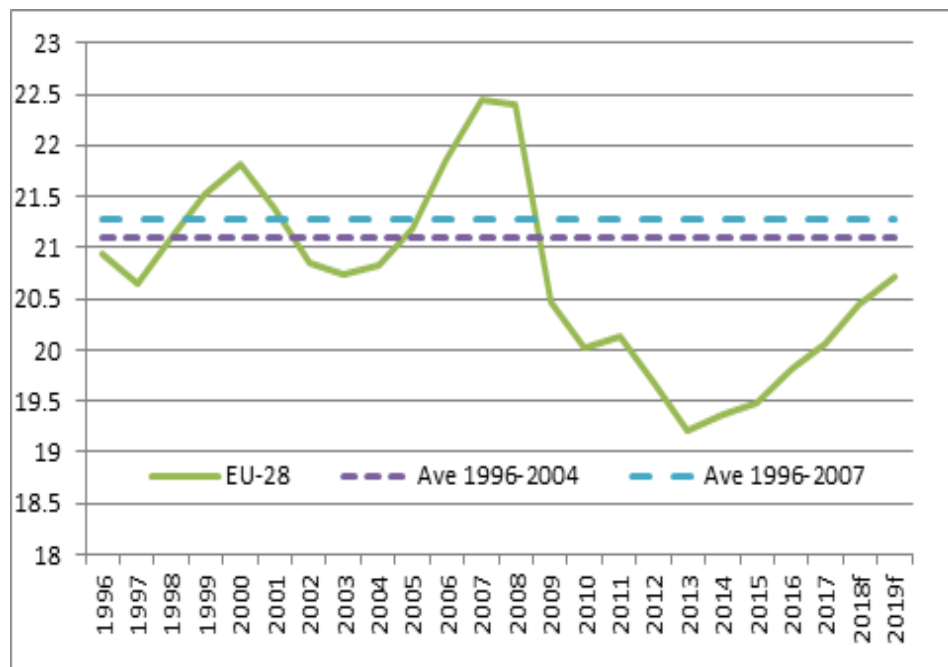
# Why InvestEU: address market gaps to sustain investment

- By 2021, Member States are expected to have recovered their pre-crisis GDP level, with very few exceptions

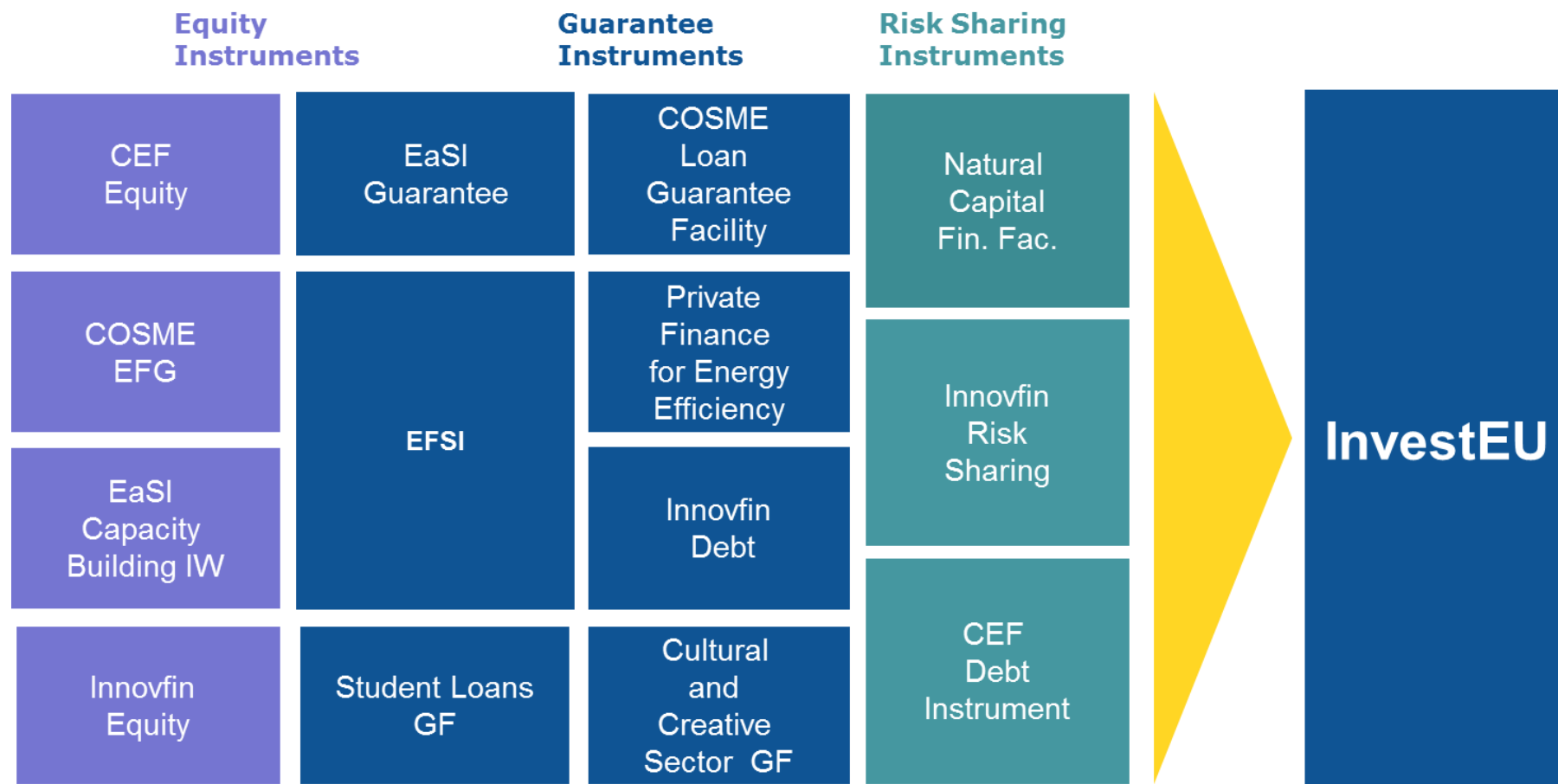
## But:

- Persistent market gaps are still observed in different policy areas and hold back investment
- Not enough to compensate years of underinvestment as a percentage of GDP
- Not enough to finance needs in key sectors

## Investment in EU as a % of the GDP (current prices)



# The programmes replaced by the InvestEU





# InvestEU Fund key principles

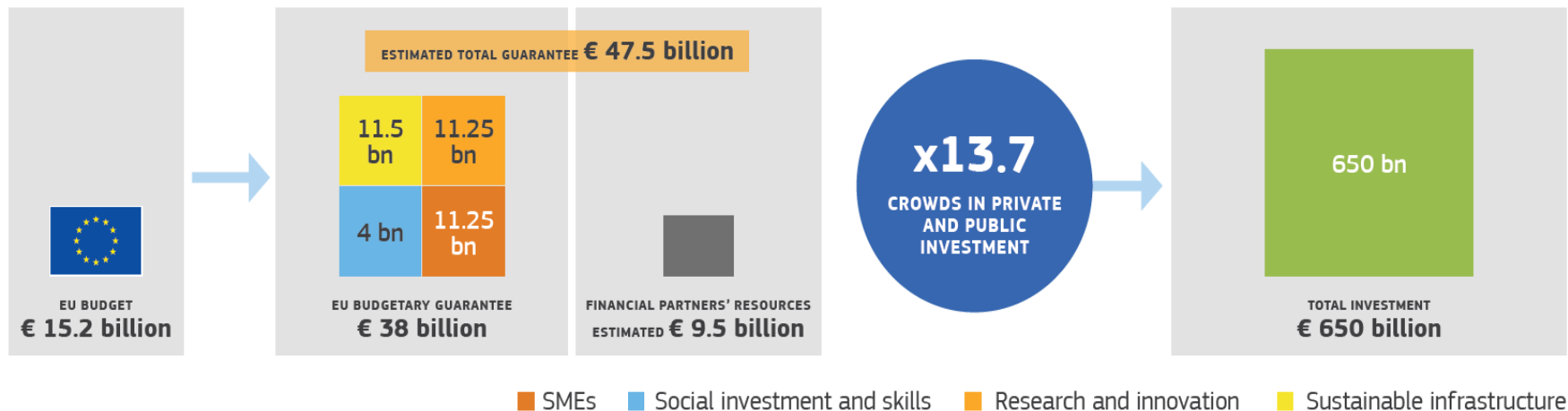
- Single fund: a single Regulation and single agreement with implementing partners
- Access to the EU guarantee open to multiple implementing partners
- Policy driven approach implemented through thematic policy windows
- Budgetary guarantee (no funding) to implementing partners
- Member State compartment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

# InvestEU indicative proposed budget allocation

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

- Budget for InvestEU Advisory Hub, InvestEU Portal and accompanying measures is proposed to be EUR 525m.
- InvestEU is expected to mobilise more than EUR 650bn of additional investment across Europe.

# The aim: to do more with less



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

## EU compartment

- Fosters EU level action and tackles EU level market gaps
- Consists of four policy windows
- Budgetary guarantee size of EUR 38bn, provisioned at 40%
- Guarantee is not geographically ring-fenced.

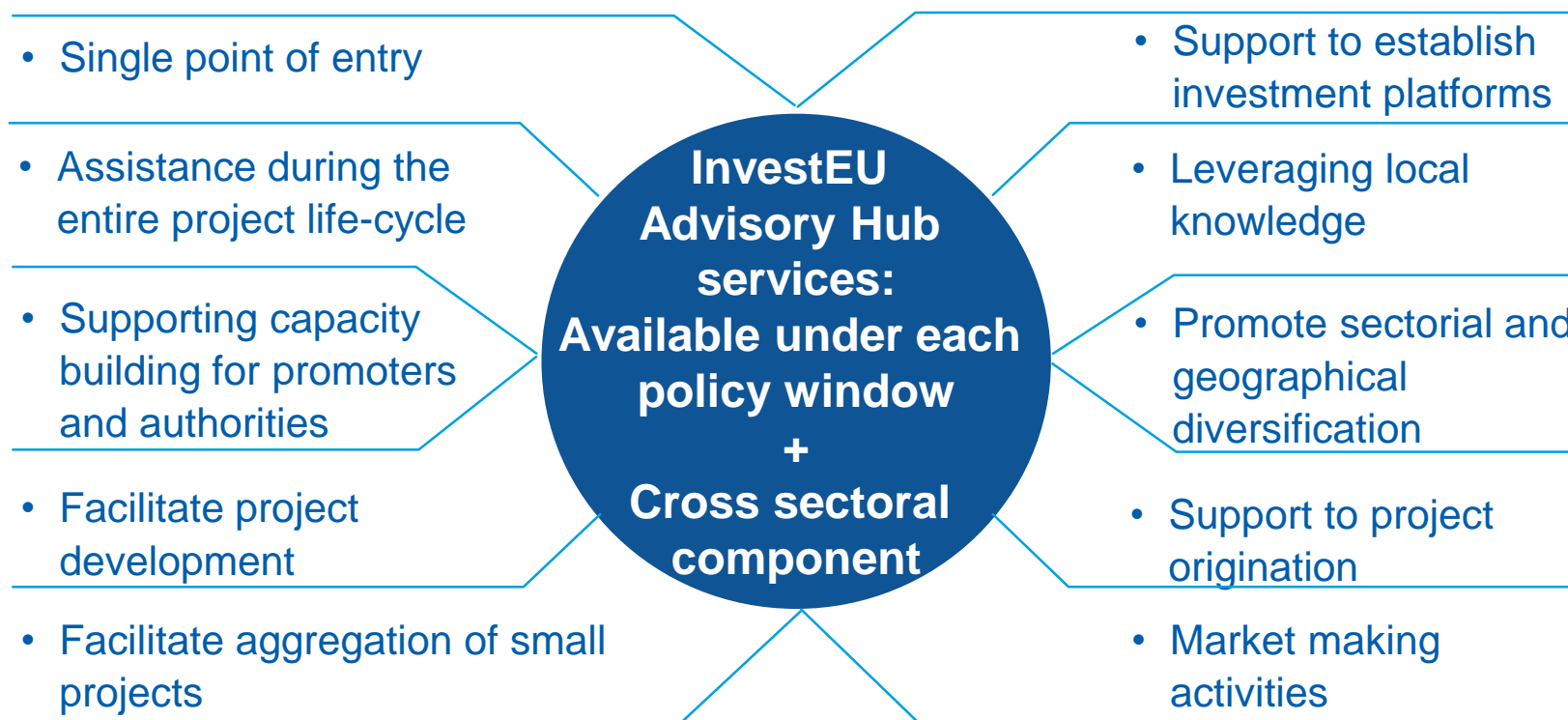
### InvestEU Fund

## MS compartment

- Fosters MS level action and tackles local level market gaps
- On a voluntary basis by MS can allocate amounts to provision the MS compartment from ERDF, ESF+, EMFF, EAFRD or cohesion fund
- Established at the level of each policy window; 1 Member State = 1 sub-compartment
- Based on a specific contribution agreement defining size, provisioning, contingent liability...
- Contributions are geographically ring-fenced
- InvestEU rules apply.

# Invest EU Advisory Hub

Provides advisory support for the identification, preparation, development, structuring, procuring and implementation of **investment projects**, or **enhance the capacity of promoters and financial intermediaries** to implement financing and investment operations, also by developing a **local presence**.



# Thank you!

