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MINUTES OF THE CONFERENCE

"EFSI 2.0: INVESTMENT PLATFORMS AS A SILVER BULLET?"
Case studies by National Promotional banks & institutions (NPBIs)

JUNE 6, 2017

On June 6, 2017, the Long-term investment and reindustrialisation Intergroup of the European Parliament together with the Cassa depositi e prestiti, the KfW Bankengruppe and the Caisse des Dépôts Group organized a conference on investment platforms in the context of the Juncker Plan.

I. List of the speakers

- Dominique RIQUET, MEP, Chair of the Long Term Investment and Reindustrialisation Intergroup
- Jyrki KATAINEN, Vice-President of the European Commission for Jobs, Growth, Investment and Competitiveness
- Fabio GALLIA, CEO of Cassa Depositi e Prestiti
- José-Manuel FERNANDES, MEP, Co-Rapporteur on the extension of the duration of the European Fund for Strategic Investments (EFSI)
- Antonella BALDINO, Chief Business Officer, Cassa Depositi e Prestiti (CDP)
- Eva WITT, Director for Federal and European Affairs, KfW Bankengruppe
- Laurent ZYLBERBERG, President of the European Long-Term Investors Association (ELTI) & Director of Institutional, International and European Relations at Caisse des Dépôts et Consignations (CDC)

II. Welcome address and keynote speeches

Dominique Riquet, Chairman of the Intergroup, welcomed the participants and introduced the speakers. He then gave a few introductory remarks and warned that the ability of an "EFSI 2.0" to reach strategic sectors will be a key criterion to measure its success. The difficulties the European Fund for Strategic Investments (EFSI) has encountered so far in terms of visibility will also need to be addressed.

He then left the floor to Jyrki Katainen, Vice-President of the European Commission for Jobs, Growth, Investment and Competitiveness. Vice-President Katainen took stock of the Juncker Plan.

1. Financing wise, approved operations under the European Fund for Strategic Investments (EFSI) mount up to 37 billion euros in total (28 bn for the European Investment Bank (EIB) and 9bn for the European Investment Fund – EIF) and leveraged approximately 194 billion euros. He deemed the SME window to be very successful.

2. The 2nd pillar of the Juncker Plan, the European Investment and Advisory Hub (EIAH) received 460 requests whose nature varies (funding request, Public-Private Partnership structuring…). Also, the European Investment Project Portal (EIPP) now gathers up to 161 projects from 21 Member States.

3. Finally, several ongoing major legislative actions such as the Capital Market Union (CMU), the Energy Union or the Digital Single Market should contribute to creating a conducive environment for investments.

The extension of EFSI should lead to an increase in the EU guarantee from €16 to 26 billion and in EIB capital from €5 to 7.5 billion which should mobilise private and public investment up to €500 billion over the period until 2020. The Trialogues have started and should hopefully be concluded by summer.

The Commission wants to enhance the transparency of the investment decisions and governance procedures. Another important objective of the extension of EFSI is to enhance its geographical coverage. In this respect though, when considering the GDP ratio of EFSI operations, Estonia, Bulgaria, Spain, Lithuania and Portugal come as the main beneficiaries. However, the investment platforms in close association with the National Promotional Banks and Institutions (NPBIs) should further enhance this coverage and allow a focus of EFSI operations on the priorities of the EU.

Another merit of the investment platforms is that they allow EFSI to expand the scope of its investments and support projects that are currently deemed too risky and too small to attract private capital. In this regard, the European Investment Advisory Hub (EIAH) should come as a complement to attract EFSI investments in these projects. This is illustrated by the instrumental role Cassa depositi e prestiti played both in setting up investment platforms and in serving as an entry point for the EIAH.

Mr Katainen concluded by presenting one of the main challenges ahead to pursue this trend: the capacity to blend EFSI with the Structural Funds and the Connecting Europe Facility (CEF). In this regards, he deemed close association with NPBIs to be essential.

Vice-President Katainen then gave the floor to Fabio Gallia, CEO of Cassa Depositi e Prestiti. Mr Gallia highlighted the importance of addressing the European Parliament in the context of the 60th anniversary of the Treaty of Rome. Since then, internal borders in the Union have come down and there is a common aspiration for inclusive growth. Still, the recent economic crisis was a serious blow which did not strike evenly all Member States. Italy did suffer but managed to rise again.
Despite a sharp drop in industrial production, Italy still represents the second manufacturing country in Europe. The Italian economy managed to improve competitiveness as witnessed by strong performances on exports in EU and extra-EU countries. Mr Gallia claimed that the stock of Italy's debt did not increase significantly, a fact to put into comparison with other European countries - even the most virtuous one. Until last year, just 0.2% of the GDP were spent on bailout operations for Italian banks. Finally, in late 2016, the Italian Government set aside 20 billion of euros to inject capital in distressed banks. A figure significantly lower than other European countries.
Bur the crisis has also produced a long lasting loss in the investment level across the EU: in 2016, gross fixed investments were still about 200 billion Euros lower than 2008 figures.

Mr Gallia declared that investments are necessary to ensure a sustainable revival of growth and to highlight the benefits of European integration on the life of our citizens. Renovating a bridge or building a school can do much more in this respect than a European treaty. The same can be said for the jobs created by a SME which gained financing from EFSI. In this regard, NPBIs, along with the EIB have an important role to play in the integrated Juncker Plan. Indeed, the presence of National Institutions, alongside with EIB Group is crucial, because single Member States' economic systems are still characterized by heterogeneous market failures, and also because Member States are characterized by different initial conditions and significant peculiarities in their production systems and market structure. Specific projects and local interests may vary from State to State. NPBIs act as a bridge between the EU and national markets with their specific features (production, market configuration…). In the European framework, there is a plurality of Institutions acting as NPBIs. Most of them have a very-long history in supporting economic growth thanks to their nature of long-term investors. Each NPBIs is unique in its governance model or its areas of intervention, but all have the common goal of supporting European growth.

Cassa depositi e prestiti (CDP), for one, is the Italian National Promotional Institution, with a mission to promote the future by supporting economic development and investing in competitiveness. CDP operate to mitigate shortages in specific areas trying to fill in market gaps, standing where others will not and where CDP contribution is additional playing a counter-cyclical role in response to negative shocks. And furthermore CDP operates as a private actor in complementarity with other private operators rather than being in competition with them, working alongside with the banking and financial system in order to favor crowding-in effects. The 1st shareholder of the Italian Stock Exchange with a portfolio of 21 billion euro, CDP is also the most relevant Italian venture capitalist, a leading private-equity investor and the most important player in infrastructure and social & affordable housing.
A major player in the Juncker plan, CdP provides 8 billion euros (5 billion euros committed) and is a party to the EFSI supported "EIF and National Promotional Institutions (NPIs) Securitisation Initiative". CDP's results are therefore in line with the EFSI targets (approximately 60%). Mr Gallia then presented 5 other investment platforms to which Cassa depositi e Prestiti is a party:

The "EFSI Sectoral Platform Agreement concerning Large Infrastructure Projects", in cooperation with the EIB, with a specific focus on strategic networks (TEN-E, TEN-T, broadband) and social infrastructure. The first deal has financed the expansion of a highway in North Eastern Italy that connects our country to Eastern Europe.

1. The "ITA Corporate", a co-financing agreement between CDP and the EIB for medium-sized innovative Italian companies;
2. The "Risk sharing for IT SMEs", in cooperation with the EIF, to issue counter-guarantees for the benefit of Italian SMEs;
3. The "Pan-EU ENSI Platform", a cooperation and risk sharing platform between the EIF and several NPBIs to encourage SME lending via the capital markets;
4. ITAtech, a dedicated Platform in the field of Technology Transfer. The EIF and CDP have joined forces to enhance access to equity and innovation investments for businesses - from seed and start-up stages to growth/expansion, including the commercialization of intellectual property developed by leading Italian research institutions.
5. At the European level, CDP participates with the EIB and other NPBIs in two Investment Platforms dedicated to infrastructure development across Europe, Marguerite II and the Connecting Europe Broadband Fund – to filling the financing gap in such a strategic and critical sector.

In addition to the platforms already launched, there are several more under structuring and development in various sectors, including Climate Change, Agriculture, Smart housing, Small and Social Infrastructure, CDP is also cooperating with several NPIs and with the EIB Group to develop other pan-EU Platforms to support Infrastructures, Alternative Finance through debt funds and Student Loans.

Mr Gallia concluded his intervention with several considerations of the imperatives to consider for reviving growth in the EU. Structural reforms, better economic policy coordination in the euro area and the completion of important EU projects such as the Banking Union, the Capital Market Union or the Energy Union, as well as the Single Digital Market can foster competitiveness and hence new investment and innovation. Cooperation among countries implies openness and commitment on common projects in a context of reciprocal opportunities for competitiveness and growth. The EU still faces multifaceted challenges, related to social, political and economic disruptions, like the migration and refugee crisis and the consequences of such a rapid technological evolution. The NPBIs can play their part in overcoming and developing effective strategies for social and sustainable infrastructure, new technologies and innovation, green energy and circular economies, in a European dimension. This is the spirit of the cooperation between their institutions.

III. Case studies – EFSI Investments and Investment platforms

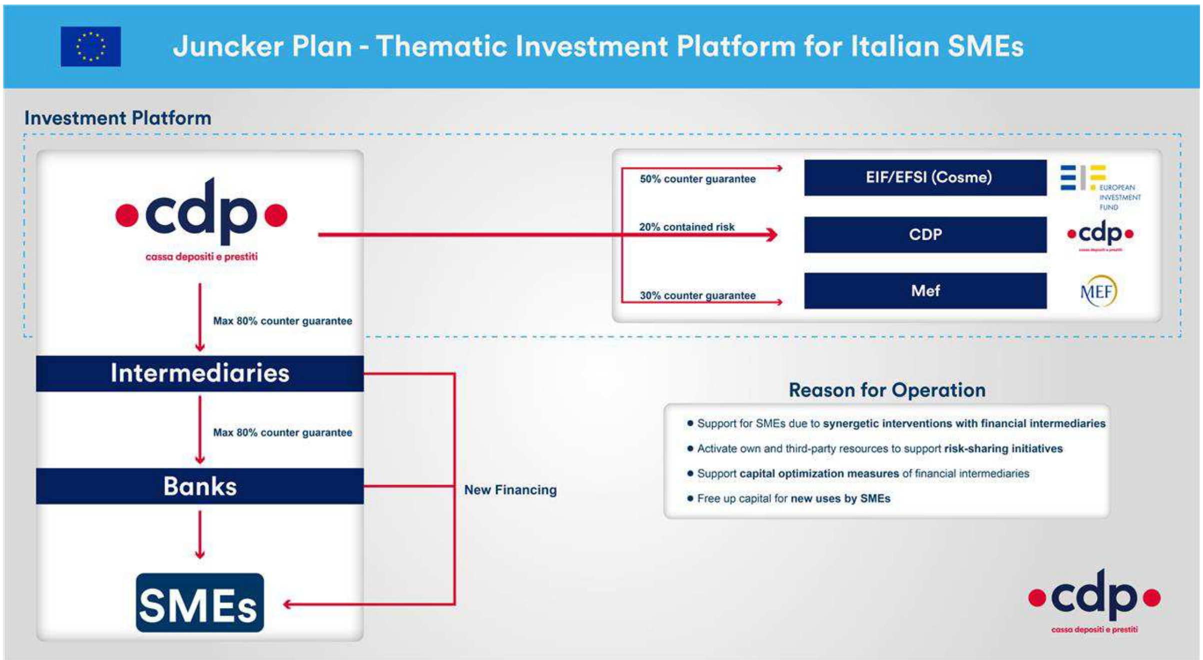
The conference then moved to a presentation of successful practical cases of NPBI-Investments under EFSI and Investment Platforms set up by different NPBIs in cooperation with EIB/EIF. The discussions were moderated by MEP José-Manuel Fernandes, Co-Rapporteur (Committee for Budgets) on the regulation related to the extension of the duration of the European Fund for Strategic Investments (EFSI).

Mr Fernandes introduced the presentations by highlighting the low number of existing investment platforms even though they are deemed very important for small and cross-border projects and to cut red tape for the success of the Juncker Plan.

He then left the floor to Antonella Baldino, Chief Business Officer at Cassa Depositi e Prestiti for a presentation of the Risk sharing Platform for SMEs in Italy. To Mrs Baldino, the Juncker Plan has allowed a new paradigm of governance and coordination between the NPBIs and the EIB Group on one side, and among NPBIs across different European countries on the other. The “Risk sharing Platform for SMEs” in Italy is a good illustration of this new paradigm. Launched in cooperation with the EIF, the platform issues counter-guarantees to financial intermediaries for more access finance to Italian SMEs.

The biggest deal so far (€ 3billion) has been signed with “Fondo di Garanzia”, a very important national guarantee framework used by Italian banks. CDP counter-guarantees 80% of a new guarantee portfolio of max €3 billion with a loss cap rate. CDP, as an NBPI, enables an EFSI supported platform through which it gains access to COSME and domestic funds in the form of counter-guarantees. CDP prices its counter-guarantees at market conditions. Loans included in this first transaction are those eligible under the “COSME” Program. Thanks to CDP’s intervention, the “Fondo di Garanzia” achieves a “capital relief” effect which creates room the issuance of new guarantees in favor of Italian SMEs. All in all, the combined use of EU/domestic financial resources translates into a very efficient mechanism for the “Fondo di Garanzia”. This model is replicable in other Member States with tangible benefits (it is estimated that approximately 70 000 SMEs should benefit from this program).

This example illustrates how NPBIs, with in-depth knowledge of their respective national market, coupled with a systemic view of EU dynamics, are well positioned to make the best of the Juncker Plan.
Mrs Baldino concluded her presentation by mentioning other beneficial initiatives such as the STS securitization initiative and the Marguerite I Fund.



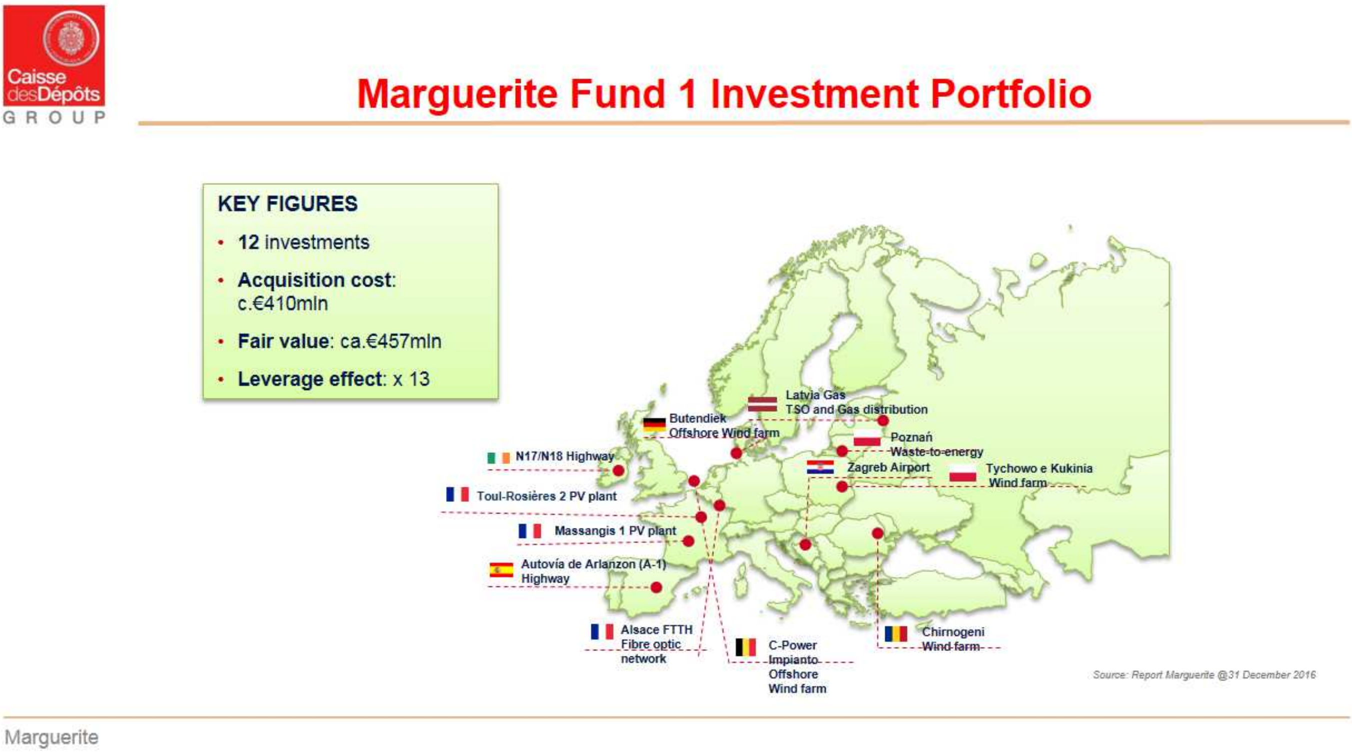
Eva Witt, Director Federal and European Affairs at KfW Bankengruppe then took the floor to give some remarks on KfW experience in the implementation of EFSI. The success of the SME window of EFSI is due to better appropriation by the stakeholders thanks to the anteriority of the program. Indeed, it precedes, to some extent, the launching of the Juncker Plan. It is a very different for the infrastructure window and the setting-up of investment platforms. Everything needs to be built from scratch, from the selection of the asset manager, to the setting-up of investment guidelines. But it is progressing as is illustrated with the coming Broadband Fund or the Marguerite II Fund. Mrs Witt then moved to a presentation of the German "Pinion" company. Founded by former engineers in the automotive industry, Pinion has designed high-quality gearbox technology for bicycles. Recognized by specialized bike manufacturers, Pinion was a finalist for the German Entrepreneur Award 2017 and was awarded Top 3 innovation in 2016 of the Federal State of Baden-Württemberg. To step from manufactural to serial production and reduce cost (up to 40% cost reduction planned), Pinion invested up to € 675 000 in innovative production and warehousing facilities. For this investment, it benefited from attractive financing with the EFSI/InnovFin Guarantee program "KfW-Unternehmer-kredit Plus", in which KfW shares risk with a financing partner (local Volksbank Esslingen in this case).

Laurent Zylberberg, President of the European Long-Term Investors Association (ELTI), Director of Institutional, International and European Relations at Caisse des Dépôts et Consignations (CDC) and Chairman of the Marguerite Fund Management Board, then took the floor. He started his intervention by reflecting on the ideal structuring of an investment platform. There are different approaches in the way to structure them: the "horizontal" ones in which EFSI invests in one specific layer of risk or the "vertical" ones in which EFSI is involved besides all investors. In both cases, this reflects the Juncker Plan's philosophy to spread the guarantee to EIB and NPBIs.

He then described the "The 2020 European Fund for Energy, Climate Change and Infrastructure" or "Marguerite Fund", which was launched in 2009 at the initiative of and the Cassa Depositi e Prestiti, the Caisse des Dépôts Group, KfW, the Spanish Instituto de Credito Official (ICO), the Polish PKO Bank Polski (PKO), the EIB and the European Commission. The Fund has a total size of € 710mln. Marguerite is focused on infrastructure investments, in particular in greenfield [1] infrastructures, and to a lesser extent in brownfield infrastructures but with significant capex needs. The Fund, in general, does not hold a majority stake and focuses on the following sectors: energy (TEN-E), transport (TEN-T) and renewable energy; 15% of the fund can be invested in non-core sector projects. Mr Zylberberg highlighted the relative balanced geographical coverage of its operations as originally designed. [2] When the Fund was launched, the challenge was its ability to associate private and public investors. Marguerite has now demonstrated its ability to attract the private sector, since private investors have invested directly in the projects. The investment period of the Fund runs until December 2017 and there are ongoing negotiations around its extension with a participation of EFSI. This project is the clear illustration of the way financial instruments can revolve: thanks to the selling of mature assets to a pure brownfield fund owned by private investors, public long-term investors benefiting from the EFSI will be able to set up a new fund dedicated to greenfield assets which are currently under-financed by the market.

Mr Zylberberg concluded by presenting some lessons learned from the Marguerite I experience which are applicable to the current reflections around the extension of EFSI:

- The Juncker Plan does not only consist in guarantees, but also in loans and equity.
- Renewable sources of financing are the future of European funding;
- Infrastructures are a feasible type of asset for EFSI financing;
- A common governance between several public national and EU institutions is possible and can attract private capital.



IV. Q&A

Manuel Pinto, from the Mandate Management Department at the EIB, acknowledged the progress made in the constitution of investment platforms in which NPBIs were instrumental. Optimal coordination between NPBIS and the EIB is very important. Finally, he presented the blending of EFSI and ESI funding and the strengthening the EIAH as two avenues which needed to be explored to optimize the impact of EFSI.

Jean-Louis Marchand, President the FIEC, asked about the merits of the European Investment Project Portal (EIPP).
L.Zylberberg downplayed the importance and the effectiveness of the EIPP. He then addressed the lack of visibility of the Juncker Plan: many SMEs benefit from favorable financing conditions through EFSI but few are aware of it.

On the EIAH, J.Fernandes reminded the audience that it can deliver technical assistance for other sources of financing than EFSI. He then reiterated his call for more transparency for projects that were denied EFSI financing without even be processed by the EIB. Manuel Pinto, from the EIB, justified the lack of public information on this topic with the duties the EIB must carry in its relationships with prospective clients. Transparency cannot go against their customer-relationship. J.Fernandes then proposed that this information be conveyed to the EIAH only, which could then improve its assistance capacity.

The discussions then moved to the different types and applications investment platforms. L. Zylberberg defined an investment platform as an instrument pooling projects with a specific scope, be it thematical or geographical and which provides several types of financial instruments (debt, equity, guarantee). A.Baldino said Cassa Depositi e Prestiti was working on an investment platform that would provide equity to social infrastructure projects. Eva Witt, from KfW, mentioned the Broadband Fund to come as a leading example of investment platforms in the context of the Juncker Plan.

V. *Closing remarks*

The closing remarks were given by Dominique Riquet, chairman of the "Long Term Investment and Reindustrialisation" Intergroup. He praised the development of investment platforms, considering that, one year ago, they were only presented as interesting avenues to explore. Thematical or geographical, they can be designed to address a variety of topics. On the two windows of the Juncker Plan, he acknowledged the success of the SME window managed by the EIF but deemed it was no surprise since it is the core job of the EIF. On the Infrastructure and Innovation window, he deemed the situation to not be as favorable, and with slow progress. Mr Riquet then claimed that the Juncker Plan has two goals. One is to deliver growth, development and inherently, jobs. The other is to support specific EU policies such as addressing climate change and strengthening the internal market (notably with well-functioning infrastructures) .

D.Riquet then briefly presented the expectations of the European Parliament. The volume of EFSI supported investments (through EFSI guarantee) needs to be increase but most importantly, to improve the way EFSI operates through:

- A better alignment with EU policies (growth and environment, a balanced geographical coverage);
- More additionality, as there does need to be risk taken when the private investors do not spontaneously invest in a given sector.
- Blending with other EU funds as this presents two benefits: decreasing the risk exposure of the EU and improving the pipeline with projects that have already been screened by the EU or other Member States (via the Connecting Europe Facility (CEF) or the European Structural and Investment Funds (ESIF) for instance).
- Increasing access to EFSI financing and technical assistance for small project promoters.

By co-financing EFSI projects or providing technical assistance at the local level, the NPBIs play an important role in this investment scheme. Their knowledge of the specificities of their national market facilitates access to the financing of small and middle-class projects, expand the sectoral range of the projects financed, and helps balance the geographical coverage of EFSI investments. D.Riquet stressed that starting from the simple idea of a Fund designed to attract private capital, a conducive environment is being shaped as issues are identified and dealt with. EFSI 2 should embody this progression.

He concluded by praising Europe's capacity to design very ambitious investments plans as the Trump administration is unveiling its own infrastructure plan. The European Parliament will remain vigilant to maintain this ambition post 2021.