



Cross-border investments and obstacles, an EIB perspective

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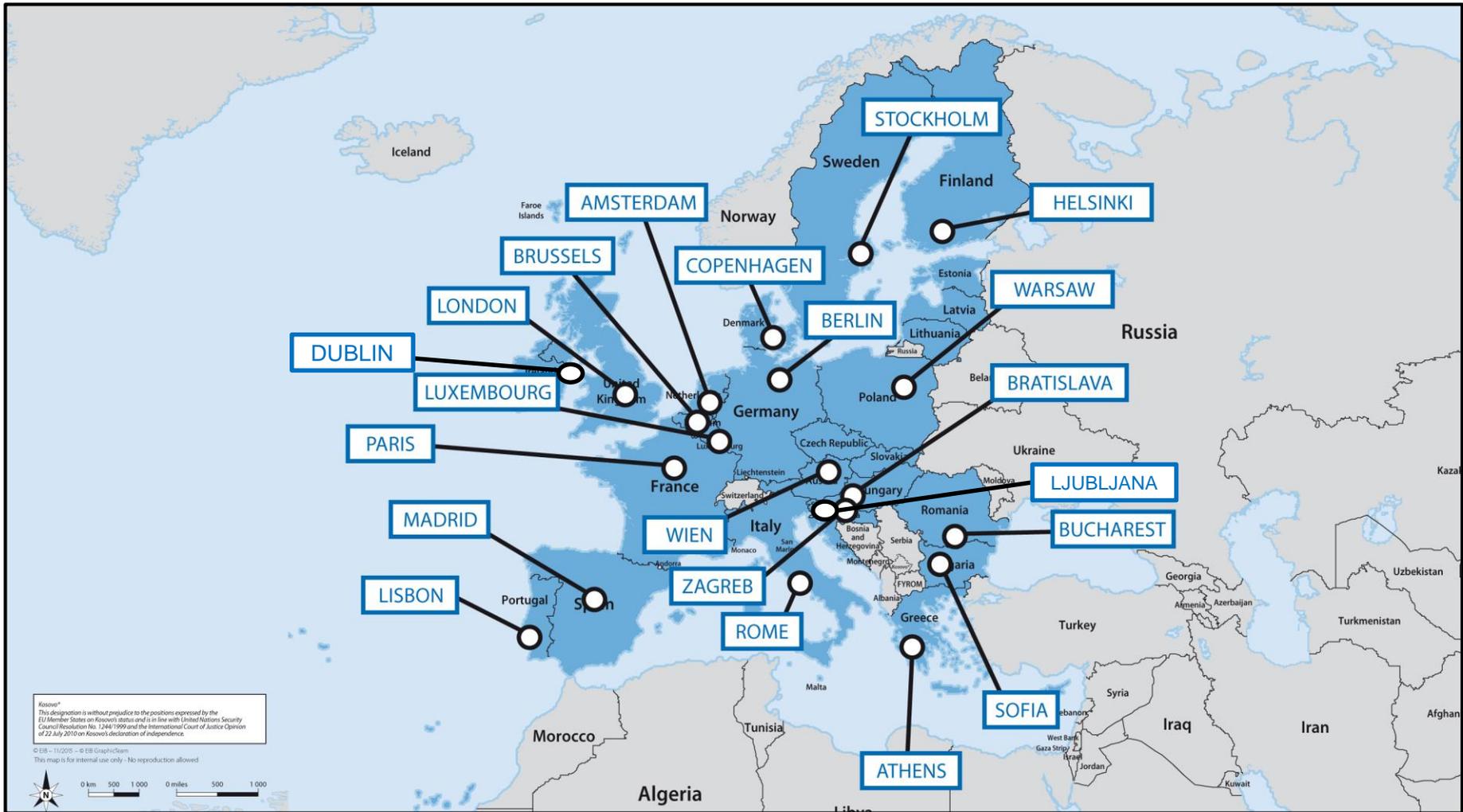
Outline of the presentation

- What is and what does the EIB Group?
- Cross-border investments from an EIB perspective
- Why IPE and EIAH are likely to change the perspective?

The EIB Group at a glance

- **Largest multilateral lender and borrower in the world** (EUR 77.5bn in 2015 + EUR 7bn for the EIF)
 - **A quite simple economic model :**
 - We raise funds on the international capital markets
 - We pass on favourable borrowing conditions (due to an AAA rating and a not for profit model) to our clients
- **Some 450 projects each year** in over 160 countries and four main sectors: environment, infrastructure, innovation and SMEs
- **Headquartered in Luxembourg** and has 36 local offices
- **Around 2 600 staff:**
 - Not only finance professionals, but also engineers, sector economists and socio-environmental experts
 - More than 50 years of experience in financing projects

EIB Offices within the EU



EIB products and offer

We help catalyse investment by

LENDING	BLENDING	ADVISING
<p>Loans</p> <p><i>But also:</i></p> <p>Guarantees & Equity participation</p>	<p>Combining EIB finance with EU budget</p> <p>Project Bond Initiative, IPE</p> <p>Higher risk projects for innovation (InnovFin)</p>	<p>Support for projects preparation and implementation</p> <p>Support to enhance the use of EU funds</p> <p>Support to improve access to finance</p>

Attracting FUNDING for long-term growth



A comprehensive offer of advisory services

Support for projects and investments

Advisory and technical support in identification, prioritisation, preparation, structuring and implementation of investment projects

Enhance use of EU funds

Advisory and capacity building support in the implementation of ESIF financial instruments

Improve access to finance

Enhancing financing condition and creating bankable propositions

Existing services

JASPERS, ELENA, EPEC, Implementation support programmes

fi-compass, bilateral services to Managing Authorities

InnovFin Advisory

Cross-border investments from an EIB perspective (I)

(before the Hub was launched in 09/2015)

- Around 100 cross-border projects financed by the Bank since its creation (mostly major TEN-T projects in the transport or energy sector)
- Evaluation of 11 cross-border TEN-T projects (2006, available on line): substantial opportunities for the EIB to provide VA, acknowledgement that cross-border projects are prioritised by the Bank, potential JASPERS role at EU-wide level
- A limited number of global loans (with regional public sector banks) or framework loans (co-financing of INTERREG programmes)
- Involvement of the Bank in the framework of the macro-regions strategy (e.g. Danube and Baltic) : project preparation support, pilot experiences for a limited period of time
- Cross-border dimension also captured through Foreign Direct Investment (more than 4600 FDI projects financed by the Bank since 2000, potential tech and know-how transfer beside financial aspects)
- Since 10 years, advisory instruments have also dealt with cross-border investments, in particular JASPERS (Meuse river), JESSICA (implementation of a Urban Development Plan at Alzette-Belval in Lorraine)

Cross-border investments from an EIB perspective (II)

(what the EIAH may change?)

- **What is the European Investment Advisory Hub?**
 - A key component of IPE
 - Main goals
 - Delivery mode
 - First outcomes
 - Examples
 - Main orientations for the near future
 - Why the Hub can make a difference?

Investment Plan for Europe

Investment Plan for Europe

**Mobilize EUR 315bn
of additional
financing**

...through the
European Fund for
Strategic Investments
(EFSI)

**Support investment in
the real economy**

...through the
**European
Investment
Advisory Hub** and
the European Investment
Project Portal

**Create an investment-
friendly environment**

...through improvements
of the European
regulatory environment

What is the Advisory Hub?

Main goals



A joint initiative

A tool to strengthen Europe's investment environment and improve the **quality of investment projects**



A **single entry point** to a comprehensive offer of advisory services



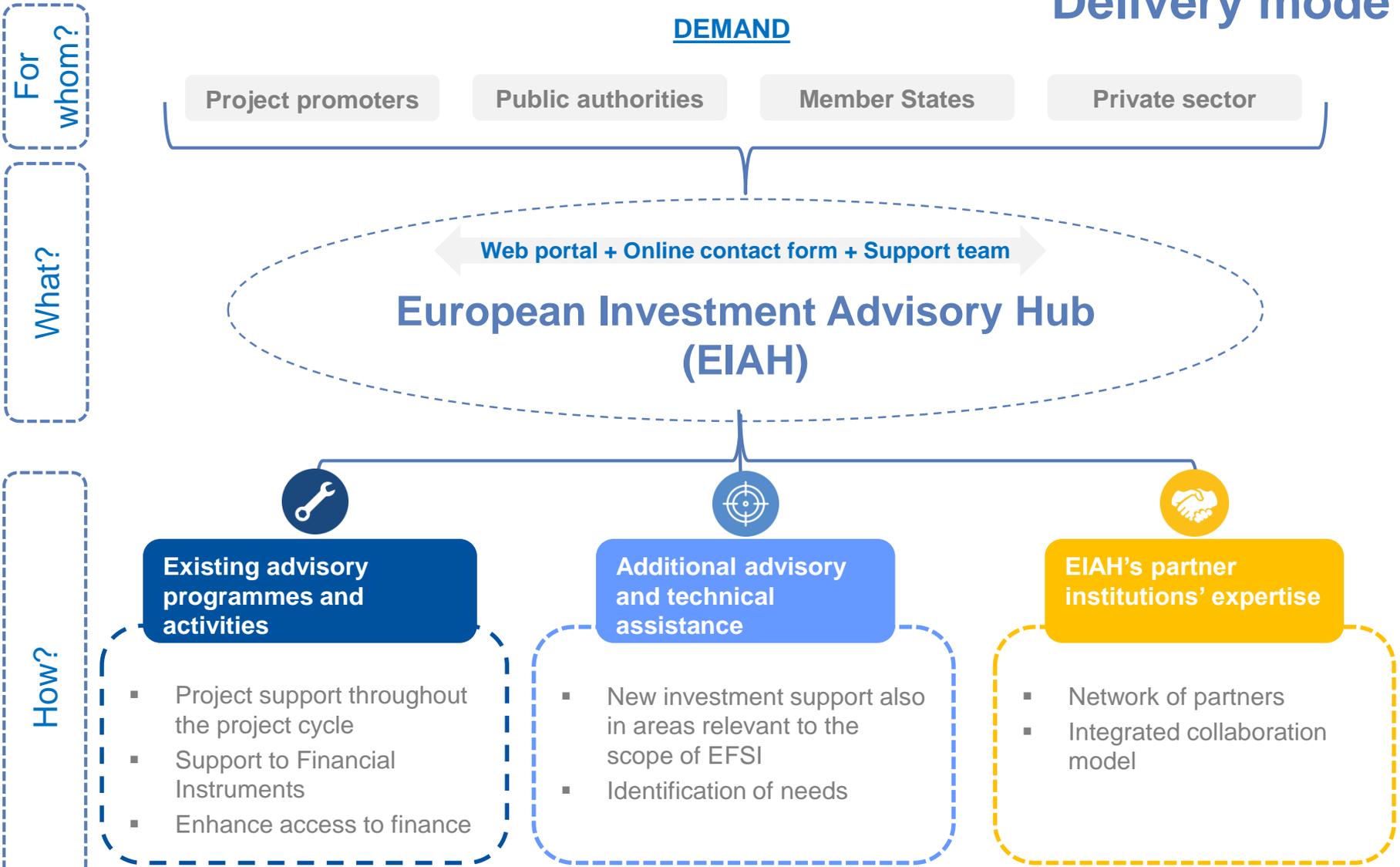
An instrument to assess and **address unmet needs** for advisory support



A **cooperation platform** to foster exchanges of know-how, coordinate support and ensure appropriate delivery (NPIs, Managing Authorities)

What is the Advisory Hub?

Delivery mode

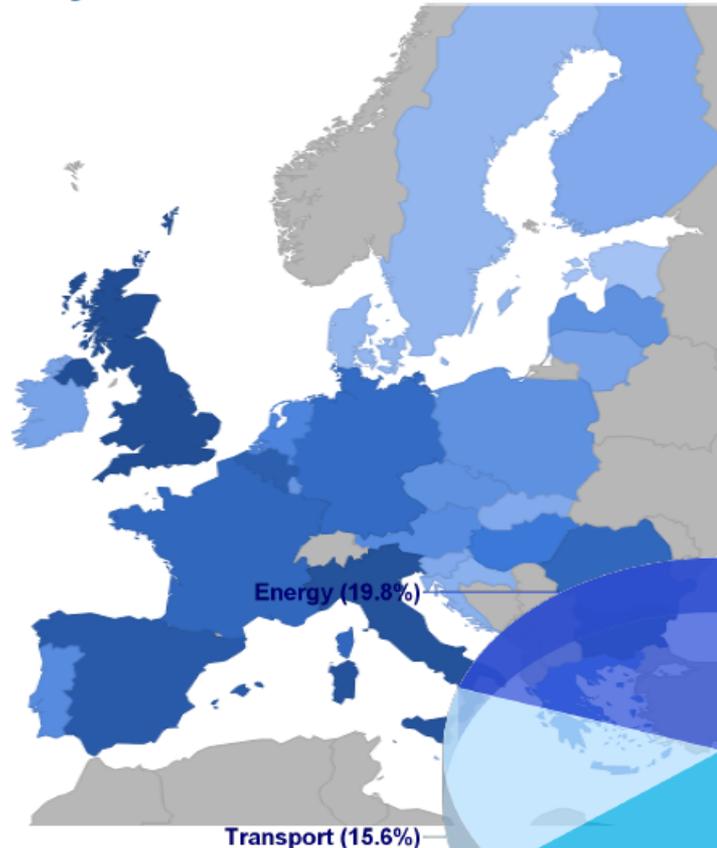


First outcomes

Situation as at 30.11.2016

Requests by country

Country	No. of requests
Bulgaria	25
United Kingdom	23
Italy	22
Spain	20
Belgium	19
France	17
Romania	17
Germany	16
Greece	13
Hungary	13
The Netherlands	11
Austria	10
Portugal	10
Czech Republic	9
Latvia	9
Poland	9
Luxembourg	8
Cyprus	7
Ireland	6
Lithuania	6
Finland	5
Slovakia	5
Slovenia	5
Croatia	4
Malta	4
Denmark	3
Sweden	3
Estonia	1
Total	300

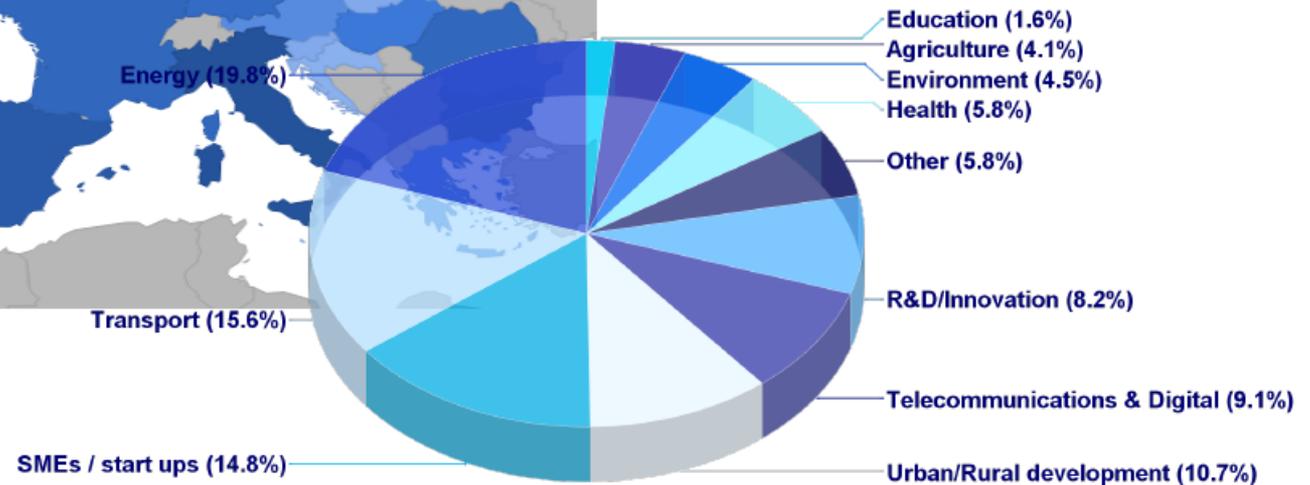


Total of 321 requests

243 project-specific requests

- Public sector : 79
- Private sector : 152
- Other (e.g. NGOs) : 12

Project-specific requests by sector (Tot. 243)



*excludes 21 requests from non-EU countries

*The category "other" includes project-specific requests in which the sector is not indicated

A few examples

Renewable Energy projects

Following the request from a national government for help with the structuring and financing of several small-scale renewable energy projects, the Hub is providing support to develop the underpinning strategy and to clarify major issues (e.g. a proper demand analysis and cost-benefit analysis).



Broadband projects

The Hub is looking at various high-speed broadband projects in underserved areas, and is working to help assess/establish an investment and financing model that ensures sustainable implementation, as well as technical support.



Ecology programme in the Danube region

Request for project implementation/coordination support for a major ecology programme in the Danube region. A consultant will be engaged by the Hub to develop a roadmap prioritising the delivery of a series of critical sub-projects/actions and identify possible sources of funding.



Transport PPP-project in an EU member state

Promoted via the national roads agency, the project relates to a TEN-T axis road. Advisory input focused on techno-economic review of project documentation as well as support with PPP structuring.



Main orientations for the Hub (2016-2020)

- **Main sectoral and thematic priorities**

- EFSI 1.0: energy efficiency, TEN-T, and urban mobility
- EFSI 2.0: COP 21-oriented, potential EFSI and possibly **cross-border projects**
- Investment platforms and capacity building activities (**and cross-border platforms are envisaged**)

- **Main strategic orientations**

- Strengthening, expansion and deepening of partnerships with a view to promote a cooperative approach
 - clarify roles and responsibilities, ensure alignment of interest, demonstrate Hub's VA via a pilot phase of deepening on a voluntary basis, define a common reporting structure
- Consolidating EIAH relevance, additionality and efficiency for a greater impact on the real economy
 - increase visibility, address market asymmetries, streamline management of requests, enhance synergies with EFSI

Why and how Advisory Support can make a difference?

- Cross-border projects are often complex projects which requires specific expertise: beside technical aspects, legal and financing issues
- Such expertise is exactly what EIB AS and the EIAH is offering in complement to the skills of projects holders
- Cross-border projects usually generate important externalities which make them less attractive and inappropriate for EIB business model EIB is not well fitted for small-size projects not immediately bankable, grants remain often the most adapted financing solution
- Environment, transport and energy projects are probably the most relevant cross-border projects from an infrastructure perspective (e.g. flood protection)
- Importance of political support or mandate (that the Hub may acquired with EFSI 2.0)
- One of the main entry points to access to support for setting up/ design of dedicated CB investment platforms (next slides)

Investment platforms

Key features

- Pooling of projects with thematic or geographic focus
- Flexible geographic scope- possibility to finance projects in a region, country, a group of countries incl. macro-region (multi-region platform)
- Flexible form: co-financing agreement, SPV, Fund, etc.
- Possibility for an EGTC to set up Investment Platforms not yet explored
- More efficient risk allocation between investors (lower transaction and information costs)
- Useful to pool or bundle small projects
- Possibility to combine EFSI and ESIF, EIB and/or other support (Member State, private investors)
- Cooperation with National Promotional Banks and Institutions under specific rules (explicitly envisaging a “regional cross-border platform”)
- EIB-AS and EIF-MM Services dedicated to the design of and support to local / regional Investment Platforms

Investment Platform

Definition

“means a special purpose vehicle, managed account, contract-based co-financing or risk-sharing arrangement or arrangement established by any other means by which entities channel a financial contribution in order to finance a number of investment projects.

Investment platforms **may include:**

- (i) National or sub-national platforms that group together several investment projects on the territory of a given Member State;
- (ii) Multi-country or regional platforms that group together partners from several Member States or third countries interested in projects in a given geographic area; or
- (iii) Thematic platforms that group together investment projects in a given sector.”

Article 2, EFSI Regulation N°2015/1017

Investment platforms and financial instruments



The ESIF/EFSI Complementarities Brochure notes the following possible combinations:

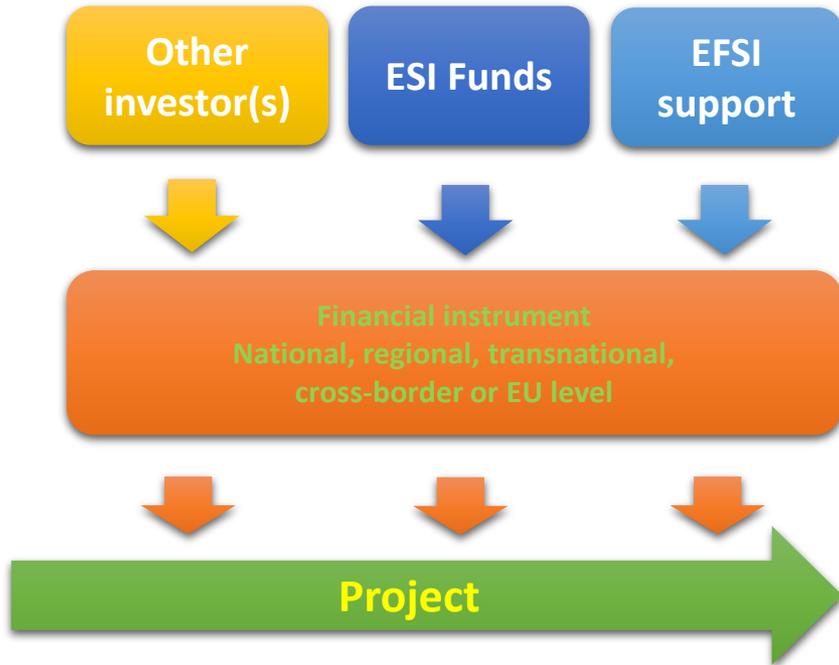
1. MA could set up a new investment platform in which EFSI and other investors would invest their resources including in the form of a layered fund.
2. MA could make an ESI Funds programme contribution into an existing investment platform set up with EFSI resources (and other private sector investment) at national, regional, transnational or cross-border level.
3. MA could set up a financial instrument (with or without a Fund of Funds) in which the investment platform set up with EFSI support could participate as an investor (at the level of FoF or Financial Intermediary)
4. MA could set up a financial instrument with ESI Funds programme contributions. The investment platform set up with EFSI support would intervene directly at project level on a deal by deal basis



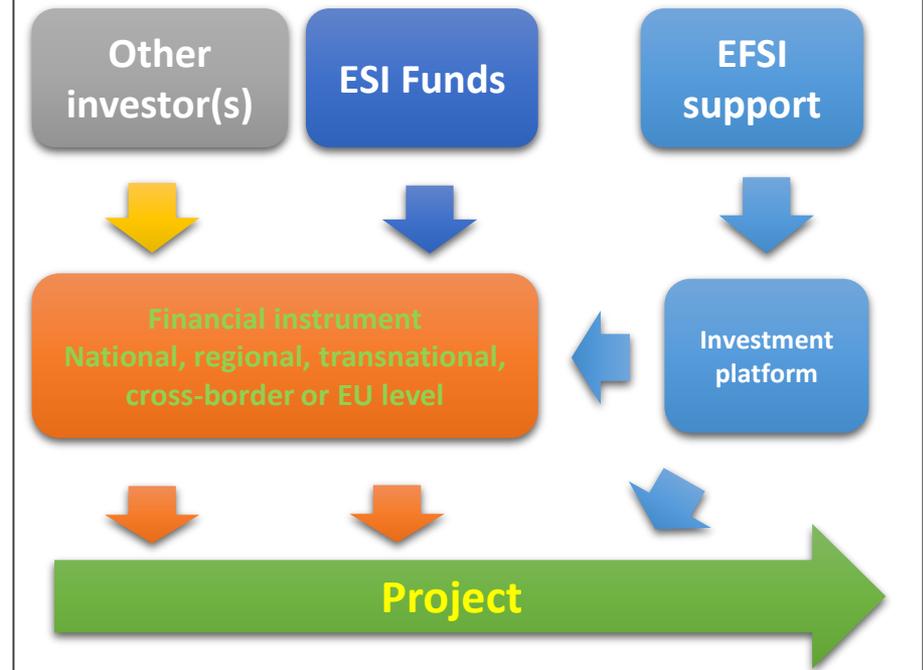
Investment platform options



• External investment platform



• Integrated investment platform

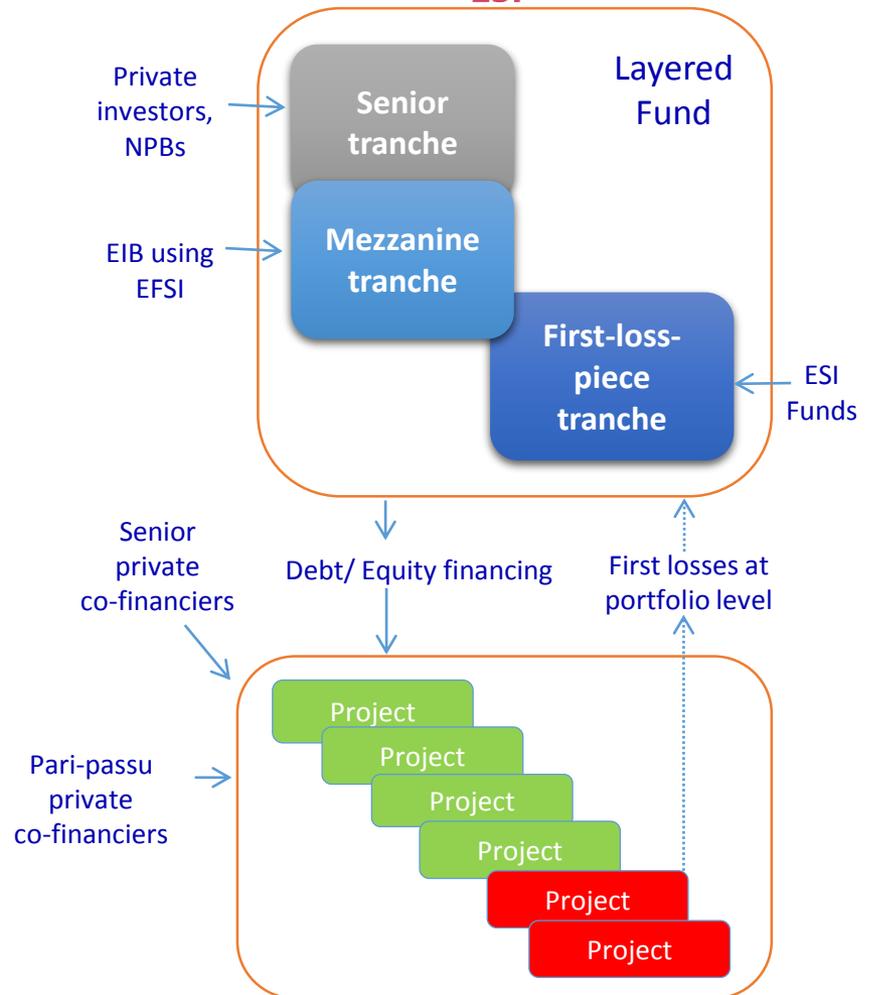


'Layered Fund' opportunities

Typically structured in 3 segregated classes of risk ('like' risk 'like' return)

1. **Senior debt tranche** (low risk) - private and institutional investors and NPBs
2. **Mezzanine tranche** - financed by EIB (using EFSI if additional according to EFSI Regulation, e.g. if falling under 'special activities' classification of the EIB). Open to NPBs and private investors
3. **First-loss-piece / Equity tranche** (high risk-taking): financed by ESI Funds or other

➤ **Could provide debt and/or equity financing to portfolios of targeted projects**



Would you like to know more?

Consult the Hub's advisory offer

www.eib.org/eiah

Request support from the Hub

www.eib.org/eiah/contact

Contact for more info

ballaguy@eib.org

Europe's gateway to investment support