European Fund for Strategic Investments (EFSI):

Rationale and Impact

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European Commission

Context matters: Why EFSI and why now?

Socio-economic rationale:

(1) **Recovery:** long-term sustainable solutions to the economic crisis
(2) **Growth:** infrastructure investments for growth, jobs & competitiveness
(3) **Effectiveness:** make better use of abundant liquidity on the market

Political rationale:

(1) **Flexibility:** less regulation and more flexibility to using public funds, including ‘favourable treatment’ of MS national contributions to EFSI
(2) **Predictability:** clarity in policy and regulatory framework
(3) **Stability:** contribute to building political stability and confidence

Now - more than ever - it makes socio-economic political sense to create the EFSI

EFSI: key elements

EFSI Objective:

(1) **Ambitious yet realistic growth plan:** with multiplier 1:15 mobilise minimum €315bn in additional public & private investment in 3 years

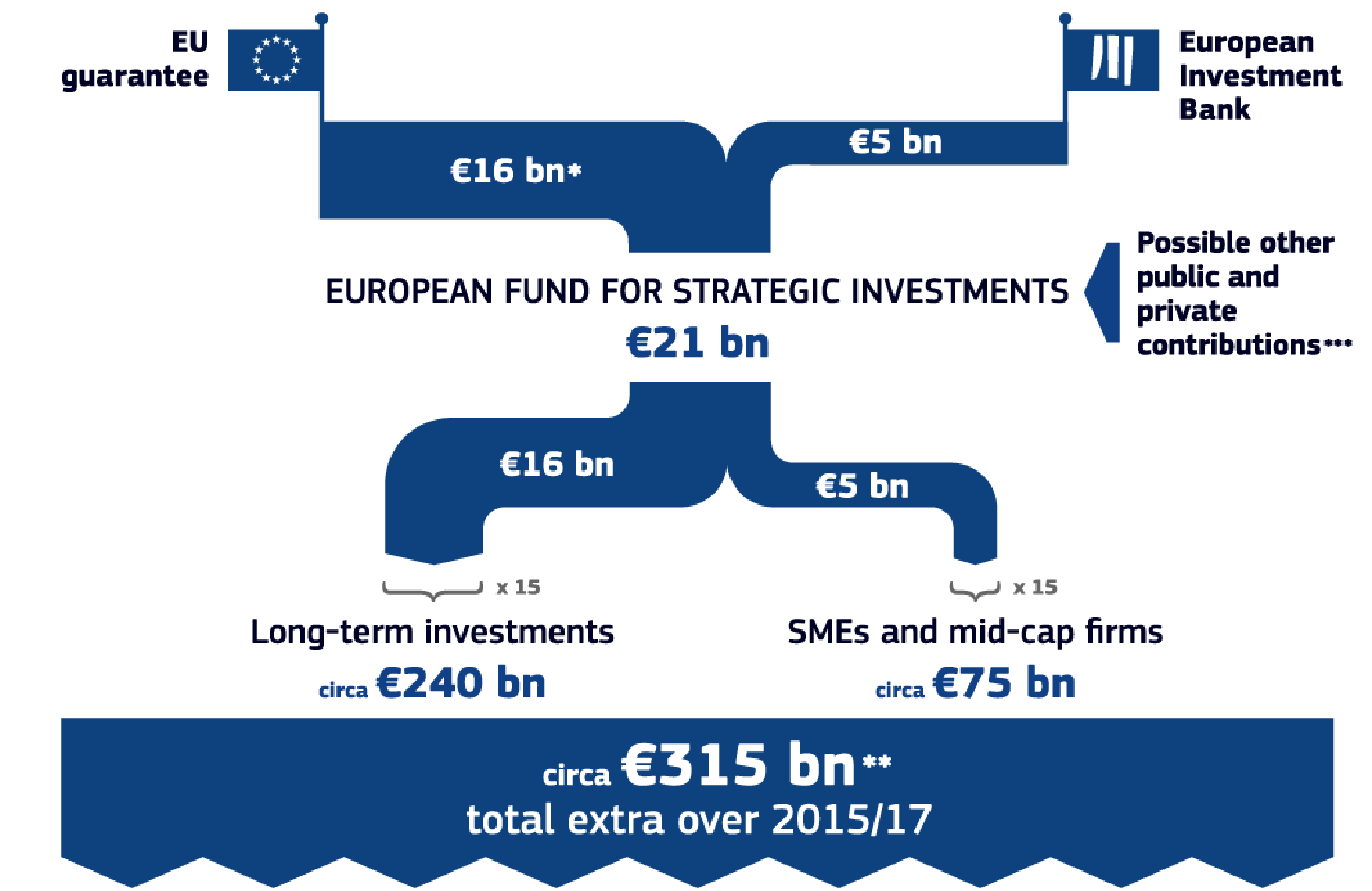
EFSI Budget:

(1) **Sizeable and speedy:** between 2015-2017, €21bn (€16bn EU and €5bn EIB guarantees) to finance minimum €315bn investments

(2) **Open-ended:** range of instruments with same and higher risk profile than existing loans, guarantees, sub-debt, equity instruments

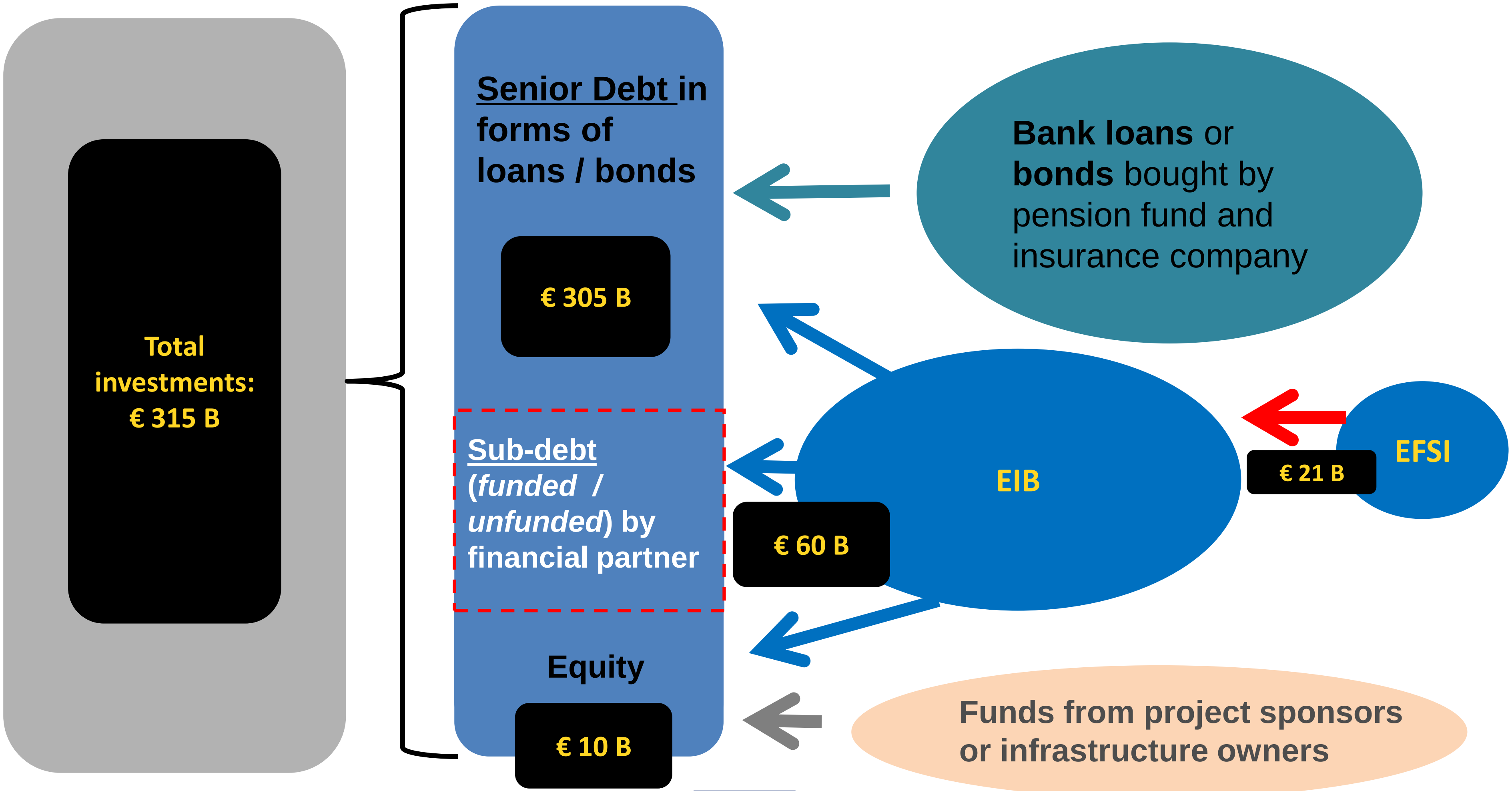
(3) **Diverse:** open to contributions from Member States and National Promotional Banks

INVESTMENT PLAN FOR EUROPE



Financial instruments: how do they work?

€ 1 billion from EFSI can generate € 15+ billion in investments



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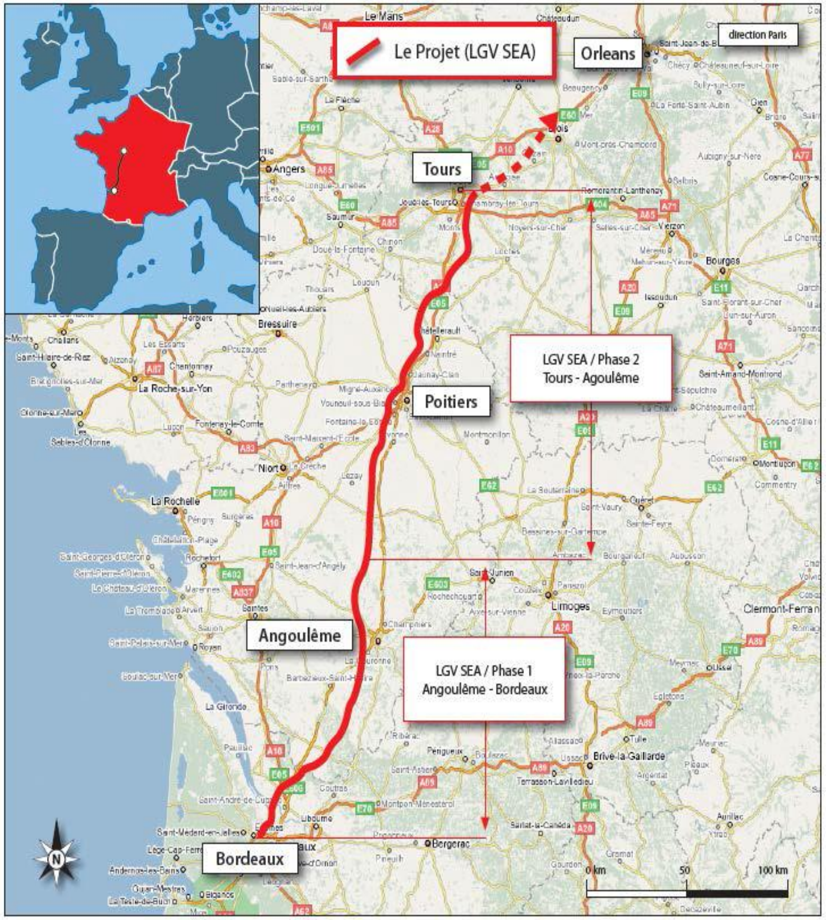
Example: Tours - Bordeaux High Speed Line

- € 200 M LGTT supporting € 3 B senior debt for € 7.8 B investment, due to 1:15 multiplier

- LGTT proved decisive to attract senior lenders

- Break-through: 1st time a rail transaction has been structured this way

- Benefit: journey time between Paris and Bordeaux will be reduced from 3h to 2 h; substantial stimulus for the French economy



EFSI: key elements

EFSI Pipeline:

(1) **Viable:** projects with wider eligibility, greater risks and higher socio-economic value of the European dimension

(2) **Achievable:** EIB-EC Task Force and Member States compiled an illustrative list of projects available for financing by means of financial instruments during the next 3 years

(3) **Promising:** no earmarking for transport but out of 2000 projects amounting to €1.3T, 29% cover transport sector

€127bn of investment needs identified for projects on the TEN-T Core Network Corridors

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Sectors suited for the EFSI

Category of projects	Total Value (million EUR)
Airport expansion	2,059.00
Dedicated rail connections	29,889.56*
Increasing capacity in ports	12,915.14
Inland waterways	17,613.00
Logistic platforms	2,389.70
Motorways	63,017.56
Total	**127,883.96**

*Identified at this stage as suitable for financial instruments (subset of Rail investments ready to start / on-going)

+ rail infrastructure related policies:

- Traffic management systems (ERTMS)

- Rail connections to other modes

- Cross-border rail projects

EFSI: key elements

EFSI Advisory Hub:

(1) **Assistance:** help national administrations and project promoters prepare projects, use FIs and structure PPPs

EFSI Governance:

(1) Steering Committee: overall orientation / guidance of EFSI

(2) Investment Committee: independent experts responsible for assessing project suitability. No geographical / sectorial quotas

EIB-Group will also contribute with staff for product development, pipeline origination, technical support and alike

EFSI Impact on the CEF

Additionality: to the existing financial instruments under CEF

Complementarity: with existing EU programmes, including CEF

Better use of EU budget through leveraged finance:

(1) Grants: CEF general transport envelope **-> €2.7bn transfer** to EFSI in order to achieve greater leverage and increase potential return of investment

(2) Grants: CEF cohesion transport envelope **€11.3bn -> intact**

(3) Financial Instruments: CEF transport **€2bn -> intact**

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CEF/EFSI Impact on rail Infrastructure Managers

Opportunities:

(1) **Rail** - the **biggest CEF beneficiary** - but this is **insufficient**
(2) **Make best use** of **FIs** available under the CEF and EFSI as the EC-EIB are looking for pilot rail projects in TEN-T core corridors
(4) **Combine grants** with other sources of finance, **FIs** and **PPPs**
(5) Make best use of **technical assistance** to structure projects
(6) EC launched **study** on innovative solutions to **ERTMS** financing

Challenges:

(1) The **demand** for private investment in transport is **growing**. Question is - **how** can **rail** sector **attract private investment?**
(2) Rail policy needs a **step change** to spur private investments
(3) **Open up** to competition and private investments

CEF/EFSI Impact on rail Infrastructure Managers

How do the railway Infrastructure Managers see the EFSI?

How can we help?

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PBCE Transactions signed today

- **Five projects** have been signed with PBCE during the pilot phase (PBCE amounts in parentheses):
  - Castor Gas Storage, Spain (EUR 200m), TEN-E
  - OFTO Greater Gabbard, UK (GBP 46m), TEN-E
  - A11 Motorway, Belgium (EUR 115m), TEN-T
  - Axione Telecom Infrastructure, France (EUR 38m), ICT
  - Autobahn A-7 PPP, Germany (EUR 86m), TEN-T

- EUR **494 million of PBCE** = **EUR 2,961 million bonds**
- **Two more Project Bonds** by end Q1, 2015
- Significant resources for development of project bond market under CEF (assuming positive review of pilot phase in 2015)

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CEF Financial instruments: how does it work?

€ 1 million from the EU Budget can generate € 20+ million in investments (leverage effect)