

European Fund for Strategic Investments (EFSI)

2015/0009(COD) - 28/05/2019 - Follow-up document

In accordance with Regulation (EU) 2015/1017 of the European Parliament and of the Council on the European Strategic Investment Fund (EFSI), the Commission presented an annual report on the management of the EFSI Guarantee Fund (EFSI GF) in the previous calendar year, including an assessment of the adequacy of the target amount and the level of the EFSI GF and of the need for its replenishment.

This annual report contains the presentation of the financial position of the EFSI GF at the end of the previous calendar year, the financial flows during the previous calendar year as well as the significant transactions and any relevant information on the financial accounts.

The report shall also include information about the financial management, the performance and the risk of the EFSI GF at the end of the previous calendar year.

The main findings of the report are as follows:

Financial accounts and significant budgetary transactions in 2018

The total assets of the EFSI GF stood at EUR 5 452 million as at 31 December 2018. In terms of the 2018 statement of financial performance, the EFSI GF ended the year with an economic result of EUR -13.9 million. A net loss of EUR -34.5 million from positive (EUR 28.4 million) and negative (EUR -62.9 million) fair value changes of derivatives, used for hedging the currency risk of the USD-denominated portion of the portfolio, was offset by net gains (EUR 17.0 million) from positive (EUR 103.7 million) and negative (EUR -86.7 million) foreign exchange revaluation of financial assets and interest revenue (EUR 17.5 million). The remaining loss mainly consisted of net losses from sales of available-for-sale securities (EUR -13.3 million) and custodian fees (EUR -0.6 million).

EFSI operations

The guarantee exposure of the EU in relation to disbursed outstanding EFSI operations by the EIB Group amounted to EUR 15.8 billion, as at 31 December 2018, out of the net available legal commitment⁹ of EUR 25.9 billion guaranteed by the EU. The amount of EUR 15.8 billion is recorded as a contingent liability in the notes to the 2018 financial statements of the EU.

In 2018, EFSI operations managed by the EIB under the Infrastructure and Innovation Window generated a net revenue of EUR 112.7 million for the EU. Of this amount, a net receivable of the Commission from the EIB as at 31 December 2018 of EUR 38.9 million was recorded in the 2018 EU financial statements. For the EFSI operations under the SME Window, the EU incurred cost of EUR 30.3 million in 2018. Out of this, EIF administrative fees of EUR 21.9 million recorded in the 2018 EU financial statements are payable to the EIF on or after 30 June 2019.

Provisioning of the EFSI GF

A total budgetary appropriation of EUR 2 069 million was committed in 2018 relating to the provisioning of the EFSI GF.

Use of the Guarantee

The EU Guarantee was called for an amount of EUR 97.1 million related to a defaulted operation under the Infrastructure and Innovation Window. The EIB recovered initially the amount of EUR 18.6 million, reducing the amount to be paid to EUR 78.5 million. The call was paid from the EFSI Account (EUR 17.7 million) and from the EFSI GF (EUR 60.8 million). Subsequently, the amount of EUR 1.6 million was recovered. In relation to this defaulted operation, an amount of EUR 1.0 million for recovery costs and EUR 0.6 million for recoverable administrative costs were called by the EIB. In 2018, an amount of EUR 0.6 million was paid to the EIB for funding costs¹¹ and EUR 10.7 million for value adjustments.

Assessment of the adequacy of the target amount and the level of the EFSI GF

As of 31 December 2018, total cumulated signatures under EFSI amounted to EUR 53.6 billion covering 28 Member States, of which EUR 39.1 billion was signed under the IIW (407 operations) and EUR 14.5 billion was signed under the SMEW (470 operations). Overall, this represents a significant increase compared to 2017, at the end of which total signatures amounted to EUR 37.4 billion.

As of 31 December 2018, the overall outstanding disbursed exposure covered by the EU Guarantee amounted to nearly EUR 15.8 billion up from EUR 10.1 billion in 2017.

The exposure of the EU budget to possible future payments under the EU Guarantee in terms of signed operations (disbursed and undisbursed) amounted to EUR 19.8 billion.

Infrastructure and Innovation Window (IIW)

Under the IIW, the outstanding disbursed exposure covered by the EU Guarantee was EUR 14.8 billion, of which EUR 14.2 billion for debt operations and EUR 0.6 billion for equitytype operations.

Should there be any losses due to these IIW operations, those will be covered by the EU Guarantee in accordance with the terms set out in the EFSI Agreement.

SME Window

As of 31 December 2018, under SME Window, the total outstanding exposure covered by the EU Guarantee was EUR 0.995 billion, of which EUR 0.880 billion for guarantee operations and EUR 0.115 billion for equity operations.

Should there be any losses due to these SMEW operations, those would be covered primarily by the contributions of the InnovFin SME Guarantee Facility, the COSME Loan Guarantee Facility, Cultural and Creative Sectors Guarantee Facility and the EaSI Guarantee Financial Instrument.

Target rate

The target amount of the EFSI GF has been set at 35% of the total EU Guarantee obligations. The risk assessment of the different products supported by the EU Guarantee shows that overall the Union budget would be adequately shielded from potential calls under the EU Guarantee with this target rate, taking into consideration recoveries, revenues and reflows from EIB operations. Therefore, the target rate of 35% is considered adequate.

The EFSI GF is in the building-up phase until 2022 thus the need for replenishment will be assessed in a later stage.