European Investment Fund

EIF Operational Plan 2025-2027

EXECUTIVE SUMMARY

The European Investment Fund (EIF) Corporate Operational Plan (COP) sets out the operational and financial targets for 2025 and orientations for 2026 and 2027. This ambitious operational plan is presented together with a forward-looking capital plan.

EIF activity

The EIF will continue to scale-up its guarantee and equity product offering in support of small and medium-sized enterprises, small midcaps and infrastructure to meet the strong demand the EIF is facing.

The 2025 "operational baseline scenario" foresees a total signature volume of EUR 12.8 billion (including own and third party resources). The EIF has the ambition to increase the 2025 target up to EUR 15 billion under an "enhanced scenario"; this depends on the materialisation of a number of initiatives currently under consideration – in line with the EIB Group priorities and European Union policies.

Narrowing the European Union innovation investment gap, contributing to Europe's competitiveness including in cohesion regions, increasing the volume of climate and sustainability financing, and the possibility to further support innovation also in security and defence sector are the key drivers for EIF's plan.

The EIF, with its Europe-wide extensive network, experience in market based financial products and its objective of facilitating access to finance has also a key role to play in pioneering new Capital Markets Union initiatives.

The implementation of the EIF's strategic roadmap and vision and the strategic roadmap of the EIB Group will continue being the reference point, with strong efforts being placed on fund raising with the European Union stakeholders. New mandates and top-ups of existing ones will be required to address the strong demand for financing and investment with high policy impact, for thematic financing such as innovation and digitalisation, climate and sustainability, social impact, or alternative financial products like private credit or export credit guarantees. Hand-in-hand with an ambitious fundraising plan for the coming years, the EIF will also seek, in partnership with the European Commission, to streamline and simplify European Union mandates, as well as to maximise the financing achievable thanks to the guarantee already provided under InvestEU and legacy mandates from previous programming periods.

Considering the numerous ongoing policy initiatives, this plan is subject to adaptations in 2025. Therefore, a mid-term review of the corporate operational plan in July 2025 will be key, as also mentioned above, to adjust it to possible changes in available resources.

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1 | Economic outlook

1.1 | General economic outlook

According to International Monetary Fund (IMF)'s latest projections,[1] **global economic growth is expected to remain stable**, at 3.2% in 2024 and 2025 (broadly unchanged from earlier estimates).

At the European Union level, the soft-landing scenario has materialised, with mildly accelerating growth, decreasing inflationary pressures and normalising monetary policy. Growth in the first quarter of 2024 was stronger-than-expected (though still below estimated potential), marking the end of a prolonged period of economic stagnation. Latest forecasts from the European Commission[2] project Gross Domestic Product (**GDP) growth** in 2024 at 1.0% in the European Union (a slight uptick from the earlier 0.9% projection) and 0.8% (unchanged) in the euro area – picking up to 1.6% and 1.4%, respectively, in 2025. Most importantly, almost all Member States are expected to return to growth in 2024. **Inflation expectations** have edged upwards but are still close to the European Central Bank (ECB) inflation target. Headline inflation in the European Union (euro area) is expected to decrease to 2.7% (2.5%) in 2024, and to 2.2% (2.1%) in 2025 – from 6.4% (5.4%) in 2023. As the disinflationary impulse of energy prices largely died out already by the end of 2023, food and non-energy industrial goods have now become the primary disinflation drivers, contrary to services prices.

While the European Central Bank cut rates twice since June in response to a softening economic outlook, credit conditions continue being tight. Financing costs for firms and households have already decreased slightly but remain high and close to levels not observed since the global financial crisis. The European Central Bank 's corporate borrowing cost indicator[3] stood at 5.06% in July 2024, down from its peak of 5.27% observed in October 2023. The expected further easing of monetary policy stance is set to gradually revive credit flows.

Overall, the risks to the outlook remain balanced, but some near-term risks (coming mainly from the European Union's external environment) have gained prominence: the momentum on global disinflation is slowing; escalation of trade tensions could further raise near-term risks to inflation; global trade and energy markets appear particularly vulnerable to mounting geopolitical tensions (including the risk of geographical escalation of the Middle East conflict); potential swings in economic policy as a result of the United States elections this year, with spillovers to the rest of the world, further increase uncertainty.

As cyclical factors are expected to gradually wane and activity to become better aligned with its potential, the European Union will need to shift its attention to addressing its long-term structural needs and challenges, particularly the European Union's deteriorating competitiveness. The recent Draghi report[4] highlights **Europe's innovation gap with the United States and China**, especially in advanced technologies, as the root of Europe's slowing productivity growth. Key barriers to innovation in Europe include: a static industrial structure producing a vicious circle of low investment and low innovation; a very limited number of academic institutions achieving top levels of excellence and a weak pipeline from innovation into commercialisation; public research and development spending lacking scale and being insufficiently focused on breakthrough innovation; fragmentation of the Single Market and the lack of an integrated capital market hindering innovative companies that reach the growth stage from scaling up in the European Union; regulatory barriers to scaling up being particularly onerous in the tech sector, especially for young companies.

[1] *International Monetary Fund, "World Economic Outlook – Update: The Global Economy in a Sticky Spot", Washington, DC, October 2024.*
[2] *European Commission, "European Economic Forecast: Spring 2024", Luxembourg, May 2024.*
[3] *As indicated by the ECB's composite cost of borrowing indicator, which calculates borrowing costs to Euro area corporates as a volume-weighted average across all maturity and loan size segments.*
[4] *"The future of European competitiveness – A competitiveness strategy for Europe", September 2024.*

The above is reflected in the findings of the *2024 EIF Equity Survey*[5] (among Venture Capital / Private Equity fund managers active in Europe) which shows that **scale-up financing conditions in Europe are in general perceived difficult** and have even deteriorated in the last year. A **lack of private domestic Limited Partners and large institutional investors** contributes to this structural market weakness. Linked to this, **the exit environment has become the biggest challenge in Venture Capital business,** with insufficient Initial Public Offering (IPO) market liquidity and a thin Mergers and Acquisitions market being key challenges for exits.

Skills shortages are acting as a further barrier to innovation and technology adoption and could potentially hinder decarbonisation as well. Finally, in a world where key economic dependencies are suddenly turning into geopolitical vulnerabilities, Europe seems the most exposed to such shifts. **Increasing security and reducing dependencies**, having more secure supply chains for critical raw materials and technologies, increasing production capacity at home in strategic sectors, and expanding industrial capacity in defence and space constitute therefore key areas for future action.

1.2 | EIF markets

1.2.1 | Debt and Securitisation

Corporate lending activity in the European Union remains weak, on account of both demand and supply factors. According to the latest European Central Bank lending survey,[6] in light of high interest rates and weak fixed investment in the second quarter of 2024, euro area banks saw a decrease in loan demand by firms (particularly small and medium-sized enterprises). Having said this, the decrease was much smaller than in previous quarters; while going forward, a rebound in loan demand is expected – for the first time since 2022. On the supply side, euro area banks reported – on balance – a very small further tightening of their credit standards for corporate loans, and an increase in rejected loan applications. In the second half of 2024 and into 2025, as interest rates continue to decrease and economic activity picks up, an increase in both demand and supply for credit should be expected.

At the same time, secured lending statistics by the European Association of Guarantee Institutions (AECM)[7] show that **activity in the bank lending market for loans backed by a guarantee has continued its downward trend.** Total outstanding and new guarantee volumes among European Association of Guarantee Institutions member organisations decreased further in 2023 (by approximately 22% and 8%, respectively, compared to the previous year), but remain well above their pre-pandemic levels. This, in turn, implies that compared to their Covid-peak, guarantee programs are in lower supply at the moment, reflecting the phase-out of the extensive Covid-19 support programmes as well as the early reimbursement of emergency loans no longer needed. Looking ahead, a recent European Association of Guarantee Institutions survey[8] revealed that its members expect their guarantee activity to increase, including the use of EIF counter-guarantees. This is likely due, inter alia, to the small and medium-sized enterprises' increased needs for liquidity, and for financing the twin transition.

The European securitisation market is approximately evenly divided between traditional true sale securitisations, which serve funding purposes, and synthetic securitisations, which enable banks to achieve capital relief. Despite the European traditional securitisation market's failure to recover fully from the global financial crisis of 2007-2009—currently operating at just one-fifth of its 2007 volume—synthetic securitisations have experienced significant growth. This expansion has extended into regions, such as the Central and Eastern European (CEE) markets, where traditional securitisations have never been used widely.

[5] *"EIF VC Survey 2024 - Market Sentiment". EIF Market Assessment & Research. October 2024. Forthcoming.* www.eif.org/news_centre/markets-and-impact.
[6] *ECB Bank Lending Survey, 2024 Q2.*
[7] *AECM Statistical Yearbook 2023. AECM Publishing, Brussels.*
[8] *AECM, "Guarantee Activity Survey 2023/2024", Brussels, February 2024.*

Presently, the traditional securitisation market faces another challenge: a substantial portion of issued bonds or notes are retained by the originating banks due to the absence of suitable investment platforms to absorb these volumes. In 2023, for instance, only EUR 95 billion of the EUR 205 billion in structured finance notes issued by European banks were placed with investors, with the remaining EUR 110 billion being retained. This inefficiency in the securitisation market directly hinders the further development of the Capital Markets Union.

Regarding the synthetic securitisation market, despite its recent success, many investors have encountered difficulties entering the rapidly expanding Central and Eastern European market or conducting certain high-quality transactions, such as Simple, Transparent, and Standardised securitisations.

1.2.2 | Private Equity / Venture Capital

Even though activity in the European Venture Capital / Private Equity Ecosystem declined in 2023[9] (following the record year 2021), the activity levels in most market segments were still higher than in the years before 2019. Venture Capital / Private Equity investment volumes in European companies decreased over the last two calendar years and reached a level of EUR 99 billion in 2023 (–25% compared to 2022; Venture Capital: –26%; Buy-out: –26%; Growth capital: –30%). Fundraising also decreased by 32% to a level of EUR 133 billion in 2023, after a record level of EUR 195 billion had been documented in 2022.

Similarly to previous years, the European Venture Capital market activity has remained much lower than in the United States. Despite a strong decrease in Venture Capital fundraising in the United States in 2023, Venture Capital fundraising over Gross Domestic Product (GDP) was still five times higher in the United States (0.24%) than in Europe (0.05%).[10]

Preliminary evidence for 2024[11] in Europe suggests that as valuations recover and interest rates continue to decrease, **deal activity is improving.**

The *EIF Equity Survey* (the largest regular survey among Venture Capital / Private Equity General Partners across Europe; conducted in July-August 2024), with a total of 624 respondents (398 Venture Capital; 226 Private Equity), provides further insights on the latest trends and developments in the European Venture Capital / Private Equity market.

A common pattern across all survey results is that **even though current market conditions have slightly improved compared to a year ago, they are still perceived as challenging**, as the difficult macroeconomic environment continues to weigh on the Venture Capital market and on Venture Capital-backed companies. However, Venture Capital fund managers revealed **more optimistic expectations** for the next 12 months, on the back of an improved outlook for the macroeconomic conditions and economic activity in general.

The top challenges identified by Venture Capital / Private Equity General Partners relate to the exit environment, fundraising difficulties, and the availability of scale-up financing. The exit environment has even surpassed fundraising as Venture Capital fund managers' biggest challenge – also reflected in the increasing occurrence of insolvencies among Venture Capital portfolio companies. The scale-up gap in Europe is also highlighted in several market statistics. In 2024, 12 new unicorns (i.e., companies exceeding USD 1 billion in valuation) have been founded in Europe so far[12] – almost matching the number (13) recorded during the entire 2023, but far below the peak (60) observed in 2021. However, between 2008 and 2021, close to 30% of the unicorns founded in Europe relocated their headquarters abroad, with the vast majority moving to the United States.[13] Evidence from the *EIF's Equity Survey 2024* regarding the exit

[9] *This is the latest year for which official data from Invest Europe (formerly EVCA – European Private Equity & Venture Capital Association) are available.*
[10] *Based on data from Invest Europe, US NVCA (National Venture Capital Association), Pitchbook, and authors' calculations.*
[11] *Based on Pitchbook data – "Pitchbook European Venture Report Q2 2024" and "Pitchbook European PE Breakdown Q2 2024".*
[12] *According to Pitchbook's "Unicorn company tracker – October 1, 2024".*
[13] *Testa, G., Compano, R., Correia, A. and Rückert, E., "In search of EU unicorns: What do we know about them", EUR 30978 EN, Publications Office of the European Union, Luxembourg, 2022.*

routes of Venture Capital-backed companies further revealed that more than half of trade sales and Initial Public Offerings involved non- European Union buyers.

Securing financing has remained the key challenge for Venture Capitals' portfolio companies, followed by customer acquisition and retention, and recruiting high-quality professionals. At the same time, Venture Capital fund managers report an improved investment activity and are more optimistic about portfolio development in the near future.

A large share of Venture Capital fund managers confirm to have companies active in Artificial Intelligence, Deeptech, and Cleantech in their portfolio; these investment themes are expected to remain important in Venture Capitals' future portfolios. Artificial Intelligence, Biotech, and Energy/Climate are perceived as the areas with the greatest investment potential over the next 3-5 years, reflecting the developments in life sciences and digitalisation since the Covid crisis and also linked to the energy price developments in the recent past.

2 | EIF's strategic orientations

2.1 | Strategy update

The pursuit of the EU strategic objectives has always been of paramount importance for the EIF.

In 2025, the EIF will focus on efficient and effective implementation of its ambitious corporate plan while maximising the Fund's contribution under policy priorities defined in the EIB Group 2024-2027 Strategic Roadmap and supporting key policy objectives of the new European Commission. The financing scenario of the Strategic Roadmap will also drive the fund raising and business volumes ambition.

The core of the EIF investment activity will continue to be focused mainly on the four of the eight strategic priorities:

i) **Consolidate the role of the EIB Group as the climate bank**,

ii) **Accelerate digitalisation and deployment of the whole value chain of new technologies**,

iii) **Contribute to a modern cohesion policy** and

iv) **Pioneer the Capital Markets Union.**

This builds on EIF's strengths, leveraging on its areas of expertise and is consistent with EIF's historical policy priorities and thirty-year track record. The only exception is climate, which emerged as a priority only in recent years and has already brought significant results, demonstrating the EIF's agility and capacity to scale up its activity in new policy priority areas.

Out of these four core areas, two will get notable new focus:

1) **Digitalisation and Technical Innovation. The EIF will strive to scale-up its support to innovative small and medium-sized enterprises and scale-ups by contributing to the Group Strategic Tech-EU Programme.** The Fund's strong involvement through its venture capital and private equity instruments as well as guarantees will help to ensure that the offering of EIB and EIF allows to cover the entire innovation and company-growth cycle is covered. Notable focus will be attached to those parts of that cycle where gaps are the greatest, such as scale-up funding.
2) **Capital Markets Union.** The EIF will have an important role to play under the EIB Group Capital Markets Union Action Plan, especially its second pillar – closing the funding gap throughout the company and innovation cycle, complementing the EIB offering. The EIF will aim to scale up its support to European venture capital and private equity markets both under existing products as well

as launching new ones. The EIF will also continue to crowd-in the private sector to the European Union Venture Capital market by opening parts of its well diversified Venture Capital and Private Equity portfolio to external investors, including through secondary sales. Such secondary sales to external investors would allow to unlock public resources. The secondary sales as a pro-active portfolio management tool would support the ambition to do more with the existing scarce public money, as the proceeds from sales could be used to increase the firepower for further equity investments. Possibilities to give access to retail investors will also be explored.

For the following strategic areas: **Support agriculture and the bioeconomy as well as reinforce Europe's social infrastructure**, the EIF will continue having a more targeted intervention, in a way complementary to the EIB and correlated with stakeholders' interests and the availability of dedicated resources. The EIF is using specific instruments such as social infrastructure funds or agricultural technology focused venture capital funds complemented by portfolio guarantees through which it aims to maximise the effectiveness of its action. In the case of agriculture, EIF interventions may intensify in the future in the event of Common Agriculture Policy moving further from grant-based towards financial instruments-based. In the context of reinforcing the European social infrastructure ecosystem, the EIF will contribute to the EIB Group Task Force . This may also entail securitisation products that through use of proceeds model will direct resources to those asset classes.

Crucially, in respect of EU intervention to support the Ukrainian economy, the **EIF has launched the Ukraine Export Credit Pilot under the InvestEU umbrella**. Under such facility, the EIF will partner exclusively with Export Credit Agencies (ECAs) to support European small and medium-sized enterprises and small mid-caps exporting to Ukraine. By end of October 2024, the EIF has already received 12 expressions of interest for total guarantee amount exceeding available resources (EUR 444.3 million or 148% of available resources. The first signatures are expected by the end of the first quarter of 2025. Scalability of such activity will be explored together with the European Commission.

Finally, in 2024, the EIB Group has responded to the calls by the European leaders to step up its support to defence and security by adopting a sectorial action plan. The EIF is a pillar of the EIB Group's response **to step up support to Europe's security and defence industry,** while safeguarding the EIB Group's financing capacity and ensuring the highest environmental, social and governance standards**.**

The EIF launched the Defence Equity Facility in cooperation with Directorate-General for Defence Industry and Space. Its deployment is well on track. In 2025, the EIF will continue implementation of the existing facility and explore new ways of supporting the sector, notably through providing financing to innovative security technologies including aerospace or cybersecurity. Market assessment will be conducted for debt-products and launch of new dedicated platforms will be explored.

The evolution of the EIF investment activity depends on fundraising. The EIF is performing a strategic review of its fundraising efforts that, once completed, will provide a more precise indication of how the EIF activity will evolve in the medium term.

Internal improvements

The EIF's strategy going forward will be to focus maximising the effectiveness of its action. In support of that, EIF services will continue developing the impact assessment framework, leveraging the EIB's additionality and impact measurement framework, but tailored to the EIF's intermediated business model. In parallel, the EIF will also develop its new financial sustainability strategy in order to continuously ensure that it meets both of its statutory objectives.

As regards to the portfolio management, since the real-life cycles of equity fund investments depend on inter alia market cycles and may be substantially longer than envisaged, this requires more intensive efforts on the active portfolio management in line with the Equity Strategy.

In conclusion, the EIF's strategy over the next three years will support key European Union policy areas and the EIB Group strategic priorities , while tailoring the EIF's activity to ensure its role leverages its areas of expertise and maximises the impact achieved with the resources at its disposal.

3 | EIF's operational plan

As outlined in Section 2 above, the EIF's activities over the next three years will focus on the delivery of the EIB Group 2024-2027 Strategic Roadmap and the support of key policy objectives of the new European Commission. The EIF will contribute to the eight policy priorities of the Group with a key focus on the areas and flagship initiatives where potential EIF's input is the greatest, such as, Climate, Digitalisation and new technologies, Cohesion and Capital Market Union.

The proposed financing program for the coming three years is affected by the rapid utilisation – in line with the "front loading" agreed with the European Commission and supported by the Board of Directors - of the current multi annual financial framework resources under InvestEU, as well as the quick delivery of national initiatives under InvestEU Member States Compartments.

Bearing in mind the importance of sustained implementation of European Union policies and the development needs of small and medium-sized enterprises related financial/capital markets, the EIB and EIF shareholders have indicated their wish for the EIF to deploy an ambitious operational plan of up to EUR 15 billion, for each of the next 3 years. The EIF does not currently have resources/mandates sufficient to achieve such goal and relies on a fruitful cooperation with its shareholders and mandators to boost its firepower and achieve a COP higher than the baseline scenario.

To address the existing funding gap and achieve such objective, the EIF has already identified a series of measures whose successful execution will be integral to achieving the above goal. Amongst those, the optimisation of the EU guarantee in InvestEU and legacy mandates, top-ups to current mandates as well as new mandates from Member States (i.e., Member States Compartments under InvestEU or European Technology Champion Initiative 2) are envisaged.

In any case, the financing scenario of the EIB Group Strategic Roadmap will eventually drive the business volumes. The ability for the EIF to meet such ambitious operational plan targets will depend on the close cooperation with the EIF's main funding providers.

3.1 | Fund raising Operational Plan 2025-2027

As anticipated, funding levels decreased moderately in 2024 when comparing with 2023. Such decrease is expected to be more pronounced for the next three years and, as mentioned above, it is affected by the rapid utilisation of InvestEU resources, as well as the quick delivery of national initiatives under InvestEU Member States Compartments.

The mandates currently available for deployment, combined with those under discussion as well as optimisation measures under consideration shall provide the EIF with funding enabling an operational plan of EUR 12.8 billion per year (i.e. the operational baseline scenario).

Nonetheless, the ambition is to target a deployment of up to EUR 15 billion for each of the next 3 years. Close cooperation with the EIF's mandators (i.e., the European Commission, the EIB, European Union Member States and Private Investors) and their ability to provide relevant funding, and optimisation of mandate terms, will therefore be one of the main focuses for the next three years.

A series of key measures, whose successful execution will be integral to achieving the above goal have been already identified (i.e., optimisation of the EU guarantee available in InvestEU and in legacy mandates, new mandates from Member States such as the successor to the European Tech Champions Initiative (to be combined with private investors resources), other Member States Compartments under InvestEU, top-ups of existing Member State Compartments, further private investors fund raising under the existing umbrella). Secondary sales allowing the reutilisation of the sale proceeds for new investments also contribute to the fund raising. EIF has started the preparations for at least one portfolio sale in 2025.

In this context, and in line with his current funding sources, the EIF will strive to maintain a balance between the different set of mandators, boosting the contribution from private investors and keeping the approximate split between European Commission, Member States and EIB.

In addition, the strategy driver for any new initiatives will be aligned with the EIB Group Strategic Roadmap as well as the EU policy priorities.

Table 1. Operational Plan 2025-2027 fund raising by business line

	2025	2026	2027
Eur billion			
Equity	5.9	5.5	3.6
1 - EIB	1.7	1.5	1.5
2 - EC	0.6	0.0	0.0
3 - Regional Mandates/ Member States	3.1	3.3	1.5
4 - Private Investors	0.6	0.7	0.5
Guarantee Securitisation & Inclusive Finance	9.1	4.5	2.3
			0.9
1 - EIB	1.4	1.5	1.5
2 - EC	4.4	1.8	0.0
3 - Regional Mandates/ Member States	2.0	0.4	0.0
4 - Private Investors	0	0	0
Total Fund Raising COP	***15.0***	***9.9***	***5.9***

Table 2. Operational Plan 2025-2027 Fund Raising by Public Policy Goal

	2025		2026		2027	
	Weight PPGs	*Eur billion*	*Weight PPGs*	*Eur billion*	*Weight PPGs*	*Eur billion*
Competitiveness, growth and cohesion	**46%**	7.0	**40%**	4.0	**52%**	3.1
Equity	18%	2.8	19%	1.9	14%	1.3
G&S	28%	4.2	21%	2.1	17%	1.7
Innovation	**30%**	4.5	**37%**	3.7	**23%**	1.4
Equity	10%	1.6	21%	2.0	14%	1.4
G&S	19%	2.9	16%	1.6	0%	0.0
Social impact, skills and human capital	**3%**	0.4	**3%**	0.3	**5%**	0.3
Equity	1%	0.1	1%	0.1	1%	0.1
G&S	2%	0.3	2%	0.2	2%	0.2
Sustainability and green transformation	**21%**	3.2	**20%**	2.0	**20%**	1.2
Equity	10%	1.5	14%	1.4	8%	0.8
G&S	11%	1.6	6%	0.6	4%	0.4
		15.0		***9.9***		***5.9***

3.1.1 | Increasing the leverage of the existing EU guarantee

Mandates of the European Union Budget are indispensable to enable the EIB Group to leverage its capital and finance risky activities while preserving its AAA rating. Each euro of the InvestEU guarantee managed by the EIF is expected to mobilise 13 euros[14] in total investment.

The EIF together with EIB and the European Commission will seek to maximise European Union resources under the current Multiannual Financial Framework. These measures would not require an increase of the European Union guarantee but would enable the existing European Union guarantee to achieve more financing and thus more impact.
This will require a dynamic management of the European Union guarantee that underpins a number of programmes, both in this programming period and in past ones.

If successful, such measures would help mitigate the so called “cliff edge” effect under InvestEU and contribute to closing the gap towards the EUR 15 billion in the operational plan over the coming years.

The following measures have been **modelled in the 2025 -2027** EIF financing plan:

- **Optimise leverage by re-tranching certain InvestEU portfolios:** this consists in optimising the risk sharing modalities of the European Union guarantee in order to achieve a higher volume of financing on the back of the same amount of EU guarantee. This concerns primarily the InvestEU uncapped guarantee portfolio. The re-tranching is expected to have a dual effect on EIF’s capital consumption (i) it increases the EIF nominal exposure in the senior tranche and (ii) it slightly increases the capital charge, by 2.3%, applied on EIF’s senior tranche due to a lower rating on such tranche (A3 vs. A2 currently). The impact of the re-tranching and the consequent increase in the capital charge for EIF’s tranche has been reflected in the Capital Plan document.
- **Leverage on the option foreseen in the InvestEU regulation to combine portfolios of legacy programmes with InvestEU.** This concerns mainly the EC mandates from the previous programming period, such as InnovFin SME Guarantee and COSME Loan Guarantee Facility.
- **EIF is also engaged in the termination of certain portfolios supported by legacy EU programmes. This concerns certain equity portfolios from prior programming periods.**

These measures are currently being assessed jointly with the Commission. In parallel, the EIB is also engaged in similar measures. In case they are successfully implemented, a transfer from EIB to EIF of a portion of the InvestEU guarantee allocated to the EIB will be considered.

All actions related to streamlining and optimisation of the EU guarantee available in EU mandates are coordinated via a group task force established in October this year.

All measures described in this section require the approval of the European Commission.

Together with these maximisation measures, the EIB Group is working towards a streamlining of the European Commission Mandates.

[14] *Multiplier projection for EIF’s product mix at inception of Invest EU. Total Invest EU guarantee (at Group level) multiplier at inception was estimated at 11.4x.*

3.1.2 | Fundraising maximisation: additional initiatives targeting EIB Group priorities and flagships

The Capital Market Union has been a priority for the EIF's debt activity since its inception. Over time, the EIF has spearheaded numerous initiatives.

European Technology Champion Initiative (ETCI)

The European Technology Champions Initiative (ETCI) kickstarted the creation of a new market segment in the European venture capital ecosystem by providing cornerstone investments in funds with a minimum target size of a billion Euro. The rapid deployment of this initiative demonstrates the market absorption capacity for this type of finance. However, the first generation of European Technology Champions Initiative is only the foundation for building this part of the risk-capital eco-system. The funding gap in this market gat exceeds by far the amount of capital catalysed by the first generation of European Technology Champions Initiative which, at full deployment, is estimated to be in the magnitude of EUR 12 to 15 billion and expected to be invested over investment periods of 3-4 years in the underlying funds.

To create a true European funding alternative for scaling European technology companies, an annual investment capacity of some EUR 15 billion would be required, which would require a tripling of the amount catalysed by the first generation of the European Technology Champions Initiative mandate. Such scale requires the continuous support from European Member States but can hardly be achieved through public funding alone.

The second generation of the European Technology Champions Initiative instrument therefore envisages the integration of private sector institutional capital at scale. This would be a means for getting institutional investors acquainted with this asset class and carrying this market segment as a mainstream investment in their asset allocation in the future. The scale of ambition for this second generation is such that EIF will prioritise its fundraising over smaller and potentially competing initiatives with member states and the private sector. The success of such fundraising will therefore be a integral to EIF's deployment plans.

Exit Fund

Next to the scale-up funding for European technology companies in their market development phase, the destiny of these company at the point in time where venture growth funds seek to exit them because of their own investment horizon requires particular attention.

To address these situations, (i) the currently available options for further funding pre- and post- Initial Public Offering and (ii) the means for transfer of ownership in these companies when funds seek an exit, need to be expanded.

On one hand this requires a more fluid access for companies to the stock market which can be facilitated by pre- Initial Public Offering funding through equity funds and/or hybrid debt instruments that could be made available under the EIB Group's equity activities.

On the other hand, non-dilutive capital provided by the EIB Group through direct and/or indirect investment channels (i.e., funds) could also play a pivotal role in developing a more dynamic merger & acquisition activity within Europe to create an alternative to the dominance of trade sales of European companies to United States corporations as an exit route.

All these instruments could be brought together in a funding platform for strategic technologies in Europe. Such platform could build over time a portfolio of shareholdings in strategic technology companies, either through its own investment activity or through distributions-in-kind from companies exited by European Technology Champions Initiative-backed funds and become one core instrument for securing Europe's sovereignty in key technologies for the future.

Ecosystem-focused market intervention

Next to the above-mentioned initiatives which are key components for a functioning risk capital market in the context of the Capital Market Union, EIF will continue its ecosystem-focused market development approach. This approach has on the one hand the objective of closing the funding gap between the risk capital markets in the United States and Europe. On the other hand, it seeks to level out disparities in market developments between the different geographic areas of the European Union and in the development of certain market segments and sectors. To maintain a perspective of a market development covering the full funding chain for enterprises, from technology transfer on the one side, to the scaling enterprises and their adaptation to challenges of climate change and the digital transformation of Europe's economy on the other side, it is essential that EIF caters for a holistic funding offer. EIF will therefore maintain its support to the development of core market segments such as (i) technology transfer, (ii) impact investment funds and (iii) funds with strategies addressing new market segments such as i.e., circular economy business models. To address the specific funding needs in these market segments, EIF will also seek the collaboration with new stakeholder groups (i.e., foundations) which through their enlarged risk-taking capacity may be able to amplify the funding offering made available by the EIF.

Securitisation

Securitisation instruments are one of the main products deployed by the EIB Group in support of the Capital Market Union objectives. As a matter of fact, over the last years, the EIB Group has played a pivotal role in supporting the market and is now recognised as the main European plyer in the Asset Backed Securities field for small and medium-sized enterprises.

In 2025, the EIF plans to continue deploying its palette of securitisation instruments to address financial institutions' needs, support further lending to small and medium-sized enterprises and close certain market gaps. In particular:

Traditional True-Sale securitisation:

- Direct cash investments, i.e., the EIF purchases Asset Backed Securities notes directly from the relevant Special Purpose Vehicle.
- Bilateral Guarantees, i.e., the EIF guarantees an investor who buys Asset Backed Securities notes from the relevant Special Purpose Vehicle.
- Embedded Guarantees i.e., the EIF provides a guarantee directly into the Special Purpose Vehicle thereby converting the Asset Backed Securities notes into a quasi-European Safe Assets.

Synthetic securitisation:

- Mezzanine unfunded protection - i.e., the EIF transfers the risk of the exposure to the EIB under the existing intra-group service level agreement.
- Senior unfunded protection – i.e., the EIF takes the risk of the exposure directly via EIF own resources, and in some cases may transfer part of the exposure to the EIB under the existing intra-group service level agreement.
- Mezzanine unfunded protection – i.e., the EIF takes the risk of the exposure directly via EIF own resources. It is expected that the total volume of such investments would be limited.

It should be noted that by pursuing the European Safe Assets platform mentioned above the EIF is not only able to generate significant volumes but also support the Capital Market Union development by allowing the Asset Backed Securities notes to be much more liquid and robust in terms of risk performance. Such initiative can be seen as a direct remedy to the market gap whereby a significant share of Asset Backed Securities cannot be placed with investors and is therefore retained on originators balance sheets.

In addition, insurance and reinsurance companies have long been interested in collaborating with the EIF in synthetic securitisations in a fashion like the one in place with the EIB. In essence, their proposal envisages the EIF fronting mezzanine tranches vis a vis the originating bank and subsequently transferring the risk to them. Such construct would allow the EIF to catalyse private resources while diversifying its sources of capital and obtaining market feedback to its pricing strategy. This initiative is still considered on a pilot basis and is currently being developed.

Besides, the EIF has been historically cooperating effectively with National Promotional Institutions in the securitization sphere. Such cooperation could be re-invigorated both for traditional cash transactions as well as in the context of mezzanine capital relief deals.

Furthermore, the EIF pursues the facilitation of climate objectives also in the context of its securitisation activity. It should be noted that the availability of green assets to be securities is still rather limited, and it is therefore challenging to have both the securitised and new portfolios composed of green assets. The EIF therefore utilises the "use of proceeds" route, based on the separation between the securitised portfolio and the new green investments.

This means that the proceeds from the EIF investments are directed towards sustainable green projects (i.e., solar panels and heat pumps). Since 2020, the EIF has signed over 30 green securitisations across various European countries, with the green portion of new portfolios ranging from 10% to 100%, averaging around 38%. These transactions have generated over EUR 800 million in new green lending. From 2024, the EIF and the EIB can leverage under InvestEU specifically for green securitisations. It is expected that in 2024 alone InvestEU will support EUR 120m of mezzanine investments in synthetic securitisations.

Lastly, it should be underlined that in addition to the investment which contribute to the EIF operational plan volumes, under the intra-group service level agreement the EIF also originates, structures, executes and monitors Asset Backed Securities transactions on behalf of the EIB, the relevant volumes are substantial and in the range of EUR 2.5 billion per year.

Portfolio Guarantees & Inclusive Finance

The demand for the EIF portfolio guarantees remains very high and well above its funding capacity. The EIF has developed a very wide and diversified network of financial institutions across all the member states of European Union who have also responded well to the quest to meet in parallel financial and policy objectives by facilitating access to finance for small and medium size enterprises via portfolio guarantee instruments.

The EIF will therefore maintain its full engagement in the guarantee business with the deployment of

capped and uncapped guarantees are to support key European Union policy areas and the EIB Group strategic priorities. This is predicated on the successful completion of the measures described above in terms of maximising the leverage of the EU guarantee, as well as successful fund raising with Member States on portfolio guarantee products.

The EIF will continue pursuing a delivery linked to specific themes such as enhancing the competitiveness of the European small and medium size enterprises in cohesion regions, and particularly promoting sustainability, innovation, and digitalisation. By mitigating the financial risks associated with thematic lending (often perceived by financial intermediaries as high-risk), the EIF guarantees enhance the access to finance for small and medium size enterprises and other eligible entities.

As of today, the portfolio guarantees are deployed predominantly under InvestEU, both under the European Union-Compartment, which focuses on broad pan-European intervention, and the Member State-Compartment, which allows for interventions funded by European Union Member States to address specific national thematic investment needs, while benefiting from a well-tested and effective financial and eligibility framework.

The **Sustainability Portfolio Guarantee Product** under the InvestEU program is designed to support the green and sustainable transition of small enterprises and individuals across the EU, covering a wide range of green investments, including climate change mitigation and adaptation and environmental sustainability.

The **Innovation and Digitalisation Portfolio Guarantee Product** aims to foster Europe's economic growth and global competitiveness by facilitating access to finance for companies developing innovative products, processes, or services, as well as those investing in digital technologies such as cybersecurity, digital business models, and supply chain management.

The **SME Competitiveness Guarantee** under InvestEU aims to improve the competitiveness of European businesses by facilitating access to finance for small and medium size enterprises perceived as high risk or lacking sufficient collateral. This guarantee supports SMEs in enhancing their borrowing capacity and stabilizing their financial position.

Within the Portfolio Guarantees activity, the EIF has also developed over the time the **Inclusive Finance** segment, being instrumental to the financial and social inclusion of vulnerable groups, by fostering their access to finance for setting-up or developing their own business.

Today, the EIF is a relevant market player in this specific segment, partnering with a wide range of financial institutions, no matter their size (from credit unions to ethical, cooperative banks) or legal form (from Non-Governmental Organisations to joint stock companies), at the same time offering products adapted to the local context of our intermediaries.

Furthermore, the EIF supports the **Alternative Lenders and FinTech** segment, a growing financing channel complementary to commercial banks and National Promotional Institutions. It is formed by specialized lenders offering tailor-made financial solutions to different types of final recipients across all Portfolio Guarantee Public Policy Goals. In 2024, EIF will have provided guarantee commitments to c. 40 alternative lenders. Notwithstanding a growing importance of this segment, also in the context of the Capital Market Union, EIF's Portfolio Guarantee activity with Alternative Lenders is limited by lack of a specific funding source to support such transactions. The EIF will explore potential avenues to further develop EIF's guarantees products and fundraising opportunities.

3.2 | Operational Plan Deployment 2025-2027

The proposed total EIF financing programme for each of 2025, 2026 and 2027 is EUR 12.8 billion under the "operational baseline scenario", with the ambition to increase the target up to EUR 15 billion under the "enhanced scenario", subject to the materialisation of several initiatives which are currently under consideration. The enhanced scenario is driven by the market demand for the EIF products which exceeds significantly the available resources across existing mandates.

Operational Baseline Scenario

Under the operational baseline scenario, the EIF will deliver EUR 12.8 billion per year over the three coming years.

For 2025, this scenario relies on funding already secured and initiatives which are envisaged to be signed before the end of 2024 or in the first quarter of 2025 (i.e., Spain and Portugal Member State Compartments, three Seas Initiative Innovation Fund as well as Ukraine Facility and European Fund for Sustainable Development Plus).

For 2026 and 2027 this scenario relies on funding already secured and initiatives which are under discussions with mandators whose signature would materialise towards the end of 2025 or onwards (i.e., optimisation of InvestEU resources enabling additional EUR 2.5 billion deployment of guarantee instruments, Poland Member State Compartment, European Technology Champions Initiative 2.0, potential increase of Member States compartments Greece, Finland, etc.).

Table 3. Operational Baseline scenario - Deployment volumes - projection for 2025 – 2027

Eur billion	2025	2026	2027
Equity	7.1	6.9	6.9
EIB	2.6	2.9	2.8
European Commission (Invest EU)	1.6	1.1	1.0
Member States	2.7	2.6	2.7
Private Investors	0.2	0.3	0.4
Guarantee, Securitisation & Inclusive Finance	5.6	5.9	5.8
Securitisation	2.2	2.3	2.3
EIF Own Resouces	*0.8*	*0.9*	*0.9*
EIB Service Level Agreement	*1.4*	*1.5*	*1.5*
European Commission (Invest EU)	2.2	2.0	2.2
Member States	1.3	1.6	1.3
Total COP	12.8	12.8	12.8

Enhanced Scenario

Under the enhanced scenario, in 2025, the EIF will target to deliver an operational plan of EUR 15 billion per year over the three coming years.

In 2025, to achieve the enhanced scenario, several additional initiatives which rely on the ability of the EIF's stakeholders to agree on additional funding will have to materialise timely. Amongst these, the further front loading of InvestEU resources from 2026 to 2025, the re-tranching of the InvestEU guarantee, or the increase in the Cash Asset Back Securities activity.

In respect of 2026 and 2027, to achieve the enhanced scenario and in addition to the measures mentioned above, the EIF estimates that the additional financing stemming from the optimisation measures described in 3.1.1 might cumulate up to EUR 6.4 billion (and up to EUR 7 billion in total over the period).

The demand across the EIF products remains very high and the EIF needs to adapt its intervention to develop its future interventions models and value-added offer. The EIF can contribute to systemic changes and therefore both short terms objectives and funding needs need to be tackled to lead the way to mid- and long-term opportunities.

Therefore, starting 2025 the EIF will also engage into the design and promotion of initiatives linked to the EIB Group Strategic Priorities, as well as the European Union policy priorities, such as the pursue of the Capital Market Union through equity and debt initiatives, the consolidation of the Group position as a leader in green finance exploring areas such as green securitisations and climate-focused private credit funds, accelerating Digitalisation and Technological Innovation.

The EIF is striving to step up its support in new areas of intervention. Currently the EIF is actively looking for best ways to contribute to this important objective of the Group, leveraging on the long experience in financing frontier technologies.

Table 4. Enhanced Scenario - Deployment volumes - projection for 2025 – 2027 (to be revised in the context of the mid-term review)

Eur billion	2025	2026	2027
Equity	7.5	7.5	6.9
EIB	2.6	2.9	2.9
European Commission (Invest EU)	1.8	1.7	1.0
Member States	2.8	2.6	2.6
Private Investors	0.2	0.3	0.5
Guarantee, Securitisation & Inclusive Finance	7.2	7.3	8.1
Securitisation	2.7	2.3	2.3
EIF Own Resouces	*1.3*	*0.9*	*0.9*
EIB Service Level Agreement	*1.4*	*1.5*	*1.5*
European Commission (Invest EU)	3.1	3.5	4.3
Member States	1.5	1.6	1.5
Other mandates to be funded	0.3	0.2	0.0
Total COP	15.0	15.0	15.0

3.3 | Policy impacts

Table 5. COP deployment 2025-2027 by Policy Objectives and business line (operational baseline scenario)

	2025		2026		2027	
	Weight PPGs	*Eur billion*	*Weight PPGs*	*Eur billion*	*Weight PPGs*	*Eur billion*
Competitiveness, growth and cohesion	**32%**	4.1	**36%**	4.6	**37%**	4.8
Equity	12%	1.6	16%	2.0	17%	2.2
Guarantee Securitisation & Inclusive Finance	20%	2.5	20%	2.6	20%	2.6
Innovation	**25%**	3.2	**26%**	3.3	**29%**	3.8
Equity	15%	1.9	15%	1.9	15%	1.9
Guarantee Securitisation & Inclusive Finance	10%	1.2	11%	1.4	14%	1.9
Social impact, skills and human capital	**4%**	0.5	**3%**	0.4	**2%**	0.2
Equity	3%	0.4	2%	0.2	2%	0.2
Guarantee Securitisation & Inclusive Finance	2%	0.2	1%	0.1	0%	0.0
Sustainability and green transformation	**39%**	5.0	**35%**	4.5	**31%**	4.0
Equity	26%	3.3	21%	2.7	21%	2.6
Guarantee Securitisation & Inclusive Finance	13%	1.7	14%	1.8	11%	1.4
		12.8		***12.8***		***12.8***

Table 6. COP deployment 2025-2027 by Policy Objectives and business line (enhanced scenario – subject to review in the context of the mid-year review)

	2025		2026		2027	
	Weight PPGs	*Eur billion*	*Weight PPGs*	*Eur billion*	*Weight PPGs*	*Eur billion*
Competitiveness, growth and cohesion	**31%**	4.6	**34%**	5.1	**36%**	5.5
Equity	11%	1.6	13%	2.0	13%	1.9
Guarantee Securitisation & Inclusive Finance	20%	3.0	21%	3.1	23%	3.5
Innovation	**25%**	3.7	**31%**	4.7	**32%**	4.8
Equity	14%	2.0	15%	2.2	13%	2.0
Guarantee Securitisation & Inclusive Finance	11%	1.7	16%	2.4	18%	2.8
Social impact, skills and human capital	**4%**	0.6	**2%**	0.4	**2%**	0.3
Equity	2%	0.4	1%	0.2	1%	0.2
Guarantee Securitisation & Inclusive Finance	1%	0.2	1%	0.1	1%	0.1
Sustainability and green transformation	**41%**	6.1	**33%**	4.9	**30%**	4.5
Equity	23%	3.5	20%	3.1	18%	2.8
Guarantee Securitisation & Inclusive Finance	17%	2.6	12%	1.8	11%	1.7
		15.0		***15.0***		***15.0***

3.4 | EIF's ambition in climate action and environmental sustainability

The EIF is committed to advancing Climate Action and Environmental Sustainability (CA&ES) finance as core components of its strategic objectives for 2025-2027. Building on the Climate Action and Environmental Sustainability focused mandates and products, successfully launched during 2022 and 2023, the EIF will aim to maintain its ambition in the field of green transition across Europe, but will also seek out green investments that enhance competitiveness and cleantech financing. At the same time, in cooperation with the EIB and as part of the wider commitments made in the EIB Group Climate Bank Roadmap, the EIF will review its current Climate Action and Environmental Sustainability criteria used for corporate Climate Action and Environmental Sustainability target tracking purposes and adjust where necessary, considering the latest developments of the EU Taxonomy and the technical screening criteria to determine substantial contribution to climate and environmental objectives.

In 2023, the EIF financed nearly EUR 5.1 billion (34% of annual commitment) of investment in operations targeting green investments, projects and enterprises, compared to EUR 0.4 billion in 2021 and EUR 2.0 billion in 2022. The 2023 commitments are expected to mobilise in total EUR 40.7 billion over the coming years and includes supporting small and medium-sized enterprises and individual entrepreneurs in greening their businesses and renovating buildings, as well as providing critical finance to infrastructure investors, innovators, and green technology developers (including those focusing on food security and bio-economy).

As of 2024 onwards, the EIF increased the projected Climate Action and Environmental Sustainability target to 30% for the planning three-year period, with the objective to further review and potentially increase over the next years, surpassing the initial expectations defined at the time of the Climate Bank Roadmap adoption. The year-end projections indicate that the target will be surpassed by a comfortable margin, primarily thanks to the transfer of certain Invest EU resources from EIB, which allowed a boost of the EIF Sustainability Guarantee for an additional EUR 1.2 billion (this is now fully deployed).

Recognising the pivotal role of small and medium-sized enterprises and mid-caps in driving innovation and sustainability, the EIF will enhance its support for these businesses. This includes providing targeted financing solutions to help small and medium-sized enterprises adopt green technologies, improve energy efficiency, and reduce their carbon footprint, and supporting the development of such green innovative technologies and the necessary infrastructure to decarbonise energy systems.

Additionally, EIF is committed to contributing to the new flagship initiatives identified in the EIB Group 2024-2027 Strategic Roadmap relevant for this policy priority: the Small and medium-sized enterprises Energy Efficiency Programme, the Pan-European Agriculture and Bioeconomy programme, Scaling up Affordable and Sustainable Housing, and to an extent the Strategic Tech-EU programme and the focus on critical raw materials.

3.5 | Cohesion

The resources planned to be deployed during 2025 are targeting, by the features of their investment strategy and/or market demand, countries with lower cohesion levels (i.e., European Tech Champions Initiative). On the other hand, some of the third pillar initiatives, such as Structural Funds Equity Greece on the equity business line or Spain Recovery and Resilience Facility on the guarantee business line, may noticeably contribute to the cohesion target.

Table 7. COP deployment 2025-2027 (Climate Action & Environmental Sustainability & Cohesion – operational baseline scenario)

COP Volumes	2025		2026		2027	
	Eur billion	*%*	*Eur billion*	*%*	*Eur billion*	*%*
Climate Action & Environmental Sustainability	**4.2**	**33%**	**4.4**	**35%**	**4.1**	**32%**
Equity	2.4	34%	2.3	33%	2.3	33%
Guarantee Securitisation & Inclusive Finance	1.8	33%	2.1	36%	1.8	30%
Cohesion	**5.1**	**41%**	**5.1**	**40%**	**4.9**	**39%**
Equity	2.0	28%	1.7	25%	1.7	24%
Guarantee Securitisation & Inclusive Finance	3.1	57%	3.3	59%	3.3	56%

Table 8. COP deployment 2025-2027 (Climate Action & Environmental Sustainability & Cohesion – enhanced scenario)

COP Volumes	2025		2026		2027	
	Eur billion	*%*	*Eur billion*	*%*	*Eur billion*	*%*
Climate Action & Environmental Sustainability	**5.2**	**34%**	**4.8**	**32%**	**4.8**	**32%**
Equity	2.6	34%	2.6	34%	2.5	36%
Guarantee Securitisation & Inclusive Finance	2.6	35%	2.3	30%	2.3	29%
Cohesion	**6.0**	**40%**	**5.9**	**40%**	**6.1**	**40%**
Equity	2.1	28%	1.8	24%	1.7	25%
Guarantee Securitisation & Inclusive Finance	3.9	53%	4.1	55%	4.4	54%

The review upwards of the CA&ES orientations in the enhanced scenario in 2026 and 2027 is based on the working assumption that 30% of the resources of Invest EU optimization measures will be focused on this objective.

With the planned mix of resources to be deployed in 2025 under the enhanced scenario, the EIF projects to dedicate between 40-42% of its financing to cohesion regions. Nonetheless, it should be noted that the cohesion target is defined over a period of 3 years, with 40% representing an average per annum.