

EIF Operational Plan 2022 – 2024

EXECUTIVE SUMMARY

The EIF's Corporate Operational Plan (COP) presents the strategy, and sets out the targets, for the next three years, with targets for 2022 and orientations for 2023 and 2024.

The EIF's COP for 2022-24 will rely, to a significant extent, on the initiatives launched by the EIB and the EC. Together, with EIF Own resources, they represent 68% of the activity in 2022, and 74% when considering the 2022-2024 period. Despite this concentration, EIF aims at increasing the diversification level of the funding of its activities, through the development of Recovery and Resilience Plans with Member States and the launch of the second generation of Asset Management Umbrella Fund (AMUF), to attract private/institutional investors.

The EIB Group will be the key implementing partner of InvestEU with responsibility for the management of 75% of the budgetary capacity of each of the policy windows part of the mandate. For planning purposes, it is assumed that the EIF will manage circa 55% of the EIB Group budget throughout the four windows. Given the 60% front loading of InvestEU in the first three years (2022-24), the different initiatives under the mandate will represent circa 42% of the overall deployment of EIF in the period of analysis.

The support to climate and EIF's increased focus on impact via thematic/policy objectives are the main drivers of the operational plan for the next three year cycle. The EIF's activity has been modelled and planned according to the Public Policy Goals (PPGs). The focus on policy impact is progressively being embedded in EIF's activity and will be cascaded throughout the entire organisation from the mandate acquisition strategy to the deployment, reporting and monitoring.

The infra/climate fund mandate resulting from the EIB Group equity strategy approved in 2020, together with a dedicated climate window under RCR and the Sustainability and Green transformation window of InvestEU represent a key component of the EIF's commitment to support the Group's ambition in Climate Action and Environmental Sustainability.

Table of Contents

1 	Implication of the COVID-19 crisis for the EIF	3
1.1	General economic outlook	3
1.2	EIF markets	3
2 	EIF's strategic orientations.....	4
2.1	Priorities for COP 2022-2024.....	4
3 	EIF's operational plan.....	6
3.1	Corporate operational plan for 2022.....	6
3.2	Fund raising COP 2022-2024.....	7
3.3	Deployment COP 2022-2024.....	8
3.4	Policy impacts	9
3.4.1	<i>EIF's Public Policy Goals.....</i>	9
3.4.2	<i>EIF's ambition in climate action and environmental sustainability</i>	10
3.5	Key initiatives	11
3.5.1	<i>COVID-19.....</i>	11
3.5.2	<i>MFF 2021-2027 ("2nd pillar" initiative)</i>	12
3.6	Other national and regional Initiatives ("3rd pillar" initiative).....	14
3.7	Fundraising from private investors ("4th pillar" initiative)	14

1 | Implication of the COVID-19 crisis for the EIF

1.1 | General economic outlook

During the past year, the COVID-19 pandemic has led to an unprecedented economic shock, both globally and within Europe. While the economic fall-out of the pandemic turned out to be less severe than initially anticipated, the consequences for the European economy were nevertheless dramatic, as it contracted by 6%¹ over 2020, the worst economic contraction since World War II. Fortunately, temporary unemployment schemes and insolvency regulation reform were successful in preventing massive worker layoffs and widespread insolvency waves. However, insolvencies recently started rising again, as some countries and sectors experienced a sharp increase in the number of corporate bankruptcies.

Liquidity support programs, including EIF's own efforts, managed to shelter European SMEs from the worst of the crisis. Government support for corporate debt and record low borrowing costs have led to a strong increase in the use of bank-based debt products, stoking fear for a growing corporate debt bubble. However, corporate outstanding debt as a share of GDP, in the Euro area remains below its pre-financial crisis level, leaving some leeway for policy makers to continue to support SMEs' most pressing liquidity and long-term investment needs. Continued support for SME financing remains warranted to ensure a sustainable economic recovery, as the financing situation of EU SMEs remains precarious, with one in three European SMEs reporting access to finance to be a very important problem.

For 2021, the European Commission predicts a faster economic recovery than initially anticipated and forecasts growth at 5%. All EU27 countries are projected to register positive growth numbers for 2021, but wide country-level divergence in the severity of the COVID-19 crisis has led to a deepening of the economic divide between EU Member States. The recovery process is expected to continue for another year, with an additional expected expansion of 4.3% throughout 2022. The risks to the European recovery are on the downside, as the spread of new virus variants and inflationary pressures remains an ongoing concern. While the economic rebound is turning out to be stronger than projected, the EU is nevertheless set to underperform vis-à-vis other global regions, most notably the US and China, where the recovery process following the pandemic shock progressed at a much faster pace.

1.2 | EIF markets

The COVID-19 crisis has had a significant impact on the EIF's business and the demand for the EIF products. The COVID-19 pandemic led to a strong surge in the use of guarantee instruments, both at the national and European level, to meet with urgent short-term corporate liquidity shortages. The extensive use of guarantees as a policy tool to combat the economic fall-out of the pandemic resulted in a doubling of the total number of outstanding public guarantees among European Association of Guarantee Institutions (AECM) members over 2020. The average maturity of loans supported by a COVID-19 guarantee instrument was about five years. The need for loans with a medium-term maturity is in accordance with the nature of the current crisis, characterised by longer spells of revenue-loss and persistent uncertainty on near-term recovery prospects, in particular for the segment of SMEs. Public guarantee policies differed greatly across countries and jurisdictions, in terms of both the funds available and the credit support usage, reflecting the unequal economic shocks experienced.

The European SME securitisation market also bears the consequence of the COVID-19 crisis. With the start of this new crisis, transaction parties focused more on amending deal documentation than on deal origination (Moody's, 2020a). The impact on SME securitisation asset quality and deal performance remains to be seen – the level of uncertainty continues to be very high.

¹ Earlier growth forecasts estimated the EU-27 economy would contract by 8%^{public}

The European PE/VC ecosystem weathered the crisis reasonably well. The EIF surveys among Business Angels, VC and PE MM investors, conducted at the outbreak of the COVID-19 pandemic, brought to light that investors' expectations for the near future of the sector have considerably worsened. However, while PE/VC investment volumes were initially impacted significantly by the confinement measures, and deal volumes slumped during the first weeks following the onset of the pandemic, they quickly recovered thereafter, limiting the long-term consequences of the pandemic on the VC/PE industry. While some studies found that high-risk segments of the market (seed/early stage) suffered disproportionately,² EIF's own research³ found that the impact of COVID-19 across stages, but also sectors, was relatively homogenous, with one clear exception, as the healthcare industry significantly outperformed other sectors of the economy, in terms of number of deals and invested volumes. Finally, VC investments in 2020 ended at record levels, while fundraising experienced a slight dip. An important factor for the smaller than expected drop in fundraising is the increased participation of Government agencies – moreover, the entire VC ecosystem in Europe has matured and is much more resilient today, also partially driven by public support. Overall, as shown by EIF's equity surveys, market participants are optimistic as regards the long term perspectives of the markets.

2 | EIF's strategic orientations

2.1 | Priorities for COP 2022-2024

The COP 2022-2024 focuses on some specific areas and strategic objectives, including:

- ***Pursue the transition to a more Sustainable Development Goal (SDG) driven institution focusing on thematic EIB and EU objectives***

This is the first 3 year activity planning cycle where EIF, after the implementation of EGF is moving back to an impact-driven institution, focusing not only on additionality but also fulfilment of EIB and EIF thematic objectives, notably on climate. The verticalisation of the business plan, derived from the thematic nature of the resources under EIF's management, in particular central mandates from the EIB and the EC, will make the deployment more prescriptive and complex to source. This complexity is extended across the lifecycle of EIF's activity, where a framework and supporting tools, to further develop ex-post monitoring, reporting and performance / impact tracking capabilities will be necessary to strengthen our policy and thematic orientation. It is expected that deal origination and monitoring will become more time consuming, as smaller average tickets will be signed.

- ***Convergence with EIBG climate and cohesion goals***

Following EIB Group's equity strategy decision, the Infra / Climate funds activity was transferred from EIB to the EIF at the beginning of 2021. In the context of Paris Alignment, the EU Green Deal and EIB Group Climate Bank strategy, the EIF plans to progressively increase during 22-24 the implementation of resources, namely InvestEU and EIB Infra Funds, that will make a relevant contribution to both the Union and the EIBG climate targets by investing in infrastructure funds targeting climate adaptation or mitigation, as well as environmental sustainability, in energy, transport, environment, digital connectivity, space and social infrastructure. The EIF aims to target 16% of its activity in climate and environment in 2022 (or 18% excluding EGF activity), and increase this share to 22% and 25% in 2023 and 2024 respectively.

² Bellavitis, C., Fisch, C., & McNaughton, R. B. (2021). COVID-19 and the global venture capital landscape. *Small Business Economics*, 1-25.

³ Crisanti, A., Pavlova, E., Signore, S. and Krantz, J. (2021). *The VC Factor: Pandemic Edition*. European Investment Fund and Invest Europe Report.

Additionally, and to support EU Cohesion policy that is focused on correcting imbalances between countries and regions, EIF will implement in 2022 a new KPI that will measure the reach of our activity to cohesion regions. EIF plans to dedicate 38% of its investments to cohesion regions in 2022.

- ***Group Alignment Implementation Plan (GAIP)***

EIF and EIB have been working, since December 2020, on the creation of a formal implementation plan (the Group Alignment Implementation Plan - GAIP). This plan includes a total of 75 projects and initiatives aiming at reinforcing Group alignment, as well as a set of agreed General Principles and Guidelines that apply to all GAIP projects.

- ***Completion of EGF implementation***

The market situation related to the COVID-19 crisis has called for public intervention in the support of access to finance for European companies. During 2021 more than 70% of EIF's activity was centred on the deployment of this emergency instrument. In 2022, EIF plans to conclude the deployment of this initiative, through the implementation of a Securitisation instrument..

- ***Development and implementation of InvestEU starting in 2022, to be complemented by sectoral/thematic windows***

The EIF, together with the EIB, will be the key implementing partner of InvestEU. The EIB Group will be entrusted with the management of 75% of each InvestEU policy window. Under InvestEU, the EIF expects to deploy the full suite of intermediated products relying on its pan-European reach, effective intermediary network and financial expertise, with 60% of the volume approved by end of 2024. While providing risk finance for the benefit of small businesses will remain the EIF's core business, it will increase its focus on key EU policy priorities of a green and digital transformation, strengthening the competitiveness of EU businesses, and building a more resilient and inclusive European society.

- ***Consolidate 4th pillar activity at relevant level to support diversification of sources of funding***

The EIF wants to continue to leverage its policy objectives by attracting and managing private investment capital from Institutional Investors as a means to continue supporting its investment role in the European PE and VC markets.

Keeping these investors engaged in the targeted asset classes, with an extended offer when compared with the first generation of AMUF, will be vital in facilitating the long-term support of European SMEs.

The launch of the new AMUF compartments - postponed from 2021 to 2022 due the pandemic - will combine strategic partnerships with private investors to consolidate the relevance of this activity and ensure a diversified and balanced blend of funding for the EIF activities and mission.

3 | EIF's operational plan

EIF is facing strong demand both on the equity and on the debt side, although caution needs to be exercised as both the economic situation across the EU and market conditions remain fluid and far from certain, at least for the next 6-12 months.

SMEs need equity and different forms of debt financing. InvestEU will provide a large part of the necessary support.

The EIF will continue offering both capped and uncapped guarantees and increase its support for sustainable financing.

3.1 | Corporate operational plan for 2022

After an exceptional year of strong implementation of emergency instruments in light of the COVID-19 pandemic, EIF plans to return to the pre-pandemic activity levels. EIF initiates in 2022 a full three year deployment cycle accompanied by a shift in the strategic orientation toward a thematic-driven institution as has been indicated in the previous section of this document.

The deployment will be more prescriptive and complex to source due to verticalisation of the business plan imposed by the thematic nature of the resources. Considering this, the achievement of the COP will rely on smaller transactions hence it requires from the services a bigger effort at different stages of EIF's activity, namely: origination, planning, monitoring and resource budget control.

This shift of approach has started already during the second half of 2021, with preparatory work in terms of analysis of individual investment strategies, deal flow creation, setup of policy analysis and monitoring. It is planned to accelerate this work after the completion of 2021 deployment, which will be undoubtedly a record year of activity for EIF.

Regarding InvestEU the volumes presented reflect the last discussions with the EC and at Group Level that may continue until the end of the year. Additionally, the InvestEU deployment plan requires a significant front loading of the activity that will be concentrated in the period 2022-2023. EIF is working with the EC and EIB services but also with Member States to feed its mandate pipeline after 2023 to limit as much as possible the effect of the cliff.

The overall debt volumes in the period of reference are skewed towards capped products, which, due to their setup, have a lower contribution to COP volumes compared to uncapped guarantees. The current product mix is a consequence of the rules of InvestEU/RRF (RRFs would be MS Contributions into InvestEU), which make uncapped instruments less attractive to Member States. This focus on capped vs. uncapped also has different impacts for EIF on capital (more headroom as EIF will not take senior participations) and on income (reduced risk fees).

Overall activity figures have been consolidated both in the Group Operational Plan and the Group Capital plan.

3.2 | Fund raising COP 2022-2024

In 2021 the fund raising activity across both business lines has been heavily concentrated on the negotiation of InvestEU and the acquisition of an initial set of sectoral programmes, seeking to secure additional EC resources from programmes targeting digital, innovation, social, space, blue economy and media investment strategies.

In 2022 the fund raising activity for Pillar 2 (EC) assumes that InvestEU negotiations will be concluded before the end of 2021 and therefore the acquisition of new resources will be focusing on the negotiation of new sectoral programmes and potential new EC initiatives.

Fund raising activities for equity with EIB are stable and reflect the stabilization of activity through RCR and Infra funds mandates. Additionally for the debt side, EIF and EIB services agreed for a plan to maintain the securitisation activity at pre-pandemic levels.

Member States/ Regional Resources pillar activity in 2022 for the debt business show a significant level of resource acquisition driven mainly by national Recovery and Resilience Plans (Bulgaria, Romania, Finland and potentially Greece, Portugal and Ireland). To a lesser extent the equity business also benefits from the national Resilience plans, but complemented by increased initiatives under the NPI platform and second generation of FoFs (LFF2 and CEFOF 2).

In 2022 the launch of 2nd generation AMUF and potential on boarding of Strategic Managed Accounts will accelerate 4th Pillar (Private Investors resources) activities for the Equity business.

While new initiatives in 2022 covering Competitiveness & Growth PPG are dominant, the overall weight is decreasing in favour of more focussed/thematic initiatives. Lower visibility on new fund raising initiatives in 2023-2024 will give the opportunity during 2022 to align resource acquisition with the Mandate Acquisition Strategy orientations.

Table 1. COP 2022-2024 fund raising by Business Line and Activity Pillar (EUR m)

	2022	2023	2024
Equity	3,463	2,611	2,063
1 - EIB	1,513	1,513	1,513
2 - EC	400	0	0
3 - Regional Mandates	975	388	0
4 - Private Investors	575	710	550
Guarantees & Inclusive Finance	4,636	1,762	1,947
0 - EIF OR	560	700	900
1 - EIB	1,000	1,000	1,000
2 - EC	500	0	0
3 - Regional Mandates	2,471	37	47
4 - Private Investors	105	25	0
Grand Total	8,099	4,372	4,010

Table 2. COP 2022-2024 fund raising by PPG (EUR m)

	2022	2023	2024	Grand Total
Competitiveness, growth and cohesion	5,166	2,755	2,765	10,686
Innovation	1,977	729	717	3,423
Social impact, skills and human capital	60	60	0	120
Sustainability and green transformation	896	828	528	2,252
Grand Total	8,099	4,372	4,010	16,481

3.3 | Deployment COP 2022-2024

Compared to 2021, where there was a significant increase in activity as a consequence of the deployment of EGF, volumes in 2022 fall back to the levels prior to the COVID-19 crisis. Given the uncertainty regarding the timely availability of a relevant part of the resources planned to be deployed, EIF requests a +/- 10% margin of flexibility on the achievement of the target volumes for 2022.

2022 is characterised by the start of the implementation of InvestEU, expected to be signed at the end of 2021, with EUR 4bn (including EIB group participation) planned to be deployed in 2022, representing 40% of the activity of the year.

For EGF, EIF plans to conclude the deployment of this initiative, through the implementation of a Securitisation instrument (EUR 1.4bn to spread over 2021-22). To be noted that - following the vote by the contributors' committee of an extension of the signature period for equity products beyond 31 December 2021 - some equity transactions held in reserve could be signed early 2022. These potential signatures have not been captured in our projections (if signed they would enter into the +10% flexibility margin).

Investments into Infra funds will be reinforced with the combined effort of EIB Infra Mandates and resources of the Sustainable Infrastructure window of InvestEU. RCR resources will continue to be an important pillar of our equity activity, this year with a dedicated climate window that reinforces EIB Group's ambition in Climate Action and Environmental Sustainability.

Other activities planned for 2022 include EUR 2.5bn of securitisation volumes (which considers EUR 940m of remaining EGF volumes) and an increase in the 4th pillar volumes compared to 2021, given the launch and start of deployment of the second generation of AMUF. The implementation of Recovery and Resilience Programmes from Member States will represent a significant portion of the deployment activities for Regional Mandates.

Table 3: COP 2022-2024 volumes

EURm	2022 COP	2023 COP	2024 COP
Equity	4,436	5,031	4,361
Guarantees & Inclusive Finance	4,904	5,844	4,797
Total Equity + GS&IF	9,339	10,875	9,157
EGF	940	0	0
Total Equity + GS&IF + EGF	10,279	10,875	9,157

EURm	COP 2022-2024			EURm	COP 2022-2024		
	2022 COP	2023 COP	2024 COP		2022 COP	2023 COP	2024 COP
0 - EIF OR	560	700	900				
1 - EIB	1,000	1,000	1,000	1 - EIB	1,443	1,565	1,560
2 - EC	2,251	2,817	2,258	2 - EC	1,755	2,008	1,701
3 - Regional Mandates	1,978	1,252	614	3 - Regional Mandates	683	868	604
4 - Private Investors	55	75	25	4 - Private Investors	555	590	495
Total GSIF	5,844	5,844	4,797	Total Equity	4,436	5,031	4,361

3.4 | Policy impacts

3.4.1 | EIF's Public Policy Goals

In 2020, EIF introduced its Public Policy Goals (PPGs) as a founding element of EIF's policy framework.

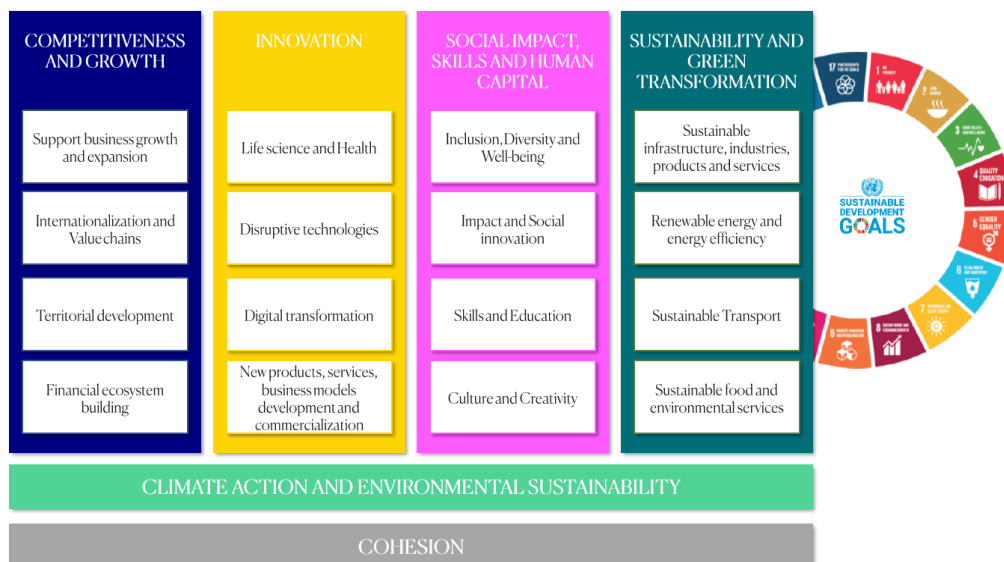
2021 has seen EIF evolving further towards a stronger thematic and policy orientation approach. This has been a response to an evolving mandate landscape driven inter alia by InvestEU, the Climate Bank Roadmap as well as the activity in the regional and fourth pillar business development activity. EIF's evolution has been underpinned by the mainstreaming of EIF's policy framework across its activities and making it part of EIF's strategic and operational toolbox. Consequently, EIF is able to assess the expected policy impact of mandates and transactions.

In respect of mandate development activities, EIF's mandate policy framework is already steering EIF's mandates design. The framework has provided the capacity to measure the mandates' contributions to the Public Policy Goals, not only on an ex ante basis - during the mandate acquisition phase - but also along the deployment. Thanks to this, EIF has also been able to gain insights about the policy-relevant impact that it is having through its existing portfolio of mandates.

Furthermore, the policy framework provides for assessing transactions' alignment with policy objectives. This presents significant benefits in modelling the portfolios of transactions of each mandate and, in parallel, provides a very accurate input in respect of the allocation of transactions to the different mandates depending on the policy focus of the transaction.

Overall, EIF's policy framework is allowing it to align the COP delivery with mandates and transactions in terms of policy delivery, therefore making it the basis for EIF's institutional KPIs.

Finally, the policy framework allows EIF to communicate its impact on the market not only in terms of policy contribution but also in respect of the United Nation's Sustainable Development Goals (SDGs), both on a standalone basis and also in EIF's SDG reporting.



In the next 3-year period, competitiveness and growth continues to be the core of EIF business accounting for ca. 50% of total volumes. However, there is an increased focus on Innovation as well as under the PPG of sustainability and green transformation as a result of the increased investment in Infra Funds and the new InvestEU thematic windows.

Table 4: COP deployment 2022-2024 by Policy Objectives and products**4a. EQUITY**

EURm	COP 2022-2024		
	2022 COP	2023 COP	2024 COP
Competitiveness and growth	1,452	1,731	1,414
Innovation	1,569	1,529	1,120
Social impact, skills and human capital	161	220	216
Sustainability and green transformation	1,254	1,551	1,611
Total Equity	4,436	5,031	4,361

4b. GS&IF

EURm	COP 2022-2024		
	2022 COP	2023 COP	2024 COP
Competitiveness and growth	3,996	3,544	3,132
Innovation	823	865	505
Social impact, skills and human capital	191	258	196
Sustainability and green transformation	834	1,177	964
Total GS&IF	5,844	5,844	4,797

Table 5: COP deployment and mobilized amounts 2022-2024 by Policy Objectives

EURm	COP 2022-2024											
	2022 COP				2023 COP				2024 COP			
	COP Volumes		Exp. Mobilised Amount		COP Volumes		Exp. Mobilised Amount		COP Volumes		Exp. Mobilised Amount	
Competitiveness and growth	5,447	53%	49,779	51%	5,275	49%	47,930	45%	4,546	50%	41,351	44%
Innovation	2,392	23%	22,882	23%	2,394	22%	23,047	22%	1,625	18%	16,589	18%
Social impact, skills and human capital	352	3%	3,949	4%	478	4%	5,227	5%	412	4%	4,936	5%
Sustainability and green transformation	2,088	20%	21,883	22%	2,728	25%	29,804	28%	2,575	28%	31,738	34%
Total COP	10,279		98,494		10,875		106,009		9,157		94,615	

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

The approval by the EIF Board of the EIBG Climate Bank Roadmap on November 2020 paved the way for setting EIBG Climate Action & Environmental Sustainability (CA&ES) targets. In this context, EIF is developing an ambitious business case to have a relevant contribution to the Group's Climate Bank effort ("the Climate Business Development or CBD"). As an outcome of the CBD, the following targets are proposed for the CA&ES horizontal PPG⁴ in the 2022-2024 COP: 16% (or 18% excluding EGF) in 2022, 22% in 2023 and 25% in 2024. 2021/22 should be recognized as years of transitions as only the development of new specific mandates will really help EIF to increase its impact under this PPG. In terms of mobilised financing, these percentages on commitments translate into circa EUR 18bn on 2022, EUR 26bn in 2023 and EUR 27bn on 2024. The details of the CBD will be presented to the Board during a specific seminar on climate to be scheduled next February 2022.

The CBD is designed to be a forecasting tool allowing to monitor EIF performance in climate. CBD is also a

⁴ For the vertical PPG "Sustainability and green transformation", EIF expects to achieve 20% in 2022, 25% in 2023 and 28% in 2024.

tool for action and shall provide an evolving guidance for EIF’s CA&ES business activity. Regular updates of the CBD will form an integral part of the COP process. As a tool for business development, it will incorporate an update for the identification of CA&ES market opportunities, for which EIF can maximise its impact.

These targets are based on EIF’s preliminary assessment of future funding resources requiring green finance and market deployment expectations. The InvestEU programme is expected to be the highest CA&ES contributor in volume terms. EIF estimates that 25% of the total InvestEU volumes will contribute to CA&ES objectives. The achievement of EIF’s CA&ES targets will also depend on the deployment of the InvestEU Sustainability Guarantee (capped and uncapped) and the Climate and Infrastructure equity funds for which an assumption of 70% CA&ES content has been assumed in the analysis.

Implementation process.

Through its strategic initiative on Sustainability, Policy and Climate (the “SPC”) Framework, launched in 2020, the EIF is equipping itself with the necessary tools and processes to assure the implementation of its Green policy delivery and its thematic orientation. These include first and second lines of defence, IT systems adaptation for tracking, new adapted procedures, staff training, intragroup objectives coordination to allow delivery of the sustainability agenda that the EIF has committed itself to.

The CA&ES transversal PPG criteria has been aligned within the EIB Group and designed to capture the contribution across all EIF interventions, acknowledging that a positive contribution to CA&ES may take place in programmes with different policy targets. In particular, those focusing on broader sustainability objectives captured under the Sustainability and Green Transformation vertical PPG.

Further work is on-going, in cooperation with the EIB but also within the Platform on Sustainable Finance⁵ to which EIF is a member, to assess and recommend how minimum safeguards criteria and requirements stemming from the Taxonomy Regulation could be integrated. Furthermore, in cooperation with the EIB, EIF has developed a new climate risk tool which is scheduled for roll-out for all new financial intermediary transactions as of 2022. EIF’s Risk Management department has also performed an assessment of EIF’s existing portfolio in terms of climate risk and the EIB Group published this year its first TCFD⁶ report.

3.5 | Key initiatives

3.5.1 | COVID-19

Most initiatives introduced to address the COVID-19 crisis have been deployed in 2021. However, some remain for 2022, such as the Recovery and Resilience facilities and EGF securitisations. The following table outlines the key COVID-19 initiatives that affect the volumes in 2022, which represent ca. 15% of the total COP volume.

Table 6: COVID-19 responses (EUR m)

	COP 2022 Volumes
Equity	70
Debt	578
Total Covid initiatives	648
EGF (Securitisations)	940
Total Covid initiatives + EGF	1,588

⁵ The Platform is an advisory body to the European Commission, subject to the Commission’s horizontal rules for expert groups. It assists the Commission in developing its sustainable finance policies, notably the further development of the EU taxonomy.

⁶ Task Force on Climate-Related Financial Disclosures

Complementary to the conclusion of EGF deployment through the securitisation product (EUR 1.4bn over 2021-22 including 0.94bn in 2022), EIF's COVID-19 response includes in 2022 the implementation of Recovery and Resilience programs from Member States (e.g. Romania and Bulgaria) both for Equity and Guarantee business lines.

3.5.2 | MFF 2021-2027 ("2nd pillar" initiative)

3.5.2.1 | InvestEU

For the purpose of the EIB Group capital plan a split EIB/EIF of 44/56 is assumed for the InvestEU guarantee, and this same scenario has been used for the COP. In the EIF's case, it is indicatively assumed that EIF's InvestEU guarantee budget will be split 60/40 between equity and guarantee products.

The EIF's product composition under InvestEU is under final discussion with the EC and will need to balance several priorities including the InvestEU policy objectives but also constraints on risk capacity on the sides of InvestEU, EIF and EIB.

Following negotiations carried out in 2021, the EIF is expected to deploy EUR 11bn InvestEU resources or up to EUR 21bn including sectoral programmes and EIBG matching requirements in the period 2022-2027.

Under InvestEU, the EIF expects to deploy the full suite of intermediated products relying on its pan-European reach, effective intermediary network and financial expertise. The EIF will continue to support access to finance for small businesses but will also target thematic EU policy priorities, such as the green and digital transformation of the EU economy, strengthening competitiveness of European businesses, as well as building a more resilient and inclusive society.

The EIF will build on the success of its flagship capped and uncapped guarantees, which will continue to support SMEs and Small Mid-caps on a pan EU basis and to sustain the recovery of the EU after the COVID-19 crisis. It will work with a wide range of partners such as private and public banks, guarantee institutions, alternative lenders, fintech and crowdlending platforms. In this domain, the EIF will step up its efforts in scaling support to innovation-driven enterprises, adoption of digital technologies, transition to green energy, increasing investments in energy efficiency by both industrial and residential sectors, investments and adoption of clean transport solutions. The EIF will also use InvestEU to scale up support to education and skills and cultural and creative sectors as well as provide continuation finance for impact-focused businesses that were successfully nurtured by the EIF in the past.

InvestEU will further support the EIF's capacity to play its market-building and catalytic role in the venture and private equity markets. Thanks to InvestEU, the EIF will have an opportunity to anchor a number of value-added strategies and verticals supporting the competitiveness and sovereignty of the EU. In that domain, the EIF will aim to contribute to ecosystem building in the area of disruptive technologies, such as space technologies, artificial intelligence, blockchain, cybersecurity and quantum computing. The EIF will seek to build momentum towards clean-tech investments by supporting energy, agrotech, foodtech and circular economy strategies. The EIF will also support the diversification of funding sources for small business by investing in quasi-equity and debt funds.

Scaling further EIF's support to life science would remain an important priority, given significant underfunding of this sector in Europe. Similarly, building digital ecosystems to level geographic discrepancies as well as providing significant funding enabling scaling of digital champions would be high on the EIF's agenda. Such scaling is needed across other sectors and must also be facilitated by developing the access to capital markets. In that context, the EIF aims to support cross-over strategies necessary for scaling companies' pre- and post-IPO.

Following the outcome of the EIB Group equity strategy, the EIF is taking responsibility in the Group for climate and infrastructure funds, and InvestEU will be a crucial funding pillar for this activity. This activity is expected to make a meaningful contribution to the climate objectives under InvestEU.

In the case of equity and infrastructure fund products under InvestEU, the EIF will be co-investing with InvestEU using its own and other managed resources on a pari passu basis. However, for certain high risk and value added interventions, the EIF intends to structure the investments using layered structures, in a similar way to what has been successfully implemented under InnovFin Equity in the current MFF.

Finally, the EIF intends to contribute meaningfully to both the EC and the EIB's green ambitions, not only through infra and climate funds, but also through targeted guarantee interventions.

3.5.2.2 | MFF sectoral programmes

Given the substantial reduction in InvestEU budget, and based on EIF's experience deploying sectoral programmes in the current MFF, the EIF will seek to secure additional EC resources from relevant sectoral programmes.

Discussions with the EC are still ongoing, but for the moment key programmes targeted are Horizon Europe, CEF, Innovation Fund, Digital Europe and Creative Europe MEDIA Programme. A number of smaller programmes covering maritime, space and social areas will also be approached.

Similarly to what has been achieved in the current MFF, and conscious of the limited InvestEU guarantee available, the EIF will explore blending these resources with InvestEU, predominantly through subordinated positions in layered risk sharing structures and capped guarantees. This could alleviate the provisioning constraints of InvestEU and enable larger volumes in high value-added policy areas in a capital-efficient manner for EIB Group.

3.5.2.3 | Indirect equity under European Innovation Council (EIC) Accelerator

The European Commission has created the European Innovation Council Accelerator under the Horizon Europe programme, to support high-risk breakthrough innovations. It offers start-ups and SMEs grants of up to EUR 2.5m combined with equity investments through the EIC Fund ranging from EUR 0.5 to 15m. The pilot for testing the EIC fund approach under Horizon 2020 is currently being implemented through a wholly Commission owned and Commission managed legal structure under Luxembourg law (the EIC Fund). The EIC Fund board acts as the manager and decides whether to make equity investments relying on the investment advisory services provided by the EIB.

The European Commission has approached EIF and EIB in order to explore ways of implementing the EIC Fund in the next MFF under the indirect management mode, in line with the Horizon Europe Council decision. Over the 2021-2027 MFF, some EUR 3bn are expected to be available for EIC accelerator equity funding. The EC has identified the EIF's intermediated equity model as an attractive *modus operandi* for the implementation of the EIC equity investments. The EIF has made initial feasibility assessment of the involvement of its venture capital funds and business angels network to support EIC companies at pan European scale. Such model would involve the development of a robust and scalable (co-) investment scheme by EIF with the appropriate incentives and delegation to market players for structuring, management and active monitoring of such (co-) investments. A digital solution would also be created for efficient showcasing of the EIC beneficiaries across the intermediary network, serving as community building, syndication and information tool. Such indirect equity business model would be complemented with the grant and direct equity part of the EIC Accelerator.

The development of the EIC indirectly equity mode by EIF in cooperation with the EIB is foreseen for the first half of 2022 and is subject to approval of the relevant EIF governing bodies. The assessment of the EIF resource intensity, the required management fee coverage of the proposed approach will be assessed by EIF in the development stage and are not reflected in this document.

3.6 | Other national and regional Initiatives ("3rd pillar" initiative)

During 2022, the EIF equity activity will primarily deploy national mandates signed in prior years, such as the German mandates, BIF 2, DFF, Itatech 2 or various NPI initiatives (such as BPF Portugal, HBOR or SID Banka).

Given the overall size of the instruments, German mandates will continue to play a significant role in the regional equity landscape, with the deployment of the ERP increase and the newly-signed mandate GFF (these will account for close to 50% of the equity regional mandates deployment in 2022).

Europe lags behind in creating tomorrow's champions by scaling up its most successful and innovative start-ups. The US and China have taken a lead role in developing flexible and liquid capital markets to scale up their start-ups. In terms of funding, Europe suffers from a lack of investment funds that have sufficient firepower to continue to support the growth of Europe's most promising start-ups. That is why, to complement the GFF initiative, the EIF is analysing the need for a wider public intervention in the European late-stage VC market. This new initiative is built on the perceived strengths and future potential of the European market, rather than weaknesses or under-performance. In this logic, public intervention is needed only to the extent it is required in order to allow a 'positive cycle', through the financing of future European tech champions. This should be accompanied by a fully-fledged late-stage VC ecosystem. Not all identified financing barriers will be tackled by a Public initiative, notably those connected to regulation or market infrastructure. However, in some cases, such barriers have already been lifted by the: recent proposals on Solvency II by the European Commission – e.g. revision of the capital charge for equity investments, reduction of price volatility and applicable risk margin⁷ – responding directly to industry proposals.

By its own nature, the guarantee and debt COP deployment in 2022 is very dependent on the fund raising that will be achieved in Q4 2021 and during 2022. Recovery and Resilience Plans represent half of the deployment for Regional Debt activity (excluding EGF Securitisation). The remaining deployment is planned to be achieved via CYPEF 2, Foster 2, WB GF 2I or French Regionals.

3.7 | Fundraising from private investors ("4th pillar" initiative)

In order to attract even further private investors into the financing of the European economy, and in particular into start-ups and growing SMEs, the EIF is pursuing its product offering relying on its deep and long expertise in the field of private equity. With more than EUR 1bn raised from different countries, mostly European (Italy, Spain, Portugal, Luxembourg, Germany, Ireland, France), even though the continuing COVID-19 crisis remains an issue for fundraising with potential investors.

The product offering of the EIF towards private investors relies on two models, which have proved successful since the 4th Pillar initiative has been launched at the end of 2017:

- A FoF model (AMUF[1] and SDUF), offering predetermined investment strategies under seven compartments (growth capital, VC, life sciences, private debt and secondaries under AMUF, health and social impact under SDUF), enabling small investment ticket sizes, in order to attract in particular investors that never invested in private equity/venture capital.
- Specific partnerships, tailor-made to the investor's requirements, typically of a larger size (above EUR 100m to 150m): the partnership with the Silk Road Fund (CECIF) is an example.

EIF's offering is directed to the following types of investors:

⁷ EC's proposed 'review package' for Solvency II, Sep. 2021

- Small to mid-size European investors (predominantly insurance companies and pension funds) who cannot or do not want to afford an expensive infrastructure to access this asset class directly;
- EU Banks, Corporates and other investment institutions;
- Selected large scale European and non-European family offices;
- Non-European Sovereign Wealth Funds with sizable assets under management;
- Other non-European institutional investors who lack the knowledge and market expertise to access the European market directly.

In accessing these funding sources, the EIF is able to crowd-in private sector funding in segments where there is a genuine private sector interest and redirect public policy resources to market segments and geographies that, representing sub-optimal investment structures, require additional market guidance and support for seeding and developing a sustainable market ecosystem.

Following these positive initial results, the EIF Board approved the launch of a second generation of AMUF products, which are currently under fundraising.

Annex: Glossary of terms

ABS	Asset-Backed Securities
AECM	European Association of Guarantee Institutions
AMUF	Asset Management Umbrella Fund
CA&ES	Climate Action and Environmental Sustainability
CBD	Climate Business Development
CBR	Climate Bank Roadmap
CCS	Cultural and Creative Sectors
CECIF	China EU Co-Investment Fund
C&IF	Climate Infrastructure Fund
CMF	Corona Matching Facility
COMP	Competition
COP	Corporate Operational Plan
COSME	Competitiveness for SMEs
CYPEF	Cyprus Entrepreneurship Fund
DG	Directorate General
DP	Discretionary Portfolio
EAF	European Angel Funds
EaSI	European Union Programme for Employment and Social Innovation
ECap	Economic Capital
EFSI	European Fund for Strategic Investments
EGF	European Guarantee Fund
ESCALAR	European Scale-up Action for Risk capital
ESIF	EU Structural and Investment Fund
FIs	Financial Intermediaries
FoF	Fund of Funds
FR	Fund raising
GP	General Partner

GS&I	Guarantees, Securitisation & Inclusive Finance– EIF Service
ICO	Information Commissioner's Office
IFE	InnovFin Equity
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IIW	Infrastructure and Innovation Window
IMF	International Monetary Fund
IPO	Initial Public Offering
JEREMIE (JER)	Joint European Resources for Micro to Medium Enterprises
KYC	Know Your Customer
LFF	Luxembourg Future Fund
LGF	Loan Guarantee Facility
LMM	Lower Mid-Market
LP	Limited Partner
MADS	Mandate Acquisition and Deployment Strategy
MFF	Multi-Annual Financial Framework
MS	Member State
NPI	National Promotional Institution
OECD	Organisation for Economic Co-operation and Development
OR	Own Risk
PE	Private Equity
PPG	Public Policy Goal
RIDW	Research, Innovation & Digitisation Window
RCR	Risk Capital Resources
SISW	Social Investments & Skills Window
SIW	Sustainable Infrastructure Window
SDG	Sustainable Development Goal
SDUF	Sustainable Development Umbrella Fund

SLA	Service Level Agreement
SME	Small and Medium-sized Enterprise
SMEi	Small and Medium-sized Enterprise initiative
SMEW	SME Window
SMEG	SME Guarantee Facility
SPC	Sustainability, Policy and Climate
VC	Venture Capital