

# EIB Group will rapidly mobilise up to EUR 40 billion to fight crisis caused by Covid-19 and calls on Member States to set up a further guarantee for SME and Midcap support from EIB Group and national promotional banks

- EIB Group offers support to European companies under strain from the coronavirus pandemic and its economic effects
- Potential financing of up to EUR 40 billion can be mobilised at short notice, backed up by guarantees from the European Investment Bank Group and the European Union budget
- Extra funding available for healthcare sector for emergency infrastructure and development of cures and vaccines
- President Hoyer calls for significant, scalable additional guarantee from Member States to ensure access to finance for SMEs and midcaps

The rapid spread of the virus is putting a heavy strain on both public health and the economy. Today the European Investment Bank Group (EIBG) has proposed measures to be taken in cooperation with the European Commission and national partners in support of European companies, health expenditure, and the EU economy as a whole.

*"Covid-19 is exacting a tragic toll in human suffering across Europe and the world. The Bank, and I personally, are close to the people hit by the contagion. The pandemic is also having a devastating economic impact which is already showing,"* said EIB President **Werner Hoyer**. *"We need a strong European response and we need it now. Europe needs another 'whatever it takes' moment. The EU bank will help in this crisis as it did in every past moment of hardship in Europe, be it due to economic downturns or natural catastrophes. We will immediately focus on assisting small and medium companies and mid-caps. They badly need help, and they need it quickly. In partnership with the Member States, the European Commission and other financial partners, including most notably national promotional banks, we want to develop a substantial financial package that can be rolled out straight away, without recourse to new legislation."*

The EIB Group has proposed a plan to mobilize up to EUR 40 billion of financing. This will go towards bridging loans credit holidays and other measures designed to alleviate liquidity and working capital constraints for SMEs and mid-caps. The EIB Group, including the European Investment Fund (EIF) which specialises in support for SMEs, will work through financial intermediaries in the Member States and in partnership with national promotional banks.

The proposed financing package consists of:

- Dedicated guarantee schemes to banks based on existing programmes for immediate deployment, mobilising up to **EUR 20 billion** of financing;
- Dedicated liquidity lines to banks to ensure additional working capital support for SMEs and mid-caps of **EUR 10 billion**;
- Dedicated asset-backed securities (ABS) purchasing programmes to allow banks to transfer risk on portfolios of SME loans, mobilising another **EUR 10 billion** of support.

All these actions can be implemented quickly to ease liquidity shortages and will be implemented in partnership with National Promotional Banks wherever feasible.

In addition, EIB President Werner Hoyer called for Member States to set up a **significant and scalable additional guarantee** for the EIB and national promotional Banks to ensure that **access to finance for SMEs and midcaps remains open**. The guarantee would offer a pan-European solution of credible size and usable immediately. "This would help reassure markets and citizens at this time of unprecedented uncertainty", said President Hoyer.

Whilst it would be for Member States to determine where the funds for the guarantee would come from, President Hoyer suggested they could be drawn from the European Financial Stability Mechanism (EFSM), or could be pooled by Member States themselves into a temporary new fund.

In addition, the EIB Group will use existing financial instruments shared with the European Commission, primarily the InnovFin 'Infectious Disease Finance Facility', to finance projects that work towards halting the spread of, finding a cure, for and developing a vaccine against coronavirus. The EIB Group will also support emergency measures to finance urgent infrastructure improvements and equipment needs in the health sector, using existing framework loans or undisbursed amounts from existing health projects. The EIB Group's current pipeline of projects in the health sector amounts to around EUR 5 billion.

**President Hoyer** said: *"We will build on what we already do for the health sector. We are already in contact with companies and organisations seeking to fund the search for Covid-19 vaccines and medication. We are all living through trying times, and the EIB Group will work without pause to ensure the EU bank contributes to the rapid resolution of this terrible crisis."*

#### **Background information:**

The **EIB Group** comprises the **European Investment Bank (EIB)** and the **European Investment Fund (EIF)**. The EIB is the European Union's long-term loan institution, directly owned by the Member States. It can borrow very cheaply on the capital markets, thus making available long-term financing for solid investments that contribute to EU policy goals, such as sustainable growth and job creation, as well as climate goals. Last year, the EIB made EUR 63.3 billion available for projects throughout the world, including for healthcare, SMEs and climate-related projects. The EIF is the EU's venture

capital arm that provides finances and guarantees for small and medium enterprises (SMEs), and is majority owned by the EIB. In 2019 it made available EUR 10.2 billion through guarantees, equity participations, and inclusive finance, targeting SMEs in all sectors and throughout the European Union.

The EIB's main contribution to the fight against infectious diseases and Covid-19 is through the provision of Venture Debt (VD) under the Investment Plan for Europe and the InnovFin 'Infectious Diseases Finance Facility' (IDFF) of the Horizon 2020 programme. The IDFF is an example of successful EC-EIB collaboration in the face of a health crisis. Through it, the EIB has supported 12 companies with total lending of EUR 241 million for developing cures and vaccines against various infectious diseases. Under the Investment Plan for Europe, the European Investment Bank has further supported 36 highly innovative biotech and med-tech companies, making available some EUR 1 billion in total. Through its venture capital operations, the EIF supports a broad spectrum of innovative companies active in the life science field.