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COVER NOTE

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Delegations will find attached document C(2015) 5176 ANNEX 1.

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ANNEX 1

ANNEX

to the

COMMISSION DELEGATED REGULATION (EU) .../...

supplementing Regulation (EU) 2015/1017 of the European Parliament and Council by the establishment of a scoreboard of indicators for the application of the EU guarantee

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ANNEX

Scoreboard of Indicators

I. General principles

A scoreboard of indicators (the 'Scoreboard') shall be used by the Investment Committee established in accordance with paragraphs (7) to (12) of Article 7 of Regulation (EU) 2015/1017 to assess the value added of an operation to be potentially supported by the EIB under the EU guarantee[1]. It will be a tool for the investment committee to prioritise the use of the EU guarantee for operations that display higher scores and added value. The EIB shall calculate the scores and indicators ex-ante and monitor the results at project completion. The Investment Committee shall receive the scores obtained under the relevant pillars and the value of each indicator.

The Scoreboard has four Pillars:

– Pillar 1 – Contribution to EFSI policy objectives

– Pillar 2 – Quality and Soundness of the project

– Pillar 3 – Technical and financial contribution

– Pillar 4 – Complementary indicators

Due to their distinct scope, each pillar shall be assessed individually without aggregation into one single rating. The Investment Committee shall assign equal importance to each pillar, when prioritising projects irrespective of whether the individual pillar presents a numerical score or whether it is composed of unscored qualitative and quantitative indicators. In accordance with Article 7(14) of the EFSI Regulation, this scoreboard is to be used by the Investment Committee to ensure an independent and transparent assessment of the potential and actual use of the EU guarantee. This is without prejudice, and complementary, to the examination of potential projects by the Investment Committee under Article 7(7) of the EFSI Regulation.

2. The Scoreboard

Each EFSI operation shall be rated on each of the 4 pillars. The rating is calculated on the basis of the points obtained on a number of indicators within each pillar, using the following scale:

Points	Pillar 2 rating	Pillar 1 and 3 rating
0-49	Marginal	Low

[1] The Scoreboard does not cover operations under Article 10(2)(b) of Regulation (EU) 2015/1017.

50-99	Acceptable	Moderate
100-149	Good	Significant
>= 150	Excellent	High

Pillar 4 will include complementary indicators of a quantitative or qualitative nature and will not be consolidated in an individual rating.

Pillar 1: Contribution to EFSI policy objectives

Pillar 1 shall assess the consistency with and the contribution of the operation to the realisation of the EFSI general objectives as set out in Article 9(2) of Regulation (EU) 2015/1017. The methodology to assess the overall Pillar 1 rating shall be based on the contribution of the operation ranging from 'low', 'moderate', 'significant' to 'high'.

The assessment builds on the following dimensions:

– Contribution to EFSI objectives: All projects must contribute to at least one of the general objectives under EFSI. Projects with a low policy priority, such as a 'non-priority' road TEN, shall receive a low rating.

– Key objectives: Article 9(2) of Regulation (EU) 2015/1017, for each of the general policy objectives, identifies a number of key policy areas, which are considered to be of particular importance. Projects in these key policy areas would move up one notch in the rating scale. Specific features of the project leading to particularly high contribution such as demonstration projects or projects that provide a major contribution to Europe 2020 objectives shall also be considered in the rating. Projects that meet multiple objectives, including horizontal ones such as cohesion and climate, will move up additional rating notches.

A single indicator with four rating levels shall be used. To calculate the overall rating, up to 50 points are allocated for each rating notch. When added together (without weighting), the project is then categorised as 'low' (less than 50 points), 'moderate' (50 to 99 points), 'significant' (100 to 149 points) to 'high' (150 points and above).

Pillar 2 - Quality and soundness of the project

Pillar 2 is built up from a number of indicators to evaluate the quality and soundness of the operation. A different approach is outlined for investments in individual projects or for those made through multi-beneficiary intermediated loans.

The following dimensions and resulting indicators are foreseen are to be applied in assessing individual projects:

– Growth (indicator 1 - ranging between 0 and 100 points): The contribution of a project to sustainable growth comes from its socio-economic impact in terms of costs and benefits. Where possible the economic rate of return ('ERR') is quantified using best practice in the economics profession. It considers the project's socio-economic costs and benefits, including its spillover effects (e.g. positive Research, Development and Innovation, long term climate benefits or impact on the labour market or negative environmental effects). However, there are also projects whose ERR is difficult to estimate. For example, a number of sectors are driven by compliance with EU standards and the primary issue is to ensure that a least cost solution is adopted rather than to assess the overall economic return (an example is water and waste treatment). For these sectors the assessment of quality is based upon sector benchmarks. For operations grouping framework loans the assessment is based predominantly on the investment strategy and criteria used by the promoter.

  In general, the required hurdle rate of return for EIB financing is 5%. For a standard project an ERR of 5-7% is considered 'acceptable', 7-10% 'good', while a project with an ERR above 10% is considered 'excellent'. However, the classification of results is also based upon some sectorial considerations. Those sectors currently considered being less environmentally sustainable (such as certain transport modes) would only be financed if they are considered 'good' from an economic interest point of view, meaning a minimum ERR of 7%. Conversely, for selected projects with long-term climate benefits, projects shall be considered possible for financing if they produce an ERR in the 3.5-5% range – with the introduction of a 'marginal' category. The rating attributed to private sector projects, due to their risk-return profile, is set at 'marginal' for a rate of return of 5-7%, 'acceptable' for 7-10%, 'good' for 10-15%, and 'excellent' for ERRs above 15%. The ERR shall be calculated taking fully into account positive and negative externalities, including on environmental and climate change aspects. The hurdle rate may be adjusted by the Steering Board if there is evidence of it being out of line with its economically justifiable level and taking into account the long term economic situation.

– Promoter capabilities (indicator 2 ranging between 0 and 30 points). These capabilities are assessed through a qualitative judgement on the promoter's ability to deliver the project in a timely, efficient manner also considering the relevant institutional context and any technical assistance to be provided. This is particularly important for framework loans, where prioritisation criteria, project implementation and control capacity/capability and monitoring and control systems shall be assessed, as well as management of environmental, competition and public procurement requirements.

– Sustainability (indicator 3 - ranging between 0 and 30 points): The EIB standards require that projects not only are economically viable and thus contribute to growth, but also that they are sustainable in environmental and social terms. It is critical that high environmental and social standards are maintained. These are assessed through the detailed guidelines set out in the Environmental and Social Practices Handbook[2].

– Employment (indicator 4 - ranging between 0 and 40 points)**:** The employment indicator covers employment during construction and during operation. The employment needed during construction is estimated using industry specific

[2] http://www.eib.org/attachments/strategies/environmental_and_social_practices_handbook_en.pdf

coefficients. The assessment of employment during operation is to be achieved through judgement by the project analysts comparing the project with sector experience. The following table summarises the rating split between employment during construction as well employment during operation. For example, projects with high labour content during construction include some civil works (notably dispersed rehabilitation works), energy efficiency, and forestry. Higher employment during operation is associated with some industrial projects.

EMPLOYMENT	1 point	20 points	40 points
Full time equivalent during construction (per EUR million investment cost)	<3.5	3.5 – 7.0	>7.0
Full time equivalent during operation (per EUR million investment cost)	<0.50	0.51 – 1.00	>1.00

The overall pillar 2 rating for individual projects shall be calculated by adding up the points of the four sub-categories outlined above to give an overall rating for the project ranging from 'marginal' (less than 50 points), 'acceptable' (50 to 99 points), 'good' (100 to 149 points) to 'excellent' (150 points and above).

As regards Multi Beneficiary Intermediated Loans (MBIL), Pillar 2 shall provide an assessment of the capacity and effectiveness of financial and other entities (including promotional institutions) to act as intermediaries. The evaluation is based on the following 3 independent indicators:

– Capacity and soundness of the intermediary and quality of the operating environment.

– Increasing access to finance and improving financing conditions, including for the final beneficiaries.

– Employment at the level of final beneficiaries.

The points given to the indicators in each category are added together without weighting to give an overall rating for the project from 'marginal' (less than 50 points), 'acceptable' (50 to 99 points), 'good' (100 to 149 points) to 'excellent' (150 points and above).

Pillar 3: Technical and financial contribution to the project

Pillar 3 focuses on the value originated by the involvement of EIB and the support from EFSI itself, offering financial and non-financial benefits in support of the project. This specific contribution is assessed through three indicators, each measuring complementary dimensions of value added:

– Financial Contribution, i.e. improving the counterpart's funding terms compared to alternative sources of finance (interest rate reduction and/or longer lending tenor).

– Financial Facilitation, i.e. increasing the efficiency of other stakeholder support; leveraging third party resources in particular from private sector; signalling effects for other lenders).

– EIB Contribution and Advice, i.e. providing non-financial services in the form of expert input/knowledge transfer to facilitate project implementation and to enhance institutional capacity as well as to advise on financial structuring. This could be provided under the European Investment Advisory Hub and any other existing advisory facility such as JASPERS, ELENA or Horizon 2020 Innovfin Advisory or through other appropriate means such as project implementation support.

Each indicator shall be independently rated using the consistent and well-documented existing methodology of the EIB, as may be amended from time to time. As with Pillar 1, the rating shall range from 'low' to 'high'. The points attributed to each indicator are summed without weighting to give the overall rating for this pillar for the project from 'low' (less than 50 points), 'moderate' (50 to 99 points), 'significant' (100 to 149 points) to 'high' (150 points and above).

Pillar 4 - Complementary indicators

The Scoreboard shall be complemented by the following indicators to be reported for each operation so as to capture key cross-cutting aspects of EIB operations under EFSI:

– Additionality. It shall be specified whether the operation is a special activity or a normal operation. For normal operations, further explanation will be provided justifying additionality as defined in Article 5 of Regulation (EU) 2015/1017;

  – A set of indicators related to the macro-economic environment where the project is taking place, allowing inter alia Investment Committee members to assess the potential impact on economic disparities within the Union and long term growth potential: i) indicators specific to the investment situation; ii) the Output Gap, calculated on the basis of the Ecofin Council-approved production function methodology iii) Potential GDP growth; iv) indicators specific to unemployment: the unemployment rate, the year-on-year change in the unemployment rate and a comparison with the EU average; v) the composite cost of borrowing indicator for non-financial corporations, or where those are not available, bank-interest rates to non-financial corporations. In light of these indications, the Investment Committee shall pay a particular attention to the projects that help addressing economic disparities within the Union.

  – The expected multiplier effect of the EFSI intervention;

  – Amount of private finance mobilised;

  – Co-operation with National Promotional Banks and support to Investment Platforms;

  – Co-financing with European Structural and Investment Funds;

- Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc.)
- Energy efficiencies realised (for relevant operations);
- Climate action indicator (for relevant operations).