



Connecting Europe Broadband Fund

**EFSI: Achieving complementarity with the EAFRD
and setting up investment platforms**

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Agenda

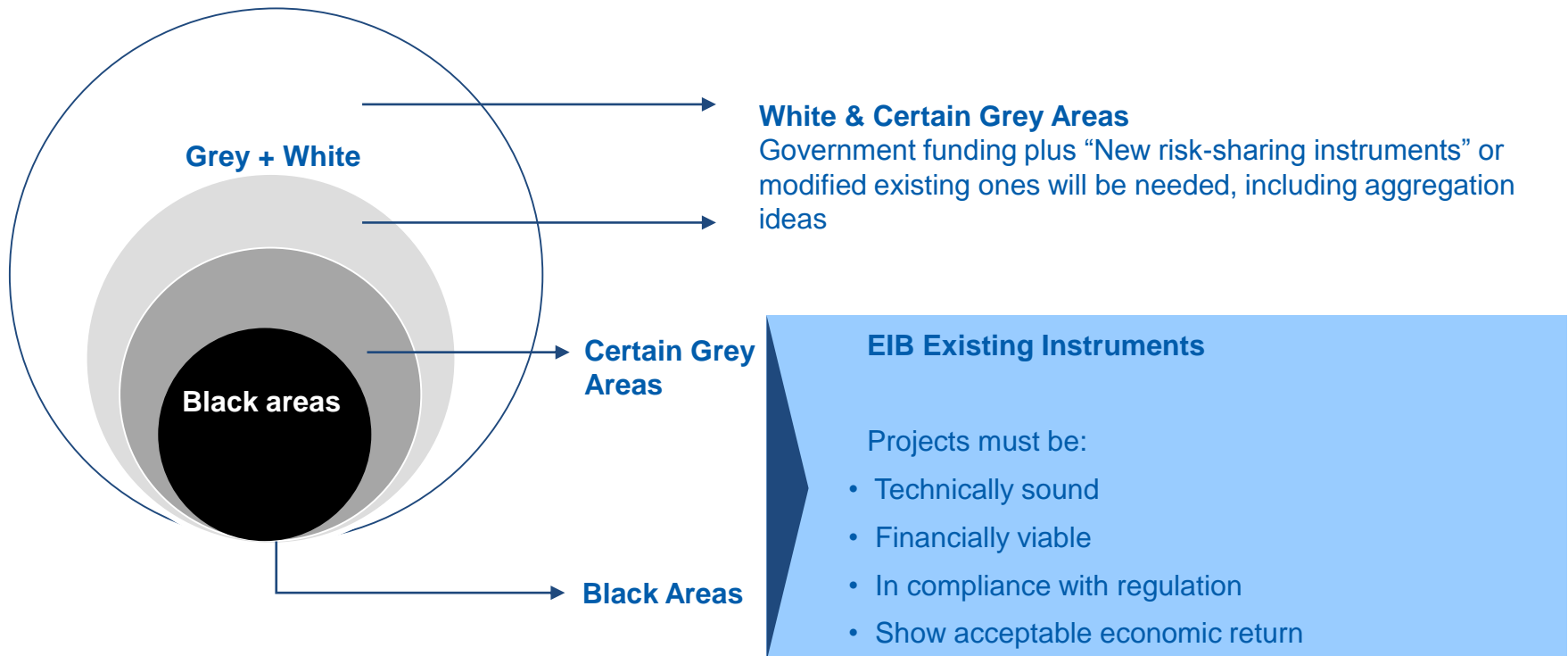
1. Rationale
2. Envisaged fund structure
3. Complementarities with EAFRD
4. Lessons learned to date

1. Rationale



Why an investment platform for broadband?

Estimated total investments EUR150-220bn until 2020* - on average c. 50% of the total market cap for the sector



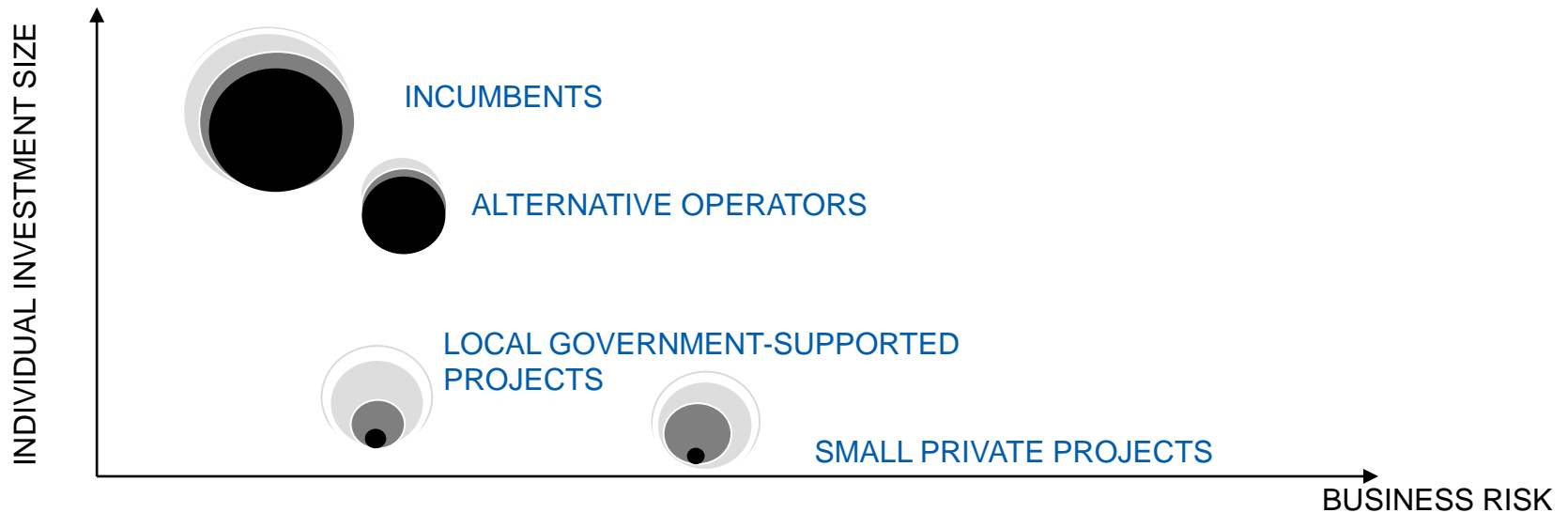
Source: EIB estimates

* Band based on various studies and assumptions

** Black areas estimates based on industry forecasts

Need to aggregate smaller broadband projects

Graphical presentation of the market split in terms of size and risk

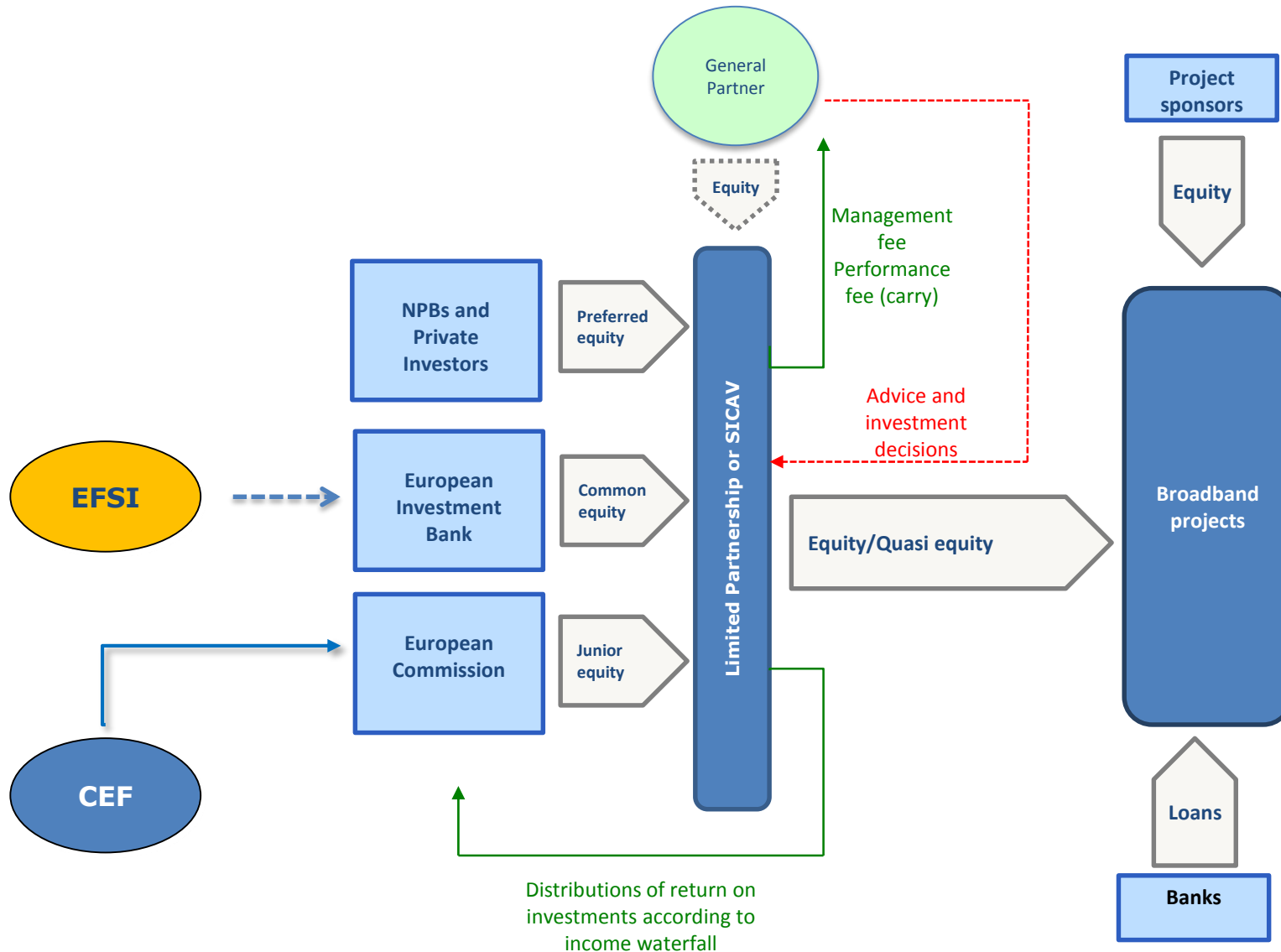


- ❖ **Incumbents and alternative operators** tend to present larger projects but mainly in densely populated areas; white and light grey areas may be bundled together. Business risk is mitigated by existing cash generation and sound business cases of projects.
- ❖ **Local-government supported projects** tend to be smaller in size, mainly covering grey and some white areas (mixed with urban). Business cases are not strong, thus the government support
- ❖ **Small private projects** tend to cover areas which are “overlooked” by incumbents, mainly in grey and some urban areas. Business cases vary, risk is increased by size, history, up-take agreements, market uncertainties etc.

2. Envisaged fund structure



Layered fund with public and private investors



2. Envisaged fund structure



Investment strategy of the Fund

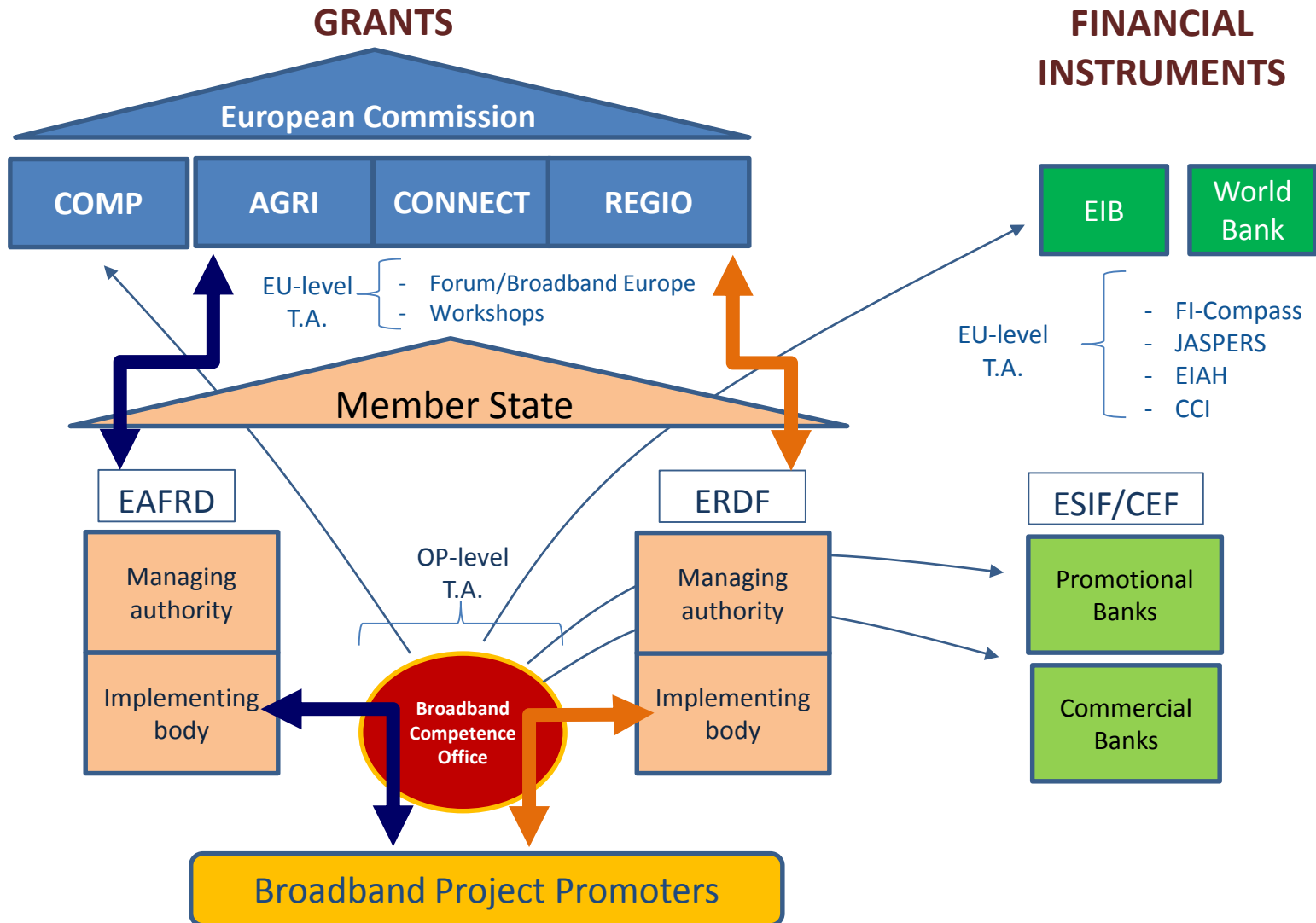
- ✓ **Eligible projects according to the legal base of Connecting Europe Facility (CEF)**, i.e. broadband projects contributing significantly to the achievement of the targets of the Digital Agenda for Europe: at least 30 mbps connections, with priority given to projects contributing to speeds of 1000 mbps
- ✓ Specific focus on **less dense areas** (white and grey areas)
- ✓ First closing fully invested by 2021 in **minimum 15 countries**, target 20 countries
- ✓ **Investment size**: min EUR 1mln, max. EUR 20 mln, average EUR 10 mln
- ✓ The fund would need to be **additional** to other sources of funding either from the market or from other EU instruments

Incentives to fund manager for geographic diversification, portfolio diversification and/or high broadband speeds

3. Complementarities with EAFRD



Launch of a BCO network



3. Complementarities with EAFRD



Example of underlying projects

Project promoter: a local utility company

Number of homes passed: 15,000

Coverage: Mix of white and grey areas

Financing: Subsidies, Subordinated debt from CEBF and Loan from municipal bank

Project promoter: open access network operator

Number of homes passed: 100,000 over several different projects

Coverage: Mix of white and grey areas

Financing: Equity investment from CEBF, subsidies available at project level

Project promoter: municipality with concession to private (PPP)

Number of homes passed: 25,000

Coverage: White and grey areas

Financing : subsidies, preference shares for CEBF in the SPV, loan from banks

4. Lessons learned to date



- ✓ Necessity of a **project lead**, at the EC or the leading institution establishing the platform
- ✓ Need for an **open and transparent process** from the very start of the discussions with EIB and other key stakeholders
- ✓ Importance of identifying the **relevant actors in the market segment** to be addressed: may not be the usual stakeholders for the EC
- ✓ **Comply with market practice** as much as possible to ensure the investment platform will attract private investors



Thank you