

**InvestEU Steering Board**

**InvestEU Leverage and Multiplier Effect Calculation Methodology**

**Revised and Amended, January 2025**

# InvestEU Leverage and Multiplier Effect Calculation Methodology

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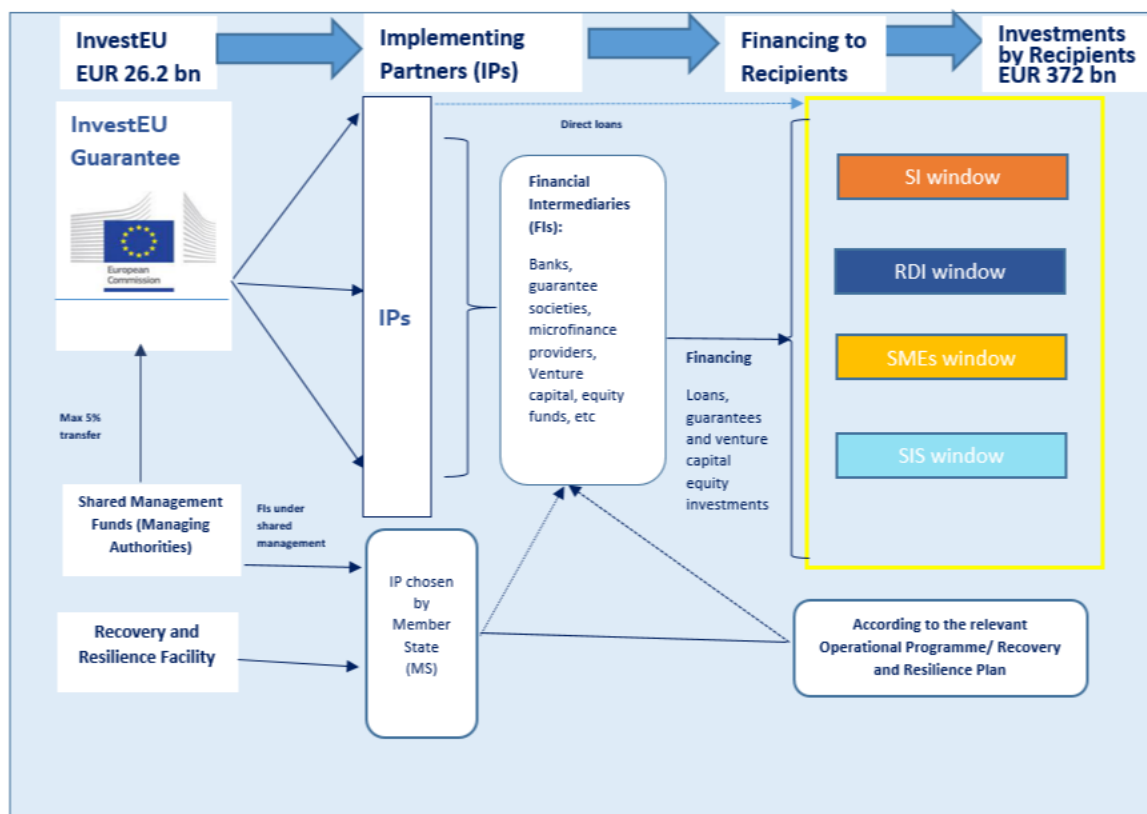
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# 1. INTRODUCTION

As set out in the InvestEU Regulation<sup>1</sup>, the InvestEU Fund is expected to mobilise more than EUR 372 billion of public and private investment through an EU guarantee of EUR 26.2 billion that supports the financing and investment operations of Implementing Partners (“IPs”), such as the EIB Group and other financial institutions. This represents an expected Multiplier Effect of 14.2 times the EU guarantee.

The diagram below illustrates the functioning of the InvestEU Fund and shows the expected mobilised investment, taking into account the EU guarantee.

*Figure 1 - Functioning of the InvestEU Fund*



Source: Commission services

As set out in Article 28(4) of the InvestEU Regulation, every six months IPs shall report to the Commission on supported financing and investment operations. This should contain, among others, key performance and monitoring indicators laid down in Annex III of the InvestEU Regulation, including: (1) Leverage Effect achieved, (2) Multiplier Effect achieved, as well as the (3) InvestEU Eligible Investment Mobilised.

<sup>1</sup> Regulation (EU) 2021/523 of the European Parliament and of the Council of 26 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30–89).

Furthermore, when submitting a proposal for a financing or investment operation, IPs must fill-out an InvestEU Scoreboard<sup>2</sup> and indicate the expected leverage and multiplier effects as well as the expected mobilised investment.

To allow IPs to estimate, monitor and report regularly on the leverage and multiplier effects as well as the mobilised investment, clear rules and assumptions are established in this methodology. The exact modalities in respect of specific financial products may however be agreed bilaterally between each Implementing Partner and the European Commission.

This document builds on the well-established European Fund for Strategic Investments (EFSI) Multiplier calculation methodology<sup>3</sup> and sets out the InvestEU Leverage and Multiplier Effect Calculation Methodology. Moreover, it is adapted to the requirement of InvestEU Regulation to report leverage and multiplier effects achieved and is aligned with the provisions of the Financial Regulation in relation to definitions of Leverage and Multiplier Effects. It includes detailed calculation methodologies for different types of InvestEU risk-sharing structures and of financing or investment operations (debt, equity).

The methodology in this document applies, *mutatis mutandis*, to:

- 1) the EU guarantee resulting from the InvestEU Fund and the respective four InvestEU policy windows (Sustainable Infrastructure; Research, Innovation and Digitisation; SMEs; Social Innovation and Skills) plus allocations from sectorial programmes provided under InvestEU to the IP;
- 2) the EU guarantee resulting from each third country contribution<sup>4</sup> and the selected financial products under the respective InvestEU policy windows; and
- 3) the EU guarantee resulting from each Member State contribution<sup>5</sup> and the selected financial products under the respective InvestEU policy windows.

The methodology provides a framework linking the underlying **Union Contribution** with:

- (a) the **Financing to Eligible Final Recipients**<sup>6</sup> mobilised by the InvestEU support provided and
- (b) the amount of total InvestEU eligible investment mobilised by such financing ("**InvestEU Eligible Investment Mobilised**").

These terms are defined later in the document – see section 6 - Definitions.

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<sup>2</sup> Commission Delegated Regulation (EU) 2021/1702 of 12 July 2021.

<sup>3</sup> SB/28/2018 of 18 October 2018

([https://www.eib.org/attachments/strategies/efsi\\_steering\\_board\\_efsi\\_multiplier\\_methodology\\_calculation\\_en.pdf](https://www.eib.org/attachments/strategies/efsi_steering_board_efsi_multiplier_methodology_calculation_en.pdf))

SB/30/2019 of 29 January 2019

([https://www.eib.org/attachments/strategies/efsi\\_steering\\_board\\_eif\\_efsi\\_multiplier\\_methodology\\_calculation\\_en.pdf](https://www.eib.org/attachments/strategies/efsi_steering_board_eif_efsi_multiplier_methodology_calculation_en.pdf))

and

<sup>4</sup> In accordance with Article 4(1) and Article 5 of the InvestEU Regulation.

<sup>6</sup> Eligible Final Recipients will be defined for each financial product under InvestEU.

## Multiplier effect - Causal relationship between the InvestEU support and the mobilised investment

One key consideration in defining the total InvestEU Eligible Investment Mobilised concerns the causal relationship between the Union contribution and the mobilised investment.

Causality in the context of policy intervention refers to the question of whether the intervention causes the desired output. This cause-effect relationship is generally difficult to demonstrate, *ex-ante* or even during the design or implementation phase of the policy itself.

The present methodology aims at identifying the eligible investment mobilised in the context of InvestEU operations, although the causality of InvestEU as a policy intervention to address the investment gap in Europe is difficult to demonstrate and cannot be conclusively proven.

Nevertheless, one can establish a link between the support provided by IPs under InvestEU, other co-investors and sources of financing and the real investment related to InvestEU operations. Support by IPs under InvestEU catalyses other sources of financing to InvestEU operations, and while the causality from InvestEU support to this other financing cannot be conclusively proven, a link can be established between them.

Similarly, the relationship between the support provided by the IP and the InvestEU Eligible Investment Mobilised provides a project specific estimate of the extent to which the InvestEU support can be linked to new investment. Moreover, the InvestEU support is designed to be complementary to existing Union programmes or other sources of Union funds or blending instruments. More importantly, InvestEU support is only granted in support of operations that meet the criterion of providing additionality, as defined in Annex V of the InvestEU Regulation.

## 2. KEY ELEMENTS OF THE METHODOLOGY

The Financial Regulation<sup>7</sup> defines leverage and multiplier effects<sup>8</sup>.

**Leverage Effect** means, in relation to items 1-3 under Section 1, “*the amount of reimbursable financing provided to eligible final recipients divided by the amount of the Union contribution*” It shows how many euros of financing were provided to the final recipients thanks to 1 EUR of Union Contribution. In the context of InvestEU, as defined in this methodology, the Leverage Effect corresponds to the Financing to Eligible Final Recipients divided by the Union Contribution.

**Multiplier Effect** means, in relation to items 1-3 under Section 1, “*the investment by eligible final recipients divided by the amount of the Union contribution*” It shows how many euros were mobilised in investments made by final recipients by 1 EUR of Union Contribution. In the context of InvestEU, as defined in this methodology, the Multiplier Effect is defined as the InvestEU Eligible Investment Mobilised divided by the Union Contribution.

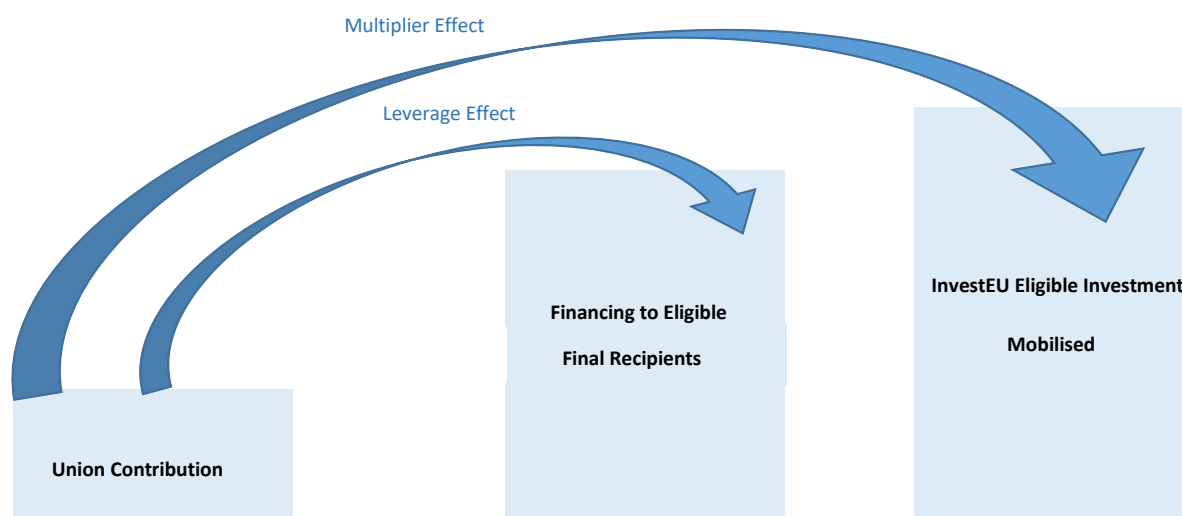
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<sup>7</sup> As per Articles 2(38) and 2(45) of the Financial Regulation.

<sup>8</sup> Without prejudice, the respective guarantee agreements provide for definitions of Leverage Effect and Multiplier Effect in the context of the financial products deployed by the respective IPs, in line with the definitions provided in this paper

The figure below presents key concepts.

Figure 2 – Illustration of Key concepts for the Leverage and Multiplier Effect



Source: Commission services

### 3. CONCEPTS

#### 3.1. Union Contribution

The Union contribution corresponds to the amount of the EU guarantee plus any allocations from sectorial programmes<sup>9</sup>, provided under InvestEU to the IP for each financing or investment operation. For the avoidance of doubt, allocations from sectorial programmes are additional to the EU guarantee of EUR 26.2 billion set out in the InvestEU Regulation and are also counted as Union Contribution.

For financial products with risk-sharing on an operation-by-operation basis, the amount of the EU guarantee provided to each operation can be easily identified. For instance, for capped guarantees, the Union contribution corresponds to the cap amount guaranteed by the EU whereas for equity investments it corresponds to the part of the IP investment guaranteed by the EU.

However, for financial products with risk-sharing on the basis of a portfolio of operations, the link between the EU guarantee and each individual operation is more difficult to establish.

To address this, each operation included in the portfolio should have either an indicative EU guarantee amount associated to it<sup>10</sup> or should use the expected risk tranche thickness for the relevant portfolio to be covered by the EU guarantee.

<sup>9</sup> In the case of EU guarantee resulting from a Member State or a third country contribution, the Union Contribution shall be understood as the additional EU guarantee resulting from such a contribution

<sup>10</sup> For instance, a transfer rate corresponding to the losses expected to be covered by the EU Guarantee for the specific operation can be used.

## 3.2. Financing to Eligible Final Recipients

### 3.2.1. Direct Operations

For direct operations, the amount of Financing to Eligible Final Recipients, as defined in Section 6, will include the financing provided by the IP under the InvestEU. It may also include other amounts provided by the IP or by other co-investors (including the project promoter), if these are mobilised due to the InvestEU support.

### 3.2.2. Indirect Operations

For indirect operations, the amount of Financing to Eligible Final Recipients will correspond to the aggregate amounts of financing to Eligible Final Recipients by financial intermediaries as part of the Invest EU Operations as well as any other financing amounts from the IPs and/or by other (co)-investors or (co)-financiers to such Eligible Final Recipients in relation to the InvestEU support, as further explained below.

#### **Portfolio guarantee products**

For portfolio guarantees, the Financing to Eligible Final Recipients should correspond to the aggregate portfolio volume of financing to Eligible Final Recipients under the relevant InvestEU Operations.

In the case of portfolio counter-guarantees, the layer of financing at the level of sub-intermediaries should be taken into account in determining the Financing to Eligible Final Recipients. In this case the aggregate amount of financing by the sub-intermediaries to Eligible Final Recipients shall be considered as the Financing to Eligible Final Recipients.

#### **Equity-type products**

For investments into funds, in order to calculate the Financing to Eligible Final Recipients it is first necessary to estimate the “InvestEU Participated Fund Size”, which is the part of the fund size which would be available for investment into final recipients as from those closings in which the IP participates and including the subsequent closings. Past closings that occurred before the entry of the IP into the fund investment should not be considered, unless the Implementing Partner provided structuring input that resulted in achieving of such closing by the Intermediary, but in which the Implementing Partner could not participate due to time constraints or unmet conditions precedent.

In such estimation, the estimated fund management fees should be excluded from the InvestEU Participated Fund Size, as they would not result in investments into final recipients<sup>11</sup>. On the other hand, reflows generated by funds and expected to be used for investments into final recipients should be taken into account.

Second, an estimate of the portion of the InvestEU Participated Fund Size to be invested into Eligible Final Recipients, is required. Such estimate may be made by the Implementing Partner on the basis of the investment strategy of the Financial Intermediary and IP experience under similar investment programmes<sup>12</sup>.

For investments into funds-of-funds, an additional financing layer at the level of portfolio funds should be considered. It should take into account the InvestEU participation in the fund-of-funds, from the closing in which the IP participates as well as the fees and reflows expected

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<sup>11</sup> Such estimate should typically result in a haircut of between 10-15% of the target fund size.

<sup>12</sup> Such portion is expected to be between 50% and 85% of the target fund size.

for the fund-of-funds. In this case the amount of financing provided by financial intermediaries and portfolio funds to Eligible Final Recipients shall be considered as the Financing to Eligible Final Recipients.

With respect to co-investments, the aggregate amount provided by financial intermediary and co-investors participating in the same round in Eligible Final Recipients as the financial intermediary shall be considered as the Financing to Eligible Final Recipients in relation to the InvestEU support.

See the text box below.

#### **Contextual example - Indirect equity products<sup>13</sup>**

##### **Assumptions**

In a *pari-passu* structure under InvestEU, the IP invests EUR 30m (of which 50% of Union Contribution, i.e. EUR 15m) in final closing (EUR 150m) in an infrastructure fund. Management fees are estimated at 10% of the InvestEU Participation Fund Size. The InvestEU Participation Fund Size net of fees/reflows would equal to EUR 135m [=EUR 150m x 90%].

The fund normally provides ca. 50% of the equity in any infrastructure project (the typical equity ratio of the targeted project is 20%). According to its investment strategy, the fund aims at investing *85% of investable amounts in Eligible Final Recipients, remaining 15% would include non-eligible projects, e.g. based outside the EU*.

##### **Calculations**

The Financing to Eligible Final Recipients corresponds to EUR 114.75m [=150m x 90% x 85%]. The total InvestEU Eligible Investment Mobilised should correspond to EUR 1.1475bn [= (114.75/20%)/50%].

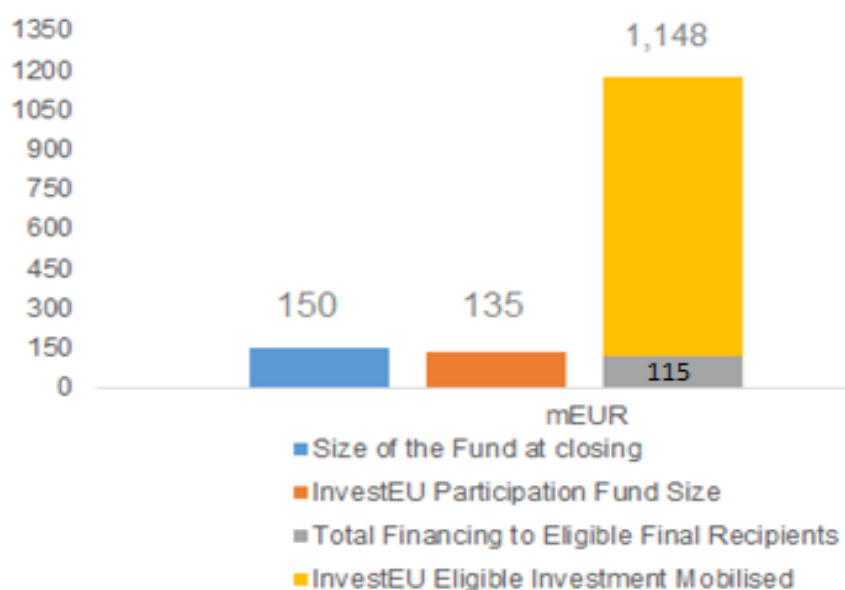
The Leverage Effect equals 7.65 [=114.75m/15.00m] and the Multiplier Effect is 76.5 [=1.1475bn/15.00m].

*Figure 3. Financing to Eligible Final Recipients and Investment Mobilised - Indirect Equity Products*

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<sup>13</sup> With regard to the EU Guarantee resulting from the InvestEU Fund EU budget contribution





Source: Commission services

### 3.3. InvestEU Eligible Investment Mobilised

#### 3.3.1. Direct Operations

The InvestEU Eligible Investment Mobilised is to be measured as the eligible project investment cost, determined by the IP. Project investment cost components that are not eligible under InvestEU are excluded from the InvestEU Eligible Investment Mobilised. For example, project investment cost components related to investments outside the EU in the context of cross-border projects<sup>14</sup> or to investments in third countries associated to the InvestEU Fund and having contributed to EU guarantee<sup>15</sup>, would be included.

For each type of financial product, in cases where the total (eligible) project investment cost cannot be reasonably estimated for each operation, the IP and the Commission should agree on a benchmark for the purpose of calculation of the InvestEU Eligible Investment Mobilised, based on the characteristics of the product and, where relevant, on the past experience of the IP.

For instance, an InvestEU Eligible Investment Mobilised equal to 3 times the Financing to Eligible Final Recipients could be considered as benchmark for senior debt, if the IP considers that financing at least one-third of any project is bound to be critical for the project to happen. Similar reasoning could apply to junior debt and equity-type financing, where the corresponding reasonable benchmarks could be set at 5 times and 15 times, respectively.

**EU co-financing<sup>16</sup>:** If EU grant-financing, EU financial instruments, European Structural and Cohesion Funds (including related national co-financing) or Recovery and Resilience Facility

<sup>14</sup> In accordance with Article 14(2)(a) of the InvestEU Regulation

<sup>15</sup> In accordance with Article 14(2)(b) of the InvestEU Regulation

<sup>16</sup> Not included in the calculation of Financing to Eligible Final Recipients

funds are used to co-finance the proposed project, this amount shall be deducted from the total project investment cost.

**Framework Loans:** In the case of framework loans (one counterpart with multiple small projects to be included in the future), should it not be known at the time of approval/signature the exact eligible project investment cost amounts to be supported under the framework, the IP will estimate the corresponding InvestEU Eligible Investment Mobilised using benchmarks based on the IP's experience and taking into account the characteristics of the expected sub-projects.

**Equity or Quasi-Equity:** The InvestEU Eligible Investment Mobilised will correspond to the InvestEU eligible investment plan for a multiannual period<sup>17</sup>. If such plan is not available due, for instance, to the nature and/or the rapid expected growth of companies (e.g. SMEs), the IP will estimate the InvestEU Eligible Investment Mobilised based on the IP's experience and taking into account the characteristics of the project.

### 3.3.2. Indirect Operations

For indirect operations, the InvestEU Eligible Investment Mobilised corresponds to the expected investment at the level of the Eligible Final Recipients following the financing provided by a financial intermediary.

For both debt and equity products, the IP should estimate the % of the investment made by the Eligible Final Recipient which is financed by the financial (sub-) intermediary. This should be done based on the IP's experience and taking into account the specific characteristics of the debt or equity financing provided to the final recipient. For the avoidance of doubt, such estimates may be defined at financial product level or per financing type and may be applied uniformly for all InvestEU Operations sharing the same characteristics.

For instance, for guarantees on the senior debt, a benchmark of 1.4 times the Financing to Eligible Final Recipients could be considered in terms of InvestEU Eligible Investment Mobilised, meaning that on average senior loans provided by the intermediary finance 70% of the investments made by final recipients.

Similar reasoning could apply to junior debt and equity-type financing, where the corresponding reasonable benchmarks could be set at 2.5 times for the venture and private equity financing and between 15-20 times in the case of infrastructure funds, respectively.

#### **Contextual Example**

##### **Assumption**

The IP provides a guarantee of 50% (EUR 50m) to a financial intermediary for a total loan portfolio of EUR 100m generated by the financial intermediary. The Union Contribution amounts to EUR 47.5m out of the EUR 50m guarantee provided by the IP. All loans provided by the intermediary are considered eligible and are expected to finance on average 70% of the investments made by final recipients.

##### **Calculation**

The Financing to Eligible Final Recipients corresponds to EUR 100m and the InvestEU Eligible Investment Mobilised to EUR 142,86m [=100m/70%].

<sup>17</sup> For direct Equity or Quasi-Equity operations, the InvestEU Eligible Investment Mobilised spans over a multi-annual period, which should correspond to the duration of the operation's financing structure. This will reflect more accurately the impact of IP financing on the longer term as the InvestEU support should normally come at an early stage of development of the entity benefiting from the IP financing, when financing is most difficult to ensure. Furthermore, the InvestEU support should not only mobilise investments directly related to the IP financing, but also trigger additional financing and investment capacity directly associated with it.

## 4. SPECIFIC CASES

### 4.1. The IP Finances a Project Several Times

If the IP finances one project more than once, the InvestEU Eligible Investment Mobilised and the Financing to Eligible Final Recipients related to the first operation shall be estimated according to the InvestEU Multiplier Calculation Methodology. If there is a subsequent IP Financing<sup>18</sup>, the (expected) Eligible Investment Mobilised is deemed to be equal to zero, unless it supports some incremental/additional financing of an incremental/additional project investment cost thus incremental/additional (expected) InvestEU Eligible Investment Mobilised.

### 4.2. Co-investments with Funds

When the IP invests under InvestEU into a company or finances a project alongside a fund into which such IP has previously invested under InvestEU, the InvestEU Eligible Investment Mobilised and the Financing to Eligible Final Recipients related to the first operation shall be estimated according to the InvestEU Multiplier Calculation Methodology. In the co-investment operation, the (expected) Eligible Investment Mobilised is deemed to be equal to zero<sup>19</sup>, unless it supports some incremental/additional financing, thus incremental/additional (expected) InvestEU Eligible Investment Mobilised.

### 4.3. Several IPs Finance the Same Project or Portfolio

If several IPs finance the same project or portfolio under InvestEU, each IP will report separately to the European Commission on the Leverage and Multiplier Effect as well the underlying indicators<sup>20</sup> without taking into account the positions of the other IPs.

However, the aggregate InvestEU Leverage and Multiplier Effect to be reported by the Commission should be adjusted by the Commission in order to remove any double-counting.

### 4.4. Cross-window Financing for One Operation

If a single operation is financed under more than one InvestEU window, the Financing to Eligible Final Recipients and the InvestEU Eligible Investment Mobilised related to each particular InvestEU window shall be calculated on a pro rata basis to the share of that InvestEU window financing in the total InvestEU financing.

The InvestEU Eligible Investment Mobilised and the Financing to Eligible Final Recipients related to each particular InvestEU window shall be calculated on a pro rata basis to the share of InvestEU window financing in the total InvestEU financing.

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<sup>18</sup> For instance, when the IP under InvestEU invests into a company or finances a project alongside a fund into which it has previously invested under InvestEU, the IP should assess if there is an incremental InvestEU Eligible Investment Mobilised or not.

<sup>19</sup> In the case where, for instance, the manager of a main fund already supported by InvestEU offers a co-investment opportunity in a final recipient: this subsequent financing is already accounted for in the calculation of the (expected) InvestEU Eligible Investment Mobilised for the initial IP financing in the primary fund.

<sup>20</sup> Union Contribution, Financing to Eligible final Recipients and InvestEU Eligible Investment Mobilised.

## 4.5. Revolving Loans

Financing to eligible final recipients may also take the form of revolving loans. IPs should, to the extent possible, take into consideration the aggregate drawdowns under such revolving loans when calculating the Leverage and Multiplier Effect.

## 5. TIMING OF CALCULATIONS AND REPORTING

The leverage and multiplier effects shall be estimated ex-ante by the IP when submitting the InvestEU Scoreboard to the Investment Committee.

In addition, these indicators shall also be reported at aggregate level at approval and signature, as part of the KPI/KMI Indicators reported semi-annually by IPs. For the avoidance of doubt, if the IP considers it necessary, it shall re-estimate the InvestEU Eligible Investment Mobilised after approval stage.

For operations under which a disbursement or an investment has been made, the Leverage and Multiplier Effects shall also be reported at the aggregate level.

## 6. DEFINITIONS

Term	Definition
Direct Operation	A final recipient transaction entered into between an Implementing Partner and the final recipient.
Eligible Final Recipients	Final recipients, eligible under the Guarantee Agreement between the European Commission and each IP , with whom IPs or financial intermediaries enter into transactions as set out for the relevant financial product in the Guarantee Agreement.
EU co-financing	Financing provided to the project through EU programmes and funds financed from the EU budget other than InvestEU.
Financing to Eligible Final Recipients	For direct operations, the amount of financing provided to Eligible Final Recipients by the IP under the InvestEU. It may also include other amounts provided by the IP or by other co-investors (including the project promoter) if these are mobilized due to the InvestEU support.  For indirect operations, the amounts of financing to Eligible Final Recipients by financial intermediaries under InvestEU Operations. It also includes the financing provided to financial intermediaries by IPs under InvestEU Operations and financing by other (co)-investors or co-financiers to such Eligible Final Recipients in relation to the InvestEU support
Fund Management Fees	Fees cover equalisation, management and other costs associated to the establishment, operation and closing of a fund.
Indirect Operation	Operation carried out by an Implementing Partner to provide financing, an investment or a guarantee to a Financial Intermediary financing directly or indirectly a final recipient.
InvestEU Eligible Investment Mobilised	Amount of total InvestEU eligible investment that is expected to be mobilised by such financing.  Direct Operations InvestEU Eligible Investment Mobilised: Eligible project investment cost, determined by the IP.

	Indirect Operations InvestEU Eligible Investment Mobilised: Expected total investment made by the Eligible Final Recipients
InvestEU Operations	Means a financing or investment operation approved by the InvestEU Investment Committee; for the avoidance of doubt it also includes framework operations.
InvestEU Participated Fund Size	Part of the fund size which would be available for investments as from the closing in which an Implementing Partner participates including subsequent closings (if any) that would increase the InvestEU Participated Fund Size regardless of the IP participation.
Leverage Effect	Amount of reimbursable financing provided to Eligible Final Recipients divided by the amount of the Union contribution. In the context of InvestEU, as defined in this methodology, the Leverage Effect corresponds to the Financing to Eligible Final Recipients divided by the Union Contribution.
Multiplier Effect	Investment by Eligible Final Recipients divided by the amount of the Union contribution. In the context of InvestEU, as defined in this methodology, the Multiplier effect corresponds to the InvestEU Eligible Investment Mobilised divided by the Union Contribution.
Union Contribution	In the context of InvestEU Fund, the amount of EU guarantee allocated to InvestEU Operation(s), plus allocations from sectorial programmes, provided under InvestEU to the IP for each financing or investment operation.