

A bridge between policy and profit

The pan-European infrastructure fund Marguerite II aims to plug the market gap in financing for early-stage projects with a unique group of backers, five national promotional banks and the EU bank

When a European research institution or company sends data to South America, the digital information has to make the trip along cables that go through the United States. That is a journey with data security—and even political—implications. A direct digital cable requires a large investment with significant construction and commercial risk, because it has to cover 6 200 km of ocean floor, crossing submarine mountain ranges and deep chasms, with most clients only willing to buy capacity after the cable is laid.

But that's the kind of investment [Marguerite II](#) was made for. So the €745 million fund backed [EllaLink](#), a cable connecting the Portuguese mainland, Madeira, Cape Verde and Brazil that's due to be completed in 2021.

"Marguerite is quite unique," says Nicolás Merigó, the former head of Santander Infrastructure Capital who is chief executive of Marguerite. "We're doing challenging greenfield projects that may not get the same attention from private funds."

Marguerite Fund II invests in greenfield infrastructure, in most cases before projects are fully developed, when most infrastructure funds prefer not to risk their money. The fund backs projects in any EU country (and pre-accession countries), including some that are less developed which might not otherwise find investors. It helps bridge the gap between the policy goals underlying public investments and the profit motive behind private finance by targeting commercial returns with a more flexible risk profile than most privately backed funds.

It's a visionary project.

Barbara Boos, European Investment Bank

Key to pan-European infrastructure fund strategy

The key to Marguerite's unique approach is its investors and an independent highly qualified team. Marguerite is backed by the [European Investment Bank](#), the EU bank, and five national promotional banks—institutions that carry out financial and development work on behalf of a country. These banks aim to support the policy goals of their governments, just as the European Investment Bank works to promote EU policy goals.

Infrastructure, particularly at an early stage of development, is a vital need, but doesn't always find sufficient investment. That's why the national promotional banks joined the European Investment Bank to create Marguerite. For Marguerite Fund II, the national promotional banks that have invested are:

- [Bank Gospodarstwa Krajowego](#), of Poland
- France's [Caisse des Dépôts et Consignations](#)
- [Cassa Depositi e Prestiti](#) of Italy
- [Instituto de Crédito Oficial](#) of Spain
- Germany's [KfW](#).

Even though the national promotional banks each put €100 million into the fund, there is no obligation for Marguerite to invest in the countries represented by these banks. The fund can back projects all over EU.

"As an equity fund, it's truly special," says Barbara Boos, head of infrastructure funds at the European Investment Bank. "It's a visionary project."

The Investment Plan for Europe steps in

Marguerite I launched in 2010, right after the financial crisis. At that time, investors were reluctant to put their money into greenfield infrastructure. But the €710 million fund was a success, with investments around Europe from German offshore wind farms to French broadband.

By the time the European Investment Bank and the national promotional banks started to put together Marguerite II, the European economy had changed and a different market gap need to be filled. There was now plenty of money looking for mature infrastructure investments. But new infrastructure—known as "greenfield" projects—in certain sectors and locations was still seen as too risky. So the banks set Marguerite II's sights on just that.

The fund had commitments of €705 million by November 2017 from the European Investment Bank and the national promotional banks. It added a private investor in 2018 with another €40 million. A guarantee from the [European Fund for Strategic Investments](#), the financial pillar of the Investment Plan for Europe, allowed the European Investment Bank to double its investment in Marguerite II to €200 million, by far the EU bank's largest investment in an infrastructure fund.

"Marguerite also brings another element to the European Fund for Strategic Investments," says the European Investment Bank's Boos, "because it's a project supported by five national promotional banks as a genuinely cross-border investment."

Impact of pan-European infrastructure fund

By September 2020, Marguerite had invested in 14 countries, with Marguerite II projects that include:

- EllaLink's data cable under the Atlantic
- The Grand Est fibre optic network covering one million households and companies in Eastern France and another network connecting 280 000 homes and offices in Haut-Garonne
- the Celsius and Heat wind farms in Sweden
- the [City Green Light](#) municipal lighting (energy efficiency) project in Italy

Among measures of the fund's impact are:

- 900 000 efficient street lights
- 550 000 tons of waste processed
- 366 km of motorways
- 1 300 megawatts of renewable energy capacity.